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Attaining Empowerment: The Potential of Religious Social Capital in Microfinance Programs

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Under the Direction of Dr. Carrie Manning

ABSTRACT

Despite the remarkable success of microfinance programs in poverty alleviation, empowering the clients of these programs has proven elusive in many cases. Social capital is a commonly missing, or at least misused, asset within microfinance programs, which often leads to this outcome. Creating and fostering social capital will have a positive influence on empowering microfinance clients. The values espoused by certain Christian theologies can have a considerably positive impact on the creation and fostering of social capital. A Christian-oriented social capital also has the potential to alleviate the ills and correct the failures of a microfinance program's intent to empower clients. This thesis argues that the values and structure of certain Christian theologies and practices create a type of social capital that increases the likelihood of Christian-based microfinance programs empowering their clients.

INDEX WORDS: Social capital, Microfinance, Religion in social capital, Empowerment, Non-governmental organizations

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DEDICATION

This thesis is first and foremost dedicated to my wife, Anna, and my daughter, Milly, as they have sacrificed the most in my efforts to complete it. I am so blessed to have them both. It is also dedicated to my parents, Randy and Susie Eberhard, whose encouragement and confidence in me have been crucial factors in my aspiring to this Master's Degree.

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INTRODUCTION

After decades of failed development practices, from foreign aid aimed at basic needs to infrastructure development funded by international loans or investments, the generally agreed upon goals of development today are personal and community empowerment (Cosgrove 2002, Chaves & Stoller 2002, Woolcock & Narayan 2002, Aall, et al, 2000, Petras 1997, Carmen 1996). Empowerment is defined here as "the process of increasing the assets and capabilities of individuals or groups to make purposive choices and to transform those choices into desired actions and outcomes."[1] This empowerment focus has seen a dramatic rise in certain development practices, one being microfinance, which has traditionally aimed at alleviating poverty and is usually employed by Non-Governmental Organizations (NGOs) (Islam 2007, Rankin 2006). But too often empowerment is either unattainable, or not even the primary goal, of microfinance programs, despite significant success in alleviating poverty. Identifying this problem, this thesis analyzes microfinance programs, primarily focusing on the role of social capital within them, asking the question: Will creating and using social capital in microfinance programs increase the likelihood of empowering the clients? Explaining a particular way to empowerment is the broad goal here, while social capital is anticipated to be a necessary component of microfinance programs if empowerment is, in fact, the aim of these programs. Thus, this question and the goal of this thesis are concerned with theoretical aspects of development. While an empirical research project could be a promising endeavor to furthering our understanding of social capital in microfinance programs, this thesis is a theoretical argument that attempts to advance social capital theory and highlight its potential in microfinance development practice.

The recent popularity of microfinance demonstrates the shift in development practice toward empowerment. Both the number of clients served and the number of microfinance institutions worldwide grew by around 40% per year from 1997 to 2002 (Islam 2007, 72). "The World Bank estimates that there are now over 7000 microfinance institutions, serving some 16 million people in developing countries."[2] Microfinance models vary, but they all have some form of what will be referred to throughout this thesis as a trust bank or village bank. This trust bank is made-up of a small group of clients, roughly 25-50 people, who cannot attain financial loans due to a lack of material collateral. The trust bank provides social collateral instead, which is the ability and promise of all the members in the trust bank to back any one member's loan. The effectiveness of this model depends upon the trustworthiness and reciprocity of the trust bank members.

While microfinance (MF) has had great success in alleviating poverty, some have convincingly argued that it has come up short in its ability to empower clients, pointing out that the trust bank model can reinforce social hierarchies that tend to be major obstacles to empowerment (Fernando 2006, Wright 2006, Rankin 2006). Others have pointed out the very limited results of MF programs when not accompanied by the creation or fostering of social capital (Bebbington and Gomez 2006, Mosley, et al, 2004, Ito 2003, Cosgrove 2002), defined as "social networks and the norms of reciprocity and trustworthiness that arise from them" (Putnam 2000, 19). The emergence of MF as an extremely popular development practice has been accompanied by and pairs well with social capital theory, which was inserted into the political and economic development fields a decade ago by Robert Putnam (1995) and has since been viewed by many as absolutely necessary for empowerment to occur and persist. But while numerous theorists and practitioners have focused on microfinance projects and social capital theory, empowerment remains elusive in many poverty stricken communities, and social capital proves to be surprisingly difficult to conceptualize and especially to create.

In attempting to answer the research question stated above, this thesis analyzes the structure and practice of microfinance programs. The problem it contends with is that social capital can often go unutilized or even have negative effects if the concept is not firmly grasped by development practitioners (Islam 2007, Rankin, Wright, Fernando 2006, Sobel 2002, Grix 2001, Putnam 2000, Portes & Landolt 1996). Examples of such negative effects will be covered in the section on microfinance. While social capital alone will not go very far towards empowerment if there is absolutely no access to even small sums of money, the loans made accessible by microfinance programs do not sustain themselves when a client or community has low social capital stock (Mosley, et al, 2004). This thesis argues, then, that for empowerment to occur, acceptable levels of social capital stock must be present in MF programs.

Empowerment is not only a concept of economic development scholars and practitioners (Woolcock, Narayan). It also has serious implications for social and political life (Mosley, et al, 2004, Cosgrove 2002, Chaves and Stoller 2002). Acquiring sorely needed credit to expand one's micro-enterprise can empower an individual in terms of purchasing power. But if this same individual has social capital stock along with this newly acquired credit, especially in the form of 'bridging' social capital, then the empowerment can be seen more in political terms. For example, an individual engaged in collective development projects can be said to have social capital stock available to her in the community. Social capital in the form of community involvement in economic development can be appropriated into civil society for purposes of political action, thus empowering not only individuals but also the community as a whole (Coleman 1988, Fukuyama 1999). In other words, social capital does not prove ineffective just because the community focus has changed from economic to political activity. Thus, this thesis is concerned with social capital's role in economic development because this area can be viewed as the foundation of individual empowerment. But when individuals are empowered by having social capital available to them in the community, then this empowerment is aggregated and can immediately be appropriated into collective political action. In short, individual empowerment in economic terms, when packaged together with social capital stock in the form of collective action, equates to politically empowered individuals and, in-turn, a politically empowered community. In this sense, the definition of empowerment used here has aspects of the economic and the political.

There are sound theoretical reasons to analyze MF programs as a way of studying social capital's role in development. Microfinance is at once dependent on the existence of some forms of social capital and derives benefits from a growing and deepening of it (Bebbington and Gomez 2006, Rankin 2006). Furthermore, MF programs can be designed to create and foster social capital with the intent of empowering their clients, as well as for the purpose of ensuring success of the programs themselves. Indeed, many MF programs recognize the importance of social capital in their very design. Katharine Rankin writes that, "In contrast to earlier 'basic needs' (or welfare) approaches to poverty alleviation, the potential of social capital theory lies in its recognition of social networks and associational life as *resources* for fuelling development from the bottom-up," which has led to the popularity of development practices like microfinance (2006, 89). She goes on to describe microfinance as the "practical manifestation" of social capital (2006, 89). Further discussion of social capital's role in MF programs will be conducted below, and the dependence of MF programs on social capital will be made clear. But this thesis goes further by analyzing a particular kind of social capital, namely a horizontally-structured, Christian-based social capital.

Two leading and early theorists of social capital, Putnam (1995, 2000) and Fukuyama (1999) put forward that religious congregations are a promising source of social capital, but neither goes much further than that assertion. More recently, social capital in certain Christian congregations has been explored, advancing our understanding of the particularities of a Christian-based social capital (Corwin 2003, Wuthnow 2002, Lockhart 2005). The aim here is to demonstrate the potential of Christian-based social capital in reconciling the negative effects certain aspects of social capital can have on empowerment, particularly the effects of 'bonding' social capital. This occurs in two ways. First, membership in Christian congregations has been demonstrated to result in an expansion of personal networks across socio-economic divides, as membership in a congregation positively impacts an individual's civic engagement (Greeley 1997, Lam 2002, Wuthnow 2002). Second, the values espoused in certain Christian theologies, if adopted by adherents, results in higher general social trust and trustworthy behavior, which in-turn positively influences social capital stock (Lockhart 2005, Corwin 2003, Sugden 2003, Wuthnow 2002) The thesis employs this same analysis to address the short-falls of many microfinance projects in their attempts either to create new or use existing social capital as a vehicle to empowerment.

Due to such worldwide popularity, MF programs have attracted scholarly attention, which has addressed the positive effects, negative effects, and limitations of microfinance (Islam 2007, Fernando 2006, Cosgrove 2002). Scholars have also analyzed MF with an analytical eye on social capital within the programs (Rankin 2006, Wright 2006, Bebbington and Gomez 2006, Mosley, et al, 2004, Ito 2003). The social capital literature itself is quite extensive, and social capital found in Christian congregations and communities has begun to receive scholarly attention as well (Lockhart 2005, Smidt 2003, Wuthnow 2002, Greeley 1997). But up to this point, there has not been much of an effort to consider the effects of Christian-based social capital *within* MF projects. The intended contribution of this thesis is to bridge this Christian-based social capital literature with the literature on social capital's potential role in microfinance, with the hope that the latter will be further advanced.

Interestingly, pointing to the values and social practices of faith-based groups as indicators to explain an existence of what we now call social capital can be seen as far back as Alexis de Tocqueville's influential study on early American democracy (1835). Likewise, the same analytical focus was employed by Max Weber to explain relatively high levels of economic development among faith-based groups, namely the Protestants in Europe and North America (1905-06). Weber's influential study will be employed in this thesis to argue the potential of certain Christian theologies and the values they espouse in creating and fostering positive social capital in underdeveloped communities. Some of Weber's points made a century are evidenced today by a Protestant theology called Transformation Mission Theology, which is analyzed in this study. Additionally, Liberation Theology in the Catholic tradition will be analyzed as a potential vehicle for social capital development. The intention here is to analyze a broad array of Christian-based social capital, highlighting the positive effects on social capital formation that can result from the espousal of and adherence to certain Christian values. Additionally, it will be argued that the horizontal structures of certain congregations found in both the Catholic Church and Protestant denominations are conducive to social capital formation.

ORGANIZATION OF THE STUDY

The theoretical argument of this thesis proceeds from the idea that if social capital is created and fostered then the limits of microfinance programs' ability to empower clients can be overcome. Thus, it is argued that empowerment is more readily attainable if the clients possess higher levels of social capital stock. And, lastly, the values of certain Christian theologies and the structure of their congregations can influence the degree of a positive impact in creating and fostering social capital.

