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**MICROFINANCE AND TRUST:
BUILDING SOLIDARITY, SOCIAL CAPITAL AND COMMUNITY**

By

Roger Benton Bairstow

A THESIS

Submitted to

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in partial fulfillment of the requirements

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ABSTRACT

**MICROFINANCE AND TRUST:
BUILDING SOLIDARITY, SOCIAL CAPITAL AND COMMUNITY**

By

Roger Benton Bairstow

Recognizing that peer-lending groups are a community resource that extends beyond the purposes of microfinance, this study sought to understand how loans and group interaction with lending officers influences the trust and solidarity within peer-lending groups. The study explored individuals' perceptions of group solidarity and trust, using semi-structured, open-ended interviews and observation as the primary means of data collection. Twenty-six participants (22 women and 4 men) from five different lending groups belonging to two different microfinance organizations took part in this study. Interviews were conducted either at participants' homes or business locations.

Utilizing grounded theory methodology and analysis techniques, the findings indicate that group solidarity and trust between members can be influenced and encouraged through positive group leadership, a supportive group environment that is truly concerned with individual members, and individuals attributing value to group membership. These findings are grounded in a theoretical model of solidarity, which recognizes that group solidarity is a composite of both group worth or what might be called 'attraction to group' and individual relationships among members. As such, trust is central to this entire phenomenon.

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Chapter 1: Introduction

Since the early 1970s, the concept of microfinance has emerged as a potential solution to the financial insecurity of the economically disadvantaged. Stemming from the successes of the Grameen Bank, the new generation of credit providers has brought the concept of microfinance to the fore of poverty alleviation. Providing relatively small loans to low-resource individuals and families, microfinance programs seek to increase the accumulation of capital in the household through the development of micro enterprises (Dunford 1996).

Group Based Lending

Part of the success of the new generation of microfinance programs can be attributed to the introduction of the group-based lending mechanism. It provided a solution to the problem of risk associated with lending to the poor, who have little or no collateral, and the problem of high administrative costs (Montgomery 1996; Rogale 1996).

The group-based lending or peer group scheme entails the formation of groups who jointly accept liability for each individual's loan. For the borrowers, this approach solves the problem of the traditional collateral requirements of lending, relying on what Otero and Rhyne term "social collateral," while for the lender it spreads the risk of loan default (Rhyne and Otero 1994). Further, within the solidarity group scheme, groups are self-

selecting and given the responsibility of establishing the loan recipient's 'bankability' and insuring loan repayment. This comes from the perspective that peers have a more complete understanding of their group-member's character and her ability to repay loans and that coming together with already-familiar individuals reduces the level of distrust in the group (Kevane 1996). Thus, loan officers are able to meet with the group rather than each individual and in turn reduce the transaction costs involved in securing and servicing a loan.

The benefits of group-based lending are not just the reduced transaction costs for the bank and alternative collateral arrangements for the poor. There are broader, communal benefits as well (Montgomery 1996). Peer lending groups have the ability to function as a long-term resource promoting community development.

Community Development and Microfinance

The definition of community development takes on a wide range of concepts and practices (Effrat 1974; Christenson 1989; Bhattacharyya 1995). For the purpose of this paper, it describes a process of “community building” which seeks to build local, individual and group capacity to positively affect change (Kretzmann and McKnight 1993; Shaffer and Anundsen 1993). This is very much in line with many other definitions of community development. For instance, Bhattacharyya’s (1995) conception of community development describes any activity that actively pursues “a shared identity and code for conduct (solidarity) and “the capacity of a people to order their world”

(agency). Citizen participation underlies much in the concept of community development literature as well (Christenson 1989), and is a central tenant of community building. However, community building differentiates itself by way of emphasizing a relationship-driven approach to development of the individual and the community as a whole (Kretzmann and McKnight 1993; Shaffer and Anundsen 1993).

The practical application of peer-group lending takes on many of the aspects of community building. In the idea of microfinance, successful development of small enterprises engages an individual in the formal economy, enabling them to participate in decisions and activities that shape their community's economic life. This feature is key in what many see as a way in which to diversify the economic actors who decide the fate of communities and restore a form of democracy that has largely been taken out of the hands of the locality (Gunn 1991). This phenomenon reflects a form of communal empowerment or agency (Bhattacharyya 1995), but is also a product of individual agency (MkNelly and Dunford 1996) in that individuals begin to feel more self-confident and in control of their economic and personal lives.

“Poverty lending empowers women participants. By providing opportunities for self-employment, it increases women's autonomy, self-confidence, and status within the household.” (MkNelly and Dunford, 1996)

Peer group lending enables much of this to happen. Without the group, members would never have been able to participate in the microfinance activity, but more importantly it enables the successful and sustainable development of an individual's business by exposing participants to new ideas and information (MkNelly and Dunford 1996).

Moreover, it has been cited that the relationships and bonds that form in peer groups can provide a forum in which individuals can learn and find support to improve upon their self-confidence and competencies that move beyond just the economic sphere (Kevane 1996; MKNelly and Dunford 1996). To this end, peer group lending has additional potential benefits, seen as the development of solidarity.

Solidarity and Social Capital

This aspect of microfinance and the development of solidarity most closely approaches the concept of community building. As Bhattacharyya (1995) has stated, solidarity means “a shared identity and code for conduct.” For him, this defines who the community is. But, it is necessary to understand that this solidarity is rooted in relationships between individuals forming a group. With this understanding, this paper utilizes the term solidarity to not only reflect Bhattacharyya’s concept, but also to describe a set of trusting, committed relationships among individuals. This closely resembles Humphrey and Wilkinson’s (1993) (in Zekeri, Wilkinson et al. 1994) definition of solidarity which describes it as “the capability of a grouping to act as one, [implying] horizontal ties at the local level that encourage and facilitate collective action.”

There are many benefits to solidarity as has been stated above in terms of the benefits of the peer group providing a forum in which individuals can learn and find support to improve upon their self-confidence and competencies (MKNelly and Dunford 1996). Embedded in this concept is the currently used notion of social capital as well.

Social capital can be seen as embedded in relationships between individuals. Further, it is the degrees of trust and the subsequent utility (or dis-utility) derived from these trusting (or untrusting) relationships that form the threads of the social capital fabric. Within this web of relationships, individual preferences and attitudes may change (Putnam 1995). In situations where strong bonds of association have developed, an individual considers not only how her decision will affect her own welfare but also that of the group. Therefore, with a large amount of social capital, individual and collective problems are more-easily resolved.

Trust

Trusting, intimate relationships are the central component to the development of solidarity, strong social networks, social capital and the overall concept of community building (Shaffer and Anundsen 1993; Putnam 1995; Kevane 1996). Trust in its basic sense “functions to simplify the world by providing ‘shortcuts’ that enable individuals to rely on others, freeing them to do much more than could be done in absence of [it]” (Goto 1996).

Many cite the development of mutual trust relationships in the peer lending group dynamic (Berenbach and Guzman in Montgomery 1996; Hung in Light and Pham 1998). But, in practice the solidarity group mechanism is not without its problems. There have been studies that demonstrate that group members’ perceptions of risk of each other greatly affects whether mutual trust can develop or exist (Montgomery 1996). This can

also affect who is selected to be in a group which can effectively exclude the 'very poor' who pose greater risk of default (Montgomery 1996).

Additionally, as Montgomery has shown, the extent to which perceptions of risk can be diminished and mutual trust established is dependent upon the structure of the lending program and how 'repayment pressure' is applied. The structure and service delivery of microfinance programs differs from organization to organization. There are those programs that center their programs based on a minimalist perspective, providing credit only, and those that conduct education and training programs in conjunction with lending. However, loan repayment is considered crucial to the viability and long-term success of the microfinance lending program regardless of their other programmatic differences (Rhyne and Otero 1994; Schmidt and Zeiting 1996). But, what has been found is that the additional services offered and structure of the microfinance programs can greatly affect whether a program will have high or low repayment rates (Montgomery 1996).

Montgomery advocates the need of flexible repayment schedules, savings facilities, and short-term loans as mechanisms that can provide the poor with a means of coping with their credit riskiness. Additionally, aside from the group pressures, how microfinance field officers work to ensure loan repayment is a major factor in terms of whether trusting relationships can develop (Montgomery 1996).

"The...emphasis on repayment discipline, and the way in which [solidarity groups] become the joint-liability group in practice is evident in the ways by which peer pressure is activated and reinforced by...field staff. Such pressure on members create conditions in which the perception of default risks and mistrust of each other are increased." (Montgomery 1996)

Conversely, field staff that work with credit recipients to repay loans in a flexible manner can reduce potential perceptions of risk and mistrust within the group.

Problem Statement

Three points have been made with regard to microfinance and the group-based lending mechanism. First, the peer-lending group provides the opportunity for the development of trusting relationships and solidarity which is fundamental to community building. These relationships in turn provide numerous potential benefits in terms described as social capital, economic participation, and agency. Second, trust is a crucial element, if not the foundation, in the development of solidarity. Third, the way in which risk is perceived in solidarity groups and the development of trust can be attributed in part by the manner in which microfinance programs and lending officers interact with the solidarity group and the services provided by the microfinance program.

Aside from Montgomery's study (Montgomery 1996), the issue of how trust relationships and solidarity are built or effected by way of the microfinance organization's activities and loan officer interaction has largely been ignored. If we recognize that the solidarity group offers the potential for long-term community development through a self-help approach, it is important to understand how the solidarity of groups can be maintained during the course of their loan and well after. Therefore, the purpose of this study was to provide some understanding to how the formation of trust within solidarity groups can be encouraged, built and sustained. Accordingly, the research questions for this study were:

- What are the dynamics of trust between lending group members?
- What are the dynamics of solidarity between lending group members?
- What is the interaction between lending group members and the microfinance program, and how does that interaction affect the dynamics of trust and solidarity?

