

Balancing Impact and Efficiency in Microfinance Administration:
The Importance of Attention to Program Design

by
Emily Q. Kearney

AN ESSAY

submitted to

Oregon State University

in partial fulfillment of
the requirements for the
degree of

Master of Public Policy

Presented November 26, 2008

Commencement December 2008

ACKNOWLEDGMENTS

I would like to express my love and gratitude to my family for their incredible patience and support over nearly eighteen months of thesis writing. Now I suppose they will finally learn the answer to their question of what I'll have to talk about once the thesis writing process is completed. I know they are equally relieved as I to have successfully put graduate school behind me (for now). I also owe a huge debt to my fellow students in the MPP program who supported me both inside and outside the classroom.

I would also like to thank all the professors who have been such sources of support and inspiration over the last three years. I am particularly grateful to Bryan Tilt, Nancy Rosenberger, and Sunil Khanna for their fascinating courses, to Carol Tremblay for all that she taught me and her willingness to go to great lengths to help me in any way she could, to Roger Hammer for making learning SAS an enjoyable experience, and to Mark Edwards for his insight and thoughtful critiques of my work.

To my advisors, Sunil Khanna, Joan Gross, and Sarah Henderson, I offer a sincere and heartfelt appreciation for showing genuine concern in both my research and my wellbeing throughout this experience. Knowing what strong support I had from my committee certainly made this experience much more pleasurable than it would have been otherwise. Finally, I'd like to thank Brent Steel for building this phenomenal MPP program, working tirelessly on behalf of all of us, and giving us all a model of what a first-class researcher looks like. Thanks so much your guidance, support, encouragement, and particularly your patience with my revisions.

ABSTRACT

Microfinance, or the technique of lending small amounts of money to the world's poor for productive activities, has become a popular strategy for poverty-alleviation, achieving legislative status as a development strategy in the U.S. in 2000 with the Microenterprise for Self-Sufficiency Act. However, microfinance has increasingly failed to achieve the results it seemed to promise when replicated in new settings. The microfinance industry is faced with a dilemma as to whether development impact or administrative efficiency should be prioritized, a debate which has been called 'microfinance schism.' In this essay, I argue that practitioners should seek a middle ground, designing programs which take account of the diversity of factors which determine poverty in each context but achieve efficiency by capitalizing on the potentials offered in different settings. I present the findings of a qualitative study of an innovative program which combines credit with education, concluding that, rather than measuring compliance in meeting mandates on inputs, future policy measures should incentivize innovation and reward microfinance organizations which demonstrate success in reaching the poorest.

TABLE OF CONTENTS

	<u>Page</u>
Introduction.....	9
1 – Background.....	11
2 - Literature Review.....	23
3 – Research Context and Methodology.....	30
4 – Discussion.....	39
5 – Conclusions.....	54
References.....	58
Appendices.....	62
Appendix A – Interview Guide – English Version.....	63
Appendix B – Interview Guide – Spanish Version.....	66

LIST OF FIGURES

<u>Figure</u>	<u>Page</u>
3.1 –National Household Income Distribution.....	33

LIST OF TABLES

<u>Table</u>	<u>Page</u>
1.1 – Sources for USAID Funds for Microenterprise by Appropriation Amount....	15
3.1 – Arariwa vs. other group lenders: selected performance Indicators.....	31
3.2 – Count of Interviewees by Group.....	35
4.1 – Arariwa <i>Capacitación</i> Matrix.....	40

I. INTRODUCTION

Microfinance has demonstrated success not only in raising borrowers' household income but also in catalyzing desirable social changes such as improved health outcomes and female empowerment, and has thus emerged as a popular policy tool for poverty relief, achieving legal standing as a U.S. development strategy with the 2000 Microenterprise for Self-Sufficiency Act. However, microfinance has increasingly become subject to a backlash as numerous studies determined that the poorer clients were, the less likely they were to benefit from microcredit (Hulme and Mosley, 1996; Buckley 1997; Hulme 2000b; Copestake, 2002; Mayoux, 2001). CGAP, the donor consortium housed in the World Bank, reports that in Bangladesh—historically speaking, the epicenter of the microfinance movement—the concentration of MFIs is highest among the second-poorest quintile and lowest among the poorest quintile (2006:1). A host of other studies have shown that microfinance cannot be expected to automatically engender social changes, and in some cases may even hurt borrowers lacking the skills or human capital to successfully manage loans (Goetz and Sen Gupta 1994, Mayoux 1999, Kabeer 2001).

The desire to maximize the impact of U.S. development funding prompted a lobbying group to push for an amendment to the 2000 legislation mandating that USAID demonstrate that at least 50% of all funds went to poorest. The legislation provoked fervent dissent among many practitioners; a squabble reflecting a larger debate in microfinance over whether institutional financial sustainability or development impact should be prioritized in the administration of microfinance organization, or what Jonathan Morduch (2000) has termed the “microfinance schism.”

While institutional viability is critical to the success of microfinance as a development approach, I begin from the premise that legislative efforts to maximize poverty outreach should acknowledge this debate and must carry the message that administrative efficiency is not a goal in itself, but is instead a means to a political end of poverty alleviation among the poorest. More specifically, policymakers must take account of the diversity of circumstances which confront the poorest around the world, abandoning an approach emphasizing technical rationality and standardization in favor of an approach which incentives experimentation and innovation in maximizing

development impact. Administration cannot be decoupled from the political goals it seeks to achieve, and stripped-down, blueprint approaches to poverty alleviation will fail to fulfill microfinance's promise to include the excluded.

In an earlier thesis (Kearney 2008), I examined the outcomes of an innovative microfinance program in Cuzco, Peru, offering training in health and business alongside loans. In that essay, I focused my analysis on the costs and benefits to clients, concluding that such an integrated approach was an effective means to reach the poorest and engender broader changes in the lives of borrowers in their families. In this paper, I turn to the question of institutional viability, examining whether, despite conventional wisdom, such an innovative approach can offer net benefits for the institution and thus represent a more efficient model of lending than the prevailing, credit-only model. A second question I will consider is under which contexts—and among which populations—an integrated approach might be more or less desirable from the perspective of institutional sustainability.

In the first chapter, I offer some background about the rise of microcredit as a policy tool and describe some of the reasons it has failed to reach the poorest, suggesting that the solution will lie in encouraging a diversity of approaches in which donors and practitioners seek to understand the costs and benefits for both institutions and clients of different approaches in diverse contexts. In the second chapter, I present a review of the available literature on programs integrating education with lending. In the methods section, I first describe the research context of my field site, then turning to a discussion of the qualitative methods by which I gathered my data. In the fourth chapter, I discuss the challenges and opportunities that offering education alongside loans presented for the institution and its staff, concluding that the integrated program represented a net benefit for the institution in some, but not all contexts. In the conclusion, I reflect on how my data contributes to the larger debates in the field, offering some policy recommendations and some lessons for future efforts to develop integrated programs in other parts of the world.

II. BACKGROUND

i. Emergence of Microcredit as a Policy Tool to Fight Poverty

The disappointing outcomes of macroeconomic approaches to development—both the state-led approaches of the postwar era and the market-led structural adjustment policies of the 80s and 90s—have spurred demand for bottom-up, more participatory approaches to development. Frustrated with waste and corruption which plagued past interventions, donors have sought development strategies offering greater transparency and accountability. At the same time, theorists in the field have increasingly come to understand poverty as the root cause of all other problems of development, shifting attention from a simple focus on economic growth to the structural conditions, such as gender inequality, by which poverty is perpetuated.

The confluence of these trends explains, in part, the recent surge of enthusiasm for microfinance, a poverty-alleviation strategy which puts loans for productive use directly into the hands of the poor, and particularly poor women.. While in the past, lending to the very poor was complicated by the fact that the poor lacked collateral or traditional risk indicators, the technology of group liability lending developed by Bangladeshi economist Muhammad Yunus overcame these previous barriers. Yunus' Grameen Bank, founded in 1983, was among the first programs to demonstrate not only that the poor were creditworthy, but that they could repay at rates that were as good or better than those seen in formal banking.

Impact evaluations of Grameen and its imitators around the globe found impressive results. Researchers determined that access to credit had not only helped borrowers to increase household income (McNelly and Dunford 1998; Mosley and Hulme 1998; Morduch 1999), but in many cases had also catalyzed wider impacts such as female empowerment (Schuler and Hashemi 1994), increased use of contraceptives by women (Steel et al 2001) and better health outcomes for children of borrowers (Smith 2002). Such outcomes attracted widespread attention in the international development community, and microfinance soon emerged as a central plank in development policy of international organizations and national governments.

In 1996, the World Bank established the Consultative Group to Assist the Poorest (CGAP), directing the entirety of its \$200m in funding to microfinance projects (Rogaly 1996: 100). In December of 1999, the UN General Assembly passed a resolution acknowledging the economic and social potential of microfinance, urging all those involved in poverty-alleviation to include microfinance as an element of their programs (Elahi and Danopoulos 2004). The UN declared 2005 the “International Year of Microcredit,” and in 2006, Muhammad Yunus and the Grameen Bank jointly received the Nobel Peace Prize “for their efforts to create social and economic development from below.”

At fourth annual Clinton Global Initiative in September of 2008, as Congress was debating a \$700B bailout, Bill Clinton warned governments to avoid just "looking inward" as they sought to fix the financial system

The people who have these microcredit operations, who are investing in poor people around the world where there was no market and you create one because there are smart people, they are not the cause of these financial problems. They are all making money in the old-fashioned way, with a real economy based on real people doing real things for a real rate of return.

"Poor people in poor countries, well governed, are good investments," he concluded. As funding for international development seems set to contract drastically, microfinance is poised to play a greater role than ever before in future initiatives.

ii. Microfinance as a U.S. Development Strategy

In the United States, microfinance was brought to the legislative agenda through the efforts of RESULTS, a nonprofit grassroots advocacy organization founded in 1980 which is “committed to creating the political will to end hunger and the worst aspects of poverty.” A series of events in the 1980s brought the leaders of RESULTS into contact with Yunus and many other figures from the growing microfinance movement, and these encounters convinced the founder of RESULTS, Sam Daley Harris, that microfinance was an effective solution to poverty, which he viewed as the earlier cause of hunger. The boot-strap ideology of American individualism, in tandem with the American public’s mistrust of government’s efficiency in spending and deep ambivalence towards foreign

aid, offered fertile ground for such a policy tool. By arguing that microcredit was more efficient and transparent than approaches of the past—putting American tax dollars directly into the hands of deserving entrepreneurial women and bypassing corrupt government leaders—RESULTS was able to garner substantial public support for their legislation (Sample 2006).

In 1987, in what represented RESULTS first major piece of legislation, the group successfully secured a U.S. government commitment of \$50 million for microenterprise loans in the Self Sufficiency for the Poor Act of 1987. In 2000, the organization recruited a group of congressional representatives to draft and promote a new bill providing a line item in the federal budget for microfinance. The Microenterprise for Self-Reliance Act (H.R. 1143) was passed in 2000, providing \$155 million to USAID for microenterprise development and establishing the legal standing of microfinance as U.S. development strategy. U.S. funding for microenterprise development reached its peak in 2006 at \$216m (Table 1).

Table 1.1

Account	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
DA ⁵	\$83.3	\$79.9	\$74.1	\$88.3	\$85.3	\$80.7	\$87.8	\$91.2	\$87.9	\$82.8	\$70.9
ESF	\$24.5	\$33.9	\$33.0	\$25.2	\$27.9	\$48.1	\$28.4	\$17.7	\$37.3	\$78.0	\$44.5
INC and ACI							\$2.1	\$21.4	\$14.8	\$7.0	\$32.1
FSA	\$20.6	\$14.3	\$12.8	\$30.3	\$19.6	\$33.4	\$41.0	\$35.1	\$21.0	\$18.6	\$11.5
SAI/SEED	\$24.8	\$4.6	\$13.0	\$9.2	\$7.6	\$6.7	\$14.5	\$13.9	\$14.2	\$8.5	\$10.9
PL-480	\$11.8	\$12.4	\$17.3	\$8.8	\$13.7	\$18.6	\$4.8	\$10.0	\$6.7	\$9.0	\$9.5
IRRF								\$7.2	\$28.9	\$11.3	\$8.1
CSH/HIV				\$0.8	\$0.5	\$0.5	\$1.0	\$0.6	\$0.4		\$4.9
GHAI											\$0.7
IDFA									\$0.2	\$1.4	
CACEDRF			\$3.2	\$8.0							
Total	\$165.0	\$145.1	\$153.4	\$170.6	\$154.6	\$188.0	\$179.6	\$197.1	\$211.4	\$216.0	\$193.1

⁵DA – Development Assistance
ESF – Economic Support Funds
INC – International Narcotics Control
ACI – Andean Counternarcotics Initiative
FSA – Freedom Support Act
SAI/SEED – Special Assistance Initiatives including Support for Eastern European Democracy
PL-480 – Local currency from monetization of P.L. 480 (Title II) food aid
IRRF – Iraq Relief and Reconstruction Fund
CSH/HIV – Child Survival and Health/ Human Immunodeficiency Virus
GHAI – Global Health AIDS Initiative
IDFA – International Disaster and Famine Assistance
CACEDRF – Central American and Caribbean Emergency Disaster Recovery Fund

Source: Microenterprise Results Reporting Annual Report to Congress, Fiscal Year 2007

The legislation included non-binding language that emphasized that the funding should be targeted towards the very poor, defined as those living on less than a dollar a

day or below the poverty line established by each country. Average loan sizes of MFIs were used as a proxy measure for poverty outreach (Sample 2006:51), yet such a measure is problematic, as loan sizes have very little correlation with either poverty level of clients or overall development impact.