The full spectrum of social capital can be fostered or created by certain Christian congregations and the values they espouse. Horizontally structured congregations can move beyond the negative aspects of 'bonding' social capital upon which so many MF programs solely depend (Ito 2003, Wright, Rankin, Fernando 2006). For example, congregations provide networks and linkages to individuals that span socio-economic divides (Wuthnow 2002). In other words, 'bridging' social capital, a concept to be discussed in detail, can originate in these congregations or groups. Secondly, values of trusting and trustworthy behavior are often instilled in members of Christian congregations, and this can greatly enhance both 'bonding' and 'bridging' social capital stock (Lockhart 2005, Smidt 2003, Welch, et al, 2004). Lastly, an individual's religiosity greatly increases the likelihood of voluntary participation, which in turn leads to civic-mindedness as well as additional linkages between individuals (Lam 2002, Greeley 2007, Putnam 2000).

Providing a theoretical foundation for the above approach, Weber's *Protestant Ethic* demonstrates how the values espoused by Protestant denominations at the time affected individual behavior in social and market-based contexts (1905). His discourse on a 'sense of purpose' held by Protestants and the effect this had on economic activity and a general "spirit of capitalism" will be examined to further enhance the argument. Weber's observations on Protestantism one hundred years ago are evident today in "The Oxford Declaration on Christian Faith and Economics," an influential declaration issued by more than 100 evangelical leaders involved in development practices, academia, banking and finance, and the evangelical Christian-community from around the world (Schlossberg, et al, 1994). This declaration has since been an intellectual foundation to many development projects, including MF programs carried out by evangelical NGOs adhering to Transformation Mission Theology. For this reason, this theology's doctrine and practice will be analyzed to demonstrate the intellectual, or theological, foundations that assert the importance of social capital formation in development.

While Weber's thesis focuses solely on Protestantism, the argument here is that the same values he determined to be uniquely held by Protestants in Europe then are, to an extent, commonly held across Christian congregations today. For example, Weber argues that the Protestant "conduct of life" and "attitude to one's profession" came into being to "adapt" to capitalism, "and not just in individuals, but as an attitude held in common by groups of people" (Weber 2002, 13). He demonstrates that these values (i.e.

honesty, duty, stewardship, developing one's talents, and perseverance), were then espoused across the Protestant sects. Today, they are espoused as "Kingdom of God Values" by Transformation Theology among other doctrines, and they enable an "adaptation" to rewarding behavior in capitalist markets (Sugden 2003). An in depth discussion of Transformation Mission Theology and Liberation Theology will further demonstrate how both share these values and call for social change.

From this theoretical basis, four illustrative examples of MF programs in Nicaragua are observed to determine whether MF programs in that country are creating and/or utilizing social capital to their advantage. Two Christian-based and two secular MF programs are observed in an attempt to determine if different strands of social capital produce different results. Opportunity International is a Christian NGO that specializes in MF programs. It has ongoing projects in Nicaragua, and the model of these projects will be analyzed to determine if it delivers the message and adheres to the practice called for in Transformation Mission Theology. Catholic Relief Services is another Christian NGO engaged in administering MF programs in Nicaragua. Fondo de Desarrollo Local (FDL) and Accion are two secular NGOs heavily involved in MF. These four MF NGOs will be discussed to demonstrate how different practices lead to different results in the client groups. Survey data on Nicaragua from La Pop, an on-line data base of Latin American values, are utilized to determine if congregationalism does, in fact, impact components of social capital, namely generalized trust and trustworthiness.

But, as stated above, this thesis is a theoretical exercise with the objective of advancing a deeper understanding of Christian-based social capital and its potential in microfinance programs to empower clients. At this point, though, the theoretical argument could roughly be explained in this way: Microfinance programs too often operate on an existing stock of 'bonding' social capital (Ito 2003). In order to reach the goal of empowerment, 'bridging' social capital – or expanding personal networks – is necessary as well as generalized trust and trustworthiness within the community (Wright, Rankin 2006). While these are the more difficult aspects of social capital to create, Christian-based MF programs that espouse "Kingdom of God Values" and utilize horizontal social structures in their practice create 'bridging' social capital as well as instill trusting and trustworthy behavior amongst their clients (Lockhart 2005, Smidt 2003). And more importantly, because of their structure and practice, they are more successful in empowering their clients than secular NGOs that do not concern themselves with individual and community transformation (Sugden 2003).

The originality of the argument presented here is in demonstrating how this kind of social capital can alleviate the ills that result from microfinance programs that are based solely on pre-existing 'bonding' social capital. The specific argument is that Christian-based MF programs observed here effectively create 'bridging' social capital and are more likely to empower their clients than other MF programs because of this. The basic intent here is to contribute to the literature on Christian social capital and to bring attention to its potential in MF programs. Due to the abstract nature of these concepts, it is necessary at this point to develop them further and to point out weaknesses in the literature. The thesis will then more thoroughly explain social capital's role in microfinance and its expected importance in empowering the poor and marginalized clients of MF programs.

EMPOWERMENT

The World Bank defines empowerment as “the process of increasing the assets and capabilities of individuals or groups to make purposive choices and to transform those choices into desired actions and outcomes.”[3] By this definition, one can see how both microfinance and social capital fit well within the framework of development practices that seek to empower. Microfinance is one of the most successful practices employed by development agencies to “increase the assets of individuals,” while social capital can often result in the “capabilities of individuals or groups” to influence or even determine their well-being.

This definition also demonstrates how empowerment is not just an economic term, but one with serious implications for the political. The idea of people making their own “purposive choices” and seeing those choices as realized outcomes is inherently political. It involves a degree of influence an empowered individual or community has over the institutions that affect individual and collective livelihoods, including local government, national government, education, or even social institutions such as marriage. Empowerment is “mutually reaffirming” for the individual and the community, in so far as an empowered individual can positively affect a community while an empowered community makes individual-level empowerment much more readily attainable. This being the case, empowering individuals often requires long-term processes of community empowerment, and thus community development, to occur first (Cosgrove 2002). As will be argued later in this thesis, the structure of community (or congregation) has an impact on the likelihood of an individual having a say in decisions that affect the course of individual and collective life, meaning it has an impact on that individual’s empowerment. Greater purchasing power is an indicator of economic empowerment, but economic empowerment is perhaps more crucial in its ability to enable individuals to become involved in forms of associational life that are the source of “management capacity and organizational autonomy of groups and communities,” thus enabling “their active participation in the search for solutions and alternatives” to poverty and clientelism (Chaves and Stoller 2002, 10). This thesis focuses on empowerment as a potential outcome of economic development, while it regards empowerment as inherently political in nature.

There are numerous ways and means to empowerment, and empowerment is by its nature subject to context. But there are some common elements of empowerment that hold steady across social contexts. According to the World Bank, they are: access to information, inclusion and participation, accountability, and local organizational capacity.[4] All four of these elements are made available to groups or individuals when there are high levels of social capital stock in a community. In other words, social capital is an asset that provides these elements to those who possess it. The attempt to be made in this thesis is to demonstrate how both microfinance projects and a presence of social capital can greatly increase the chances of seeing people empowered.

Empowerment is such a sought after objective today due to earlier development practices that failed to be sustainable and to the negative effects of globalization. Globalization’s effects on the poorest people of the world include the disappearance of traditional culture, human alienation (often due to increased migration in search of labor), and environmental degradation usually seen in poor regions. Empowering the poor would enable individual and collective action that could correct for these negative effects and in turn use the products and services of globalization to effect positive change.

Unfortunately, development practices do not only miss the mark of empowerment, they sometimes even create a condition of clientelism among the poor they seek to help. Clientelism has been defined as "the relations that are established between a 'patron' who offers certain services and a 'client' who in exchange for those services (or goods) permits the patron to govern and resolve collective issues without the client's participation" (Chaves & Stoller 2002, 8). Clientelism is too often seen even among microfinance programs. It can take such form as patron-client relations within the solidarity groups or trust banks of the programs, especially among the so-called 'leaders' of the groups and lesser members (Rankin 2006, Wright 2006, Fernando 2006). But the NGOs that direct the programs also face a difficult task in avoiding the creation of clientelism among the target populations in relation to the NGO personnel (Chaves & Stoller 2002, Petras 1997, Carmen 1996).

With this problem of clientelism in mind, the weaknesses of microfinance programs and the negative aspects of social capital will be discussed to explain how numerous programs have failed to empower their clients. If empowerment is attained by the clients of these programs, then development and progress are more likely to be sustainable. In short, "Empowered people have freedom of choice and action," and "this in turn enables them to better influence the course of their lives and the decisions which affect them."[5]

MICROFINANCE

The term microfinance encompasses several different models of providing small loans to poor individuals who have no access to capital from commercial banks due to an inability on the part of these individuals to offer any material collateral. In general, though, the most common model seen is called Village Banking. FINCA International (FINCA), a secular NGO, has mastered the village banking model and is considered by many as the authority on the practice. The Global Development Research Center explains Village Banking in this way:

> Village banks are community-based credit and savings associations. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source (NGOs, for example), but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, distribute loans to individuals, and collect payments and savings. Their loans are backed, not by goods or property, but by moral collateral: the promise that the group stands behind each individual loan.[6]

While these models are incredibly successful in not only lifting clients out of poverty, they also can result in stronger community bonds that can be utilized to serve the community on other fronts, a concept called 'appropriable social capital' (Coleman 1988). Microfinance is a perfect development practice to focus on in this thesis, as it is inherently dependent upon and beneficial to social capital in its communities of practice. Likewise, as will be evident below, the religious values analyzed here (espoused by

Liberation Theology and Transformation Mission Theology) are closely related to the goals of MF programs. For example, both of these theologies and MF programs are concerned with the ‘poorest of the poor’, the marginalized and excluded in society, and the financially, socially and spiritually alienated people in the developing world. Specifically, MF programs seek to provide credit to the ‘unbankable’, a more economic description of the same sector of society (La Torre 2006, 4). This will be discussed in detail later, but it is evident at this point that it is appropriate to analyze microfinance and social capital together.

Tazul Islam (2007, 91-92) provides a nice summary of the unique nature of MF in alleviating poverty, and, in so doing, demonstrates the inter-related nature of MF and social capital. He explains that most MF programs are designed to: 1) reach out to the people to find and recruit clients, thus creating networks of inter-personal relationships; 2) create social change through the building and fostering of trust and reciprocity - first within the village banks and then between the clients and NGOs administering the program; 3) develop client capacities through a decentralized model that forces leadership roles on clients; and 4) “resolve information asymmetries by creating peer group contacts in which liability is collectively accepted and regular payments are made at group meetings” (Islam 2007, 73). This relationship is not only one of MF being dependent upon social capital. Some level of pre-existing social capital is necessary for MF to be successful, but well-designed MF programs also result in further-reaching and deeper relational networks held by the clients. Rankin explains that, “participation (in village banks) yields not only an economic payoff in increased access to financial services, but also an empowerment payoff in new forms of bridging and linking social capital that emerge from participation in networks of borrower groups" (2006, 99).