This study explored how individuals think and feel about their relationships. As trust and solidarity are social phenomenon, an exploration into the beliefs and perceptions of the peer group members was essential to its understanding. In addition, having a conception of loan officers' perceptions and their motivation provided a picture of how program structure and the delivery of microfinance services interact with the solidarity group.

Significance of the Study

Trust within the peer group provides the 'social collateral' necessary for microfinance to successfully and sustainably operate. Thus, understanding what microfinance structures help promote trust and solidarity is essential in situations where mutual trust does not exist prior to lending. Moreover, given that community building is based in trusting relationships (Kretzmann and McKnight 1993; Shaffer and Anundsen 1993), trust can be considered a community-wide benefit from the solidarity group mechanism. As peer group lending provides the potential development of solidarity, understanding the structures that do or do not encourage trust and the subsequent development of social networks and social capital provides a case from which programs can draw upon to promote a community building approach to community development. Shedding light on how microfinance credit impacts the community may further emphasize its relevance as a

means of increasing community networks and support systems to address broader, social issues.

Research Foundation

The philosophical foundation of this study is based in the constructivist paradigm. Under this belief system, reality is a social construct where "phenomena are defined depending on the kind and amount of prior knowledge and the level of sophistication that the constructor brings to the task" (Guba and Lincoln 1989). Thus, there exists no singly defined reality. Truth in this respect is "that most informed and sophisticated construction on which there is consensus" (Guba and Lincoln 1989). Following from the constructivist ontology, is the epistemological belief that the researcher and the research participant are jointly involved in the generation of data, and as such cannot be separated. The values of each help shape and interpret the outcome of the research process. Given the constructivist epistemology and ontology, the methodology utilized necessitates understanding the contextuality of the situation, the beliefs and perceptions of the participants, and a flexibility to adapt to potentially new insights (Guba and Lincoln 1989).

Trust is seen as a social phenomenon and is rooted in the beliefs, perceptions, and attitudes of the actors involved that are shaped by their environment and cognitive abilities. Understanding the context, the beliefs and perceptions of the research

participants are essential to any meaningful insight to the phenomenon of trust and the relationship between lender and client.

Site Selection

The research took place in the town of Meru in Meru District, Kenya. Kenya is located on the eastern coast of Africa on the equator, covering an area of 583,000 sq. km (225,000 sq. miles) and bordering Somalia, Ethiopia and Sudan in the north, Uganda in the west, Tanzania in the south, and the Indian Ocean in the East [<http://www.kenyaweb.com/>]. The country has been the subject of NGO, microfinance involvement for well over twenty-five years (Daniels et al. 1995). The survey that Dondo and Ongile (Dondo and Ongile 1994) collected of NGOs in 1992 found that there were 81 organizations with support programs for small and microenterprises with 41 organizations providing lending services to the poor in Kenya. Thus, the country provides extensive opportunities to investigate microfinance operations, especially those with a wealth of experience and long-term projects and participants.

Meru is one of 41 districts in Kenya and lies on the eastern side of Mt. Kenya, between longitudes 370 and 380 East. It has a total area of approximately 5,331 sq. km. divided into 12 divisions. Meru had an estimated population of approximately 840,000 during the 1979 census, and was projected to see it rise to 1.2 million by 1988 (Gitobu 1989).

Current figures are not available. The estimated dependency rate is considered to be high with children of age 15 years or lower accounting for over half of the population (Gitobu 1989).

The town of Meru was the chosen study site in part because the researcher has contact with community leaders and the fact that there is a number of microfinance organization operating out of the town. The research for this study was carried out from January to July 1998.

Research Design

Data Collection

Consistent with a qualitative approach, this study used semi-structured, open-ended interviews and observation as the primary means of data collection. The benefit of using interviews is in its ability to actively engage the research participant in story telling, allowing them to express their opinions and beliefs. Observation is a means to further understand the context of the phenomenon being studied. These two tools provide the researcher with a unique and vivid picture of the individual's reality and the manner in which their environment is perceived. This is key to the definition of a qualitative design and consistent with the direction of this research where we are interested in understanding issues of trust and the relationships between solidarity group members and lending officers.

As part of the interviewing tool, the researcher helps to guide the conversation while trying to maintain its open-endedness as much as possible. In this way, research participants can provide a more detailed picture of their reality while maintaining a focus on the specific phenomenon being studied. Additionally, it creates a process in which the

researcher becomes heavily involved in the creation of meaning. In the interview process, the role of the researcher is of discoverer and listener. The interview is an act of "perceiving between two people," where the product is an interpretation "which is jointly produced by interviewer and respondent" (Lofland in Vandenberg 1993). This provides a situation consistent with the constructivist philosophy.

The interviewing process was undertaken through multiple steps. First, with the help of the partner microfinance organization, introductions were made to the potential participant with regard to the study's purpose and to establish the basis of a relationship with the individual. It is stressed that establishing a relationship of trust is vital to a successful interview (Gitobu 1989). Thus, considerable emphasis was placed on this facet of the interview during the first meeting. Additionally, the potential participant's willingness to be interviewed was investigated and their permission to meet again sought. The second meeting was the formal interview.

Data Analysis

Data analysis had an integral role in the data collection process, using much of the data analysis techniques of the grounded theory approach. As Corbin and Strauss state, a grounded theory is "discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon. Therefore, data collection, analysis, and theory stand in reciprocal relationship with each other" (Strauss and Corbin 1990).

The process can be described as moving from data collection, to data analysis, to data collection, and so on. This procedure of data analysis allows the emergence of categories and patterns of relationships, and permits data collection to further explore uncovered knowledge. The techniques employed use a coding process that enables the researcher to develop categories and interpret data collected, and are essential to being able to make comparisons and asking further questions (Strauss and Corbin 1990). Further discussion of the coding process will be discussed in the methods chapter of the study.

Participating Organizations

Participants in this research belonged to the micro-loan program of either the YWCA-Meru Branch or the Kenyan Ecumenical Church Loan Fund (K-ECLOF). A historical background of these two organizations and their approach to and method of lending is provided below.

YWCA

The YWCA was established in Kenya in 1912 as a branch of the English YWCA and now represents one of the oldest women's organizations in Kenya. The Association has six branches in Mombasa, Meru, Kisumu, Nairobi, Kisii and Tana River whose activities are coordinated by the central headquarters in Nairobi.

In its formative years, the YWCA concentrated its activities on providing hostel accommodation for young, single women, recently arrived or transiting through Kenya.

More recently, YWCA has become increasingly aware of the importance of promoting sustainable community development, and of equipping women with the necessary skills and resources to enable them to take control of their lives. As a result, YWCA's activities have started to concentrate on rural development and community-based projects such as income-generating activities and community service programs.

The income-generating activities undertaken by YWCA have been designed to improve leadership, management and business skills. The wide goal of YWCA's activities in this field has been to improve the socio-economic conditions of low-income women and their families in Kenya, assisting them in establishing small enterprises through training and the provision of credit.

The YWCA's individual loan scheme was initiated at the YWCA-Meru Branch in March 1993 as a pilot project funded by the United States Agency for International Development (USAID). Currently, the Branch conducts its individual lending project with four women's groups.

Design of the Credit Scheme

To achieve its goals and objectives, the YWCA based its credit scheme on the Kenya Rural Enterprise Program's model, integrating training with the provision of credit to enable low-income women to initiate small-scale businesses. Before initiating loans, group members are trained during a week-long course in credit operations, business management, and book keeping, enabling program participants to either plan a new

business or improve upon their existing enterprise and successfully manage it upon initiation. These trainings are periodically supplemented (as branch funding allows) over the course of loan repayment to reinforce participants' confidence and help in the development of successful businesses.

The YWCA's lending process moves through five basic stages; loan application, assessment and approval, disbursement, collection and repayment, and loan follow-up and monitoring.

Application: To qualify to apply for loans, groups are required to raise 5% of the total group loan that they wish to borrow. The credit officer and the group officials assess the financial requirements of individual businesses before issuing loan applications to the qualifying groups.

Assessment and Approval: The loan requirements for each member are determined by the group members who also act as co-guarantors. The Branch head office approves or rejects group loan applications. Approval of individuals within the group is done by the group.

Disbursement: Before the group receives a loan, each individual is required to file a signed agreement to repay the loan - called "group collateral papers" (GCP) - which includes a description of what the individual is using as collateral to receive the loan from the group. The loan interest rate is 16-17%. Current commercial interest rates in Kenya are between 25-30%.

Collection and Repayment: Groups are collectively responsible for repayments of loans according to an agreed schedule. Monthly payments are turned in at a group, monthly meeting where the group's Treasurer then deposits the money in the YWCA loan collection account. In the meantime, the YWCA loan officer records individual loan transactions in members' passbooks. The passbooks are sold to members at a fee of Ksh50.

Loan Follow-up and Monitoring: Loan follow-up and monitoring are carried out by the group officials together with the Credit Officer over the course of loan repayment. These activities include training, business counseling, and supervision of loan repayment. Once a group has successfully completed repaying a loan, and subject to availability of funds, it qualifies for a subsequent loan. In all cases, group members are individually required to make monthly savings contributions of at least Ksh200 (approximately US\$3). The amounts saved are entered into the individuals' passbooks and banked in the group account.

The YWCA takes a phased approach to its lending in the sense that a group's first loan will be limited to a small amount per individual. Upon successfully completing this first loan, the same group will be entitled to a larger amount each successive and repaid loan. It is thought that this process enables individuals to learn how best to manage credit without being initially overburdened with the repayment of a large loan in the beginning.