As time passed, it became increasingly evident that the funding was not reaching the intended target of the poorest of the poor. In a testimony before Congress, Jonathan Morduch outlined the results of an impact assessment done among USAID aid recipients in Bangladesh, Peru, and Uganda. In Bangladesh, where 350 clients were surveyed, only 44% fell below the poverty cut-off. In Uganda, only 15% of clients being served would have been designated as ‘very poor,’ while none of the 1200 clients surveyed in Peru fell below the \$1 day international poverty line (Morduch 2003).

Dissatisfaction with the implementation of the original act compelled RESULTS and its allies to push for an amendment forcing USAID to measure the poverty level clients receiving U.S. funding and to document their compliance in targeting at least 50 percent of total funding to the poorest. This amendment, H.R. 192, was introduced in 2003 and was ultimately passed after a period of acrimonious debate. This amendment contained the following provisions:

- 1) Mandated that fifty percent of USAID microenterprise grants shall be “targeted to the very poor”
- 2) Defined the very poor as individuals:
 - a. “living in the bottom 50 percent below the poverty line established by the national government in the country where those individuals live, or
 - b. “living on the equivalent of less than \$1 per day.”
- 3) Provided for a monitoring system which “adopts the widespread use of proven and effective poverty assessment tools to successfully identify the very poor and ensure that they receive needed microenterprise loans, savings, and assistance.”
- 4) Required USAID to develop “no fewer than two low-cost methods for partner institutions to... assess the poverty levels of current or prospective clients”

The amendment provoked a firestorm among practitioners. In his account of the opposition which faced the amendment, the founder of RESULTS writes:

Only RESULTS... supported the bill. Everyone else opposed it—CARE, Save the Children, Catholic Relief Services... and of course, USAID. The opponents were concerned about the potential for burdensome new requirements for their programs, the use of these yet-to-be-developed poverty tools. I assume a few

were also worried they might find out their clients weren't that poor to begin with. (2004:237)

Sample claims that USAID was opposed because “the agency staff preferred to avoid all mandates” and describes the microfinance practitioners as concerned about the costs of measuring poverty and afraid of offending USAID “which was providing substantial funding to most of them” (2006:53). But their opposition was rooted in much more than that; the opponents of the legislation claimed that this legislation would actually serve to create more problems that would ultimately undermine the goal of “helping the poor.” In 2003, USAID opened up a forum for the discussion of the issue on its website with the title “The fifty percent solution: will new government mandates increase the industry’s poverty focus or tie its hands?” The archived discussion includes responses from more than forty practitioners from across the globe.

Some commenters supported the legislation and sought to remind other practitioners that if they wanted USAID funding, then they should understand their role as providing a service to the American taxpayer. One contributor to the online discussion suggested, “[t]hink of Congress as an investor....As with any business, if an investor wants to achieve a particular outcome, it’s their right to direct their resources accordingly.” Another pointed out that “more and more taxpayers are demanding value for money, and not any value for money—value in reaching the poor....Many would be shocked if they found out that the legislation being discussed only plans to have half of the funds reach the very poor!”

Most of the responses, however, were critical of the legislation. While some of the critics agreed with the basic spirit of the legislation but urged the use of incentives rather than a legislative stick, others judged the proponents of the act as “probably well-intentioned but woefully misinformed about how microfinance works,” claiming that the truly poor are not in fact valid targets of microcredit and would be better helped through some other means (i.e., “loans shouldn’t be made to feed people,” writes Damian von Stauffenburg of MicroRate). Still others claimed the mandate would distort markets or create perverse incentives for people to ‘stay in poverty’ to remain eligible for loans.

Almost all critics agreed that the act created unintended consequences that would end in undermining its basic goals. “Frequently,” wrote Alex Silva, CEO of a Costa

Rican MFI, “regulations enacted with the best of intentions achieve exactly the opposite of what they intended” (Archived Discussion 2003), reflecting a view shared by many practitioners that increasing administrative costs for the institution and designing poverty measurement tools would only serve to divert money away from the poor.

Emotions ran surprisingly high in the debate, with some, like Dutch development consultant Herman Abels (in a post titled “The US Thing”), expressing irritation and anger at the interference of the uninformed outsiders:

Proponents should keep their hands off the industry. It is not their to steer, govern, direct, or control by way of distributing their subsidies and grants in a “divide-and-rule” mode...For the poorest of the poor microfinance is perhaps not the best instrument to get them out of their misery. So don’t mutilate and lame the industry by injecting inappropriate propositions.

Later in his post, Abels advises, “Be careful here. Don’t turn CGAP into becoming the tool of USAID. Let them solve their own problems. If they want to sign funny acts, fine, go ahead. Just don’t think that the rest of the world is watching to see how this act is going to shape their future.” (Archived Discussion 2003).

The intensity of such reactions demonstrates that the amendment touched a nerve within the international microfinance community, as it was just one prominent flare-up of an ongoing debate which will be the subject of the next section. As microfinance seems set only to expand as a development tool in the wake of the recent financial crisis, addressing and resolving this debate has implications for millions of microfinance clients around the world.

iii. Impact vs. Efficiency: “The Microfinance Schism”

Like many popular grassroots movements, the microfinance movement is characterized both by widespread agreement on broad objectives and by multiple rifts on key issues. The movement itself is driven by the shared commitment to provide credit for small enterprise formation and growth. This unity of commitment and rhetoric, however, masks a bewildering variety of philosophical approaches, types of institutions and borrowers, and delivery systems that shelter uneasily together under the big tent called “microfinance”
(Woller et al. 2001: 15)

Microfinance garnered enthusiastic support not only because of its social and economic potential, but also because it offered donors the opportunity to track every dollar of aid funding. Some microfinance institutions (MFIs) were even able to achieve

financial sustainability, and once it had been shown that MFIs could be eventually weaned off subsidies, donors put strong pressure on MFIs to demonstrate that they were achieving financial sustainability as quickly as possible.

Microfinance practitioners and donors became captivated with what Jonathan Morduch describes as a powerful "win-win" proposition: namely, that those MFIs focusing on institution-building according to the tenets of good banking are also those that will achieve maximum poverty reduction. According to this proposition, in achieving financial sustainability, institutions free themselves from a dependence on fickle and unreliable donors, ensuring a stable future and consequently maximizing the number of potential clients they can serve. Morduch adds that this approach has been the subject of a great deal of optimism within the microfinance industry because "if the argument is right, much poverty alleviation can be achieved at no cost to governments and donors—or perhaps even at a small profit" (2000: 617).

While earlier microfinance programs were often innovative and carefully attuned to local contexts and demands, by the mid 1990s, the increasing pressure from donors to achieve financial sustainability caused efforts to shift away from designing programs to reach the poorest and to turn instead to the discovery of the management practices most likely to lead an institution towards profitability.

To guide the industry's transition to for-profit status, [MFIs] have spent much time in an attempt to design a set of "best practices" for industry adoption. Best practices refer to those practices that improve institutional efficiency and effectiveness... The identification, standardization, and widespread adoption of "best practices" are believed to be an essential step on the path to industry-wide self-sufficiency, capital market access, and maximum outreach to poor clients. (Woller et al. 2000:283)

Not only did the need to be as efficient as possible impose standardization at the cost of innovation, but the directive to exploit economies of scale meant that MFIs shifted their orientation towards serving the largest absolute number of clients possible, an approach prioritizing breadth over depth of outreach. Emphasizing breadth in outreach is not only understood to be the quickest path to profitability, but is also seen as the best way to tackle poverty, conceptualized as a worldwide emergency requiring a massive institutional response. This view is represented by Christen et al. who write that, "it is

scale, not exclusive focus, that determines whether significant outreach to the poorest will occur...programs that do not attempt to achieve large scale outreach are simply not making a dent in the global problem" (cited in Woller et al. 2000:283). While organizations with a financial sustainability focus do not directly aim to achieve social outcomes, social outcomes are assumed to occur *de facto* from access to loans, and are frequently inferred from repayment statistics.

The "best practices" approach also prescribed microfinance minimalism; while earlier microfinance programs often incorporated a component of training or education along with loans, the pressure to adhere to "best practices" to receive funding led most MFIs to drop these services (Goldmark 2006). Such nonfinancial tie-ins were criticized as being expensive, leading to uncertain benefits, and hampering the possibility of achieving economies of scale. A CGAP report noted that:

[O]ver the years, most MFIs have concluded that they can deliver financial services more efficiently and suitably if they focus exclusively on their financial business and avoid nonfinancial services like nutrition, health and training altogether...In addition to issues of efficiency and focus, clients may become confused if the same unit is donating social support to them with one hand while insisting on repayment of the loans that it is giving with the other hand. (Hashemi and Rosenberg 2006:2)

Yet, Morduch points out that the pressure to adhere to the full slate of "best practices" has frustrated some NGOs. He describes what he terms the 'microfinance schism' or the disagreement among practitioners over whether institutional financial sustainability or development impact should be prioritized with microfinance funding. Those poverty-focused practitioners in the minority accuse the industry of 'mission drift,' pointing out that "the implication is that those institutions seeking to become financially self-sufficient will sacrifice depth of outreach and a certain social value to their input" (Thys 2000:7). These critics of the institution-oriented approach claim that a singular focus on profitability will exclude the poorest by default, as such clients lack collateral and present a greater risk to the institution than better-off borrowers. Smaller loans entail higher costs in monitoring, but the poor lack the capacity to take on large loans. Additionally, the poorest are often located in rural areas, meaning that reaching these clients is much more costly and can inhibit the achievement of economies of scale.

There is thus great risk of diverting the newly created profession of "people's banker" or of the "micro-financing of the poor" from its proper objective. The fact is that if priority is given to making [MFIs] profitable as quickly as possible, then the poorest will automatically be marginalized in favor of populations that are supposed to be more creditworthy. Similarly, rural areas [will be marginalized] in favor of urban areas which are more densely populated and provide better commercial opportunities. (Woller et al. 2000:284)

Such critics also point out that the “best practices” approach not only excludes the poorest by default, but it falls into the same trap of past failed development approaches by reducing poverty to a simple matter of lack of liquidity and ignoring the complex geographical, historical, and cultural factors which may hinder the ability of the poorest to escape poverty—or to even manage a loan at all.

As a lived experience, poverty is a multidimensional phenomenon, and low household income is usually but one manifestation of a much broader pattern of exclusion and vulnerability. Dunford writes that “[j]ust as [the poor] have been bypassed by formal banking and other financial institutions, the poor have little or no access to education, health and other services to build their human capacity” (2001:1). Barriers to access to such services means that the poorest may lack the knowledge or skills to translate increased incomes into better outcomes for themselves and their families. In some cases, gains in household income can even lead clients to abandon more nutritious, traditional foods in favor of more prestigious, but unhealthy, pre-packaged Western foods, or can prompt mothers to switch from breastfeeding to bottle-feeding, which holds a higher status in many communities (Smith 2002).

“The Microfinance Schism”

Financial Sustainability	Poverty-reduction
breadth	depth
quantitative	qualitative
blueprint approach	locally/culturally specific
financial services only	integrated nonfinancial services
donor demand focus	client demand focus
"better-off" poor	truly poor
bigger loans	smaller loans
banking is the end	banking is a means to an end
"best practices"	"sound practices"
profit motive	social mission
positive impacts assumed	positive impacts are goal

Structural constraints, such as local gender norms or patterns of ethnic discrimination may prevent borrowers from using credit to escape poverty. My own research in Peru showed that any gains in income rural-dwelling Quechua achieved with their loans had but a limited impact as long as they remained unfamiliar with the cultural norms and the language that would allow them to participate in urban, Hispanic society (Kearney 2008). Goetz and Sen Gupta (1994) question the empowerment potential of loans to women, pointing out that men may sometimes force their wives to take out loans only to take control of them themselves. Mayoux (1999) and Kabeer (2001) have also attacked the idea that access to credit will automatically empower women.

So what should be done? If, as many practitioners claim, microfinance is not an appropriate tool for the very poor, should it then be abandoned as a U.S. development strategy? I argue that it should not, suggesting that the problem is not with the policy tool itself but instead in the unquestioning acceptance and adoption of a “best practices” model of administration.

iv. A Crisis of Administration

I am convinced that by the early 1990s there were many organizations...who were reaching the very poor with microcredit...then came the sustainability at all costs wave. It started slowly but gained more and more momentum until all but a tiny number of donors stopped asking questions of impact and only focused on financial efficiency and self-sustainability. Essentially what happened was that significant incentives were created for the attainment of self-sufficiency and subsidies for more difficult, more groundbreaking work dried up. And sure enough, the NGOs acted accordingly, moving up-market and making decisions based on the attainment of self-sufficiency. They certainly did not invest in new work, in new research that would help them serve poor clients better. This is not to say that self-sufficiency is not totally critical, but it is not the end, it is the means to the end.