Microfinance has seen proven success for alleviating poverty in the poorest communities of the world. Probably the most well-known MF success story is that of the Grameen Bank, founded in Bangladesh in the 1970s by Dr. Muhammad Yunus. It has lifted hundreds of thousands of clients, especially women, out of poverty over the last thirty years. But most NGOs engaged in microfinance programs did not start employing the practice in development projects until the late 1980s or early 90s. World Vision, a Christian development NGO, started its first MF project in Colombia in 1993. The success and popularity of these programs speak for themselves. By 2005 World Vision was disbursing $169 million in micro-loans to more than 364,000 clients worldwide.[7]

Such success has led many to an almost unquestioning faith in the ability of MF programs to succeed. Dr. Yunus recently proclaimed, "If we are looking for one single action which will enable the poor to overcome their poverty, I would focus on credit."[8] Indeed, both sides of the political spectrum are proponents of MF, albeit for different reasons. "Microfinance appeals to the political left by virtue of its redistributive potential and to the political right by assisting in the creation of a class of 'small capitalists' operating independently of any need for state support" (Mosley, et al, 2004, 410).

There are, however, development observers who have leveled a healthy dose of criticism at the limits and even potential negative results of MF programs (Islam 2007, Rankin 2006, Wright 2006, Fernando 2006, Ito 2003, Cosgrove 2002). Rankin and Wright critique MF programs with placing too much emphasis on successful credit delivery and repayment by clients and too little on avoiding a resulting perpetuation and reinforcement of social hierarchies within the client communities due to the structure of the solidarity groups or trust banks (2006). Ito and Fernando argue that a negative social hierarchy emerges between the clients and lenders in MF programs and that this can result in clientelism and immobility on the part of the clients (2003, 2006). Islam (2007) and Cosgrove (2002) focus on MF programs' failures to empower their clients, especially highlighting the limits of MF programs that concern themselves with credit only and do not employ any services, training, or community development practices. All of these critiques hold one common theme across their differing approaches: MF programs need to employ practices that would create or foster the positive aspects of social capital in addition to their successes in the purely financial aspects of the programs.

According to these critics, even the MF programs with a credit only approach are still dependent upon some aspects of social capital (Ito 2003), or MF programs produce and perpetuate negative social structures due to a narrow understanding of social capital (Rankin 2006, Wright 2006). They critique MF with a narrow view of social capital themselves, however. In order to reconcile MF's limits and enable empowerment of the clients, a broader view of social capital is essential. Rankin and Wright, for example, level their criticism at MF programs with an analysis that does not go beyond 'bonding' social capital (2006), which can in fact have negative effects. But if crucial elements of trust and trustworthiness are fostered or created within a client community, the problems Rankin and Wright concern themselves with can be alleviated. Likewise, if particular attention in MF programs is placed on networking and building links to trustworthy people outside the village banking group, then Ito's charge of negative hierarchical bonds resulting from MF programs can be avoided (2003).

Microfinance programs, if designed and conducted a certain way, can indeed build upon the inter-personal trust inherent in the village bank to expanded networks of trust and reciprocity (bridging social capital), resulting in rising levels of social capital across the broader community. These expanded networks can most effectively materialize through the NGO administering the MF program. But if these NGOs do not take certain steps to create “rules and procedures that enhance notions of reliability and confidence” amongst the clients, the entire project can break down, resulting in even lower levels of social capital than before (Bebbington and Gomez 2006, 118-119).

Thus the observation in this thesis of MF program designs. If ever expanding networks of inter-personal trust among clients is crucial to the success of MF programs in developing social capital, the focus should be on different NGO practices, both religious and secular, and the results they can yield. The discussions of Liberation Theology and the Oxford Declaration-based theology will provide a theoretical basis from which to analyze Christian-based NGOs administering MF programs. It is argued here that a Christian-based form of social capital can be quite effective in avoiding the pitfalls pointed out by the critics reviewed above. To be clear, the argument is that a Christian-based social capital *can be* effective, but it must take an appropriate form. As will be discussed in the next section, Christian-based social capital can also have negative effects on empowerment if it takes the form of ‘bonding’ as opposed to ‘bridging’ social capital. These concepts will be more fully developed as well as social capital’s role in economic development.

SOCIAL CAPITAL

Robert Putnam's definition of social capital is generally agreed upon across the literature and will be used here. "Social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them" (2000, 19). In using Putnam's definition, and emphasizing not only trust and trustworthiness as intrinsic aspects of social capital but also the necessary social ties for social capital to be of any use to individuals, this thesis reasons that these aspects have to be created and fostered in a community if the intent is to create social capital to achieve economic development and community empowerment. More specifically, and importantly for this thesis, Putnam differentiates between 'bonding' and 'bridging' social capital (2000). Bonding, sometimes called horizontal, social capital refers to the social ties found in relatively small groups. It is characterized by high-levels of trust and caring within the group, but it usually comes with virtually unquestioned hierarchical social structures that have negative effects on individual-level empowerment. Further, bonding social capital can have negative externalities for those outside the group, limiting access to a local market for example. Bonding social capital can be seen in ethnically homogenous neighborhoods in urban areas, in certain types of religious congregations, or in a neighborhood of one socio-economic class. It is this form of social capital that is initially found in the solidarity group of the village banking model. While it is necessary for the initial success of the MF program (Ito 2003), it can be quite limiting to members of the group when hierarchical relations within the group go unchallenged or are even reinforced by the success of the MF program (Rankin, Wright 2006).

Bridging, sometimes called vertical social capital refers to social ties formed across socioeconomic and ethnic lines (Putnam 2000). These are also described as 'weak linkages,' and can result in positive mobilization for poor individuals (Woolcock 1998). This type of social capital is of great concern for this thesis. Bridging social capital is not as common as bonding, but it provides the networks and relationships for poorer people to make progress toward empowerment through benefits that come from relationships with people of a higher socio-economic class or with stronger political connections. This can be seen in the form of jobs, having a voice with a certain political official, or making a connection with other individuals with political or financial capital that can be used in some way by the poor individual(s) in the relationship.

While Putnam is most responsible for popularizing the concept in political and economic development, social capital originated in the field of sociology. In the 1990s interest in the concept emerged across the social sciences when James S. Coleman, a sociologist, reintroduced it as bridging rational action theory from economics with sociology's social structure theory (1988). But it was Putnam who, with his commentary on declining social capital in the United States, renewed serious interest in the concept among political scientists and economists (1995, 2000). A precursor to any discussion on social capital is that little consensus on any aspect of the concept exists. There is, however, a general framework in which the debate now finds itself. Over the past fifteen years the main questions in the debate have evolved. The general course the debate has taken can be covered by addressing the following questions: should it be considered a type of capital at all; how exactly do we define social capital; is it good or bad for economic development, and, if it is good, can it be created by deliberate efforts?

Should Social Capital Qualify as Capital?

When Coleman reintroduced social capital to the social sciences, he realized the importance of explaining the term itself even before arguing that it in fact exists. The first critique that comes to the minds of skeptics even today is that social capital may be some concept that does exist in society, but it is not economic in nature and is definitely not a type of capital. Coleman considers social capital a type of capital first and foremost because it has a function. And the convergence of rational action theory from economics with social structuralism from sociology hinges on this function. “The function identified by the concept of ‘social capital’ is the value of (certain) aspects of social structure to actors as resources that they can use to achieve their interests” (Coleman 1988, p. S101). Individuals can use the value in social capital to achieve a rationally thought out objective, just as they can use the value in financial capital to purchase a product or the value in human capital to obtain a source of income. Put another way, social capital qualifies as a type of capital because it is productive, much like industrial capital. To be productive any type of capital has to have actionable value. The actionable value in social capital is its function, which itself is debatable (to be discussed later) and constitutes its definition, though it is also the point of departure for scholars who point out that social capital should not be considered a type of capital at all.

Skeptical scholars argue that social capital does not qualify as capital because it is not measurable. They argue this because, according to a generally agreed upon definition, it exists in the abstract world of relationships among actors (Ostrom, 1999; Solow, 1999). Secondly, most types of capital call for a material sacrifice on the part of an actor investing in that capital. Social capital can be argued to require no material sacrifice in order that an actor may benefit from its use. Also, due to its immaterial nature, social capital is not transferable from one person to another (Arrow, 1999). Further, it can be argued that capital by its very nature depreciates with use, while social capital is reinforced as more transactions are made.

The common point behind these arguments is the immaterial nature of social capital. That social capital cannot be transferred or measured, and that it appreciates with use, all stem from the point that it is not of material value. But human capital is a generally accepted concept in the social sciences, and it is clearly immaterial as well. Human capital, however, is a type of capital in which an investment has to be made by the actor intent on acquiring it. For example, one must pay tuition and forego the option of earning a full-time salary if she pursues higher education, an example of human capital. This is probably the strongest argument in favor of not recognizing social capital as a type of capital (Arrow, 1999). But it can be argued on the contrary that one does have to make some investment in social capital, albeit not a material investment. When one chooses to behave according to the social norms of his society, he is in fact making an investment. This brings up the topic of the next section, defining social capital and considering its elements.

Defining Social Capital

When using the concept of social capital as a variable in political and economic development, Putnam’s definition has been the most commonly agreed upon and, as stated above, will be used here. Interestingly, the definition chosen by sociologists is not too different than this one, though this one is more popular among political scientists and economists. Rather, these disciplines differ on the question of how social capital should be operationalized (Foley and Edwards, 1999). Political scientists and economists focus more on the norms and values within society and on Putnam's concept of 'generalized social trust,' while sociologists place more emphasis on social capital as a public good used for private benefit. Coleman describes the sociologists' view as "relationships of the market." He illustrates this idea in an example of a small market where a tourist asks a leather salesman where he can find jewelry. The leather salesman gladly walks the tourist down to the jewelry stand, taking for granted that such a favor would be reciprocated by the jeweler. If this behavior were repeated over and over by the salespersons in the market, then of course it would be reasonable that they would have a considerable degree of trust in one another and would exhibit trustworthiness to one another (Coleman, 1988).

This is social capital in operation, and it obviously functions as a lubricant for economic activity. But Coleman views this as something only emerging from and used by what he calls 'closed social structures' (1988, S105-S108). A 'closed social structure' is basically a relatively small community in which any one member of the community is familiar with numerous other members to the extent that actions of individuals are observed, remembered, and subject to being sanctioned by all the members in the social structure. It is within this closed social structure that Putnam's concept of bonding social capital is prevalent. Coleman asserts that social structures have to have "closure" in order for trustworthiness to be created. Trustworthiness is created through an iterated fulfilling of obligations by members in a group. In a closed social structure sanctions are imposed on individuals who duck obligations, and the fear of sanctions is what ensures obligations to be filled. In the case of the market, the sanction on a salesperson unwilling to offer the free advertisement of other marketers to tourists could be that, eventually, none of the other salespersons would assist that individual in any way and may even ostracize him to a point of leaving the market. In a village banking structure utilized in MF programs, sanctions would be imposed on clients who do not repay the small loans disbursed to them by the village bank. In Coleman's view, sanctions cannot be imposed in an open social structure, and thus Putnam's 'generalized social trust' is not of much use to Coleman and other sociologists who would rather view social capital as a usable mechanism to attain individual advancement.