The group savings account initially operates as security against the loan that the group has taken out. Over the course of repayment, the group is not allowed to withdraw from

it while still contributing Ksh200 per individual. Upon completion of the loan, the account is accessible to the group. With it, the group can use the funds as security against a subsequent loan, to provide small loans within the group itself, or simply to divide the amount among the members.

As part of its project, the YWCA-Meru Branch provides a series of 4-5 loans per group during which it encourages the development of savings within the group. Over the course of these loans, the group account continues to grow allowing for continuation of borrowing and business development even after the group has 'graduated' from the YWCA's lending activities.

Source: "Partnership to Enhance Women's Participation in Development Project: an evaluation report," Matrix Development Consultants, July 1995, YWCA

K-ECLOF

ECLOF is an ecumenical loan fund incorporated in Switzerland in 1946. Over the years, it has developed a network of partners in 39 countries around the world. Kenya ECLOF (K-ECLOF) was established in 1965 under the auspices of the National Council of Churches of Kenya (NCCCK). In 1994, it was reconstituted into a company limited by guarantee, and having no share capital, it is administered as a non-profit making company. K-ECLOF is a network of 23 member organizations comprised of 12 churches and 11 non-governmental organizations.

The main K-ECLOF objectives are to:

- alleviate poverty and oppression of the economically disadvantaged;
- provide women groups and their members with access to affordable credit;
- provide Christian organizations with access to affordable credit for viable enterprises;
- encourage micro-entrepreneurs to mobilize savings among themselves for increased self-reliance; and,
- provide training and other requisite non-financial services to the clients to enable project/enterprise management.

K-ECLOF has three lending programs: Diakonia, Jiwezeshe, and the Institutional Support Credit Scheme. As Diakonia and the Institutional Support Credit Schemes are not oriented to group or individual loans they are not relevant here.

The Jiwezeshe Credit Program

The program is designed to utilize cooperative ideals, and the strength of the scheme lies in the cohesion that is characteristic of the indigenous community groups to whom K-ECLOF provides loans. The aim of the scheme is to alleviate poverty and promote socio-economic justice.

The eligibility criteria for groups to qualify for K-ECLOF loans are that the group must:

- be registered with the Ministry of Culture and Social Services as a self-help group;
- have existed as a group with a savings account for at least one year;
- have at least 10% of the total amount that they intend to borrow in the group account;
- have a bank account for depositing members' monthly savings; and,
- have constitutional rules and regulations governing the group's operations.

Security for the loans is provided by the group's savings. Additionally, for collateral, the group is required to provide one title deed to land belonging to one of its members. K-ECLOF gives loans to the group who in turn disburses the funds to their individual

members. Their interest rate is 18.5%. Current commercial interest rates in Kenya are between 25-30%.

As in the case of the YWCA, before the group receives a loan, each individual is required to file a signed agreement to repay the loan - "group collateral papers" (GCP) - which includes a description of what the individual is using as collateral to receive the loan from the group. What the individual uses as collateral is determined by the group.

K-ECLOF's Zero-Grazing Project

Under this project, K-ECLOF lending groups are provided loans of varying amounts to establish zero-grazing units and purchase a dairy cow for each individual member. Zero-grazing entails the construction of a cement floor stable in which dairy cows are kept. The benefits of such a project are greater control of diet and health conditions for the cow, the collection of manure and urea for use on crops, and the corresponding increase in milk production. Loans were used to purchase all of the necessary inputs, while the sale of milk (minus household consumption) was to be used to pay back the loan. All K-ECLOF groups interviewed have participated in this particular project.

K-ECLOF can be regarded as utilizing a minimalist credit scheme as their program specifically focuses on the provision of credit without supplemental training.

(Source: Kenya ECLOF brochure and ECLOF Annual Report 1996)

The Participants

Twenty-six participants from five different lending groups took part in this study. Of the YWCA groups, all members are women. However, in two of the three ECLOF groups, members consisted of both men and women. For each of those two groups, two men were interviewed. Thus, overall 22 women and 4 men participated in this study. The breakdown of groups and the number of interviews is as follows:

- Chugu Women's Fellowship Group (9 participants)
- Kamakawa Women's Fellowship Group (5 participants)
- Kiende Group (5 participants)
- Gieto Mazewa Group (3 participants)
- Zero-grazing Self Help Group (4 participants)

Interviews were conducted either at participants' homes or business locations. More detailed information regarding group history, non-loan activities, composition, and loan activities will be discussed in Chapter Four of this paper.

The Research Questions

To reiterate, in attempting to understanding the context of trust and the relationships between peer-group members and the microfinance organization one must delve into the beliefs and perceptions of the solidarity group members and lending officers. This is essential to the purpose of this study. Thus, to shed any light on the primary question posed by this study, both solidarity group members and loan officers were interviewed.

In interviews with solidarity group members, questions were centered around two primary foci:

- Their business and perceptions regarding the benefits of having received credit, and
- Their relationships with and perceptions of their fellow solidarity group members, their specific loan officer, and the microfinance organization.

Interviews with loan officers will focus on similar relationships primarily pertaining to:

- Their perceptions of the benefits of the solidarity group and members receiving credit; and
- Their relationship with solidarity group members.

The Researchers

In addition to the primary researcher, a research assistant was hired to aid in data collection. This was due in part because of the limitations that conversation in English had during the interviewing process, and in part due to the limits of the researcher's knowledge of the local area and culture. Selection of this individual was based upon her knowledge of the local area, the subject matter of the interviews, her ability to speak the local language, and recommendations from local community members.

Before the interviewing process, there were a series of meetings to familiarize the research assistant with the study objectives, the interviewing process, and the subtleties of establishing relationships with the individuals.

Delimitations and Assumptions

This research is limited to the perceptions, attitudes and beliefs of solidarity group members and microfinance lending officers. It is based upon the assumption that these factors influence behavior and that they can be affected through relationships and interaction with others.

Additionally, participants may not be able to provide a complete account of their perceptions. Thus, data obtained and analyzed may only be a partial interpretation of the phenomenon studied. Interviews are also subject to interpretation, therefore what this researcher concludes could be different from what another might. Moreover, given the contextuality of the study, generalization may be inappropriate.

Organization of the Study

The rest of this paper is organized in four chapters. Chapter 2 presents the literature review to provide the necessary scholarly background to the research. The Chapter focuses on solidarity, trust and the development of both in striving for community development. Chapter 3 provides a description of the data collection and analysis procedures, spanning the issue of gaining access to the participating organizations and their lending groups to data analysis. Chapter 4 presents the results of the data collection and analysis, while Chapter 5 will draw conclusions and connections between Chapter 4 and the literature in Chapter 5.

Chapter 2: Literature Review

This chapter will provide a review of the literature on solidarity and, in particular, trust. Its purpose is to offer the reader an understanding of the “fit” between this research and current theory on these issues. First, the concept of solidarity, its functional benefits and costs, and its integral relationship with trust will be addressed. Second, a detailed outline of trust will be provided, followed by an overview of certain attributes and mechanisms that encourage the formation and maintenance of solidarity and trust.

Prior to addressing the literature, it is important to address the definition of community from the standpoint of the research. In this context, community refers to the solidarity group, its members and their relationships, while the local community concerns those individuals and relations that members have outside of the solidarity group. Thus, the local community generally refers to members’ villages. Community from this vantage does not attempt to grasp the significance of the regional or even national level.

Solidarity

Gherardi and Masiero describe solidarity as “a relational pattern, a form of collective behavior and a networking activity based on trust” (Gherardi and Attilio 1990). In their definition, solidarity structures individual behavior and distinguishes a group from the rest of society. They go on to cite that solidarity entails the formation of identity between individuals where the ‘I’ becomes a ‘we’ and individuals see themselves as similar and/or

holding common interests. Gherardi and Masiero conclude stating that solidarity also “creates and expresses *identity* in that it elaborates linguistic codes which allow the rapid identification of subjects who are in some way akin.”

Bhattacharyya (Bhattacharyya 1995) has stated, solidarity means “a shared identity and code for conduct.” For him, this defines the general term, but also who a community is. In so doing, he implies that solidarity describes a relational connection between individuals that moves beyond simple economic or casual transactions to depict relationships that have some form of intimacy or “knowing” of another.

This implication closely resembles Humphrey and Wilkinson’s (1993) (in Zekeri, 1994) more functional definition of solidarity that describes it as “the capability of a grouping to act as one, [implying] horizontal ties at the local level that encourage and facilitate collective action.” Numerous other authors support such a notion of relational connections (Granovetter 1985; Coleman 1988; Wellman and Wortley 1990; Portes and Sensenbrenner 1993; Putnam 1995).