-John De Wit, Small Enterprise Foundation, South Africa

The central question in this debate is how to reconcile the goals of taxpayers (and more broadly, donors around the world) with the requirements of efficient and transparent management of MFIs. In his book, *The Intellectual Crisis in American Public Administration*, Victor Ostrom also treats the question of the seeming trade-off between efficiency in administration and accountability to citizens, offering that the problem might be ultimately be transcended by breaking out of a bureaucratic paradigm that favors centralization and standardization. Ostrom rejects the idea that “there is but

one rule of administration for all governments alike,” and views efforts to adhere to an Weberian model of bureaucracy as both inefficient and undemocratic, claiming that “citizens in a democratic society will run a very substantial risk if they are asked to stake their future on ideal-type formulations. Anyone offering perpetual motion machines for sale would be exposed to a potential charge of fraud” (1989: 102).

He recommends instead what he calls ‘a democratic theory of administration,’ under which,

Attention will shift from a preoccupation with the organization to concerns with the opportunities individuals can pursue in multiorganizational environments... Policy recommendations will be presented with greater emphasis on the opportunity costs inherent in different organizational arrangements... A democratic theory of administration will not be preoccupied with simplicity, neatness, and symmetry, but diversity, variety, and responsiveness to the preferences of constituents... Success depends on a knowledge of both the capabilities and limitations of diverse organizational forms, which can be used to ...yield services to enhance the welfare of people.” 115

His recommendations have value in reassessing the costs and benefits of pursuing a best practices approach in microfinance. While efficiency and profitability are important goals for an institution, the need to achieve political goals should be equally important. I view the “best practices” model of microfinance as another such hegemonic paradigm that, in its zeal to achieve maximum efficiency and rationality in outreach, has failed in the same manner of past development projects by reducing or ignoring the diversity and uniqueness of circumstances of the poorest across the globe. In light of this diversity, a single, ideal type model of microfinance lending will inevitably fail to serve the poorest. Efficiency in microfinance must be conceptualized in a way that takes account of political goals, and acknowledges the more intangible contributors to efficiency which, although difficult to measure, nevertheless are significant determinants of program success. Again, quoting Ostrom, “the recommended solution based on the criterion of efficiency is the alternative that would give individuals the greatest net advantage. Perhaps we need to be more attuned to the principle of relative advantage in our policy analyses than to the logic of ideal forms.” (1989: 107)

Considering the diverse sets of practices which may be appropriate, future efforts of donors and governments should focus not on standardization and imposition of a

predetermined model on a different population, but instead to should shift to experimentation and understanding the costs and benefits of different organizational arrangements. These costs and benefits must refer not only to borrowers, but the institutions that serve them; while a singular focus on administrative efficiency may preclude achieving the policy goals of microfinance, a focus on policy goals does not rule out the possibility of efficiency. “The obvious but difficult solution,” writes Dunford, “is to find a middle ground that allows microfinance to be both focused on the institution *and* on development impacts” (1999:3).

Programs integrating microcredit with education offer great potential as just such a solution. Dunford’s own organization, Freedom from Hunger, has demonstrated impressive results in reaching the poorest and maximizing social impacts. In a prior thesis, I focused on the social impacts reported by clients of a Peruvian microfinance institution combining credit with education. In the discussion that follows, I turn to an examination of the implications for the institution of such an approach, asking what the costs and benefits of an innovative, integrated approach might be for an institution. While the conventional wisdom of “best practices” suggests this will be inefficient, there is much evidence to suggest that this need not necessarily be true.

II. LITERATURE REVIEW: INTEGRATED PROGRAMS

Despite a poverty rhetoric, microfinance generally continues to fail to reach a significant number of very poor clients...It is clear that, left to its own devices, the market will not automatically lead to delivery of services to all potential clients. The first microfinance revolution saw a concerted effort made to innovate and create efficiency gains to serve poor “unbankable” people. A similar effort is needed to achieve the same for very poor people.

-Anton Simanowitz, Program Manager, Imp-Act, Institute of Development Studies, University of Sussex, Brighton. (Archived Discussion 2003)

Rather than viewing the two sides of the microfinance schism as “either-or” options, it is instead more helpful to envision them as representing particular points along a continuum of approaches. This conceptualization of the microfinance schism moves the discussion beyond the bickering of the past and towards an examination of how the best aspects of each might be combined.

Traditional business and traditional social service approaches are familiar polar opposites, the two ends of the microfinance spectrum. What is new and interesting in the microfinance movement is the broad middle ground occupied by the emergent social enterprises specializing in microfinance and related services. This is where the debate over “best practices” for combined impact and sustainability is most productively focused. (Dunford 2000:41)

Ideally such a social enterprise would have a “double bottom line” of financial and social performance; it would strive for social improvements while at the same time maintaining financial sustainability. Dunford has referred to such an organization as “The Holy Grail of Microfinance” and Freedom from Hunger (FFH), of which Dunford is president, has been an early pioneer in progress towards this goal.

FFH claims to target clients “beyond the reach and ‘below the radar screen’” of other microcredit organizations, and via its *Credit with Education* program, delivers training in topics such as health, nutrition, and business development alongside its loans. While the training is explicitly directed at producing broader social improvements, the organization is also vigilant in its adherence to the basic principles of good business practice. In discussing CRECER, a Bolivian subsidiary of FFH, Dunford acknowledges that

...the only way we can achieve our ambitious mission...is to build CRECER into a financially sustainable, growth-oriented, impact-seeking social *enterprise*. As a social *enterprise* CRECER is organized to be market-responsive and competitive, driven to be as efficient as possible in order to minimize or eliminate any need for donor support. (Dunford 2000:42; italics in original)

A survey of microfinance organizations conducted in 1999 found that at least 35 organizations had integrated education with group-based lending, two-thirds of which were located in Africa (Dunford 2001:5). The number of institutions integrating credit with non-financial services such as education has steadily increased in recent years; Arariwa, the Peruvian organization that is the focus of this paper, first introduced its own educational component in 2001.

Impact assessments have demonstrated that clients in integrated programs have improved knowledge of health and business practices as compared to their counterparts in credit-only programs, however, such findings do not by themselves present evidence that integrating education is a wise strategy from the perspective of the institution. As Smith points out, "...despite complementarities in health and income outcomes, it is by no means clear that there are any complementarities in the production of health and credit...[while] the costs of losing comparative advantage are clear"(2001:47). The president of Freedom From Hunger, Christopher Dunford, also addresses this issue, acknowledging that "evidence of complementarity of microfinance and education outcomes says little about the merits of unifying their delivery in one organization. What is good for society is not necessarily good for a service delivery business (and vice versa)" (2001:20).

In the remainder of this chapter, I will turn to the question as to what the implications of adding non-financial services are for an institution. I will first address some of the theoretical reasons why adding education could benefit an institution by being more efficient than a credit-only approach, then will turn to an examination of some empirical studies of the outcomes of integrated programs.

i. Rethinking Efficiency in Microfinance

Most calculations of efficiency in microfinance rely on economic models which operate on the basis of several assumptions which serve to simplify analysis. Which economic models are indispensable in policy evaluation, too often policymakers fail to acknowledge the assumptions underlying their models. To understand how integrated programs might be more efficiency requires stepping away from the economic understanding of man as an atomized rational, self-interested utility maximizer. The “best practices” approach has tended to treat clients as means rather than ends in microfinance, and this objectification has prevented MFIs from seeing the prospective gains to be realized by attending to the human capital needs of clients.

Many of our models of entrepreneurial activity in developing countries treat human capital as fixed, and focus instead on financial constraints...Similarly, much of the microfinance industry focuses on the infusion of financial capital into micro-enterprises, not human capital, as if the entrepreneurs already have the necessary human capital. (Karlan and Valdivia 2006:1)

Microfinance organizations, and especially those committed to working with the poorest, are increasingly aware of the degree to which the sustainability of their institutions is tied to the human capital of their clients and their families. Clients who are sick or forced to care for sick family members are unable to work, and may be forced to use their savings to pay for medicines. One study of three Peruvian MFIs revealed that, for all three organizations, client dropout and deteriorations of microlending groups were closely linked to health problems of clients and their families (Wright 2004). Similarly, clients lacking basic business skills such as book-keeping are disadvantaged in their potential to successfully manage and repay their loans. Offering clients training in health or business management is a strategy that can address the primary reasons for withdrawal or default at their source, and therefore holds benefits not only for clients, but the MFIs themselves.

While it would normally be very difficult to bring a group of people from geographically dispersed areas into contact on a regular occasion, the repayment meetings provide a point of intervention for the delivery of such services. In this respect, credit acts as an incentive to attract people to programs “that generate externalities, or benefits of which the participants may be unaware” (Smith 2002:46). In the same way

that attending to human capital needs can boost productivity, promoting social capital among the poorest clients can also be expected to boost output for MFIs. Consequently, some MFIs argue that their real comparative advantage lies not in the specialized skills of their bankers, but in their networks of clients, the local knowledge possessed by their field staff, and their ability to regularly bring together groups of borrowers.

ii. Empirical Evidence: Costs and Benefits of Integrated Programs for Institutions

a. Costs

Since education “piggy-backs” on the pre-established format of loan repayment meetings, it does not significantly affect institutional costs. Although the fixed costs of village banking are quite high, the variable cost of adding in education is quite low, and is mainly incurred by the need for additional training and supervision. Smith (2001) notes one MFI’s estimate of 6% of total operating costs for providing education, a figure that is in line with the estimate of 6-9% offered by a FFH study of the “cost increase for extra education” (Vor der Bruegge et al. 1997).

This study found that for a FFH program in Bolivia, the annual total cost per client served was \$63.82, and that eliminating the educational component from the program would amount to a savings of \$3.51 per client per year. This study also addressed the percentage of total time that was taken up by activities related to education, finding that managerial duties related to education (such as supervision or development of materials) took up about 10% of a program director’s time and that for field agents, extra duties related to preparation and adaptation of learning sessions took up about 5% of their time on the job.

The authors point out that, since banks are often in remote locations which entail significant time for travel, adding education doesn’t prolong meetings enough to reduce the total number of meetings that an agent could attend each week. They claim that even if FFH were to stop offering education, “no staff would be laid off, no vehicles would be sold, and the ratio of field staff to village banks served would remain the same” (1997:4).

b. Benefits

Most impact evaluations of integrated programs have focused on client outcomes; however, very few have addressed the question as to how these client outcomes in turn affect institutional success. Impact assessments are notoriously expensive and time consuming, and accurately determining whether programs that incorporate education yield more benefits for institutions than those that do not require a carefully controlled comparison that is rarely feasible in reality.

However, one important study of the marginal effects of education offers some compelling findings. Working with FINCA in Peru, a group of researchers randomly assigned pre-existing lending groups to either treatment or control groups, and introduced a mandatory business training into the meetings of the treatment groups. The researchers conducted a baseline study and a follow-up study two years later.

They found that, as compared to clients in control groups, clients in treatment groups not only demonstrated improved business practices and increased sales, but also had higher repayment rates and lower drop-out rates. On balance, the researchers concluded, adding education actually represented a net financial benefit for the institution.

The improved client retention rate...generates significantly more revenue...than the marginal cost of providing the training. The benefit from the improved client repayment is more difficult to estimate, since the true benefit to FINCA comes through lower enforcement costs...[A]ll in all this is a profitable undertaking for FINCA. (2006:20)

While improvements in repayment rates suggest gains in human capital or loan productivity, improved retention rates draw attention to another potential benefit of adding education: customer satisfaction and loyalty. Some evidence that integrated programs engender greater loyalty from their clients is anecdotal. Dunford relates that during a 'renunciation of debt' in Bolivia, wherein microfinance borrowers organized *en masse* to default on loans in protest of the policies of local MFIs, the clients of CRECER, an integrated program that is part of the FFH network, "...remained loyal to CRECER

and continued their on-time repayment. When asked why, many clients told staff, ‘CRECER cares about us. They are not just here to collect our loans. They talk with us and give us education’” (2001:12).

A study of another Bolivian ‘credit plus’ organization, ProMujer, found that while repayment rates of competing MFIs had dropped off during a recent recession, its own repayment rates had remained high. In trying to elaborate the ‘chain of causation’ behind this outcome, the authors of the study concluded that it was a direct consequence of its integrated model of lending,

...a model which, however much out of fashion with the microfinance establishment compels intense loyalty from the women who benefit from it. This loyalty leaves no room for doubt, in the event of crisis, as to who will be the first creditor to be repaid” (Velasco and Marconi 2004: 525).

Another study of an integrated microfinance organization in Guatemala has also found that adding an educational component led to increased retention rates and customer satisfaction (Newton et al 2005).

However, it remains unclear exactly how or why integrated programs should promote customer satisfaction and loyalty. While it may seem that customer satisfaction could be explained in terms of an appreciation for new knowledge and skills, this need not be the only explanation. In 1993 the largest microfinance organization in the Philippines, the Center for Agricultural and Rural Development (CARD), enlisted the help of FFH in implementing a pilot-test of an educational component. Two years later, FFH conducted an assessment of results, finding that clients from the pilot were significantly more knowledgeable than their credit-only counterparts and expressed higher levels of customer satisfaction than those in control groups. However, other unexpected findings emerged:

[a]s the pilot proceeded, CARD management noticed that the field officers trained to do the education were becoming better field officers with better clients. The training in non-formal adult education skills positively affected overall field officer performance...managers also believed that client satisfaction and retention were improved by the field officers’ better performance. (Dunford 2003:4)

Dunford's observation supports the conclusion that some of the beneficial outcomes, while quite significant in terms of satisfaction and retention, may nevertheless be somewhat abstract or difficult to quantify through quantitative methods alone.