While Coleman's example of what Putnam calls "specific reciprocity" greases the wheels of economic activity in the closed social structure of the market, Putnam concerns himself with the same idea but places it in broader society, a concept he appropriately terms the "public face" of social capital. This hinges on the concept of "generalized reciprocity," which results in "generalized social trust," or the individually-held idea that the society in which one lives is generally trusting and trustworthy, and for that reason an individual would behave according to the norms of society (2000). Moreover, each time an individual adheres to a norm, and witnesses that norm being adhered to by a stranger, that individual's trust in his community is reinforced. Thus, Fukuyama (1999) contributes the word "instantiated" to his definition of social capital, which is very similar to Putnam's. Bebbington and Gomez (2006) explain how this generalized social trust is created and reinforced as village bank's clients make payments on their loans. At first, clients often do not know each other, and trust is shallow within the group. They explain that, "Village banks begin lending and saving with low levels of (inter-personal trust) – enough to be able to distribute loans and collect savings, and begin the process of mutual risk taking." And, "if each member repays her loan on time, trust and confidence is strengthened and in the next round the group feels empowered to risk a bit more," resulting in the stock of social capital growing "with each successful cycle of lending and repayment" (Bebbington and Gomez 2006, 117).

From Putnam's definition then, it follows that trust and trustworthiness are crucial elements in social capital. Trustworthiness in society is a causal factor of general trust in society (Putnam 2000). These elements of social capital can be greatly enhanced by religious values espoused by religious groups in communities, be they faith-based NGOs, small community churches, or large congregations that span socio-economic divides. Some assert, however, that there is a conceptual gap between inter-personal trust and generalized social trust (Cohen 2001, Levi & Stoker 2000, Grix 2001, Foley & Edwards 1999, Welch, et al 2004).

Trust is not as one dimensional as Putnam sees it. For example, "inter-personal trust is clearly different from trust in institutions – or perhaps more precisely the actors who populate them" (Grix 2001, 194). Putnam jumps too easily from inter-personal trust, inherent in bonding social capital, to generalized social trust, necessary for bridging social capital. Foley and Edwards argue that 'generalized social trust' is "irrelevant" as a factor in economic development (1999). But while it is difficult to really measure an impact of this kind of public trust, the assumption here, based on sound theoretical discourse, is that a trusting and trustworthy public will conduct economic activity with much lower transaction costs than a public with low-levels of trust. "The economic function of social capital is to reduce the transaction costs associated with formal mechanisms like contracts, hierarchies, bureaucratic rules, and the like" (Fukuyama 1999,4). It is decided for the purposes of this thesis that Putnam's (2000) definition of social capital is the most useful, as it encompasses 'generalized social trust' as well as both bonding relationships and bridging linkages across communities.

Is Social Capital Good or Bad for Economic Development?

The debate over social capital's impact on economic development usually takes the form of scholars pointing out either positive or negative externalities of social capital. There is also a more conceptual argument that claims social capital to be in danger of becoming tautological, or a "catch-all" phrase for development success (Portes and Landolt, 1996). The arguments of possible negative externalities tend to be confined to bonding social capital, though, and the positive impact of social capital is much more compelling when considering the opportunities arising from bridging social capital.

When considering the tight knit groups that comprise bonding social capital, it is also necessary to consider those outside the group. While those inside a group reap the rewards of membership (i.e. employment, credit at the local grocer, physical security, etc.), those outside the group lack the access to such benefits. Further, exclusion from a group can even act against one's chances for advancement (Putnam, 2000). For example, if all the jobs were filled or held for people of a certain ethnicity or religion, being an outsider could work against one's efforts to access the market. On a broad scale this can be counter-productive for economic growth and mobility, at best (Putnam 2000, 322). At worst, this negative externality of bonding social capital could lead to conflict between groups. “Bonding social capital, by creating strong in-group loyalty, may also create strong out-group antagonism” (Putnam 2000, 23).

Another problem with bonding social capital is more of an internal than an external negative. When a Latino immigrant first arrives to the United States, say in Los Angeles, her ethnic and possibly familial ties would almost certainly act to provide her with a job and shelter. As time passes, she may want to enroll in a community college and seek employment outside the ethnically homogenous Latino district of the city. National Public Radio has recently done a series of reports on the high racial tension and accompanying gang warfare between African Americans and Latinos in Los Angeles. This atmosphere of high levels of bonding social capital accompanied by high levels of animosity outside the group can restrict mobility and economic advancement within a group by restricting freedom and encouraging intolerance. In such circumstances, the perception among group members is that group preservation is the most immediate concern for the community, and thus demands for conformity are placed upon individuals by the group. While this strong bonding social capital may be comforting to some, “the claustrophobial may be asphyxiating to the individual spirit” (Portes and Landolt, 1996). Bonding social capital of this nature is clearly no help to long term economic development.

Lastly, social capital can be argued to reinforce social hierarchies (Wright, Rankin 2006). This argument can be directed at both bonding and bridging social capital. It is not difficult to conceive of a social hierarchy within a tight knit ethnic or religious group. Conforming to the norms and operating within the economic and social spectrum of that group usually serve to bolster the authority of group leaders or customs. This almost takes on the picture of an organized crime family, but it can be seen in all kinds of groups. Likewise, this can be seen in relationships of bridging social capital. If a small rural village were to create "weak linkages" with business or policy elites from the nearest city, a reinforcing of social hierarchy could be seen in that relationship. This could take the form of clientelism, and should be avoided for sustainable and healthy economic development. For these reasons, this argument will be further discussed later in this paper, as NGOs face the danger of unintentionally creating such relationships (Ito 2003, Chaves & Stoller 2002, Petras 1997).

Because this thesis is most concerned with bridging social capital and its necessary component of trustworthiness in society, the positive externalities of social capital are far more compelling for broad-based community economic development. This kind of social capital can be utilized as "capital" in several ways. Bridging, and even bonding, social capital often times replace the need for "broad-based social 'safety-net' systems that usually take the form of costly government directed programs" (Getubig, Gibbon, and Remenyi, 2000, 5). Of direct concern for this thesis, the village bank in MF programs often takes on this function. This positive externality can be a real asset in poor countries where the government is hard-pressed to provide such social welfare policy as unemployment transfers.

Additionally, bridging social capital provides access to broader social networks, which can result in political or economic advancement. If a rural village had the bonding social capital to propel themselves forward in development, it would eventually meet a "glass ceiling" without access to outside groups (Bebbington and Perreault, 1999). But by organizing to a degree that community leaders could create "weak linkages" to an economic or policy elite, further advancement for that community would likely be in store. Coleman calls this “appropriable social organization” (1988). This exists when “an organization that was initiated for one purpose is available for appropriation for other purposes, constituting important social capital for the individual members” (Coleman, S108). For example, if five friends knew one another due to being members of the same church and all had a need to transport their goods to the market, they could make a collective investment in a large flat-bed truck. After having established themselves at the market, they could perhaps create ties to groups from other villages. As this social network of the market grows, there could be the makings of a larger, official group of marketers to present a unified voice for grievances and representation of interests at the governmental level. Thus, the social capital present in the relationships of the five members of the church has ultimately been appropriated to representation before the government and has resulted in economic advancement for all five individuals.

Lastly, the “public face” of social capital also has positive externalities for economic development (Putnam, Francois, Fukuyama, etc.) Trustworthy behavior, sometimes said to be calculated through an awareness of one’s reputation for future transactions in the market (Fukuyama) and sometimes said to be an inherent attribute of an individual (Francois), can facilitate economic activity across a given society. As mentioned earlier, Putnam calls this trustworthiness in society “generalized reciprocity.” He continues, “a society characterized by generalized reciprocity is more efficient than a distrustful society, for the same reason that money is more efficient than barter….Trustworthiness lubricates social life” (2000, 21).

Trustworthiness facilitates economic activity in lesser developed countries communities because it fills the void that is present when weak institutions are unable to enforce contracts or appropriate market behavior on untrustworthy actors. Without strong institutions and lacking social capital, many communities in developing countries are caught not just in a poverty trap but also a social trap (Francois 2000, Rothstein 2005). Thus, social capital can have positive externalities by providing a comfortable market environment for entrepreneurs who would have previously refrained from transactions due to the vulnerability of making such transactions in the absence of enforcement mechanisms.

Having argued that social capital is, in fact, a positive for economic development, the question of creating social capital becomes a pressing one. It is also the subject area in which religion's role in social capital is of primary concern, especially if the intent is to create the positive aspects of social capital, refrain from exacerbating the negative ones, and, ultimately, empower the target community of MF programs conducted by NGOs.

Creating Social Capital

Although social capital became a popular development concept throughout the 1990s, by the end of the decade very little literature addressed creating social capital (Woolcock 1998, Grootaert, et al, 2004). The scholars who did concern themselves with social capital creation held widely different views on the appropriate causal factors (Smidt 2003, Bebbington and Perreault 1999, Evans 1997, Fukuyama, 1999). The debate on these factors takes the form of the wider debate on economic development in general in that those offered tend to be political-institutional or cultural-social structural factors.

Putnam looked to civic engagement to explain social capital stock (1993). His study on provincial governments in Italy and differing levels of social capital stock across that country laid out a convincing argument that greater stocks of social capital were evidenced by a more civically engaged populace and influenced government to be more responsive and less corrupt. He comes up short in explaining why the populace was more civically engaged in the first place, though. Lam (2002) and Greeley (1997) demonstrate how religious affiliation or simply religiosity often greatly enhances volunteerism and ultimately civic engagement on the part of members of religious congregations and, more broadly, people who hold religious values.

Some are skeptical of government being able to create social capital (Fukuyama, 1999), while others point to government's role in education as a means to create it (Carmen, 1996). This policy is one that is more likely to create human capital, though, and does not ensure social capital creation. Even if education produces civically minded individuals, there is no guarantee that these individuals would engage with one another or with the community in general. Civic virtue, like voting or a willingness to serve on jury duty, is a positive characteristic of a society, but "a society of many virtuous but isolated individuals is not necessarily rich in social capital" (Putnam 2000, 19). Again, social networks and community bonds are necessary for social capital to exist.