Cohesiveness as Solidarity

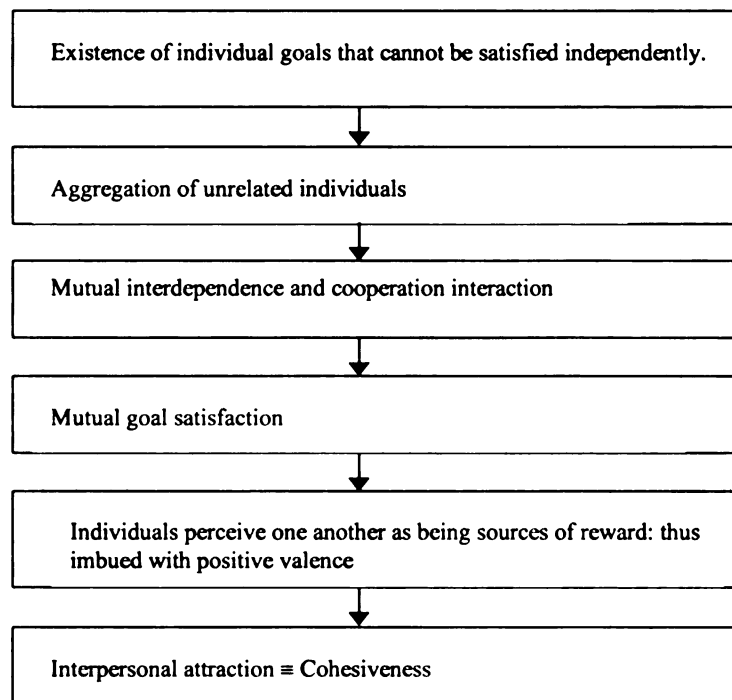
Social psychology literature has conceptualized the notion of solidarity in the term cohesiveness (Hogg 1992). Cohesiveness refers to “the ‘cement’ binding together group members and maintaining their relationships to one another” (Schachter, Ellertson, McBride and Gregory in Hogg, 1992; Mullen, Anthony et al. 1994) use Festinger’s definition of cohesiveness that describes it as “the resultant forces which are acting on the

members to stay in a group.” Others have referred to cohesiveness in terms of an individual’s ‘liking’ of the others in a group and that individual’s identifying positively with them (Langfred 1998).

In his review of psychological literature, Hogg concludes that overall cohesiveness depicts an individual’s attraction to the group that serves to form interdependencies.

Figure 1 provides Hogg’s general framework of the social cohesion model.

Figure 1. Hogg’s (1992) general social cohesion model



Hogg states that this model suggests that the emergence of attraction can stem from any number of factors that determine an individual’s “liking.” Such factors include “cooperative interdependence to achieve shared goals, attitude similarity, physical proximity, common fate, shared threat, being liked or approved by the other, attractive

personality traits, and success on group tasks” (Hogg 1992, pp. 25). He highlights interaction, a cooperative vs. competitive environment, acceptance by others, status, friendly disposition, similarity, and success or failure of group functions as some antecedents of cohesiveness.

Roark and Sarah (Roark and Sarah 1989) share in Hogg’s definition of cohesiveness and provide four general factors that influence it. In their review of the literature, they found that empathy, self-disclosure, acceptance and trust simultaneously affect cohesiveness in groups.

Functions and Consequences of Solidarity on the Individual

The functions of group solidarity are many and have been addressed from a multitude of perspectives ranging from factors influencing individual action to collective problem solving or community development.

Social Capital

Investigation of solidarity has been forwarded in recent years by those promoting the concept of social capital. Through this perspective, solidarity can be seen as a resource upon which group member may draw in the pursuit of individual or collective action.

Mark Granovetter's (Granovetter 1985) concept of "embeddedness" has been widely cited in the social capital literature. He highlights that to understand economic action, it is necessary to look at the relationships and how they shape individual preferences.

Embeddedness describes social relations among individuals that constrain individual opportunism.

Embedded relations affects individuals in that these relations entail obligations and norms of behavior. "The embeddedness argument stresses...the role of concrete personal relations and structures (or "networks") of such relations in generating trust and discouraging malfeasance" (Ganovetter, 1985). With bonds of trust created from social interaction, the neo-classical economic tenant of opportunism and individual maximization becomes much less a predictor of behavior and choice.

Coleman (Coleman 1988) borrows the concept of embeddedness to further the notion of social capital. He proposes the idea that social capital "inheres in the structure of relations between actors and among actors," and that this structure constitutes a particular kind of resource available for the actor to use. He emphasizes the fact that social capital facilitates individual action to a purposeful end, likening it to material and human capital.

Colman identifies three forms of social capital:

- a structure of obligations, expectations and trustworthiness where "people are always doing things for other people" with no immediate compensation or assurances other than that derived from social capital and its foundation in mutual trust .
- information channels that facilitate action, for information constitutes a costly and important input for decisions.

- social norms and sanctions that inhibit negative social actions and promote socially positive behavior.

In identifying these forms however, Coleman neglects a fundamental characteristic of "social structural forces." As Portes and Sensenbrenner (Portes and Sensenbrenner 1993) point out, Coleman strictly limits the characteristics of social capital as positive. Once again highlighting Granovetter's concept of embeddedness, they point out the fact that these structures can constrain individual action and even reshape preferences.

Portes and Sensenbrenner offer a refined definition of social capital as "those expectations for action within a collectivity that affect the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere" (Portes and Sensenbrenner, 1993). They further provide four types and sources of expectations of social capital: value introjection, reciprocity transactions, bounded solidarity, and enforceable trust.

- Value introjection as a source of social capital leads individuals to behave in ways contrary to purely self-interested motivations. This behavior is then adopted by others, becoming a resource to draw upon.
- Reciprocity transactions depicts a form of social capital much like Coleman's structure of obligations and expectations, however, it is supported by the provision of reciprocity. This form differs from value introjection in the sense that individual

actors are seen as behaving out of pure self-interest. But, reciprocity transactions alter the market outcome that would be typically expected with maximizing, opportunistic individuals, enabling the maximization of aggregate benefits.

- Bounded solidarity is descriptive of "those situational circumstances that can lead to the emergence of principled group-oriented behavior." This form of social capital rises from solidarity born from a common or shared awareness where individual interests are "welded together into a higher form of consciousness that...acquires the force for social control." Portes and Sensenbrenner (1993) describe Marx's typification of class struggle as just one example.
- Enforceable trust is the final source of social capital described by Portes and Sensenbrenner (1993). Drawing from Weber, they make the distinction that this form of social capital is guided by the principle of substantive rationality, which "involves particularistic obligations in monopolies and semi-monopolies benefiting a particular group." Enforceable trust affects individual behavior in economic actions, having individuals place their immediate preferences aside to accommodate those of the group in "anticipation of...long-term market advantages by virtue of group membership."

The most important point highlighted by Portes and Sensenbrenner is the fact that in situations where there is social capital, individuals will suppress their opportunistic tendencies to "comply with group expectations." The constraints placed upon individual

action manifests itself in ways that become group norms, and as such can be a resource for individuals to draw upon. They also highlight that there can be negative consequences to social capital for these very same reasons of suppressing individual behavior.

Robert Putnam (Putnam 1995) refers to social capital as "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit." These networks he describes:

- 1) support norms of reciprocity and foster social trust
- 2) facilitate coordination and communication
- 3) allow problems of the collective to be resolved
- 4) reduce the incentives for individual opportunism

In this description, Putnam reaffirms the fact that social capital can place constraints on individual action and even change individual's preferences.

"Finally, dense networks of interaction probably broaden the participants' sense of self, developing the "I" into the "we." (Putnam 1995)

While many authors toil with further defining what social capital is, there seems to be consensus in regard to its general meaning. It is a resource based in relationships from which group members can draw in the pursuit of purposeful action.

"social capital describes the web of connections, loyalties, and mutual obligations that develop among people as part of their regular interaction. It refers to the sense of commitment that induces people to extend favors, expect preferential treatment, and look out for one another's interest." (Gold 1995)

Negatives of Social Capital

Social capital is generally regarded as a positive phenomenon, however it is important to highlight its potential negative effects on members. In a recent article, Alejandro Portes provides a rather comprehensive overview of these effects to highlight the potential mixed blessings of social capital (Portes, 1998).

Portes notes that while the social control exhibited by social capital often provides a resource for individual advancement, it can also exact negative outcomes. He offers four potentially “bad” consequences of strong group relationships:

- The exclusion of ‘outsiders’ where the benefits enjoyed by group members are reciprocally denied to non-members in the local community.
- The placement of excess burden on individuals, where the “strong norms enjoining mutual assistance” restrict individuals from developing but encourage the development of free-riding problems within the group.
- The demand for conformity, which can restrict personal freedoms.
- The development of “downward leveling norms” that restrict individual advancement, because it is the lack of advancement or lack of success that cemented the group’s cohesiveness in the beginning.

These four phenomena have been observed as cases of negative social capital. Thus overall, while it is important to understand that social capital or solidarity can offer promising benefits, it is equally important to remember that the same phenomenon is a double-edged sword and can result in negative consequences as well.

Social Networks

Certainly, there are other concepts that reflect similar connotations to that of social capital. Sociological research into social networks and support systems is a case in point. Wellman and Wortley (Wellman and Wortley 1990) have done extensive research into the question of how certain types of community ties and relationships affect access to supportive resources. They have identified five different types of support that community ties and relationships have the ability to provide:

- Emotional aid
- Small services
- Large services
- Financial Aid
- Companionship

Edelstein (Edelstein 1988) describes the benefits of the group as social support, information and power. As groups organize, they build relationships that fulfill personal/emotional needs. Social support provides reassurance and strength enhancing a member's ability to cope with emergencies and problems. With this social support and continued interaction, group members are able to share and/or verify information. Increased access to information and sense of belonging empowers the individual as well. Edelstein points to the fact that groups confronting issues together "helps reverse some of the psychological damage that occurs from the inherent powerlessness of (certain) situations" (pp.144).

Tracy (Tracy 1993) supports these findings citing that social ties can play a role in linking individuals with formal helping institutions. She goes on to state that those with strong social support networks have been found to "be in better physical and emotional health, and better able to adapt to change" (pp.37). These claims are further buttressed by

Shaffer and Anundsen (Shaffer and Anundsen 1993) who conducted a review of contemporary medical, psychological, and sociological literature and cite among others:

- Dr. Dean Ornish's study of his program involving individuals with heart disease that found group support to be critically important to patient's overall health as it limits their sense of isolation which promotes chronic stress.
- University of Michigan's Dr. James House who found a clear link between the lack of social ties and poor health.
- Ohio State's Janice Kiecolt-Glaser who found that married women had better immune functions than those who were unmarried.