Both theory and evidence suggest, then, that offering non-financial services alongside loans holds potential benefits not only for clients and their families, but for microfinance organizations themselves. Karlan and Valdivia even provide evidence that integrated services may help an institution's financial bottom line more than hurting it. Integrated programs hold great potential as a "middle ground that allows microfinance to be both focused on the institution and on development impacts" (Dunford 1999: 10) Yet, for such programs to be effectively implemented in new contexts, however, what must be better understood is what Velasco and Marconi have called the chain of causation, or the process by which offering education to borrowers affects repayment, retention, customer satisfaction, and loyalty. Particular attention needs to be given to the contexts and conditions under which adding education is more or less likely to benefit an institution and its clients.

In this paper, I present ethnographic data from a study of an MFI in Peru offering credit with education, discussing the costs and benefits of the educational component for the institution. This study adds to prior research both adopting an ethnographic approach and in comparing the results of the same intervention in two distinct populations. For cultural, historical, and geographical reasons, the rural and urban regions of Cuzco are home to two very different populations, yet the NGO under study introduced the same educational component to both groups. This arrangement presented a natural experiment to examine how program design shapes outcomes.

Ethnographic approaches are valuable not only in allowing a researcher to appreciate more intangible or subtle effects of interventions, but also are useful in helping to untangle the processes by which particular outcomes occur and under what circumstances certain outcomes may be more or less likely. In contrast to prior studies which judge performance on the basis of statistical indicators, this study privileges the testimonies of borrowers and the field officers, offering a close-up, ground-level view of the impacts of the educational component.

III. RESEARCH CONTEXT AND METHODOLOGY

i. Arariwa: Outreach and Performance

Arariwa, the institution featured in this study, was founded as a non-profit organization in 1984. In its earliest years, the organization focused on rural development projects, and its name comes from Quechua and appears in the Inca Chronicles as a figure who is a “guardian of sowers” and protector of crops and livestock. The institution first began offering microfinance loans in 1991, and in 1999, the institution created a separate unit entirely devoted to microfinance.

Arariwa uses the system of village banking and grants loans to groups of 20-30 borrowers which they distribute amongst themselves and for which all they are all jointly responsible. Clients, usually referred to as *socias*, are required to repay the loans over a period of four months at monthly meetings which are overseen by an *asesor*, or field officer from the institution. These groups were officially called *bancos comunales* but were usually referred to as *banquitos* (little banks) by clients and *asesores* alike.

As of 2006, Arariwa had a loan portfolio of nearly \$3 million and served more than 12,000 active borrowers. The average loan size was \$263 and 72% of its borrowers were female. Arariwa is financially sustainable, and in 2006, posted a profit margin of 26.3%. Table 3.1 provides some insight as to how Arariwa compares to other group lenders in Latin America surveyed by the Inter-American Development Bank on some additional performance indicators.

Arariwa served clients both within the city of Cuzco as well as in the rural highlands which surround it. Due to various factors I will discuss below, urban and rural banks presented nearly the opposite sets of circumstances for the institution, and *asesores* were primarily identified by the zones to which they were assigned. In general, borrowers in rural areas were Quechua-speaking farmers descended from indigenous Peruvians; they had low levels of educational attainment and very high levels of poverty. Urban borrowers, on the other hand, generally supported themselves through commercial activities, and most were *mestizos*, the descendents of white Hispanics and indigenous Peruvians, with relatively higher education levels and lower levels of poverty.

Table 3.1

Indicators	Arariwa*	Group Lenders in Latin America**
Overall Financial Performance		
Operational Self Sufficiency	131%	100%
Yield on Gross Portfolio	33%	40%
Efficiency		
Operating Expense/Loan Portfolio (%)	22%	23%
Cost Per Borrower	\$54.50	\$59.00
Productivity		
Borrowers per Staff Member	270	313
*Actual figures as of December 31, 2006 from mixmarket.org		
**Group lender numbers from “A Tale of Four Village Banking Programs: “best practices” in Latin America (Westley 2004)		

Despite the great differences between these contexts, however, Arariwa offered both groups the same program of credit with education. This arrangement presented the opportunity for a natural experiment, allowing me to observe how different circumstances affected the outcomes of the educational component for both borrowers and the institution. Before moving on to a discussion of my methods, I will first provide a brief overview of the link between rural areas, poverty, and Indianness to provide some context for my analysis.

ii. Poverty, Rurality and Indigenous Identity

According to the 2008 CIA World Factbook, the Peruvian population is 45 percent indigenous, 37 percent *mestizo*, and 15 percent European. Although it is clear that indigenous Peruvians suffer poverty at much higher rates than non-indigenous Peruvians, it can be difficult to encounter firm numbers on indigenous poverty, as there is no one marker that identifies someone as indigenous. Generally, indigenous people are

defined as monolingual highland-dwelling agriculturalists. The original Spanish conquerors of Peru attempted to control the Indian populations through by concentrating them into Indian communities, and the ongoing marginalization of indigenous Peruvians has always involved a spatial and geographical aspect. For centuries, indigenous Peruvians were forced into agricultural labor on large *haciendas* and excluded from participation in urban life.

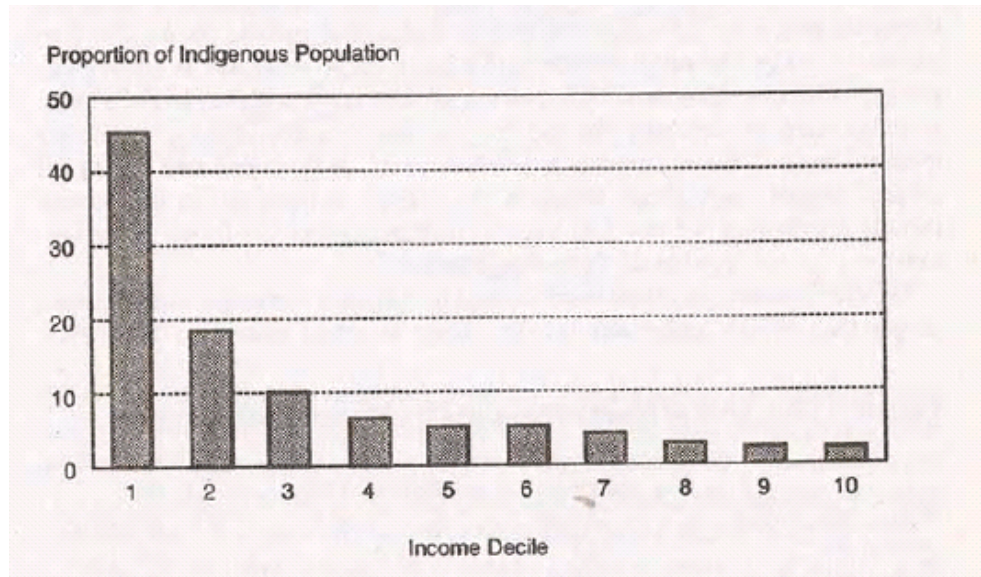
A left-wing military coup in 1968 led to a program of agrarian reform that expropriated and fragmented large land holdings, and renamed indigenous rural highlanders *campesinos*, or peasants. This was an act undertaken “for ideological reasons, wanting to redefine the subordinate position of Indians in Marxist class terms and seeking to change that situation through the land reform program” (van de Berghe and Primov 1977:127). However, agricultural reform did not alter the subordinate position of Indians and only solidified the association of Indianness and poverty with the countryside. Maria de la Cadena, a Peruvian anthropologist, writes:

In the region [of Cuzco], ethnic differences between Indians, whites, and mestizos sort out and justify power relations, which historically were constructed on the basis of land monopolization...today differences between mestizo and Indian are represented by perceived differences between country and city. (de la Cadena 1995:342)

In 1996, two World Bank economists published a study of the socioeconomic conditions of indigenous people in Peru, drawing their data from the 1991 Peruvian Living Standard Survey (PLSS) and classifying as ‘indigenous’ all those from the survey who reported being monolingual Quechua speakers. The study revealed that 76 percent of indigenous Peruvians lived in rural areas, in contrast to just 13 percent of non-indigenous Peruvians (Psacharopoulos and Patrinos 1996).

Their study also reveals the correlation between indigenous identity and poverty. As is shown in Figure 3, forty-five percent of all indigenous Peruvians fall into the lowest income decile, while the three lowest deciles account for 74 percent of the indigenous population. On the whole, they report, indigenous Peruvians are “one and a half times as likely to be poor as non-indigenous people and almost three times as likely to be extremely poor” (Psacharopoulos and Patrinos 1996:171).

Figure 3.1: National Household Income Distribution



Source: Psacharopoulos and Patrinos 1996: 171

The relatively higher level of poverty and powerlessness experienced by those in rural areas, as well as the different challenges and living conditions which they face, was ultimately very significant in this study in explaining the differences in the success of the educational component in these areas as compared to urban areas, and should be kept in mind for the discussion below.

iii. Methods and Data

The data for this study were collected over a three month period, from January to March of 2006, and drew upon two main sources of data: semi-structured interviews with Arariwa clients and participant observation of clients and *asesores* at group meetings. In the traditional sense, participant observation entails the ongoing observation of a fixed group of people, and the familiarity bred by a researcher's constant presence can be an important way of building rapport and trust within a community. In my case however, participant observation data was gathered during the meetings in which the members of a lending group gathered to pay monthly installments on their loans. Each time I walked

into the room as a complete stranger and I never visited a group more than once. This framework did provide an advantage in that over the course of three months I was able to observe a wide sample of borrowers, but I never had the opportunity to get to know them on anything more than a superficial level. This could be characterized as an approach that sacrificed depth for breadth.

The director of Arariwa selected the meetings which I would attend and arranged my transportation out into the field. I attended a total of 7 meetings within the city of Cusco and 15 meetings in rural areas. At meetings, I observed both the payment and the *capacitaciones*, taking notes about the composition of the groups, the interactions between the borrowers and the asesor, and the levels of interest and participation in the educational session. Attending the meetings, meeting the actual borrowers and their children, and listening to their discussions and stories allowed me to have a better understanding of the meanings that they attributed to their participation in the bank and the aspects of participation that they valued the most.

Observation of a variety of meetings also revealed the range of relationships that were possible between group members and asesores; in some cases I saw deep affection and respect among members, while in other situations relationships were more antagonistic. This drew my attention to the importance of in-group dynamics, which is not typically emphasized in the literature but emerged as an important factor in my research.

While I would have liked to have a representative sample of the population, my sample frame was limited to the members of those banks the director had chosen for me to attend and consequently the sample is best characterized as a nonprobability purposive sample. I conducted interviews with borrowers either during or after the meetings. In urban areas, clients spoke Spanish so I was able to conduct interviews by myself. Many of the rural borrowers, however, were indigenous and monolingual in Quechua (which particularly was true of women), so when I visited rural banks I was often accompanied by a research assistant who was a native speaker of Quechua and had significant experience in interviewing and transcription. Those clients who expressed that they were more comfortable speaking in Quechua would be interviewed by my research assistant, while those willing to speak Spanish were interviewed by me. We used a standard list of

questions and we conducted our interviews simultaneously with clients from the same groups and at the same meetings of those groups.

In total we interviewed 45 clients from rural areas and 6 from urban areas (Table 3.2). The disparity is in part explained by the fact that I was sent more often to rural areas than urban areas, but is also attributable to the help I had from my assistant when conducting interviews in rural areas. Additionally, as I discuss below, in many of the urban banks the requirement to do the lesson, or *capacitacion*, was ignored by *asesores*, and so I soon found speaking to such clients about the educational component to be fruitless.

Table 3.2: Count of Interviewees by Group

	Clients				Asesores				Managers	
	Rural		Urban		Rural		Urban			
Gender	F	M	F	M	F	M	F	M	F	M
Count	37	8	3	3	3	2	2	3	2	1
Total by Zone	45		6		5		5		3	
Total for Group	51				10				3	

Due to the rigid scheduling of meetings and the multitude of tasks that had to be completed at each one, these client interviews were generally rather short, lasting between 10-15 minutes. In rural areas, language constraints also limited the length of those interviews as often neither I nor the interviewee were entirely fluent in the language in which the interviews were conducted. As my Spanish improved with time, the interviews became less structured as I was able to respond more spontaneously to the comments and opinions people expressed.

My interviews with asesores and management staff were conducted towards the end of my time in Cuzco. For these interviews, I used a different set of questions which I had designed on the basis of my familiarity with the organization after three months of study. However, at this point in my research I did not rely as heavily on the questions as I had in my interviews with borrowers. I was able to conduct the interviews in a more

conversational manner and to ask *asesores* to clarify their comments or elaborate on a particular statement. These interviews were usually about half an hour to an hour long.