As discussed earlier, trustworthiness is a crucial component of social capital, so any attempt to create social capital must be concerned with fostering or inspiring trustworthy values at the individual level. Patrick Francois (2002) argues that trustworthiness is a moral value socialized into individuals by, usually, the individuals' parents. If at least some trustworthy actors exist in a given society, "modern capitalist production" further enhances this behavior, reinforcing trustworthiness throughout that society. Thus, if trustworthiness can be found in a society and economic activity is relatively free to occur, social capital will be created. He explains it further in asserting that "more opportunities for trade …… allow the trustworthy more chance to realize returns to their type (other trustworthy individuals). This tends to raise evolutionary incentives for trustworthiness and can serve to enhance social capital" (Francois 2002, 113). In simple terms, one can think of a car repairman who has nothing to differentiate himself from other car repairmen in the community but his reputation for honesty. While the community assumes that all car repairmen are equally knowledgeable in their trade, calculating trusters will seek out a car repairman with a reputation for trustworthiness. Eventually, the trustworthy car repairman's success acts as an incentive for other car repairmen to be trustworthy as well. This evolution iterated throughout a community results in high social capital stock. Francois' picture is limited, though, in that capitalist economic activity must already be occurring for this evolutionary process to begin.

Economists view trustworthiness as situational and not intrinsic, arguing that trustworthiness, like trust, is a calculated behavior, not an attribute or behavior stemming from moral values (Durlauf, 2002). This is a pessimistic view of humanity, but compelling on its surface. It holds that individuals would behave in an opportunistic manner and take advantage of a vulnerable truster if there were no penalties for doing so. This ultimately results in an institutionalist paradigm in which those concerned with development hyper-focus on creating enforcement mechanisms like courts and contracts to enforce trustworthy behavior. This view is flawed because it overlooks the weakness it poses for sustained market relationships. Even if laws were in place to enforce trustworthy behavior on the part of one actor, if the degree of trust is so deteriorated that resorting to law enforcement is necessary the economic relationship, and therefore the market activity, is now over. If trustworthiness does not ultimately stem from moral values among individuals (and ideally many individuals in a given society), social capital will not be sustainable, and thus neither will economic development.

This thesis agrees that trustworthiness can be calculated, but this is not a sustainable strand of trustworthiness for social capital. Rather, viewing trustworthiness as a moral value that can be inculcated into individuals allows for a more promising model of social capital creation. Moreover, for sustainable social capital to exist in a society, it must be viewed as such. But Francois sees this value as a product of an individual's socialization, primarily by his parents. This view can be a problem for bridging social capital, held to be crucial for economic development, while it can serve to reinforce bonding social capital, which can work against development. After all, regrettably many parents socialize their children to be trustworthy only within closed structures such as homogenous ethnic neighborhoods or religious groups.

So while it is agreed that trustworthiness is a moral value as opposed to a purely calculated behavior, the assertion here is that it is a moral value that can be instilled through the espousal of certain values by religious groups or churches. This thesis argues that the values espoused by Christian-based development NGOs can result in avoiding the trap of only reinforcing bonding social capital. For example, in his study on Christian-based poverty-to-work programs in the southeastern U.S., William Lockhart observed that, “the curricula (of the programs) all stressed the norms of mutual respect of persons, of trust building through honesty and reliability, or taking responsibility for one’s actions, including one’s mistakes, and of being honest” (2005, 54). This kind of trustworthiness clearly is not calculated, nor opportunistic in nature.

To summarize, the argument that generalized social trust – a crucial component of social capital - is created from moral values as opposed to calculated market behavior is the one advanced in this thesis. And certain religious values are very likely to produce a strain of social capital conducive to the empowerment of clients in MF programs, particularly the values of trustworthy and trusting behavior (Welch, et al, 2004, Smidt 2003, Fukuyma 1999) as well as the links religious congregations create among their members (Wuthnow 2002, Lockhart 2005). Of the possible negative effects of social capital on empowerment mentioned above (Rankin 2006, Wright 2006, Ito 2003), a religious-based approach to creating social capital could alleviate and even prevent these effects from surfacing. This thesis now turns to discussions on Liberation Theology and Transformation Mission Theology to provide examples of religious doctrines and community structural designs, or congregationalism, that are quite conducive to social capital formation.

LIBERATION THEOLOGY

The Theology of Liberation originated out of the Catholic Church in the late 1960s. It has been somewhat controversial both within and outside the Catholic Church, primarily due to its Marxist analysis of the social structures in the world as the causes of injustice and poverty (Dawsey 2001). This has led many to identify Liberation Theology with Marxism completely, which is misguided in that it typically only employs Marxist analysis and departs significantly from the political theory in its notion of what the world needs to correct injustices, namely an awareness of and identification with God (Martin 2003, Lehmann 1990). Liberation Theology is, however, revolutionary in its approach to existing social structures propagated by the neo-liberal economic order. In essence, it calls for "solidarity with the poor, which implie(s) a commitment to transforming or abolishing the social structures that perpetuate injustice" (Martin 2003, 71).

Just prior to the first articulation of Liberation Theology, the Catholic Church held The Second Vatican Council (Vatican II) from 1962-1965 in response to a perception of a growing gap between the Church and society, both spiritually and relationally. The Vatican realized a need for change in the Church's ecclesiological structure and delivery of spiritual care, and called for an "opening up" to the real world and recognition of widespread injustice in social structures (Oliveros 1993). In 1968, the Latin American bishops of the Church held a conference in Medellin, Colombia with the intent to rearticulate and, arguably, to intensify the reforms called for by Vatican II. The bishops felt that Latin America was a region rampant with social and economic injustices, and generally agreed that the Catholic Church had accepted too easily, and in some circumstances even supported, the status-quo. It was within this atmosphere that Gustavo

Guttierez, a Peruvian priest, wrote the founding text of Liberation Theology, titled *A Theology of Liberation: History, Politics, and Salvation* in 1971.

Guttierez called for a fundamental shift in the societal approach of the Catholic Church in Latin America from identifying with the politically and economically powerful to placing itself firmly on the side of the poor and oppressed of society. His theological basis was in the Gospel itself, specifically the political teachings of Jesus. While Liberation Theology retains the tradition of placing great importance on individual spiritual conversion, it is overwhelmingly about community and relationships. Though the Catholic Church, and for that matter any religious congregation, often appears to outsiders as closed, private assemblies, Liberation Theology consistently calls for reaching out to unknown persons and making them 'neighbors', in a sense, forming bridging social capital.

Guttierez employs the story of the Good Samaritan in the Gospel of Matthew to emphasize three points about the need to transform social structures, all of which call for a strengthening of inter-personal relationships in society. He explains that in the story of the Samaritan, "the neighbor was the Samaritan who *approached* the wounded man and *made him his neighbor*." He emphasizes the importance here: "The neighbor is not the one whom I find in my path, but rather the one in whose path I place myself, the one whom I approach and actively seek" (1988, 113). His three points on this story exemplify his call to reach out and create, essentially, bridging social capital. They are: 1) "the stress (in the story) on communion and fellowship as the ultimate meaning of life;" 2) "the insistence on a love which is manifested in concrete actions, with 'doing' being favored over simple 'knowing';" and 3) "the revelation of the human mediation necessary to reach the Lord" (1988, 113). Such emphasis is placed on human relationships because, according to Liberation Theology, there is a connection to God in such relationships. Guttierez writes, "To love one's brother, to love all persons, is a necessary and indispensable mediation of the love of God, it is to love God" (1988, 115). He pushes Liberation Theology to the limits in its call for 'creating ties' and loving persons in the world. The importance on inter-personal relationships and reaching-out is carried across society and extended to strangers. This is the very nature of bridging social capital, and while religion is often criticized for being limited to bonding social capital, liberation theology transcends such bounds. In writing on charity as the praxis of Christian love, namely the love of God mediated by people loving one another, Guttierez emphasizes the importance of extending it beyond in-group neighbors. He explains that neighbor should refer "also to a person considered in the fabric of social relationships, to a person situated in economic, social, cultural, and racial coordinates," and it also "refers to the exploited social class, the dominated people, the marginated" (1988, 116). From these points, it is difficult to argue that Liberation Theology contents itself with fostering bonding social capital within congregations. It does, however, recognize the importance of such relationships, as can be seen in real-world praxis of Liberation Theology that developed specifically in Latin America – Christian Base Communities (CEBs).

Partly out of an emphasis on reconnecting Catholics throughout Latin America and partly due to a shortage of clergy, Comunidades Eclesiales de Base (CEBs) – or, Christian Base Communities – were conceptualized at the Medellin, Colombia conference that served as Latin America's participation in Vatican II. The idea led to the creation of 'local communities' of 15-25 people to come together in spiritual communion, and many lay people within the CEBs were authorized to conduct rites of the Church and Bible studies in order to provide spiritual nourishment. Thus, there was created a decentralized structure in which decisions were made at the grassroots level, and Church hierarchy mediating God's love was replaced by inter-personal relationships being cultivated in 'brotherly love' (Williams 2000).

They also serve as social support groups, and in this regard, many secular issues, such as politics and information sharing occur. In other words, CEBs are responsible "not only for the expansion of the faith" and religious rites, but also "constitute the 'basic unit of the Church structure' and the 'prime factor in human progress and development'" (Lehmann 1990, 129). While the groups are focused on nurturing relationships within the group, bridging social capital can be seen to be formed and fostered by CEBs as well. Or, more specifically, CEBs, though initially spiritual support groups, come to utilize Joseph Coleman's concept of appropriable social capital for political ends (Mainwaring and Wilde, 1989). Edward Martin refers to these CEBs as postmodern networks "committed to furthering social equity and meeting the needs of the poor by ensuring sustainable policies through postmodern institutions and administration" (2003, 84). Bridging links can also form between members of the CEBs and the official Church hierarchy. By participating in leadership and organizational roles within the CEBs, "enduring ties to the ecclesiastical institution" are created, "ties that poor people who participate in CEBs value greatly" (Mainwaring and Wilde 1989, 5). Lastly, the CEBs execute the doctrine of Liberation Theology by identifying themselves with the poor and oppressed, thus transforming in practice the Church's role in society (Williams 2000, 169).

Liberation Theology is summarized as “an awareness of a community of faith” and a realization of the problems of the world intersecting in “a personalized, adult faith, rooted in life and committed to overcoming oppression, violence, marginalization, and discrimination” (Azevedo 1993, 641). It calls for a reaching-out to the world to make strangers one’s neighbors, and thus transcends the bonding social capital limits said to be characteristic of some religious doctrines. Likewise, the Christian Base Communities foster bonding social capital in their nurturing of personal relationships within the group while also expanding social networks to form bridges and employ appropriable social capital in political contexts. While CEBs are not typically seen to utilize this appropriable social capital for economic advancement, it is entirely possible for this to occur. In poor communities CEBs would serve as the perfect organizational unit with which to initiate MF programs. This will be discussed below, but the thesis will now turn to the potential of a particular Protestant theology and practice to create and foster social capital.