In the realm of microfinance, Nelson et al. (Nelson, McKnelly et al. 1996) have found that solidarity groups function as a source of "social support, social interaction, education and... a vehicle for women to develop and exercise their own leadership potential."

These findings are concurrent with other studies that demonstrate that social ties within groups can translate into benefits in the form of "greater reciprocity, joint ventures, sharing of information, and risk sharing" (Kevane 1996).

Likewise, it has been cited that the relationships and bonds that form in peer groups can provide a forum in which individuals can learn and find support to improve upon their self-confidence and competencies that is embodied in the concept of economic and social empowerment (McNelly and Dunford 1996).

Psychological Consequences of Cohesiveness

Social psychologists support many of the above claims. Roark and Sarah (Roark and Sarah 1989) state a generally accepted notion that cohesiveness plays an important role in the fields of group counseling and psychotherapy. They go on to quote Yalom (1985) who commented that:

“it is well to remember that group cohesiveness is not per se a therapeutic factor but is instead a necessary precondition for effective therapy.”

But, in addition to supporting these claims, psychology provides additional insight into the consequences of solidarity. Hogg (Hogg 1992) outlines a number of observed group phenomenon attributed to cohesiveness. Some are as follows:

- **Expression of aggression**: “cohesive groups that have experienced frustration, or been insulted by external sources, tend to express greater aggression or hostility towards fellow team members or external sources than do less cohesive groups” (pp. 38)
- **Self-evaluation**: individuals in a cohesive group tend to evaluate themselves similar to the way in which “liked” others evaluate them.
- **Evaluation of the situation**: liking among group members lends itself to a positive impression of the interaction between the group members and the group’s environment.
- **Evaluation of others**: liking among members enhances perceptions of similarity.
- **Communication**: there is more, better and less inhibited communication among members of cohesive groups.
- **Conformity**: people in cohesive groups tend to conform to group norms and standard of behavior. “People in cohesive groups tend to reject and not conform to deviates, and are themselves resistant to changing opinions that they share with member of the group to whom they are attracted” (pp. 39)

The issue of conformity addresses issues of socialization touched by Dawes et al. (Dawes, van de Kragt et al. 1990). Social norms and standards of behavior offer

'teachings' as to how a individual is to act in society. Within the individual, these teachings can develop into a consciousness or morality. Dawes et al. credit Campbell (1975) for his insight.

“...social training can lead to such a “bad” conscience for choosing a dominating strategy which harms collective welfare – or to such heightened self-esteem for eschewing such strategies in favor of cooperation – that the individual is better off cooperating, irrespective of external consequences...Campbell’s solution was quite controversial...because it supported traditional morality and constraint in contrast to challenging these as irrational and urging people to “do their own thing” (pp. 98)

However, conformity also upholds the contentions made by some in the social capital field that solidarity does have a potential downside. In McMillan and Chavis’s (McMillan, 1986) review of literature, there have been studies that have found that cohesiveness can result in a loss of freedom or individuality. However, they are quick to point out that conformity does not necessarily translate into loss of personal choice and is highly contingent upon the use and distribution of power within the grouping.

Solidarity as Community Development

It is clear that solidarity and social ties can provide tangible benefits to the individual, but Zekeri et al. (Zekeri, Wilkinson et al. 1994) state that in general, solidarity provides a forum upon which collective action is facilitated. But, how does solidarity “fit” with community development? How does the community benefit from solidarity?

Hogg (Hogg 1992) suggests that an alternative to viewing cohesiveness as interpersonal attraction or “attraction-to-group” is to take the sociological and community

psychological perspectives that utilize the concept of community. Bhattacharyya

(Bhattacharyya 1995) explicitly states as well that solidarity defines who a community is.

Thus, the development of solidarity can be viewed in terms of developing a community.

Effrat (Effrat 1974) provides a rather comprehensive overview of the conceptions of community:

- 1) Community as solidarity institutions: focuses on such institutions as the family, ethnic groupings, voluntary organizations and other institutions that are characterized by particular norms and roles. Their function is to produce solidarity.
- 2) Community as primary interaction: chooses to focus on the nature of the relationships and interaction between people.
- 3) Community as institutionally distinct groups: community in this conception refers to “a segment of the population who tend to interact with one another in overlapping friendship networks, to share similar interests and outlook, and to participate in common institutions” (pp. 3). This perspective looks at social categories such as ethnicity, occupation, life style, or residential location.

Effrat highlights the two primary debates in community theory: the issues of whether or not community is grounded within a geographical context (i.e. neighborhoods, cities, etc.) and whether community provides many different functions or only a few. However, she states that within all of the research traditions that follow from these debates all “share an emphasis on the informality and solidarity engendered by relationships and/or social organization” (pp. 4).

Others have echoed this concept (Warren, 1970; McMillan, 1986). For instance, McMillan and Chavis (McMillan, 1986) identified the various elements that produce what they term a “sense of community.” From a psychological perspective, their concept

seeks to understand community and what it is. They describe four components to community: Membership, Influence, Integration and Fulfillment of Needs, and Shared Emotional Connection.

Membership describes a feeling of belonging. “One has invested oneself to become a member and therefore has a right to belong” (pp. 9). Included in this concept is that notion that there are those that do and do not belong to a group. There are barriers or boundaries. McMillan and Chavis contend that overall such boundaries enable “members” to delineate those who can or cannot be trusted and thereby reduce anxiety, produce emotional safety, and enable the development of a sense of belonging and identification.

Influence describes the bi-directional concept. On the one hand, members should have some influence over group matters and actives if he or she is to be attracted to that group, but on the other hand, group cohesiveness is contingent upon that group’s ability to exert influence on the individual members (pp. 11). McMillan and Chavis suggest that one would see both forces acting simultaneously in a tightly knit community.

Integration and fulfillment of need play their part in community by reinforcing the bonds within the group. Fulfilling members’ needs is a reward system that motivates communal behavior and helps “maintain a positive sense of togetherness” (pp. 12)

Shared emotional connection suggests that group members either have participated or can identify with the group's history. "The interactions of members in shared events and the specific attributes of the events may facilitate or inhibit the strength of the community" (pp. 13). Seven factors play into this element of community: member's contact with one another, the quality of their interaction, closure to activities (accomplishment), similarity in perceptions of a shared event's importance, personal investment in the group, the effects of humiliation and honor within the group, and the spiritual bond between members.

Shaffer and Anundsen (Shaffer and Anundsen 1993) provide another perspective.

Community to them is defined as a "dynamic whole" that develops when a group of people:

- Actively engage in common activities;
- Depend upon one another;
- Participate in group decisions;
- Identify themselves as part of something larger than the sum of their individual relationships; and
- Commit themselves to a long-term relationship

The authors state that most conceptions of communities tend to fit into their definition of a functional community. In such a community, individuals concern themselves with supporting each other physically as well as socially, making sure that all are provided with the basic necessities of food, shelter, education and physical well-being to be productive participants. However, functional communities do not explore the "communities internal dynamics" or question whether individual members are "feeling

personally fulfilled by their participation.” As members begin to explore these dynamics and question personal fulfillment, they evolve into what Shaffer and Anundsen call a conscious community. Conscious communities “not only help each other take care of business together –the external task—but also reflect together on their common purpose, internal processes, and group dynamics” (Shaffer and Anundsen 1993: 11).

The authors also put forth the notion of the proto-community. This is a grouping that hold many of the similarities of functional and conscious communities, but are not complete. “Proto-communities either do not serve as wide a range of functions or do not last as long as the groups that fit our definition of community” (Shaffer and Anundsen 1993). However, proto-communities can exist on the same functional-conscious continuum.

From these perspectives, it appears that solidarity is at the center of what researchers and theorist conceive of community.

Solidarity’s Function in Community

The benefits of solidarity under such community concepts moves beyond the simple, traditional community originally proposed by Tonnies and his idea of “gemeinshaft” (Tonnies 1957).

“Community” or a cohesive, organized group provides the opportunities for collective benefits. Experimental research by Dawes et al (Dawes, van de Kragt et al. 1990) has

found that cooperation is enhanced through discussion between individuals and the consequent shared identity developed. Overall, norms and standard of behavior are meant to benefit the community by reducing the incentives for individuals to act opportunistically. In the example of peer lending, the social ties in the group reduce the likelihood of one member not repaying their loan. As Dawes also mentions, the development of a shared morality can also be seen as a communal benefit. This argument is supported by Etzioni (Etzioni 1993) who believes that a shared morality based on common values must be in place for there to be true development of the community.

Examples abound showing that solidarity enables individuals to come together to solve collective problems. Edelstein (Edelstein 1988) offers the example of community groups responding to toxic exposure and states that these groups “represent collective coping mechanisms that provide for local control through the participation of commonly affected residents.” Solidarity and relational ties facilitate the resolution of other community issues such as regulating land use and the implementation of collective projects like the purchase of a community water pump or clinic (Kevane 1996). Bellair (Bellair 1997) addresses the current social disorganization research that suggests that high degrees of interaction among neighbors in local communities mediate the level of crime in that community. In the organizational literature, cohesiveness has been tied to enhancing group performance (Mullen, Anthony et al. 1994; Langfred 1998). The emergence of work groups and team approaches in corporate life provide a case in point (Powell 1996). Powell has found that the benefits of cooperation in and among businesses and divisions

are strategic, providing opportunities for risk sharing, access to markets, technologies, and complementary skills.

Overall, solidarity is viewed positively, facilitating collaborative efforts and enhancing community development. However there is a potential, negative aspects of solidarity addressed in the psychological concept of groupthink.