In the discussion that follows, each quote extracted from an interview will be prefaced with a code. The code F32 will denote a speaker who was the 32nd female borrower whom I interviewed, whereas M5 represents the 5th male borrower whom I interviewed. As the majority of my informants came from rural areas, all quotes from clients can be assumed to be taken from rural borrowers except when indicated otherwise. Quotes extracted from interviews with *asesores* will be prefaced with the code AF3 to indicate a female *asesor* and AM2 to indicate a male *asesor*. The same codes will apply to management, so that MF2 indicates the second female manager with whom I spoke.

iv. Limitations and Potential Sources of Bias

The greatest potential source of bias in this study is due to the use of a nonprobability sample. I have no reason to believe, however, that the banks that I visited or the clients whom I interviewed at those meetings, differ in any significant, systematic way from the population of microfinance borrowers at large in the area. As urban borrowers were much more heterogeneous than rural borrowers, I would have ideally preferred to interview a greater number of urban borrowers to maximize in-group variance and make stronger comparisons between the two groups. A larger sample size would have allowed more analysis of the differences by the subsets such as gender or education.

Another source of potential bias in my study is my limited fluency in Spanish, compounded by the fact that Spanish was a second language for most of the clients whom I interviewed. Although my Spanish skills did improve significantly with time, I was sometimes unable to understand or sometimes even approach important but culturally-sensitive and nuanced topics such as gender dynamics or ethnic discrimination. The potential to explore such subjects was also severely constrained by the time pressures of the meetings during which I normally conducted my interviews.

Lack of fluency in Quechua also presented a problem, in that I had no way to assess the quality of the translations of those interviews conducted in Quechua by my

research assistant. She translated these herself as she transcribed them from audio tapes. However she was well-regarded for her skills in interviewing and translation by Arariwa, and I have no reason to expect that she would have significantly altered any of these interviews in translation. In the present study, all translations from Spanish to English were done by the author, and all translations from Quechua to Spanish were done by my research assistant, Nelly Huaman.

Because the loan and education were delivered side by side, it was difficult for me to directly attribute any outcome reported by borrowers to either one or the other. As this became increasingly clear, I tried to address it by asking clients if they believed a given result they mentioned was attributable to the loan or the education, a question they themselves often struggled to answer with certainty. In discussing the outcomes I observed, I focus on those which are most clearly attributable to the educational aspect.

I must also acknowledge the problems that may have been presented by borrowers' suspicions that I was working on behalf of Arariwa and that what they told me might influence future access to loans. It is an open question as to whether or not the generally positive evaluations of the educational component that they all reported were due to their fear of punishment or their desire to please. However, the fact that often the same people who praised the *capacitaciones* would not hesitate to criticize many other aspects of the program (i.e., size of loans, interest rate) does provide some evidence that they were speaking honestly and candidly.

One final point must be mentioned. In doing ethnography in the Andes, I stepped into a complicated, historically-determined system of relationships among *indigenas* and whites. Since colonial times, both groups have regarded each other with great suspicion and even contempt, and whenever these groups have come into contact, white outsiders have assumed a dominant position of power. As much as I may have been oblivious to this dynamic, I am certain that my interviewees saw me as a representative of white, European society and thus formed their reactions and responses to me in the context of this assessment. One way in which this was perhaps evident is that, in listening to the recordings of my interviews, I realize now that sometimes participants did not understand what I was asking them but were hesitant or even afraid to admit this. Many times when this occurred they would just answer “*si?*” or repeat back what I said to them. I might

have never even noticed this had my research assistant not pointed it out to me when she listened to my interviews.

IV. DISCUSSION

In this chapter, I begin with a brief description of the structure and the development of the educational component. In the main section of the chapter, I first address the challenges which implementation presented for the institution and its staff. Next, I turn to the potential benefits of the lessons, outlining the pathways by which both the content and the format of the lessons could lead to outcomes that were valuable from an institutional perspective. I conclude with some evaluations of the program expressed by the field staff, emphasizing the conditions they saw as most important in determining the usefulness of the *capacitaciones* for the clients and the institution.

i. Capacitaciones: Development and Structure

Although Arariwa launched its microfinance division in 1998, the decision to add in an educational component was not made until the end of 2002. To design this new aspect of the program, the director of Arariwa turned to a Clotilde Amable Pinares, a Quechua-speaking educator with previous experience working with indigenous peoples on behalf of the Peruvian government. Ms. Amable eventually became a permanent staff member at Arariwa and was my primary contact at the institution during my time there.

Perhaps because Arariwa assumed that the lessons would be most helpful to rural lending groups, planning began with a needs assessment in the form of several focus groups of borrowers in rural areas. No focus groups were held with urban borrowers. The demands expressed by the rural borrowers were grouped into three broad categories—health, family well-being, and business management—which were elaborated into three modules which formed the basis for the curriculum which emerged (Table 4.1).

A fourth module, management of communal banks, was developed later and focused in great detail on the functioning of the bank and the guidelines of participation. While this module was not formally part of the sequence (and such information was covered in a condensed version at the first meeting of every bank), it was useful in rescuing banks that were disintegrating from poor performance, and was thus very popular with the asesores. It was also very helpful in rural areas where illiteracy or

inability to speak Spanish prevented clients from understanding the requirements of their participation. I observed lessons from this module being taught more frequently than any of the others.

While Ms. Amable herself had designed the content of the family wellbeing and the health modules based on her familiarity with these subjects and the needs of indigenous populations, to prepare the module on business management she called in a team of economists from Cuzco. In designing the lessons and materials, Arariwa made a considerable effort to make the examples and readings culturally appropriate and adaptable to either a rural or urban audience. Asesores were urged to adapt the lessons to meet the specific needs of the group with which they are working. This was much easier said than done, however, as many challenges faced asesores in implementing the *capacitaciones*.

Table 4.1: Arariwa Capacitación Matrix

	First Year Sessions			Second Year Sessions			Third Year Sessions		
Month	1	2	3	4	5	6	7	8	9
	Identity and Self Esteem			Improving Family Relationships			Child Growth and Development		
Family Well-Being	Who Am I?	Independent & Respected Persons	How would I like to be?	Marital Relationships	Family Harmony	Understanding Each Other	Quality Time with Children	When We Punish Our Children	Adolescents
	Safeguarding My Business			Using Business Data			Improving My Sales		
Business Management	Thinking Like An Entrepreneur	Taking Stock of Our Reality	Planning a Business	Organizing the Family Business	Keeping Records	Taking Out Business Expenses	Knowing My Market	Improving Sales	Identifying New Opportunities
	Promotion of Healthy Habits			Prevention of Children's Illnesses			Balancing Family Meals		
Health	Drinking Safe Water	Personal Hygiene and Managing Excrement	Hygiene in the Home	Vaccines and Acute Respiratory Infections	Diarrheal Illnesses	First Aid	Infants and Childrens Nutritional Needs	Safe Food Handling	Planning and Preparing Meals
Bank Organization	Communal Bank Management			Communal Bank Management			Communal Bank Management		

ii. The Challenges of Implementation

I believe that an institution like Arariwa offering microfinance services is sustained upon two pillars. One is financial performance, which means low default rates, having enough money to cover our costs or to have an acceptable profit margin, and also being self-sustainable. But social performance is the other—it's not just that our microfinance division grows, but also that our clients are satisfied and happy, they are improving their businesses, and they are gaining

in power. So capacitación is directly linked with social performance and giving money is directly tied to financial performance.

—Hugo Yanque, Director of Arariwa

Despite the program director's vision of a complementarity between financial and social performance, in reality there was an inherent tension between these two goals, and the burden of reconciling that tension fell largely on the shoulders of the *asesores*. They were required to fill conflicting roles and were faced with competing objectives. This was evident even within the course of single meeting: when collecting payments, *asesores* were forced to assume a vertical relationship over clients, but when doing *capacitaciones* they had to attempt to shift into a warm, friendly horizontal dialogue with clients.

Asesores were formally required to conduct *capacitaciones*, but were evaluated only on the basis of the loans they recuperated. They were required to be compassionate and to possess (according to the director), “a certain sensitivity with low-income groups,” but they were required at the same time to be strict and unyielding in collecting repayments. They were asked to be flexible and adapt lessons to suit the needs of banks, but were criticized when they did not follow institutional rules. Finally, in addition to these obstacles, there were additional sets of challenges that were unique to working in urban and rural areas.

a. Urban Banks

Each one of the *asesores* with whom I spoke mentioned that ‘organization’—by which they meant regular attendance and repayment of its borrowers—was a fundamental prerequisite for *capacitaciones* to even take place. *Asesores* admitted that when banks were failing, they would scrap the educational component entirely, as time at meetings which would normally be used for the lessons was instead devoted to accounting for missing members, hearing explanations as to why borrowers had failed to pay, or coming up with a plan of action to get the bank out of default. Unanimously, all *asesores* reported that urban banks were more disorganized than their rural counterparts.

On the one hand this was a consequence of the more heterogeneous composition of urban banks. While in official policy Arariwa was to focus on recruiting women and

the ‘poorest,’ fierce competition from other MFIs in the city had forced Arariwa to be aggressive in finding and recruiting whatever clients they could. In urban banks it would not be unusual to find Quechua street vendors in traditional skirts and hats sitting next to white collar workers. Clients were often strangers to one another, and the diversity of their backgrounds seemed to make it difficult for them to relate to each other or for groups to build a strong sense of shared identity.

Another reason for greater disorganization in urban banks had to do with the nature of work in the city. The majority of urban borrowers were owners of small businesses such as restaurants or shops which they left under the watch of a friend or relative while they went to pay their loan. This exposure put a premium on their time at the meetings and led to a very common phenomenon of clients coming to pay and leaving before the *capacitaciones* began, or sending someone else to the meeting to pay their installment on their behalf. *Asesores* felt that that this kind of behavior undermined group cohesion. One lamented that, “when people don’t attend or when they send others to deliver their payments, it creates a contagion in morale and the whole group will end up disintegrating or becoming disorganized.”

Even when all borrowers were present in urban banks, *asesores* still struggled to conduct the *capacitaciones*. Since borrowers differed widely along lines of social class and education, it was nearly impossible for them to conduct the *capacitaciones* at a level that was accessible to the least educated but not so basic as to insult the most educated. *Asesores* frequently felt intimidated in groups with clients who were more educated than they themselves were, and expressed frustration with some urban clients who would demand to be instructed instead by specialists. As one stated, “in the urban areas they are a more pretentious, they don’t want the *asesor* to talk to them about health—they want a nurse. They think the *asesor* doesn’t know anything more about the subject than they do.”

For all of these reasons, *capacitaciones* were delivered much less frequently and received much less enthusiastically in urban areas. Urban borrowers were largely uninterested or even annoyed with the modules on family wellbeing and health, and *asesores* admitted feeling embarrassed giving urban borrowers advice as to how to raise their children or explaining proper handwashing and toothbrushing. On the other hand,

the more practical topic of business management was quite popular among these borrowers and was cited by a majority of the urban borrowers as their favorite of the group. One urban borrower explained why he felt that the lessons were inappropriate for him:

M11: Yes, [*capacitaciones*] are more useful to some because not all of us are in the same economic position...the *capacitaciones* are only for those in the lowest condition. Honestly, I have a well-organized and responsible home and we all share the housework, so the *capacitaciones* haven't really helped me because I am already doing all of these things. But I know that for other people it has been very helpful—although that one about business management did actually help me.

b. Rural Banks

Rural banks presented nearly the exact opposite situation for implementation. Rural borrowers tended to earn their living in similar ways, and there were few observable gaps in status, wealth, or education among borrowers. Rural borrowers participating in banks usually all lived in the same village, and thus knew each other much better and were more likely to associate outside of meetings than the urban borrowers.

What differences did exist among this group were found along the lines of gender. Many men in rural banks were bilingual, while most rural women either spoke very rudimentary Spanish or were monolingual in Quechua. While men often wore machine-made, Western clothing such as blue jeans, women in these areas almost exclusively wore traditional, handmade clothing. As compared to women in urban areas, these women were much more timid and spoke much more softly. While poverty was much worse here than in urban areas and illiteracy was not uncommon, *asesores* claimed such clients had excellent repayment rates and attendance, and these groups were typically very well organized. Also, since borrowers had similar educational attainment, *asesores* did not struggle to find the right level to use in teaching.

The primary challenge for *asesores* in doing *capacitaciones* in these areas was their remoteness and lack of appropriate facilities. Meetings were held in mud-walled, open houses where posters hung onto the wall were blown off by gusts of wind. The *asesores* struggled with the lack of facilities—such as a blackboard, chairs, and adequate

lighting—and frequently had to improvise. One *asesor* told me he had been using thorns as thumbtacks to hang sheets of paper to serve as blackboard.

In rural areas, clients were receptive to all the modules, but asesores complained that the business management module was poorly suited to the rural context. Since the economy in this region was primarily agricultural and there were few microenterprises in the true sense of the word, the case studies of restaurants used as examples in the lessons designed by the *cusqueño* economists had little practical relevance to the lives of such borrowers. Rural asesores reported that they often made up their own examples to make teachings more accessible. In the exact reverse of the situation with urban borrowers, among rural borrowers the family wellbeing and health modules were extremely popular, and asesores told me that they sometimes were forced to repeat them to satisfy their clients who begged to cover them once again.

iii. Potential Benefits of Education

In spite of the challenges which the educational component introduced, when delivered to a receptive audience, the lessons could create a number of benefits which were valuable to the asesor and the organization, such as better attendance, less default, greater group organization, higher customer satisfaction, and higher job satisfaction. These potential benefits of the capacitaciones flowed from two distinct aspects of their delivery.