TRANSFORMATION MISSION THEOLOGY

The Evangelical Mission Theology of Transformation is closely related to the doctrine of the Oxford Declaration on Christian Faith and Economics. Many of the evangelicals at the Oxford Conference are adherents to the Mission Theology of Transformation. It has been defined as “a theology that embraces social transformation as equally as part of the Gospel as personal transformation (repentance and conversion) – a holistic theology,” and “its focus is the whole Gospel for the whole person in the whole community, a focus that calls for Biblically based transformation of persons and communities" (Grams 2007, 193). Like Liberation Theology, it views social transformation fundamentally as a work of God occurring through social interactions – namely, Christian charity extended to people. The same community of evangelical development practitioners, academics, church leaders and business leaders who issued the Oxford Declaration is more or less the community that developed Transformation Mission Theology. Evangelicals are grounded in the Protestant tradition, and for this reason a deeper understanding of Protestant values and economic activity will be helpful in the discussion on this theology's potential to achieve development, and more specifically to create social capital.

The German sociologist Max Weber published a theory on Protestant values and capitalist economic activity in 1905 that has stood the test of time. His observations, analysis, and thesis of Protestant values as compatible with capitalism are developed in *The Protestant Ethic and the Spirit of Capitalism.* In this work, Weber argues that the Protestant work ethic is not so much a vigorous pursuit to increase one's wealth, but rather an exercise of answering 'the calling' one hears from God in the individual's personal spiritual life. He defines this 'calling' as "a command of God to the individual to work to his (God's) glory (2002, 108). According to Weber, as a Protestant, recognizing your natural or 'God given' talents and developing those talents to their fullest potential in order to better your personal position and, more importantly, the condition of the community is the essence of work. Thus, work is not solely an economic activity aimed at accumulating resources for one self or one's family. If work is answering one's personal 'calling', then work becomes an end in itself as opposed to a means to the end of accumulated wealth (2002, 11). The concern of the community is always present, as laboring away at one's talents (i.e., building homes, cultivating food products, teaching children) becomes "the outward expression of Christian charity" (2002, 29).

The other important ethics included in Weber's work are still considered quite important for evangelicals today. Transformation theologians refer to them as 'Kingdom of God Values', and they are espoused through the message of the evangelical missions conducted in the developing world (Sugden, 2003). Weber includes among them: honesty, perseverance, duty, stewardship, and developing one's talents. The Oxford Declaration holds these ethics as crucial for a Christian to conduct himself or herself in the economic market today. Take stewardship and work for example. The Oxford Declaration asserts that, "Economic production results from the stewardship of the earth which God assigned to humanity," and that "Production is not only necessary to sustain life and make it enjoyable; it also provides an opportunity for human beings to express their creativity *in the service of others*" (Schlossberg, et al, 1994, 14-15, emphasis added). Weber's analysis on Protestant ethics and Transformation Theology do not only agree on individually held values, however. There is also a fundamental commonality on the importance of community, and it is here that social capital comes into play for Transformation Theology.

In another of his essays, titled *'Churches' and 'Sects' in North America* (1906), Weber explains how membership in a congregation, in North America at the turn of the century, automatically increased an individual's 'social standing', at least in so far as that individual is deemed 'trustworthy', or more specifically 'creditworthy', by others in the community – even non-members of the individual's congregation (2002, 205-206). This, in essence, is saying that social capital is available to a member of a congregation because that individual's membership provides 'social guarantees' in that trustworthiness is automatically granted that person by others in the community. Likewise, through membership in congregations, social networks are available to individuals that can be utilized as appropriable social capital elsewhere. In explaining the churches of the United States, Weber writes, "the most fundamental and universal community, the religious congregation, embraces almost all 'social' interests that take the individual out of his own front door." He continues, "The local church offers not only edifying lectures, tea evenings, Sunday school, and every kind of charity event, but also a whole variety of athletic activities, football training, and the like" (2002, 206).

These activities are examples of associational life. Churches all over the world today provide opportunities to create linkages to others both within and without one's congregation through charity activities, church sanctioned sports leagues, town hall meetings, etc. (Lam 2002, Wuthnow 2002, Greeley 1997). Congregations have such capacity for social capital to form for two primary reasons. First, they typically provide opportunities for involvement, such as those mentioned above. Second, it is a safe environment in which to get involved, thanks to the ethics of trusting others, 'brotherly love', and trustworthy behavior espoused by their doctrine. The charge that all congregations are limited to strengthening bonding social capital does not hold water, as these opportunities for involvement offered by any particular congregation are almost always directed at the broader community. Take, for example, the Oxford Declaration's view of the congregation as a 'mediating structure' between the public and private sectors of society, and consider its call for forming bridging social capital outside the congregation:

> One of the phenomena associated with the modern world is the increasing divide between private and public sectors. The need for a bridge between these two sectors has led to an emphasis on mediating institutions. The neighborhood, the family, the church, and other volunteer associations are all institutions. As the early church did in its context, these institutions provide citizens with many opportunities for participation and leadership. They also provide other opportunities for loyalty in addition to the state and the family. Their role in meeting the needs of members of the community decreases the need for centralized government. They also provide a channel for individuals to influence government, business, and other large institutions (Schlossberg, et al, 1994, 29).

Congregations, whether they be churches, religious groups set-up and supported by NGOs, or CEBs, both foster inter-personal relationships within the group (bonding social capital) and provide opportunities to create links to the broader community outside the group (bridging social capital).

Conducting a comparative analysis of Christian denominations in an attempt to highlight which ones are better at forming social capital could be an interesting study. But the assertion here is that the values espoused by the theologies covered above combined with their congregational practice and social developmental practice are likely to form social capital, regardless of denomination. A more evident determinant of social capital creation, both within and extending from a congregation, is the structure of the congregation (Coleman, John 2003, 36-37). As opposed to the traditional Catholic Church's vertical hierarchy, Liberation Theology's CEBs are structured horizontally and provide all members opportunities to serve, lead, and reach-out to others. Likewise, evangelical congregations, as mentioned above, have a similar analytical approach to society and practice social development in the same way.

The next section observes four microfinance projects, one of which is a Catholic project and another is an evangelical project. The other two are secular projects, and all four are observed in a comparative analysis in order to differentiate the social development practices employed by each one. The above discussion of Liberation Theology and Transformation Mission Theology highlight some principles of each that are observable in microfinance projects conducted by Catholic Relief Services and Opportunity International.

MICROFINANCE IN NICARAGUA

In order to more accurately gauge social capital formation through Christian-based development practices, the thesis now turns to specific case studies. A Christian Evangelical NGO (Opportunity International) and a Catholic NGO (Catholic Relief Services) are analyzed first and second. Then, two secular MF NGOs, Fondo de Desarrollo Local (FDL) and Accion, are analyzed to determine if their practices are directed at the same ends (i.e., creating social capital in addition to providing micro-credit to alleviate poverty).

Nicaragua was chosen as the country in which to observe these projects for several reasons. First, it is one of the poorest and least-developed countries in a region of developing countries, and therefore is host to numerous development NGOs, many of which are engaged in MF programs. Secondly, it has a predominantly Christian population, so one can observe a "snapshot" of the relationship between faith-based values and practice on the one hand and general social trust – a crucial component of social capital – on the other from survey data on Nicaragua. Lastly, Liberation Theology and its praxis – CEBs – have been enormously popular in Nicaragua, so it is reasonable to believe that the majority of Catholics there have been exposed to the theology's spiritual and social teachings. Likewise, Evangelicalism is and has been on the rise for some time now in Nicaragua. From the survey data below, the impact of regular church attendance on social trust is evident. The Latin American Public Opinion Project, in cooperation with Vanderbilt University, provides this survey data from 2006. Two questions are cross-tabulated in Table 1: 1) How often do you attend religious meetings? and 2) How confident are you that the people of your community can be trusted? Also included is a frequency chart on identifying one self with a particular denomination (see Table 2). These data are from the same source.

Table 1: Religious Attendance and Generalized Social Trust

This table shows responses to the question: "generally speaking, how trustworthy do you consider your neighbors to be?" cross-tabulated with a question on the frequency of the respondent's attendance at a religious meeting or service.

Do you attend Meetings of a Religious Organization?					
	Very Trustworthy	Somewhat Trustworthy	A Little Trustworthy	Not at all Trustworthy	Total
Once per week	255 34%	240 32%	182 24%	75 10%	752 100%
Once or twice Per month	77 29%	104 39%	65 24%	23 8%	269 100%
Once or twice Per year	17 28%	18 31%	17 29%	7 12%	59 100%
Never	170 26%	196 30%	208 32%	77 12%	651 100%

Source: The Latin American Public Opinion Project. 2007. Survey Data on Nicaragua from 2006. http://lapop.ccp.ucr.ac.cr/Lapop_English.html. Vanderbilt University.

Table 1 shows that of the respondents who attend religious meetings at least once per week, the majority (66%) considers neighbors to be either "very trustworthy" or "somewhat trustworthy," thus reflecting that regular attendees to religious meetings exhibit a high degree of social trust in the community. Viewed vertically, the table shows that a plurality of all the respondents who consider their neighbors "very trustworthy" (49%, frequency 255) attend religious meetings at least once per week. Likewise, a plurality of respondents who consider neighbors to be at least "somewhat trustworthy" (43%, frequency 240) also attend religious meetings at least once per week. Interestingly, the respondents who never attend a religious meeting are the second most likely to consider neighbors “very trustworthy” (32%). But when viewing the table horizontally, one sees that the respondents who never attend a religious meeting are less likely to deem neighbors “very trustworthy” than “somewhat” or “a little trustworthy.” In short, among those who attend religious meetings at least once per week tend toward being more trustworthy of their neighbors than those who never attend a religious meeting.

The fact that 32% of respondents who deem neighbors to be “very trustworthy” never attend religious meetings (frequency 170) calls for further consideration. Nicaragua’s experiment in the 1980s with Marxism via the Sandinista revolution and subsequent regime might offer some explanation here. The Catholic Church was anti-Sandinista and, therefore, lost many members who supported the revolution. These supporters also view the Sandinista government as relatively successful in improving socioeconomic conditions (Bastiaensen & D’Exelle 2002, 40). Taken together, these two facts might have left a legacy of secular-minded supporters also having trust in their communities. This is speculation, however, and the high rate of social trust exhibited among individuals who do not attend religious meetings seems to challenge the argument here.

Nevertheless, the fact that the most regular attendees to religious meetings or services are the most trusting group in the survey cannot be ignored. Table 1 shows that 49% of the respondents who consider their neighbors “very trustworthy” (frequency 255) attend a religious meeting at least once per week – a significant plurality among the most trusting respondents. Further, the second largest frequency on the table (240) is that of once-per-week attendees who are at least “somewhat trustworthy” of their neighbors. Table 1 demonstrates a trend of religious attendance and general social trust.

Table 2 shows that the majority of people in Nicaragua are Catholic (63%), while the second largest group is Evangelical (or Protestant) (20%). Considering this with the fact that Table 1 shows 59% of the population to attend a religious meeting at least twice per month, Nicaragua proves to be a good country from which to choose case studies for the purpose of this thesis, as it can reasonably be assumed that some of the clients of the MF programs already have at least some stock of social capital through their church congregation prior to being reached by the MF NGOs. This is important given the point made above that MF programs depend upon some level of bonding social capital even to form trust banks and begin loan distribution in the first place (above in Microfinance section). Lastly, the poll data from both tables provide evidence to progress with a reasonable notion that Christian values and church practice influence one’s general social trust – an indicator of social capital – at least in Nicaragua.