Groupthink was a concept first addressed by Janis (1972). Janis described groupthink as “a mode of thinking that people engage in when they are deeply involved in a cohesive ingroup, when members striving for unanimity override their motivation to realistically appraise alternative courses of action (in Hogg, 1992). In his discussion of groupthink, Hogg describes it as a group decision-making process in which there is a high probability of producing a poor decision. Others have provided evidence of this theory in practice (Mullen, Anthony et al. 1994; Langfred 1998).

Conclusion to Solidarity

While the sociological perspective provides a general concept of what constitutes a solidarity group the psychological concept of cohesiveness enhances our understanding of why individuals ‘belong’ to groups. Yet, implied in the psychological concept is a tendency to depict a choice situation where individuals decide to become part of the group for the benefits (attractiveness) that the group can provide. The sociological concept seems to make no claims as to the positive or negative-ness of solidarity nor of the choice situation.

Moreover, the concept of social capital has been used widely to describe a phenomenon not unlike solidarity. The idea itself provides a perspective of the how solidarity can impact individuals in a group, and seems most useful in describing some of its benefits. To the individual, solidarity is a resource providing access to information, emotional support, financial aid, etc. As a community resource, solidarity protects group interests from individual opportunism, facilitates collaboration, and helps the development of a shared morality.

Certainly one of the primary criticisms of solidarity is that of a “solidarity gone too far.” Critics of Etzioni’s work in developing community morality cite the fact that individual liberties can be violated in an effort to impose a code of conduct. Etzioni himself cites the various criticisms he faces in advocating the development of a moral voice in communities. There are those that believe he is inciting self-righteousness and others who believe that he is attempting to sound the moral voice. Moreover, solidarity groups or cohesive units that become too tight and insular can be exclusionary, which is a social cost to others, and face the dangers of the groupthink phenomenon.

Even with these dangers, solidarity is generally seen as beneficial. But, the fundamental question that still must be addressed is how do people begin to interact to form a group? What is the basic ingredient to developing solidarity? Embedded in all of the above perspectives of solidarity is one, common element. It is trust.

Trust

“Without the general trust that people have in each other, society itself would disintegrate, for very few relationships are based entirely upon what is known with certainty about another person, and very few relationships would endure if trust were not as strong as, or stronger than, rational proof or personal observation” (Simmel in Meyerson, 1996)

Trusting, intimate relationships are a central component to the development of solidarity, strong social networks, social capital and the overall concept of community building (Coleman 1988; Gherardi and Attilio 1990; Shaffer and Anundsen 1993, Etzioni, 1993; Putnam 1995; Kevane 1996; Sitkin and Stickel 1996). Trust in its basic sense “functions to simplify the world by providing ‘shortcuts’ that enable individuals to rely on others, freeing them to do much more than could be done in absence of [it]” (Goto, 1996). In organizations, trust promotes “horizontal linkages [that] allow organizations to be more responsive to rapid change, enable entrepreneurial activity to flourish within the organization and across its boundaries, and increase the effectiveness of communication and problem solving across departments, locations, functional responsibilities, and organizational boundaries (pp. 114)” (Lewicki and Bunker 1996). Moreover, trust minimizes the need for costly third-party enforcement and monitoring of exchange (Lewicki and Bunker 1996; Powell 1996), and is fundamental to undistorted communication and collaboration (Mishra 1996).

Trust reflects the interdependencies in relationships. As Mishra (Mishra 1996) states “trust is distinguished from related behaviors such as cooperation or delegation that follow from one’s trust in another” (pp. 265)

Defining Trust

As a key construct of our relationships with others, trust has been defined in a number of ways. Gherardi and Masiero (Gherardi and Attilio 1990) regard trust as a set of expectations shared by people involved in a relationship. This definition of trust being a set of expectations is supported by Creed and Miles (Creed and Miles 1996) who add that it is those expectations that another's actions will be of benefit rather than detrimental.

Lewicki and Bunker (Lewicki and Bunker 1996) state however that trust is more than simply an expectation of another's action or predictability. They cite Lewis and Wiegert (1985) who argue that trust also reflects a confidence in the face of risk. Trust occurs under conditions where the future is uncertain, outcomes are dependent upon the action of others and the strength of the potential negative outcome is greater than that of the potential positive outcome. Lewicki and Bunker offer another definition credited to Boon and Holmes who define trust as "a state involving confident positive expectations about another's motives with respect to oneself in situations entailing risk" (pp. 117)

Meyerson et al. (Meyerson, Weick et al. 1996) look at trust in three frames:

- **"Vulnerability** is defined in terms of the goods or things one values and whose care one partially entrusts to someone else, who has some discretion over him or her" (pp. 170). Vulnerability entails the expectation that in having knowledge of an individual's vulnerabilities, others will not take advantage of the situation or cause harm to that individual.

- **Trust and uncertainty** reflects the idea that “trust involves an estimation about whether the trustee will do something beneficial or detrimental before the truster can really know for sure” (pp.176). They provide the example of a 50-50 situation as the condition where there is the least trust.
- **Risk and trust** offers a definition of trust like that of Lewis and Wiegert which sees trust as “the choice to expose oneself to a situation where the possible damage may be greater than the advantage that is sought” (pp. 178).

Goto (Goto 1996) provides three similar components of trust used in psychological literature. Trust as a *personality trait* describes a “belief in the goodness of others” (pp. 119). Trust as *situational uncertainty* reflects the similar notion of expectations as discussed above. The third component of trust describes the *relational component between the actor and the target*, viewing trust as “an assured reliance on the character, strength, or truth of someone or something” (Merriam-Webster (1974) in Goto, 1996).

In his discussion of crisis in organizations, Mishra (Mishra 1996) offers another overview of trust as rooted in vulnerability. Mishra, as others, defines vulnerability as a situation in which potential loss exceeds potential gain. He cites Granovetter’s (1985) support of such a notion where he depicts the opportunity for malfeasance in trust relationships. Mishra continues, indicating that “without a situation in which the possible damage may be greater than the advantage one seeks, it would simply be a matter of rational calculation that leads to choosing the course of action because the risks remain within acceptable limits” (pp. 265). Under his definition, trust is a willingness and a belief.

In summary, trust reflects positive beliefs (expectations) about another's motives in a risk (uncertain) situation that necessarily places an individual in a vulnerable position.

The Role of Trust

Organizational, negotiation, and transaction cost economics literature offers some theory behind the concept of trust (Tyler and Kramer 1996). Through both a rational choice model and a social context framework, these theories provide a picture of the instrumental role that trust plays in our everyday life and in solidarity groups.

Rational Framework of Trust

Tyler and Kramer (Tyler and Kramer 1996) claim that the rational framework approach utilized by many in the negotiation and transaction cost economic fields has contributed greatly to the understanding of individual and group behavior. The rational framework holds that individuals are interested in maximizing their personal gain in social interaction, and operate with self-interest in mind - an instrumental perspective. Trust, therefore, is seen as a resource for an individual's own benefit, increasing their material gain. In situations of sub-optimal, cooperative outcomes, the rational framework highlights the fact that cognitive limitations are the root of the problem – individuals fail to properly understand their self-interest.

The idea of reciprocity is a key element in the reduction of free-riding and betrayal. This concept holds that if an individual knows that there will be future interaction with

another, that knowledge will prevent them from taking advantage of today's interaction for fear of being betrayed by that 'other' during the next exchange. Seen through the eyes of the rational choice model, trust reduces transaction costs and fosters reciprocity over long-term relationships. "It is the expectation of an ongoing relationship that sustains trust in the actions of others" (Tyler and Kramer 1996 pp. 3). Without trust, individuals take actions (at a cost) to insure their self-interest or to insulate themselves from risk.

Social institutions are seen as playing an active role in influencing the risks associated with trusting others. Tyler and Kramer state that formal institution such as regulatory agencies and the law have the ability to sanction individuals who betray, making betrayal a costly action to them. Informal institutions can have the same effect by way of an individual's reputation. Groups attempt to protect their reputation (which has social/professional significance) and sanction those who act poorly within the group. However, reputation and the spread of reputational information rely on the existence of stable social networks which links trust to its social context.

Social Context Framework

As the name implies, the social context framework argues that to understand individual and group behavior one must consider the environment in which it is occurring. The constant and changing structure of society shapes the manner in which individuals negotiate with one another. Tyler and Kramer (Tyler and Kramer 1996) offer the examples of American society where long-term relationships are fading and where

hierarchical management is being replaced by lateral linkages. Within this context, how do individuals negotiate for their interests? How is free-riding held in check? Trust has become the subject of much interest in answering these questions.

“Trust can be conceptualized as an orientation toward society and toward others that has social meaning beyond rational calculations” (Tyler and Kramer 1996 pp. 5). The social context framework cites moral development literature that has found that individuals help others because “it’s the right thing to do.” “Irrespective of the original motives for acquiring attitudes about one’s obligation to others, those attitudes develop a functional autonomy of their own over time” (pp.5). The development of a morality moves far beyond simple, “short-term calculations of self-interest” (Tyler and Kramer 1996).

Tyler and Kramer go on to cite the role of group identification in facilitating cooperative behavior. They further comment that although within the group dynamic there is the element of reciprocity (an instrumentalist perspective), they cite the fact that those who trust others continue to trust regardless of the others behavior. Cooperators will stay in a group even when it’s not in their best interest to do so. They suggest that this behavior reflects a morality unrecognized in the rational model. Citing Dawes et al. (Dawes, van de Kragt et al. 1990), they state that identification with the group and its members irrespective of reciprocity, current rewards or punishment, or reputation increases cooperation.

Taken together, both the rational and social context frameworks offer useful insight into the importance of trust in organizations.

Components to Trusting

Mishra's (Mishra 1996) research highlights the multidimensional nature of trust that is rooted in the concept of vulnerability. He provides four dimensions of trust that can affect trusting behavior. Mishra states that trust can be a combination of all these in varying degrees.