The first was the actual **content** of the modules—the specific information they conveyed about practices, behaviors, and attitudes. The second group of desirable outcomes emerged out of the participatory **format** of the lessons. In the discussion that follows, I outline the mechanisms through which these two aspects of the lessons could lead to outcomes that were jointly beneficial to all involved. As mentioned above, I will attempt to focus on those which are most unambiguously attributable to the educational aspect.

a. Content

There were three pathways through which the content of the lessons made the asesores' job easier and contributed to institutional success. First, by implementing the practices taught in the health and family well-being modules, borrowers reduced their vulnerability and gained in confidence, increasing their likelihood of successfully repaying their loans. Second, by following the advice of the business management module, clients were able not just to repay their loans, but to boost their loans' productivity. Finally, the module of bank management—along with the emphasis on values such as responsibility and honesty that permeated all the modules—helped borrowers to better understand the requirements of their participation in the bank and improved performance of the group as a whole.

Reduced Vulnerability and Increased Confidence

In rural areas, even small changes in health practices yielded high returns. Borrowers in two separate villages reported that building latrines had led to a marked reduction in gastrointestinal illness among the children in their community. New knowledge about nutrition was also frequently mentioned in rural areas as putting families on a more secure footing.

F20: I think my family is better off in every respect, but most of all in nutrition. For example, I learned about preparing meals and how to combine things...I learned which products have carbohydrates and I learned how to balance meals. Before I just cooked whatever, just in the way that our mothers taught us, but now we know what nutrients are in a potato, in quinoa, and that milk has calcium, and that our children need all of this. Health isn't just about hygiene, it's also about nutrition.

At least twelve clients claimed that the module on family well-being had led to more communication [*diálogo*] and improved relationships with others in their households. One man, long separated from his wife, attributed his decision to return home to the lessons, explaining that “the *capacitaciones* made me think this over, reconsider it and realize that I can live differently; we don't have to fight all the time like in the past.” On three occasions, rural interviewees claimed that *capacitaciones* had

helped them or their loved ones to overcome alcoholism, resulting in greater harmony in their homes.

For many clients, the most important impact of these lessons was to give them a sense of greater control over their lives: “before we didn’t feed ourselves very well but now we eat the best way we can...so I think that from now on we are going to prevent sicknesses.” This feeling of control gave borrowers newfound confidence and optimism about the future.

F4: I have learned that I have to value myself, to love myself as I am and I now have a lot more confidence in my business...I have faith that this business is going to go well for me. Now I don’t think that I am going to lose but that I am going to win.

F29: Yes, there have been changes, because I value myself, I have confidence in myself that I am going to achieve what I want to—I feel more certain of this than before.

More Productive Loans

A second way in which the content of the lessons could yield benefits for Arariwa was that the lessons not only helped borrowers be able to repay their loans, but could also help them to manage their money and use their loans more productively. On the one hand, this increased productivity was due to specific changes in attitudes and practices regarding their businesses.

F6: They taught us to invest—before we just did it according to our own criteria, but now in this *banquito*, they’ve taught us how to run a business and that’s made a big impact on me.

F26: It’s taught me to treat my customers more affectionately. Before I just ran my business without thinking, I didn’t know to figure my costs. After the training, I learned to calculate my expenses, increase my savings. There have really been changes.

Seven of the borrowers whom I interviewed claimed they would have failed to repay their loans without such education, and many more predicted they would not have been able to use the loan as effectively. As a result, some borrowers said that the education had been more valuable than the loan itself.

M7: The *capacitación* is almost more important than the loan because sometimes someone can have money but not know how to distribute it.

M10: I think the *capacitaciones* have been more useful than the loan in some ways because in the past, even though I had money I still had economic problems. The *capacitaciones* have really helped me and my wife.

F4: Without the lessons we would fail, because the money that we take out would be wasted and we would have problems repaying—so *capacitación* is very important.

F6: Without *capacitación*, how would we manage the money that they lend us?

Perhaps even more significantly, because of the interdependency of the various facets of their lives, improvements in one area had direct implications in other areas. Each of the outcomes cited above—changes in self-image, improvements in household relationships, better money management skills, reduced rates of illness, and improvements in nutrition—did not occur in isolation but instead interacted with and reinforced each other. Adopting preventative health practices allowed borrowers to avoid costly trips to the hospital and instead use their savings to pay for their children's education or make investments in their businesses. Improved performance of businesses could alleviate marital stress or conflicts over finances, encouraging greater cooperation and coordination in future business decisions. The connections among these various outcomes were often mentioned by borrowers.

F37: I think the most important thing in life is good family relations. To be a fulfilled and happy person who is capable of undertaking a successful business, all will depend on how you live in your house and how you get along with others.

F2: When you have a home where there is harmony and understanding it is possible to achieve many things with your business.

AsM2: Each one of the themes is important for the family to have a better quality of life, each one. The theme of health is very important because with good health you can do everything, but if you don't have health, if you're sick, you can't work at all.

F20: I think health is the most important thing because if you don't have your health, you don't have anything—you'll be dead.

Increased Compliance and Improved Group Performance

A third way that the content of the lessons benefitted the institution was by improving group performance. In one respect, the educational component had straightforward effects on overall group functioning by instructing clients in the basics of what was expected of them. Yet some clients also felt that *capacitaciones* had led to better group outcomes because they stressed the kinds of values and attitudes that were essential to group success. As one woman explained,

F26: It helps us to comply with our payments because for many people, if they didn't receive this, they wouldn't comply. The *capacitación* teaches us to be responsible and to meet our obligations.

However, in the same way that improvements in just one aspect of an individual's life created a 'virtuous circle' of improvements in other areas, the collective effect of the improvements realized by each individual in a bank implied a different sort of virtuous circle for the performance of the group as a whole. This link between the success of each member and the overall success of the group was also mentioned frequently:

M5: It teaches us how to finance our businesses and to pay on time, and in this way we support our bank and we will make it successful.

F26: Without *capacitación* our bank would not function as well [*no caminaría bien*].

M4: Without *capacitación*, our bank would fail because with these lessons we learn how to manage our money, how to work, and how to manage our households.

While conventional approaches largely ignore these relationships, an approach adding education harnesses this potential for individual improvements to have repercussions at the level of the group. As borrowers were "empowered" in all dimensions of their lives, they were more able to meet the obligation to attend meetings regularly and repay their loans. For the group as a whole, this outcome meant less time was spent accounting for absent members, explaining reasons for default, resolving problems, assigning blame, or chastising failing groups. These improvements in organization created a positive feedback loop wherein better group organization left more

time available for *capacitaciones* which in turn led to even higher levels of group cohesion and organization.

b. Format

Whereas the beneficial outcomes of the content of the lessons stemmed from increasing the human capital of individual clients, the benefits accruing from the format of the lesson are better explained in terms of the social capital which such a format encouraged. The social interactions and the friendships which were fostered by the discussions had the effect of heightening borrowers' sense of identification with the institution and each other, which strengthened their motivation to attend and to work together to ensure the success of their group.

A Unique Space for Social Interaction

The participatory, discussion-based format of the lessons provides an opportunity for group members and the *asesor* to exchange opinions and experiences on a regular basis. Many clients expressed that this was one of the most enjoyable aspects of participation in the communal bank: "It's better that they do *capacitaciones*, because with these chats we can forget our worries for a moment and just enjoy ourselves, and then go back to our homes more relaxed."

Borrowers' participation in these informal chats gave them a temporary respite from their day-to-day worries, and allowed them enjoy one another's company and get to know one another better. Several *asesores* confirmed that their *socias* relished these opportunities for relaxation and socializing, with one even acknowledging that, for some borrowers, the desire for sociability was the primary motivation for joining a bank.

AsF1: In the majority of groups they enjoy being in this space, they enjoy meeting up, sharing experiences, being in a group. They really value this space and they say to us, 'here, we can put our minds at rest.'

AsM1: Yes, in the communal bank there are some *socias* who don't need credit and they don't want to save either. They come with the intention of sharing a few hours in a group with food, with conversations; this is what they see and this is what interests them most. It's a space to share, to make friends. Meetings can

sometimes go longer than expected—when they are all participating and laughing they go much longer.

Borrowers were motivated to attend and participate not only by the opportunity to socialize for its own sake, but also to practice their Spanish or to gain experience speaking in front of a group. One rural female borrower said, “it’s good that they do these *capacitaciones* because it gives us confidence to speak. Perhaps in another place we wouldn’t be able to speak, but here its like being in a family, we talk and converse.”

For many rural women, the opportunity meetings provided for communication and exchange with their neighbors was invaluable, as traditional norms in many villages relegated women to the household and given them few opportunities for interaction with those outside their immediate family. Maruja Barrig, a Peruvian consultant to development projects for international agencies, describes the consequences of such isolation:

In the Peruvian case, the restrictions on freedom of movement for many women in Andean areas have resulted in the limitation of their cultural portfolios, which are broadened when people move from one structural context to the next and learn how to act appropriately in different settings. This process is enriched by communication and interaction with others. The density of an individual’s daily life experiences, a product of real or symbolic migrations, creates the capacity to choose between a plurality of identities. Andean peasant women are denied this freedom and capacity. (Barrig 2006:121)

Rural women in the more remote villages repeatedly spoke of *capacitaciones* as meeting a hunger for human interaction and companionship. In such statements, women often described their daily lives in terms of imprisonment and ignorance, viewing the chance to speak with the *asesor* and others as equally—if not more—valuable than the loan itself.

F31: When we get together like this between *compañeras* ...it leads to more participation. Because when one doesn’t get out like this, to go to their *banquito*, there isn’t any...you are just in the house and there isn’t much else. We are more confined. But, on the other hand, when we have this group here and we leave our houses and go outside, now we know some things.

F20: If a person doesn’t leave their home, they don’t know anything and they don’t know anyone; you don’t have any kind of interchange, and each one of us has different ideas that need to be shared.

Group Identity and Solidarity

While on the one hand the perception that the meeting was inherently enjoyable could lead to better attendance and compliance, another important potential effect of the interactions of *socias* was that those who developed friendships were more likely to help each other in meeting problems that arise, including problems with repayment. These networks of mutual support forged through *capacitaciones* were usually described in terms of solidarity and, as took multiple forms. One client claimed “there is a great deal of solidarity in our group because we support each other morally and economically.” Her sentiments were echoed by many other borrowers.

F8: *Capacitación* helps us to be supportive of one another. We make plates of food, and we all eat and we get to know each other better, and if there’s someone who is short two *soles* or a little bit of milk, we help her. It’s really nice.

F19: We have learned to value ourselves and to help one another if, for example, one of our members doesn’t have enough money. We help each other mutually.

F39: When we can’t pay the loan, we can borrow amongst other *socias* to be able to pay them back.

The strengthened trust and social capital within the group which led clients to support one another was of obvious benefit to *asesores* and to Arariwa. Yet these occurrences within the meetings also created externalities in the larger communities in which borrowers lived.

M8: After the *capacitación*, we get together our “*canasta navideña*.” We do Mother’s Day and we just build a lot of goodwill [*generamos mucha amistad*]. We are actually thinking of organizing a barbeque and charging ten *soles* entrance to help any member of our group that might fall ill, because in situations like that no institution and not even your relatives are able to help you, and in this case the treasury will be able to lend a hand. This way we’ll have a fund that would be given to those who need it.

F39: In our village we used to just say ‘hi’ when we walked past one another, but now we stop and talk—there’s a lot more friendship [*amistad*].

iv. Explaining the Benefits of Capacitacion for the Institution

Benefits could only be realized when *capacitaciones* were actually carried out by *asesores* and when clients were motivated to participate. For reasons described

above, this was the case much more frequently in rural areas than in urban areas. Yet, when successful, capacitaciones could foster increases in borrowers' human and social capital which could translate in a variety of ways into valuable outcomes such as higher attendance, repayment, customer satisfaction, and loyalty. Such outcomes were predicted in the literature and are not entirely surprising, but what does seem significant is the picture that emerges as to *how* and *why* the educational component had these effects.

What became clear to me in speaking with groups and *asesores* was that for the most part, customer satisfaction was linked to the fact that the lessons allowed borrowers to be treated and to treat one another as subjects, rather than simply objects. While in other microfinance organizations participation in a loan group is only a means to an end, when clients were receptive to the capacitaciones, participation in Arariwa groups became an end in itself, something inherently—rather than just instrumentally—valuable. Ultimately, this outcome gave Arariwa a competitive advantage over other microfinance organizations in the region:

F38: I want to congratulate Arariwa because apart from providing us with financial support when we need it the most, it's also a gathering among the women and we share moments of fun. Despite living so close together we often don't meet and I think it's really good for us to get together and just relax a little bit.