Table 2: Religious Denomination as Percentage of Population

What is your Religion?	Frequency	Percentage	Cumulative
Catholic	1,099	62.62	62.62
Christian – Non-Catholic (includes Pentecostals)	41	2.34	64.96
Other – Non-Christian	55	3.13	68.09
No Religion declared	205	11.68	79.77
Evangelical	355	20.23	100.00
Total	1,755	100.0	

Source: The Latin American Public Opinion Project. 2007. Survey Data on Nicaragua from 2006. http://lapop.ccp.ucr.ac.cr/Lapop_English.html. Vanderbilt University.

If the poorest of the poor, the target population of MF programs, are reached and recruited as clients by the NGOs that administer MF programs, create opportunities for social links, and espouse values of personal and social change, then social capital can be expected to increase. The larger NGOs, usually headquartered in the U.S., often partner with a local, smaller NGO to assist with the outreach to clients and initial contact to start their work. The cases observed here typify this model. The funding NGOs provide the financial capital, the business models, and the philosophy and methodology, while the local NGOs seek out the clients, implement the plan, administer the loans and establish inter-personal relationships. This thesis is mostly concerned with the philosophy and methodology of these MF programs, and will therefore place most of its analytical focus on the funding or "parent" NGO. The local NGOs practice the "parent" NGOs' philosophy and methodology closely, so the focus here is appropriate. The first case is Opportunity International, an international Evangelical Christian NGO engaged in microfinance in Nicaragua in partnership with the Association of Opportunity and Economic Development in Nicaragua (ASODENIC).

Opportunity International – ASODENIC

Opportunity International (OI) is an Evangelical NGO engaged in MF programs throughout the world. Nicaragua has OI's largest number of clients in Latin America (38,642). Consequently, Nicaragua has the largest country amount of OI funds in "loan status" ($11,935,434) of all Latin American countries hosting OI projects. It is an excellent NGO to observe here, as its mission statement is grounded on – and specifically cites – the Oxford Declaration on Christian Faith and Economics. The philosophy driving OI's mission of poverty alleviation and empowerment through microfinance is illustrated in the following statement from its website:

> Opportunity International heeds Christ's call to serve the poor by providing opportunities for impoverished people to *transform* their lives through microenterprise development – providing small business loans and training so people can work out of poverty with dignity. The strategy demonstrates that God's concern for the poor is *not just to meet their economic needs, but to empower them to meet their own needs* (emphasis added).[9]

OI puts its philosophy in practice by emphasizing the "fruits" produced in their clients' lives through these MF programs. They are dignity, community, a believable sign (or hope), justice, equality, and blessing. Of these, OI's commitment to fostering social capital as a means to empowerment is central in community and justice. Concerning community, OI believes that "the local church's role in the economic life of its members *strengthens the bonds* among its members" (emphasis added).[10] This is a clear acknowledgment of the importance of bonding social capital in both the MF program itself and in its role in empowerment. Concerning justice, OI believes that "the core values of OI, as lived out by the staff, lead loan recipients to establish valued relationships with their workers as sisters and brothers, rather than viewing them as just means of production."[11] This is the creation of bridging social capital in practice. Impoverished and powerless clients not only acquire capital to alleviate poverty, but they also create relationships with OI staff that can result in a network of clients and staff across numerous communities in which OI is engaged.

The Association for Nicaraguan Development (its Spanish acronym is ASODENIC) is the local partner of OI. It adheres to OI's philosophy and practices OI's methodology. Beyond ASODENIC's immediate mission of loan disbursement and poverty alleviation, it includes community development – typically viewed as a separate strategy by development NGOs – as an additional goal. By linking the two into one broad practice, ASODENIC necessarily concerns itself with creating and fostering social capital. For example, OI-ASODENIC views the trust banks of the MF programs as natural pools of community leaders and forums of deliberation on community needs (Opportunity International 2006, p.6). This is Coleman's concept of appropriable social capital in practice. The relationships formed in the trust banks build capacity for trust and reciprocity to be employed elsewhere in a community development project. Fundamentally, OI-ASODENIC's aim is to empower its clients and their communities by engaging "local residents directly on questions of growth and economic development of their community" (OI 2006, 7). Further, the focus is to "build capacity of the community to: save and reinvest in the community; identify and understand problems and opportunities; plan strategies and utilize local resources; make group decisions and problem solve; attract needed credit/capital for community-based projects; and carry out successful action" (OI 2006, 7).

Appropriating the social capital formed in the trust banks for the purpose of community development is an excellent use of bonding social capital to further the chances of creating bridges across the community. For example, in meeting the needs to begin and continue these community development projects OI-ASODENIC "seeks opportunities to partner with, or use volunteers from, churches" (OI 2006, 12). It also “gives priority to faith-based NGOs when evaluating potential partners for community projects” (12). Third, with expansion of social networks in mind, it “remains open to community projects (less economic in nature) that serve the community through a religious organization (e.g., repairing a church, expanding a faith-based medical clinic)” (12). Clearly, OI-ASODENIC recognizes the importance of expanding social networks, and thereby creating bridging social capital, if these community development projects are to be successful.

Social capital is needed to accomplish each one of these indicators of community empowerment. For this reason, OI-ASODENIC emphasizes personal, professional and spiritual development of its clients throughout the program in order to strengthen the bonds of existing inter-personal relationships and to foster openness to forging new relationships. It attempts to accomplish this through weekly training meetings of the trust banks where the OI-ASODENIC staff “explicitly include biblical concepts in training and include times of prayer in meetings” (OI 2006, 12). In addition to these training meetings, where personal business practice and financial literacy is taught, an evangelical message is delivered with the focus of personal and community transformation in mind. ASODENIC publishes and distributes pamphlets at such meetings that foster personal and spiritual growth. These pamphlets are collectively titled “Models of Personal, Social, and Spiritual Transformation.” Some of the titles are: “Forms of Communication”; “Christian Stewardship”; “Meeting and Extending Personal Contacts”; “My Business Plan”; etc.[12] Aspects of the program such as these reflect an acknowledgment of the importance of trustworthiness and social trust for the creation of social capital.

This holistic approach to transforming the clients' financial, social, and spiritual lives is consistent with the Oxford Declaration's theology and methodology of development. The utilization of bonding social capital found in the microfinance trust banks for the purposes of community development provide the World Bank's four key elements of empowerment: access to information, inclusion and participation, accountability, and local organizational capacity.[13] OI-ASODENIC goes well beyond microfinance's traditional practice of administering financial services to the "non-creditworthy." The philosophy and methodology of the MF-community development projects of OI-ASODENIC are promising approaches to utilizing existing bonding social capital and fostering bridging social capital across the community. Further, its emphasis on spiritual and social teachings indicates that the trustworthiness and trusting behavior of the clients is an important aspect of this model. This approach is somewhat unique compared to the other MF programs observed in this thesis. Catholic Relief Services is a Christian-based NGO engaged in MF with a different methodology.

Catholic Relief Services

Catholic Relief Services is a relief and development NGO that was founded by the Catholic Church in the United States during World War II. As such, it is involved in a number of development projects beyond microfinance, many of which it began practicing long before it engaged in MF. Due to the success of MF in development programs however, CRS entered the MF field in 1988 and now reaches over 850,000 clients in 30 countries. Much like Opportunity International, CRS's Christian values are the driving force behind its MF programs. "CRS microfinance programming is rooted in the principles of Catholic Social Teaching, (and) a profound understanding and application of these beliefs have guided microfinance programming at CRS."[14] With this guiding philosophy in mind, CRS is as committed to social justice for its clients as it is economic justice. To this end, its MF programs are guided by the following principles: to serve the poorest clients; link loans to savings; use solidarity guarantees (trust banks); practice participatory management (empowering clients through inclusion in decisions); invest up-front in scale and self-sufficiency; and plan for permanence.[15]

Two principles stand out here regarding the use of social capital for the purpose of empowering the clients. The first is its use of solidarity guarantees, which is dependent upon an already existing bonding social capital. CRS describes these solidarity guarantees as, "a self-selected group of clients guarant(ing) each other's loans with the understanding that no one in the group will receive a new loan until each member's previous loan is repaid" - note the "self-selected" nature of the trust bank.[16] Secondly, through participatory management CRS seeks to empower its clients. "Clients are directly involved in the management and administration of the services they receive, from voting on loan applications to collecting payments from other borrowers. In this way, CRS guarantees the inclusion of those most affected by these major decisions."[17] These two principles of CRS's microfinance programs meet at least two of the World Bank's four elements of empowerment: "accountability" and "inclusion and participation."

By its very nature of being a relief and development NGO engaged in a variety of efforts, CRS seeks to create social linkages and solidarity among its clients across its development projects. For example, in Nicaragua CRS is engaged in agricultural development, health programs, microfinance, and civil society/human rights education.

While CRS partners with local NGOs and local dioceses to accomplish its development efforts, it maintains a focus to foster solidarity among the U.S. Catholic community and the Nicaraguan clients of its programs. This has the makings of creating bridging social capital through the trans-national nature of the Catholic community involved in development efforts. CRS also has an excellent resource for outreach found in the CEBs throughout Nicaragua – the praxis of Liberation Theology. Given the potential of these CEBs to be a resource of bonding social capital, it could prove to be an excellent means of reaching new clients for MF outreach. No evidence was found, however, of CRS utilizing these CEBs for its MF programs however. A more in depth study of CRS's activities in Nicaragua could prove to reveal the full extent of CRS's relationship with the CEBs and might offer innovative means of outreach for MF programs.

Fondo de Desarrollo Local

FDL is one of the largest MF NGOs that operate solely in Nicaragua. Its emphasis is in rural development through granting micro-loans to small farmers. It has approximately $54,000,000 distributed to 73,000 clients, and 63% of these loans are in the agricultural sector. Distinct from OI and CRS, FDL is a secular NGO founded by and in partnership with Nitlapán Research and Development Institute of the Central American University (UCA). Its broad goal is to further the national development of Nicaragua, and, to that end, it is engaged in distributing micro-loans both to individuals and to trust banks in the social guarantee format. In addition to extending these loans, it offers technical and agricultural business development training. In this regard, it does not have an immediate concern with social capital development. Its main focus is strictly the improvement of its clients' quality of life and productivity. FDL does have its own set of values that guide its practice, however. Aside from the professional development of its clients, FDL is committed to a spirit of service, mutual respect and ideological tolerance, honesty and respect, and a commitment to human development. These values are manifested in FDL's practice of both outreach and financial sustainability.[18]

Though fostering or creating social capital is not a primary concern for FDL, the trust banks set up by FDL to administer its "joint liability credit" programs do in fact depend upon an already existing social capital. The selection of clients for membership in the "joint liability program" is based upon trust among other members of the trust bank. Even when considering a potential client for an individual micro-loan, FDL seeks individuals regarded by their neighbors as "responsible and honorable."[19] An additional condition of individual loans is that the client already be engaged in self-supporting commercial activity.