- **Competence Dimension:** depicts a situation in which one believes in the ability of the other. Mishra specifically cites manager/employee relationships in organizations where leaders are characterized in terms relating to whether their employees believe they are able to make competent decisions.
- **Openness Dimension:** describes the perceived openness and honesty of the other. In terms of leadership, Mishra cites this as a crucial ingredient for the manager/employee relationship. Mishra does qualify this dimension stating that openness beyond a certain level may not be all good (e.g. telling someone the whole truth).
- **Concern Dimension:** deals with the degree to which one believes the other is appreciates their interests and will not be taken advantage of by the other. Mishra adds however, that this concept moves beyond just believing the other will not be opportunistic, but that s/he is concerned about my interests and/or the interests of the whole.

- **Reliability Dimension:** depicts the importance of expectations concerning an individual's reliability and consistency of behavior. Mishra cites McGregor (1967), stating that "inconsistencies between words and action decrease trust" (pp.268).

Drawing from a sociological perspective, Creed and Miles (Creed and Miles 1996) offer a different concept of trust formation in relationships. They view trust as a function of:

- **Process:** From this view, "trust arises either through the personal experience of recurring exchanges or expectations based on reputation" (pp. 18). At the heart of this perspective is the concept of reciprocity where over the long-term contact engenders learning (of the other) and trust. In repeated exchanges, norms and standards of behavior are solidified and reputations are formed.
- **Characteristics:** Here, trust forms out of social similarity (e.g. family background, age, financial position, etc.). Creed and Miles point out that characteristic-based trust can be enhanced by symbolic or ritualistic behaviors.
- **Institutions:** Trust arises from shared, formal institutional structures (e.g. certification as an accountant).

The authors state that the level of trust is a result of some combination of characteristic similarity and positive relational experience, "with broad societal norms and expectations setting a baseline" (pp. 19). Speaking to manager/employer relationships, Creed and Miles also add that individuals have an embedded predisposition (overall attitudes and behavior) that can determine the initial levels of trust within an organization.

Others seem to support Mishra and Creed and Miles. In their investigations of how trust is developed within non-romantic relations, Lewicki and Bunker (Lewicki and Bunker 1996) provide three variables that affect an individual's decision to trust:

- Individual's chronic disposition toward trust
- Situational parameters
- History of their relationship

In addition to these basic 'ingredients,' Lewicki and Bunker introduce the notion that trust is a dynamic process that "takes on a different character in the early, developing, and "mature" stages of a relationship" (pp. 118). They propose three different stages of trust in the development of a business relationship where no previous ties exist:

Calculus based trust: As the most basic and fragile form of trust, calculus-based trust is rooted in a continual, market-oriented relationship "whose value is derived by determining the outcomes resulting from creating and sustaining the relationship relative to the costs of maintaining or severing the relationship" (pp. 120). Integral to calculus-based trust is the continual threat of punishment for violating trust. Thus, reputation plays a role in that there is reward for being a 'trustworthy' person and the potential punishment of being known as disloyal. Lewicki and Bunker point out that deterrence often plays a more important role than reward and to be effective must satisfy the following conditions:

- 1) The benefits of the long-term relationship must outweigh the short-term gains.
- 2) Monitoring of each other's behavior must be done and notice given if the other violates the trust.

- 3) Each party must be willing to withhold benefits or introduce harm to the other
(behavior control)

They add that an individual's predisposition to and perceptions of risk will also influence these factors.

Knowledge based trust: Knowledge based trust develops over time, relying on information rather than deterrence. It reflects the parties having a history of interaction that enhances the predictability of the 'other's' actions. Lewicki and Bunker state that knowledge based trust reflects the idea that predictability enhances trust. They cite courtship and communication as the two key processes in this perspective.

Communication allows individuals to exchange information about their wants, approaches to problems, and preferences. Courtship refers to coming to an understanding of the 'other's' different emotional states, behavior in public, etc. They state that "at this level, trust is not necessarily broken by inconsistent behavior. If people believe that they can adequately explain or understand someone else's behavior, they are willing to accept it (even if it has created costs for them.), "forgive" that person, and move on in their relationship" (pp. 122).

Identification based trust: Identification based trust depicts a relationship in which each individual can "effectively understand and appreciate the other's wants...developed to the point that they can effectively act for the other" (pp. 122). In identification trust, monitoring is unnecessary, as individuals feel confident that the other will act on their

behalf. Identification based trust also implies a “second-order” learning process in that the actors come to learn what “really matters” to the other. It is a relationship in which the individuals may incorporate some of the preferences and attitudes of the other as well.

This relational “maturation” depicts the dynamic nature of trust. Additionally, Lewicki and Bunker state that an individual’s level of investment increases as one moves from calculus-based to identification-based trust. The authors also note that these forms of trust are socially contextualized. “Reputations” in a community can affect the likelihood of two people even beginning to trust one another.

This qualification of Lewicki and Bunker’s is supported by Burt and Knez (Burt and Knez 1996) who have investigated individuals’ embeddedness in society and the important ramifications it has on trust. They state that:

“Indirect connections through mutual friends and acquaintances make game behavior more public, which increases the salience of reputation, making ego and alter more careful about the cooperative image they display, which increases the probability of ego-alter cooperation and trust.”

They particularly looked at “third party” effects on trust in the form of gossip, characterizing three different types of gossip: Active Third Party gossip, Full Disclosure gossip, and Partial Disclosure gossip. Each type has different effects on the development and continuity of trust. Overall, they demonstrate that social ties help frame individual’s perceptions of the trustworthiness or treacherousness of others. Burt and Knez conclude citing that trust and distrust are amplified by third parties, but while trust is incrementally ‘earned,’ distrust can have immediate catastrophic consequences on a relationship.

Kramer (Kramer 1996) looks at hierarchical relationships within organizations, emphasizing the importance of perception and social context as factors influencing the decision to trust. An individual's position in society or an organization, along with her history of interaction and initial expectations frame the manner in which that individual judges whether another can or cannot be trusted. He adds that the manner in which individuals interpret others' behavior is also integral to judging whether the other is to be trusted. This "process plays a large role in drawing inferences about others' motives, intentions, and disposition" (pp 219).

Perception does not only effect the decision to trust, but the value on attributes to a given outcome. Kramer's utilizes the term the "internal auditor" to describe the process individual use to maintain an "account" of every exchange and interaction they have with others. These mental accounts can influence judgment and choice by:

- influencing whether losses vs. gain loom large during decision making
- influencing the perceived attractiveness or unattractiveness of a given outcome (especially in comparison of alternatives)
- influencing how 'rational' a given transaction appears.

Overall, Kramer has found that "...metal accounting is a complex cognitive process. In particular, [it demonstrates] how individuals' perceptions of even computationally simple transactions may be dramatically influenced by the prominence and salience of certain information over others and the perceptual contrast among decision alternatives that is created or implied by the mental account used to evaluate them" (pp.220).

Summary of Trust

Overall, trust offers individuals and groups the means by which they can interact positively. Trust facilitates interaction and exchange, reducing the costs of ‘insuring’ beneficial outcomes and providing a moral resource and shared identity among individuals. The formation of trust is based in our history with and perceptions of others, embedded predisposition to trust, and ability to become vulnerable.

Building Community, Solidarity and Trust

As trust is the binding element to successful interaction among individuals and solidarity offers an individual resource and the opportunity for successful community development, it seems important to highlight mechanisms that offer the potential to develop and maintain them.

Certainly, as the above literature suggests, on-going relationships are the key element to establishing and maintaining trust. Powell (Powell 1996) asserts that when there is a high probability of future interaction and there is recognition of common interests trust may develop. In his investigation of different business groups, alliances, and networks, Powell stresses that “trust is neither chosen nor embedded but is instead learned and reinforced, hence a product of ongoing interaction and discussion” (pp. 63).

Creed and Miles (Creed and Miles 1996) support Powell and further suggest that reducing the barriers of characteristic dissimilarity between individuals can enhance trust. They offer police officers returning to walking beats as a concrete example of reducing

dissimilarity and increasing the opportunities for reciprocity. Creed and Miles also highlight the importance of managers in the maintenance and development of trust.

By way of their position and function, managers affect the levels of trust in the workplace through their managerial philosophies. Managers:

- Design reward and control systems based on their perceived levels of trust or mistrust of particular employees.
- Control key information and determine whether to share or not in ways that influence trust.
- Control the organizational structure (resource allocation and governance) in ways that affect opportunities for exchange among employees.

Creed and Miles go on to state that managerial philosophies are largely shaped by organizational design. In their tracking of the evolution of organizations, they state that there is a clear link between it and trust. As such, they offer suggestions on how to build trust within the current 'network form' of organizations, applying the term human investment philosophy. In particular, they recommend investing in capabilities at the individual level where the employee has the opportunity to learn. 'Apprenticeship' type learning opportunities, where there is a trainer-trainee relationship, offers the chance to "introduce the values and expectations embedded in the occupation." Incorporated into this is also the practice of the trainer treating the trainee as a colleague rather than a subordinate. This is introducing risk into the equation for the trainer if the trainee should fail in a task they are trusted to do, but can result in that trust being reciprocated. Most importantly, they state that building trust requires the organization (managers) to show a genuine concern for organizational participants.