F31: In the other bank I was in they didn't do *capacitación*. I mean, they explained to us on the first day that you had to pay back the money they were receiving, and that we shouldn't disappoint them and that we needed to be punctual. But it wasn't like this *banquito*—it was just a loan [*era un préstamo, no más*]. In Arariwa there is... a lot of sharing, but in that bank we only showed up to pay and pay and pay until it was over—we hardly ever even got to know each other. It wasn't a *banquito*, it was just a loan, nothing more. Because of that I quit, I withdrew [*Como era préstamo no más, terminé, me retiré*].

Including the educational component alongside the loans demonstrated to borrowers that the institution and the field staff saw them not just as a client in need of investment capital but as a complete human being. The discussions where borrowers shared stories and advice allowed borrowers to interact not just as mutual guarantors of loans, but as mothers and sisters, husbands and fathers. The content

made them feel like Arariwa acknowledged and understood that their family, health, business skills and even self-confidence were mutually interdependent and equally important elements of their success.

In spite of all the challenges which the educational component introduced into their job, on balance, most asesores agreed that the capacitaciones were necessary for this very reason.

AM27: The module on family wellbeing is the most important, because the family that needs to be strengthened first in order for our bank to function at all. If there are problems at home, the bank will fail. The first point of intervention has to be the family, relationships, self-esteem.

On the one hand (as is demonstrated by the statement above) *asesores* appreciated that *capacitaciones* could improve the performance of individuals and the group, making their own job that much easier. However, what made the greatest impression on me was that what asesores seemed to appreciate the most was the ability to relate to their clients on a personal basis.

AsM5: Yes, I really like it because it's a way of interacting with the *socias*; through these *capacitaciones*, you get to know a little more of their reality and like that you can start to understand them better. Through the *capacitaciones* we [*asesores*] also can look for some kind of improvement in their lives; if they were just to pay and that was the end of it, the relationship would be pretty weak.

AsF4: [Doing *capacitaciones*] is really satisfying. It's sharing this experience with them and getting to know them a little better—that's what it lets us do [*eso te permite*].

Three out of the ten *asesores* I interviewed volunteered that, if given the choice, they would prefer only to do capacitaciones. One *asesora* explained:

AsF5: [*Capacitación*] is really what I enjoy the most and I would like to only do that and not collect payments at all. If I stay in this job, it's because there are some people who are really worth putting yourself out for. There are some people at a very low economic level, but when you see a change over time it's really satisfying. If you were to ask me to choose between the two, I would wholeheartedly choose *capacitación* [*con mucho gusto elegiría y prefería capacitación*].

V. CONCLUSIONS

At the heart of the discussions is the question of how public institutions...best support what is essentially a private sector activity that contributes to social benefits...Do we need targeting tools to push existing products on a poorer clientele, or to develop better products and services appropriate to very poor people?

-John Tucker, Deputy Director, Special Unit for Microfinance, United Nations Development Program. (Archived Discussion 2003)

Despite the claims of some practitioners, microfinance can be extended to the poorest, but a standardized, credit-only approach will inevitably exclude a vast number of the intended targets of development aid funding. This research demonstrates that even among populations living but a few miles from one another within the same country, the outcomes of a single microfinance approach can vary widely. History, culture, and geography cannot be ignored in microfinance program design; discrimination and other structural factors play a crucial role in determining the ability of each person to escape poverty. For this reason, microcredit programs must be implemented with greater attention to the specific needs and concerns of potential clients in each context. This does not require reinventing the wheel each time, but will demand greater experimentation and attention to those inputs and outputs which—although difficult to measure or even discern with quantitative methods—nevertheless play an important role in the ultimate success of programs.

Balancing efficiency and development impact with microfinance need not be a zero-sum game, and thus the ‘microfinance schism’ should be seen as representing a false dichotomy. By granting greater attention to the potential to build both human and social capital in the group setting which microfinance offers, program designers will be able to shift the production possibility frontier in microfinance outcomes. It is somewhat perplexing that an industry which valorizes the entrepreneurial spirit should discourage entrepreneurship in designing programs to take account of the unique potentials or niches that MFIs could find in a given market context.

With greater understanding of the potentials inherent in microfinance delivery strategies, different approaches can be evaluated in terms of their respective opportunity costs. Any opportunities, such as increased client repayment, retention, loyalty and customer and employee satisfaction, which are forfeited in adopting a “best practices”

approach must be understood seen as costs to be accounted for in future calculations of efficiency. These calculations should perhaps place less emphasis on minimizing inputs and more emphasis on exploiting inherent potentials of a situation to maximize impact with a given level of funding.

A second policy implication of these findings is that legislative approaches to microfinance targeting would be more effective if donors focused not on monitoring MFIs' compliance in meeting input mandates, but on incentivizing and rewarding experimentation which has allowed MFIs to successfully reach the poorest in each context. One suggestion is that microfinance organizations should be invited to compete for grants based on innovative ideas for research and development. As one contributor to the online discussion about the amendment observed,

Legislative mandates focused on funds spent (rather than results achieved)...are more likely to inhibit than promote long-term sustainable financial services that benefit the poor. What is required is providing incentives to strengthen institutional capacity and develop products to serve the very poor.

And Elizabeth Rhyne, another contributor to the online discussion, pointed out:

USAID has spent a lot of time counting microfinance dollar flows but I'm not sure how much that has actually contributed to the goal of reaching the very poor...I would prefer to promote financial services...by setting targets, providing incentives to strengthen institutional capacity and develop products to serve those objectives, and monitoring success in achieving results. Monitoring is costly; better to focus monitoring efforts directly on achievement of results (which is normally required anyway) than to add another layer to monitor the flow of inputs.

John Tucker, quoted at the beginning of this section and director of the UNDP's Special Unit of Microfinance, warned that "incentive systems can contain either 'carrots' or 'sticks.' Systems that rely on sticks [such as the 2003 amendment]...are more likely to create unintended result as actors try to avoid the consequences of non-compliance." He offers several ideas for systems based on carrots, including

- (1) more funding for global competitions rewarding MFIs that develop and document better products and services appropriate to very poor people.
- (2) Incentive to work in Least Developed Countries (LDCs)...or other countries where large populations live on less and \$1 a day.

- (3) Bonus rewards to MFIs that show that they are reaching a substantial number of very poor people with appropriate products

While measuring dollar flows into programs may be easier and less costly than detailed impact assessments of results, a focus on inputs alone will only encourage, rather than inhibit, the persistence of the credit only, “best practices” approach which has marginalized the very people it is intended to reach.

i. Lessons for the Future:

While some of the outcomes I observed—particularly those tied to the status of rural women—may have been specific to the cultural and historical conditions the setting presented, I would offer that this research does present some general lessons which could be helpful in designing a similar program in another location.

First, and most important, is the need for attention to client demand and familiarity with client needs. The modules designed by a woman with years of experience working with rural, indigenous populations were extremely successful with rural banks, but generally panned by those in urban banks. Alternately, the single module designed by urban economists was popular in urban areas, but considered too complicated and unsuited to the need of rural populations. As participation and interest of clients is vital for success, programs can only be expected to succeed to the extent that they take account of client preferences and realities.

Second, as long as financial viability is a concern (and it seems hard to imagine when it would not be), introducing an educational component will only be viable in banks that have a relatively high degree of organization. It is simply unreasonable to expect a field officer to lead a discussion when their banks are in disarray and their jobs are on the line. Similarly, program designers must take into account the business climate of the area; borrowers may have businesses which require them to make great sacrifices to attend meetings, and may not be able to sacrifice any additional time. My research also suggests that discussion-based education will be more successful in those groups which contain a higher degree of class and status equality.

Third, there is only so much which field staff, trained as bankers, can be expected to teach clients. My research showed that the biggest benefits from the content of the modules came in rural areas, where clients were very vulnerable and even small changes in health or business practices yielded significant results. In urban areas, or in any banks where clients themselves have a higher degree of education, attempting to increase human capital of clients through education in the context of repayment meetings will have declining returns. However, as some of outcomes—such as customer satisfaction and loyalty—derived more from the opportunity meetings provided for meaningful interaction, institutions which recognize and actively seek to meet such broader needs of their clients (beyond loans) are more likely to cultivate greater loyalty and satisfaction. This means that, in some contexts, a minimalist approach to microfinance may be among the least effective—or even efficient—forms of program design.

REFERENCES

Barrig, Maruja.

2006. "What is Justice? Indigenous Women in Andean Development Projects." In *Women and Gender Equity in Development Theory and Practice*, edited by Jane S. Jaquette and Gale Summerfield, 107-133. Durham, NC: Duke University Press.

Buckley, G.

1997. "Microfinance in Africa: Is It Either the Problem or the Solution?" *World Development* 25: 1081-93

de la Cadena, Marisol

2000. *Indigenous Mestizos*. Durham, NC: Duke University Press.

Denhardt, Robert B.

2008. *Theories of Public Organization*. Fifth Edition. Belmont, CA: Thomson Wadsworth.

Dunford, Christopher

2003. "Adding Value to Microfinance and to Public Health—At the Same Time." *Focal Point for Microfinance* 4 (4):1-4.

2001. "Building Better Lives: Sustainable Integration of Microfinance with Education in Health, Family Planning and HIV/AIDS Prevention for the Poorest Entrepreneurs. Paper presented at Microcredit Summit Campaign, Halifax, Nova Scotia.

2000. "The Holy Grail of Microfinance: 'Helping the Poor' and 'Sustainable'?" *Small Enterprise Development* 11(1): 40-44.

1999. "In Search of 'Sound Practices' for Microfinance." *Journal of Microfinance* 2 (1): 6-12

Elahi, K.Q and Danopoulos, C.P.

2004. "Microcredit and the Third World: Perspectives from Moral and Political Philosophy." *International Journal of Social Economics* 31 (7): 643-654.

Goetz, A.M. and Sen Gupta, R.S.

1994. "Who Takes the Credit?: Gender, Power and Control over Loan Use in Rural Credit Programs in Bangladesh." *World Development* 24(1):45-63

Goldmark, Lara.

2006. "Beyond Finance: Microfinance and Business Development Services" in Berger, M, Goldmark, L., and Miller-Sanabria, T. (eds.), *An Inside View of Latin American Microfinance*. Washington D.C.: Inter-American Development Bank.

- Hashemi, Syed and Richard Rosenberg
2006. "Graduating the Poorest Into Microfinance: Linking Safety Nets and Financial Services." Focus Note 34. Washington, D.C.:CGAP, 2006.
- Hulme, D.
2000. "Is Microdebt Good For Poor People? A Note on the Dark Side of Microfinance." *Small Enterprise Development* 11 (1): 26-9.
- Hulme D. and Mosley P.
1996. *Finance Against Poverty: Effective Institutions for Lending to Small Farmers and Microenterprises in Developing Countries*. London: Routledge
- Johnson, S.
2005. "Gender Relations, Empowerment and Microcredit: Moving on From a Lost Decade." *European Journal of Development Research* 17 (2): 224-48.
- Kabeer, N.
2001. "Conflicts Over Credit: Re-evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh." *World Development* 29 (1): 63-84.
- Karlan, D and Valdivia, M.
2006. "Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions. Yale University Economic Growth Center Discussion Paper No. 941; Center for Global Development Working Paper No. 108.
- Kearney E.
2008. Empowerment or 'A Citizenship Project?': Credit with Education in Cuzco, Peru. Masters Thesis in Applied Anthropology, Oregon State University.
- Mayoux, L.
2001. "Tackling the Downside: Social Capital, Women's Empowerment, and Microfinance in Cameroon," *Development and Change* 32: 421-50.

1999. "Questioning Virtuous Spirals: Micro-Finance and Women's Empowerment in Africa." *Journal of International Development* 11 (7):957-984.
- MkNelly, B. and McCord, M.
2001 "Women's Empowerment," Freedom From Hunger Impact Paper No. 1, Davis, CA.
- MkNelly, B. and Dunford, C.
1998. "Impact of Credit with Education on Mothers and Their Young Children's Nutrition: Lower Pra Rural Bank Credit with Education Program in Ghana. Freedom From Hunger Research Paper No. 4. Freedom From Hunger: Davis, CA.

- Morduch, J.
2000. "The Microfinance Schism." *World Development* 28(4):617-629.
1999. "The Microfinance Promise." *Journal of Economic Literature* 37 (4): 1569-1614.
- Mosley, P. and Hulme, D.
1998. "Microenterprise Finance: Is There a Conflict Between Growth and Poverty Alleviation?," *World Development* 26 (5): 783-90.
- Navajas, S., Schreiner, M., Meyer, R. L., Gonzalez-Vega, C. and Rodriguez-Meza, J.
2000. "Microcredit and the Poorest of the Poor. Theory and Evidence from Bolivia." *World Development* 28 (2): 333-346.
- Onyuma, S and Shem, A.O.
2005. "Myths of Microfinance as a Panacea for Poverty Eradication and Women Empowerment," *Savings and Development* 2:199-222.
- Ostrom, Vincent
1989. *The Intellectual Crisis in American Public Administration*. Second Edition. Tuscaloosa: University of Alabama Press.
- Psacharopoulos, George and Harry Anthony Patrinos
1996. *Indigenous People and Poverty in Latin America: An Empirical Analysis*. Avebury, UK: World Bank.
- Rahman, A.
1999. *Women and Microcredit in Rural Bangladesh: An Anthropological Study of Grameen Bank Lending*, Boulder: Westview Press.
- Rogaly, B.
1996. "Micro-finance Evangelism, 'Destitute Women,' and the Hard Selling of a New Anti-Poverty Formula." *Development in Practice* 6 (2):100-112.
- Sample, Bob. 2006. "How RESULTS Activists Collaborated with Microcredit Leaders to Build the Microfinance Movement." accessed on 2/17/08 at <http://www.results.org/website/download.asp?id=2388>
- Schuler, S.R. and Hashemi, S.M.
1994. "Credit Programs, Women's Empowerment, and Contraceptive Use in Rural Bangladesh," *Studies in Family Planning* 25 (2):65-76.
- Schuler, S.R, Hashemi, S.M., Riley, A., and Akhter, S.
1996. "Credit Programs, Patriarchy and Men's Violence Against Women in Rural Bangladesh," *Society, Science and Medicine* 43 (12):1729-1742.