The values of mutual respect and ideological tolerance are quite important for FDL as well. Due to the predominantly rural location of its work, and due to its nature as a quasi-national non-profit (partnered with a University) organization, FDL must account for the politically polarized communities in the country-side. Thus, its effort to transcend the legacy of the Sandinista-Contra divide in its development practices is crucially important for purposes of outreach to new clients. Due to both this political divide's continued existence in the country-side and to FDL's practice of outreach based on social networks, FDL is crucially dependent on bonding social capital for success in its rural MF programs (D'Exelle, Bastiaensen & Aleman, 2003).

Ben D'Exelle, Johan Bastiaensen and Miguel Aleman conducted a case study of FDL's MF programs in two rural villages in 2003. They found that FDL's outreach to new clients is heavily grounded in close-knit social networks. This study also shows, even if implicitly, that FDL has not managed to create bridging links across communities, nor has it empowered clients who are in a subordinated role to village leaders and who often come to be FDL clients by this fact alone (D'Exelle, et al, 2003). In fairness to FDL, the ever present political divisiveness leftover in the countryside from the Nicaraguan civil war would make the creation of bridging social capital incredibly difficult for any NGO. That being said, its failure to empower clients is a direct result of its use of already embedded social networks to reach new clients. In short, the FDL program director depends on local "promoters" or village elites for outreach to new clients. This "promoter" often has the sole decision of which clients he will recruit and which ones he will not. In this way, the social hierarchies of the village network are reinforced by FDL practice (D'Exelle, et al, 2003, p.8).

While FDL is quite successful in improving its clients' productivity and quality of life, the D'Exelle, et al, case study showed it to fail in empowering clients by restructuring village networks or by making bridging linkages across villages that are still ideologically divided. This makes FDL an interesting case in that it does not concern social capital development to be an equal concern of MF programs in relation to poverty alleviation or increased productivity. The other secular MF NGO observed in this thesis has a different approach regarding the importance of social capital development.

ACCION – Financiera FAMA

Accion is an international MF NGO with approximately 2.7 million clients throughout the world. Its emphasis is on commercial viability as a financial institution, as it believes this is the best way to reach the maximum number of clients to lift out of poverty. In other words, the more the institution grows, the more financial resources will be available to disburse to new clients. It is, therefore, most concerned with social links between the clients and the institution itself rather than social capital among the clients. It has been engaged in MF for more than forty years. It makes micro-loans available through both individual lending and the solidarity group (or trust bank) model.[20] In Nicaragua, Accion is partnered with Financiera FAMA, which has 41,747 active clients and $23,893,000 disbursed in active loans. FAMA has been in Nicaragua since 1992 and is engaged in 23 locations throughout Nicaragua. Its success has been remarkable. Over the past five years, its number of clients and average loan balance has increased consecutively. For example, in 2002 the average loan balance was $434 among 20,200 clients, and in 2006 it was $572 among 41,747 clients.[21]

Similar to FDL, Accion places the emphasis in its MF programs on improving the quality of life of its clients through credit disbursement and technical training. It offers business and financial literacy classes to its clients, but they are voluntary and not tied to the disbursement of loans. These classes, referred to as the Dialogue on Business Program, are tailored to clients with little formal education. They demonstrate a commitment to personal development that goes beyond simply extending micro-loans to clients. Perhaps more importantly, though, Accion places a considerable focus in its MF practice on what it calls "social performance." Accion acknowledges that its mission of poverty alleviation is fundamentally a "social mission" and, therefore, has "broadly accepted social goals."[22] Through its social performance framework, Accion commits itself to outreach to new clients, information transparency (or information availability to clients), and association with the community (Accion International, 2007). Thus, Accion demonstrates some concern for the empowerment of its clients by making its information transparent and, thus, enabling consumer protection. It also concerns itself to some degree with social capital at least in its stated principles of association with the community: practicing community and non-financial services projects and social responsibility (Accion International, 2007).

The social performance framework concerns the relation of Accion to its clients more than the inter-personal relationships among the clients, however. This can have negative implications for the empowerment of the clients, as a patron-client relationship forms in which the client could become too dependent on Accion-FAMA for both more credit and personal relationships. In specific observations of FAMA in Nicaragua, it is concluded that it is an MF NGO primarily concerned with financial viability, which is good in that it enables continued outreach to new clients. Moreover, its business training is likely to increase the human capital of its clients, but it does not place much of a focus on building and fostering relationships among the clients themselves. Thus, the concern for social capital development and the empowerment of its clients does not match that of OI even if it offers a brighter picture than FDL by at least refraining from reinforcing social hierarchies among the clients themselves and from creating negative aspects of bonding social capital.

CONCLUSION

Out of the four illustrative case studies above, Opportunity International-ASODENIC offers the best example of an MF program that both employs existing social capital and fosters the creation of new, bridging social capital through community development projects. In fact, it has been demonstrated that all four projects employ existing 'bonding' social capital, due in part to a dependence on this form of social capital for the trust banks to function effectively. But Opportunity International-ASODENIC's community development projects and group meetings offer the best way, out of the four projects, to foster bridging social capital, as these activities are exactly where and when 'bridging' is accomplished. Additionally, while the creation of this bridging social capital contributes to the empowerment of clients, the design of the community projects themselves employ empowering activities such as group deliberation and decisions on community needs and collective action. The other three illustrative cases each have some aspects of moving beyond mere micro-loan disbursement (such as technical assistance for clients and accountability to clients in the ACCION case), but they do not offer a holistic model of personal, social, and spiritual development such as OI-ASODENIC's.

Though these illustrative cases were brief observations of four MF NGOs, they do provide a reasonable basis to expect the OI-ASODENIC model of combining MF and community development to be more effective in creating social capital and empowering clients than the other models observed here. Much, though not all, of OI-ASODENIC's model could be replicated by secular MF NGOs. For example, utilizing the trust bank as appropriable social capital to the ends of successfully accomplishing community development projects is a practice that any of the MF NGOs observed here could employ.

In some ways, however, Christian NGOs that are focused on the holistic development of their clients, such as OI, have an advantage in fostering the social trust and trustworthiness needed to create bridging social capital. Even if only by virtue of espousing Christian teachings to its clients OI seems more engaged in social capital development than the others, this alone provides a means of addressing communities with low levels of trust and trustworthy behavior. But OI's design of packaging community development projects with MF projects enables community involvement beyond the trust bank, and this is crucial for civic engagement and collective action, two important aspects of empowerment. The two secular cases observed here do not concern themselves with the personal values and behavior of their clients beyond re-payment of loans and increased productivity in business practices. Nor do they enable empowering activities like OI's community development projects. Secular NGOs can employ such holistic practices as well though. They can teach similar values in the frame of universal human values compatible with free market enterprise. FDL touches on this in its attempt to transcend ideological divides, but this is a daunting task in the country-side of Nicaragua. Likewise, they can start community development projects as well. To be effective however, the overall transformation of individuals and communities – OI's fundamental commitment – will require more than simply making development projects available for clients to participate in. The values espoused at group meetings by OI and the encouragement to join a Christian congregation, if taken up by clients, lay a foundation of social capital and leads to more transformative empowerment than simply providing projects for clients to engage in without also focusing on more spiritual and inter-personal aspects of individuals and communities.

The theologies discussed above can guide adherent NGOs in administering MF programs successfully toward social capital creation and the empowerment of entire communities. Liberation Theology's philosophy of reaching out to the unknown stranger, the oppressed and the alienated is manifested in an MF program's practice of reaching out to clients who are deemed "non-creditworthy" and extending credit to them with the intent of alleviating poverty. The Oxford Declaration's statement of the need for "mediating institutions" such as the church, voluntary organizations, MF NGOs, etc. to bridge the private and public sectors (essentially empower individuals and communities) can be met by MF programs employing appropriable social capital – originally found in trust banks – for community development projects. The teachings of both theologies would ideally instill trustworthiness and trusting behavior in an individual client. Thus, if a Christian NGO were to adopt either these or other theologies and employ practices guided by it, much as OI does with Transformation Mission Theology based on the Oxford Declaration, it could potentially create social conditions conducive to the formation of bridging social capital across communities.

The limitation found in the illustrative examples above, however, is that MF programs are dependent upon an already existing bonding social capital. This bonding social capital reinforces the proper functioning of the trust bank by increasing the social collateral on the micro-loan. It also facilitates recruitment of new "trustworthy" clients, as most of the outreach is occurring within relatively tight communities. This is true for both secular and Christian-based MF programs. Thus, if a Christian NGO were to administer micro-loans and attempt to create social capital, it is likely that its clients would already have been somewhat religious in the first place and, thus, have an existing stock of bonding social capital. This is because clients are typically reached through networks of former or current clients found in the likes of local churches or village congregations (D'Exelle, et al, 2003). This would pose challenges for an in-depth field study attempting to measure the impact on the community of the religious teachings of the NGO isolated from the credit disbursal and community development projects. On the other hand, religious values can often be dormant in an individual due to an absence of any means to participate in the market and extend social networks, thereby preventing any opportunity of the individual's faith praxis. This is all too often a consequence of poverty and market exclusion. Thus, if a Christian NGO were administering MF programs in communities that were religious in the first place, they would at least be providing the opportunities to put one's personal values into practice through community development projects. Perhaps more importantly, they would also be encouraging the client's personal values of trustworthiness and trusting behavior throughout the MF program. With this in mind, if bridging social capital were to be created through links across communities by participating in community development projects, these values would reinforce that new bridging social capital – as its crucial components of trust and trustworthiness would be a constant focus of the program and opportunities would enable the client to put these values into practice.

This thesis has been a theoretical argument for the potential of social capital in microfinance programs to empower individuals, and, more specifically, for the potential of a Christian-based microfinance program to empower individuals and communities through fostering ‘bridging’ social capital and general social trust. The advancement here is that Christian NGOs administering MF programs can empower clients on the individual and community level more effectively, or more transformatively, than secular NGOs that are unable to address the inter-personal and spiritual roots of social capital formation.

Further research in developing countries where secular and Christian NGOs are practicing MF programs would be very promising in refining the argument advanced here. Field work with an emphasis on empirical data collection, polling of clients and non-clients, and comparing secular and Christian NGOs across similar (or the same) communities would enable observations that could find different forms of empowerment than those addressed in this thesis. This research could also reveal limitations or obstacles to Christian-based social capital formation that are at present unknown. Further, the idea that many of the client communities of MF programs already benefit from existing bonding social capital could be further developed, and fieldwork could perhaps be more effective in highlighting the beginnings of bridging links and the dilution of negative effects of bonding social capital.

ENDNOTES

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