Smith, Stephen C.

2001. "Microcredit and Health Programs: To Integrate or Not to Integrate? An Economist's Perspective." In *Microenterprise Development For Better Health Outcomes*, edited by Rosalia Rodriguez-Garcia, James A. Macinko, and William F. Waters, 41-51. Westport, CT: Greenwood Press.

2002. "Village Banking and Maternal Child Health: Evidence from Ecuador and Honduras." *World Development* 30(4): 707-723.

Thys, Didier

2000. "Depth of Outreach: Incidental Outcome or Conscious Policy Choice?" CGAP Editorial, Summer 2006:7-8.

Van den Berghe, Pierre L. and George P. Primov

1977. *Inequality in the Peruvian Andes: Class and Ethnicity in Cuzco*. Columbia, MO: University of Missouri Press.

Velasco, C. and Marconi, R.

2004. "Group Dynamics, Gender, and Microfinance in Bolivia." *Journal of International Development* 16: 519-528.

Vor der Bruegge, E., Dickey, Joan E., and Dunford, C.

1997. "Cost of Education in the Freedom From Hunger version of Credit with Education Implementation." Research Paper No. 6. Freedom From Hunger, Davis, CA.

Weber, Max

2004. "Bureaucracy," in *Readings in Social Theory, Fourth Edition*, J. Farganis (ed.). New York: McGraw Hill.

Westley, G.

2004. "A Tale of Four Village Banking Programs: "best practices" in Latin America." Inter-American Development Bank, Washington D.C.

Woller, G. and Warner Woodworth

2001. "Microcredit as a Grass-Roots Policy for International Development." *Policy Studies Journal* 29(2):267-283.

Woller, G., Dunford, C. and Woodworth, W.

2000. "Where to Microfinance?" In *Microcredit and Development Policy*, Snow, D., Woller, G. and Buss, T (eds.). New York: Nova Science Publishers.

Wright-Revollo, K.

2005. "The Darker Side of Microfinance: Evidence From Cajamarca, Peru," in J. Fernando (ed.), *The Perils and Prospects of Microfinance: Globalization, Neoliberalism, and the Cultural Politics of Empowerment*. London: Routledge.

APPENDIX

APPENDIX A

INTERVIEW QUESTIONS - ENGLISH VERSION

I. *Asesores*

1. How long have you been an *asesor*? Have you taught clients in another NGO?
2. Do you work in urban or rural areas?
3. How many banks are you responsible for? Is it too many or the right amount?
4. What is a typical day like for you?
5. How were you trained to be an *asesor*? What aspects were emphasized?
6. How were you trained to do *capacitaciones*? What was emphasized?
7. How do you think the *capacitaciones* can benefit the *socias*?
8. Which kinds of borrowers benefit or do not benefit from the lessons?
9. Which themes do the *socias* find most interesting?
10. Which kinds of *socias* participate the most in the *capacitaciones*?
11. Do you think the lessons are more useful for some *socias* than others? Which types of *socias* and why?
12. Do you enjoy doing the *capacitaciones*? Why or why not?
13. Do you think it makes sense to do the *capacitaciones*?
14. Which themes do you most enjoy teaching?
15. Do you think the lessons are culturally appropriate?
16. Which modules do you think are the most pertinent to the *socias*?
17. Which of the modules do you think may need to be improved? How would you improve them?
18. How do you teach the *capacitaciones*? How much time do you usually spend on teaching them?
19. Do the banks with more *capacitaciones* have less default than the banks that don't do the *capacitaciones*?
20. How many of the *socias* are illiterate? Do these *socias* ever have problems with repayments?
21. Do the *socias* ever argue or contest the material in the lessons if they don't agree with it?
22. What is most important with the loan—profitability or the ability to improve borrowers' lives and reduce poverty?
23. Why is there an emphasis on lending to women?
24. Is there anything else you'd like to add?

II. *Socias*

a) Clients in banks with frequent *capacitaciones*

1. What is your name/age/business/marital status/number of children?
2. How long have you participated in a communal bank? How many cycles have you completed?
3. How often do you attend the *capacitaciones*?

4. How do you feel about the *capacitaciones*?
5. How does the *asesor* usually do the *capacitaciones* in your communal bank?
6. When are the *capacitaciones* normally done during the meeting?
7. Have you ever participated in the past with another NGO that did not have *capacitaciones*? Which do you like more?
8. Do you feel that the *capacitaciones* are useful? Why or why not?
9. Would you prefer that there were no *capacitaciones* during the meetings—if you only had to come and pay each month without also attending the educational sessions?
10. Which has been most helpful to you in your life—the loan or the *capacitaciones*?
11. Which of the themes have you learned about in your communal bank?
12. Which of the themes or lessons has helped you most and why?
13. With regard to decision making, do you feel that you make more decisions alone than before? Which kinds? Which do you make with your husband?
14. Can you tell me a story or give me a concrete example of how the *capacitaciones* have helped you in your life?
15. How else have the *capacitaciones* helped you? What have been the impacts:
 - ...in your self-esteem and confidence?
 - ...in your relations with your family?
 - ...in your business?
16. Do you have confidence in your capacity to direct your business and manage your finances and household in the future? More than before?
17. Do you believe that you and your family have better health and less risk or vulnerability as a result of the *capacitaciones*?
18. Do you think that you could give advice to others about health/business management/family wellbeing? More so than in the past (before the *capacitaciones*)?
19. Do you participate in your community (events, organizations)?
20. Do you believe that the *capacitaciones* are more useful for some people than for others? For whom and why?
21. Which of the modules did you find most/least interesting and why?
22. If you could choose the themes of the *capacitaciones*, would you be more interested or attend more frequently? Which themes would you choose?
23. Which of the themes do you think is the most important or useful?
24. Do you believe that the *capacitaciones* contribute to the success of your communal bank? Why?
25. Is there more friendship or solidarity among your group as a result of the *capacitaciones*?

26. What would you suggest to Arariwa to improve the *capacitaciones*? Is there anything else you'd like to ask or to add?

b) Clients in banks with infrequent capacitaciones or lacking capacitaciones

1. What is your name/age/business/marital status/number of children?
2. How long have you participated in a communal bank? How many cycles have you completed?
3. How often do you attend the meetings?
4. How would you feel about receiving *capacitaciones* in your communal bank?
5. Which themes would interest you the most and why?
6. How might the *capacitaciones* benefit you and the other *socias*?
7. What would you suggest to Arariwa?
8. Is there anything else you'd like to say or to ask?

APPENDIX A

INTERVIEW QUESTIONS - SPANISH VERSION

I. *Asesores*

1. ¿Hace cuanto tiempo es *asesor*? ¿ha capacitado en otra ONG?
2. ¿Dónde trabaja en zonas rurales o urbanas?
3. ¿Cuántos *banquitos* tienes? ¿es demasiado o suficiente?
4. ¿Qué es un día típico para UD.?
5. ¿Cómo se ha capacitado para ser *asesor* de crédito? ¿en que se ha enfatizado?
6. ¿Cómo se ha capacitado para ser capacitador(a)? ¿En que se ha enfatizado?
7. ¿En qué les beneficia las *capacitaciones* a las *socias*?
8. ¿A que tipo de *socias* beneficia y a que tipo de *socias* no beneficia?
9. ¿En qué temas se interesan mas los socios?
10. ¿Quiénes son los *socias* que participa con frecuentemente?
11. ¿Cree Ud. que las *capacitaciones* son mas útiles para algunos socios que para otros?
12. ¿A Ud. le gusta dar *capacitaciones*? ¿Por que?
13. ¿Crees que tienes sentido capacitar a *socias*? ¿por que?
14. ¿En qué temas le interesaría capacitarse mas a Ud?
15. ¿Crees Ud. que los módulos de *capacitación* culturalmente son apropiados?
16. ¿Qué módulos cree que son pertinentes para los socios? ¿Por que?
17. ¿Qué módulos hay que mejorar? ¿En que y como?
18. ¿Cómo das las *capacitaciones*? ¿Cuanto tiempo?
19. ¿los bancos que tienen frecuencia de *capacitación* pagan puntuales o hay morosidad?
20. ¿Cuántos de los socios son iletrados (analfabetos)? ¿tienen problemas con los pagos del préstamo?
21. ¿Algunas veces las *socias* discuten la información en las *capacitaciones* cuando no están de acuerdo?
22. ¿Qué es más importante con el préstamo: la ganancia o la capacidad de mejorar las vidas de las *socias* y reducir la pobreza?
23. ¿Por qué hay énfasis en dar préstamo a mujeres?
24. ¿Hay algo más que quisieras decir?

II. *Socias*

a) con frecuencia de ir a capacitaciones

1. ¿Cuál es su nombre/edad/negocio/estado civil/numero de hijos?
2. ¿Cuánto tiempo hace que participa en un banco comunal? ¿Cuántos ciclos ha hecho?
3. ¿Con qué frecuencia asiste a las sesiones educativas?

4. ¿Cómo percibe la *capacitación* en el banco comunal?
5. ¿Cómo se da la *capacitación* en el banco comunal?
6. ¿Cuándo se da la *capacitación* en el banco comunal?
7. ¿Ha estado con otro ONG en el pasado sin sesiones educativas? Que le gusta más?
8. ¿Cree usted que la *capacitación* de Arariwa es útil o no? Por qué o por qué no?
9. ¿Prefería que no hubiera *capacitaciones* en las reuniones? Si solamente tenía que pagar cada mes sin asistir a las sesiones educativos?
10. ¿Qué le ha ayudado más en su vida- el préstamo o las *capacitaciones*?
11. ¿Qué de los módulos (temas) ha hecho?
12. ¿Qué de los módulos le han ayudado más y por qué?
13. ¿En relación a tomar decisiones...
 - ¿siente que ahora toma decisiones sola? Cuáles?
 - ¿ Y Cuáles toma consultando a su pareja?
 - ¿ A nivel de su persona qué decisiones toma?
 - ¿y a nivel de su familia?
 - ¿Y a nivel de su negocio que decisiones ha tomado?
14. ¿Puede usted contarme una historia o darme un ejemplo concreto de cómo las *capacitaciones* le han ayudado en su vida?
15. ¿De qué otras maneras las sesiones educativas le han ayudado en tu vida?
 - ¿Que son los impactos...
 - en su autoestima y confianza?
 - en las relaciones con su familia (su pareja, sus hijos)?
 - en su negocio (inversiones, ventas, ganancias)?
16. ¿Tiene usted confianza en su capacidad de dirigir su negocio y manejar sus finanzas y su casa en el futuro? Más que antes?
17. ¿Cree usted que usted y su familia tiene mejor salud y menos riesgo o vulnerabilidad por las *capacitaciones*?
18. ¿Cree usted que ya podría dar consejos a otras personas sobre salud/gestión empresarial/bienestar familiar? Más que en el pasado (antes de las *capacitaciones*?)
19. ¿Ya participa más que antes en su comunidad (asuntos políticos, organización de actividades)?
20. ¿Cree usted que las sesiones educativas son más útil para algunas personas que otras? Para quienes y por qué?
21. ¿Qué de los módulos (temas) le han interesado más/menos y por qué?
22. ¿Sí podría elegir la tema de las sesiones educativas, interesaría/asistiría más? Qué tema escogería?
23. ¿Qué temas le parece lo más importante o útil? Por qué?

24. ¿Cree usted que la *capacitación* ayuda al funcionamiento/ éxito de su banco comunal? Cómo?
25. ¿Hay más amistad/solidaridad entre las *socias* por las *capacitaciones*?
26. ¿Qué sugiere a Arariwa para mejorar las *capacitaciones*? ¿Hay algo más que quiere decir o preguntar?

b) sin frecuencia de ir a capacitaciones

1. ¿Cuál es su nombre/edad/negocio/estado civil/numero de hijos?
2. ¿Cuánto tiempo hace que participa en un banco comunal? ¿Cuántos ciclos ha hecho?
3. ¿Con qué frecuencia asiste al banco comunal?
4. ¿Con qué frecuencia asiste a las sesiones educativas?
5. ¿Cómo lo vería si en el banco comunal recibiría *capacitaciones*?
6. ¿En que temas interesaría más? Por qué?
7. ¿En que beneficiaría las *capacitaciones* a Ud.? Y a las otras *socias*?
8. ¿Qué sugiere a Arariwa?
9. ¿Hay algo más que quiere decir o preguntar?