Lewicki and Bunker (Lewicki and Bunker 1996) cite the development of new linkages, strategic alliances and partnerships to maintain competitive advantage in the market place require organizations to move away from hierarchical models of management to more team-based models emphasizing networking. Mishra (Mishra 1996) points out that decentralized decision making structures can promote trust, for it increases the dependence between others and entails greater risk. “Dependence takes the form of ceding authority to another who previously did not possess such authority” (pp. 271-272). In a similar vein, Sheppard and Tuchinsky (Sheppard and Tuchinsky 1996) cite Deutsch’s (1975) finding that relative equality of distribution of an organization’s or society’s outcomes engenders a sense of membership, whereas inequality disassociates those at the bottom with those at the top. It is important to note however, that trust begets trust (Creed and Miles 1996; Mishra 1996). To cede authority or to strive for equality in organizations introduces risk in a relationship – a necessary element in trusting behavior.

Meyerson, Weick and Kramer (Meyerson, Weick et al. 1996) add that group size is influential in the development of trust. They propose that smaller groups enhance the opportunities for repeated interaction and introduce greater vulnerability thus enhancing the opportunities for the development of trust.

Community literature also offers some suggestions to the development of trust and solidarity that parallel those made by organizational theorists. Much along the lines of Creed and Miles’s human investment managerial philosophy, community building describes a process that seeks to build local, individual and group capacity to positively

affect change (Kretzmann and McKnight, 1997, Shaffer and Anundsen, 1993).

Community building emphasizes a relationship-driven approach to development of the individual and the community as a whole (Kretzmann and McKnight; 1997, Shaffer and Anundsen, 1997). The concept is based in the notion that healthy relationships are built around an individual feeling useful to their community. This usefulness elicits a feeling of membership and trust.

Shaffer and Anundsen (Shaffer and Anundsen 1993) offer eight features in the workplace that help build community and trust. Some of the more relevant features are:

- **Alignment of Values:** the development of a shared value system increases individual's identification with the group. They have found that group visioning sessions have the abilities to do just this.
- **Employee-Based Structure:** pyramid-style hierarchy inhibits the development of community, for it reduces the opportunities for interaction and the level of communication between employees.
- **Teamwork:** offers the chance for individual development within a team where each member has the opportunity to learn one another's skills.
- **Open Communication:** open communication enhances 'membership' and an individual's sense of belonging to an organization.
- **Respect for Individuality:** "you cannot separate building community from building individuals" (pp. 119). The health of communities depends on diversity and not forcing individuals into "predesigned molds." Respecting individuality within the group can increase identification with the group.

Overall, Shaffer and Anundsen emphasize the importance of shared decision-making and leadership that respects and upholds the value of the individuals whom comprise the group. In her discussion of participatory democracy, Effrat (Effrat 1974) echoes the importance of this notion to community building. Participation “encourages commitment, decreases alienation, and supports the development of community in the form of solidarity ties which can be activated for instrumental action” (pp. 25). This in turn is supported by McMillan and Chavis (McMillan 1986). They cite that power sharing “leads to a greater sense of ‘ownership’ of the community by participants, greater satisfaction, and greater cohesion” (pp. 12).

Conclusion

If this literature review offers one concept, it is that trust, solidarity and community are interwoven. They all serve to describe functions, components and operations of interpersonal relations. However, it appears that trust operates as the very basis of both solidarity and community. One cannot have solidarity without trust, but there may be trust without solidarity. As has been discussed, trust functions to enable successful interaction between individuals over time. Further development of trust can broaden to a sense of solidarity or community between those individuals who may constitute a grouping.

Chapter 3: Research Methods

The research explored how individuals think and feel about their relationships based upon the constructivist paradigm and qualitative methodology discussed in Chapter 1.

Developing the research design was a process over time while the researcher gained access and familiarity with the location, the people and the microfinance projects.

Likewise, data collection and analysis evolved over the duration of the research as new information and insight became available. This chapter will discuss these processes.

Data Collection

Gaining Organizational Access

Initially, letters of inquiry and intent were sent from the United States to the Kenya Rural Enterprise Program (K-REP), PRIDE International, Kenya Ecumenical Church Loan Fund (ECLOF), and a few other microfinance organizations working in Kenya. Only ECLOF responded to my letters stating that it had a program in Meru and would be interested in collaboration.

After arriving in Kenya, but prior to Meru, I spent time contacting potential organizations with which to work. My first three weeks (Jan. 11-Jan.30) were passed in Nairobi.

There, I made contact with ECLOF and their Director. Through my initial talks with ECLOF, I was able to acquire affiliation with them to facilitate receiving research clearance from Kenya's Office of the President. In my meetings with the ECLOF

Director, we also reviewed my questionnaire and data collection methods, which were accepted.

Time was also spent talking with the Kenya Rural Enterprise Program, headquartered in Nairobi, where I was told that they would review my request to become affiliated. Before departing Nairobi for Meru, I had met twice with K-REP and felt reasonably assured that access to their program in Meru would be granted within two or three months.

Additionally, it had been agreed with ECLOF that I would meet with their Loan Officer in charge of coordinating their lending groups in the Meru area. This never came to fruition, leaving the researcher without a means of contacting the ECLOF lending groups and uneasy about the possibility of working with them.

The original research plan outlined working with three lending organizations to interview their participants. Three organizations was thought to be a good number as it avoided the possibility of findings becoming polarized (if only two were involved) and uni-dimensional (if only one organization was involved). However, upon arriving in Meru and over the course of two months (Feb.- March), it was highly uncertain whether there was even one lending organization with which to work. No contact was established with ECLOF in Meru nor maintained with their headquarters in Nairobi. I had attempted repeated contact with K-REP in Nairobi as well, however there was still no word regarding my request to gain access to their participants. The research journal notes the following:

“Soon after arriving to Meru, I realized that much of my running around in Nairobi making contacts with ECLOF and KREP was wasted time. I had not received any response to the two or three fax messages that I sent to them.

Additionally, I was able to visit the local KREP office, but they were unable to offer any help until I was giving the go-ahead from KREP headquarters in Nairobi. This put me back in the position of having no organizations with which to work through.”

By virtue of whom I was traveling and living with in Meru, I was immediately introduced to the Methodist organization, which has an ingrained presence in the region, and key leaders within it. This contact presented the best, new means of identifying organizations with which to work, and allowed me to maintain some optimism in gaining access to lending groups in the area.

In speaking with those individuals, I was introduced to the Kenya Methodist University (KEMU) with whom I also gained affiliation. As the University is very young, the administrators were more than happy to have researchers coming to do work through them. This gave the university some status as well as connected it to the community, allowing the community to see that the University was doing something for them. As for myself, affiliation with KEMU opened some doors to lending institutions as it provided a linkage with a local organization.

Within a short time of our living in Meru and visiting KEMU, I had the good fortune making contact with a field officer with Plan International/Maua Branch (hereafter referred to by the pseudonym Susan). As a friendship developed, Susan provided information on PLAN’s community development work that included microfinance. Through her, I was able to make contact with PLAN’s Maua director and also write a letter to the Regional Director in Embu to inquire about gaining access to their lending groups in the Maua area, a 1 hour drive northeast from Meru. During this time as well,

Susan also informed me of other organizations working in microfinance. One of these was the YWCA-Meru Branch that I visited shortly thereafter.

The YWCA's local office is in Meru town and not difficult to reach. My initial meeting was with their local lending officer. She briefly introduced me to their lending activities and the groups involved. She was very optimistic as far as my request to include the YWCA in my research. She in fact told me I could. At this, I was a little uneasy and suggested that I write a formal letter to the Branch Secretary to officially request access, which she thought was a good idea. After writing the letter and a number of visits to meet with the YWCA Branch Secretary, I was able to sit down with her and discuss my research. She was very welcoming and agreed to give me access to their groups.

Upon hearing this good news, I promptly set up another meeting that was meant to discuss my questionnaire and to schedule meetings with the YWCA lending groups. The YWCA agreed to my methods and questionnaire as had ECLOF-Nairobi in January. At this time, I was still waiting to hear from PLAN and held onto the chance that I might hear from KREP. However, I had given up hearing from ECLOF as my continued attempts to make contact repeatedly failed.

During these first two months in Meru, I had become well acquainted with the Women of Worth (WOW) program sponsored by the Kaaga Women's Fellowship circuit and its teacher (hereafter referred to by the pseudonym Rose). The WOW program was part of my living companion's research, but as I was busy waiting to hear from organizations, I

too became somewhat involved in their program. Rose became another informant for me. I eventually found out that she was actually a participant in the ECLOF lending program. After restating my interests and agenda to her, she was more than happy to introduce me to her ECLOF group and her sister-in-law's ECLOF lending group.

Thus, it was through local informants, Rose and Susan, that I was able to solidify my participating organizations and approach their lending groups. I never received any word from PLAN International nor K-REP. Therefore, my case study was limited to working with only two organizations rather than the planned three.

Gaining Access to Participants and Establishing the Context

Participants in this research belonged to the micro-loan program of either the YWCA-Meru Branch or ECLOF. Two groups were interviewed from the YWCA and were selected based upon:

- Their time involved in the YWCA's lending program,
- Their proximity to Meru town, and
- Recommendations by the YWCA officers

Three groups involved in the ECLOF program participated in the study as well. Their selection was based upon Rose's knowledge and connections rather than any recommendations made by the ECLOF officers, and their proximity to Meru town. However, there was no other information available regarding the ECLOF groups' composition to enable any other selection criteria.

For each group, contact was made either through the YWCA field officer, who introduced me to the two YWCA lending groups, or Rose, who introduced me to the ECLOF lending groups. Through these facilitators, dates were established to meet with the lending group.

The purpose of these meetings was threefold. First, although group leaders had been informed of my interests, group members had not. Therefore, the meetings offered the opportunity to introduce myself personally, as well as fully explain my interests and answer any questions that group members had. Second, it was to identify willing participants who would be interviewed as part of the study. Third, these meetings offered the chance for a relationship to be established between the group members and myself and the opportunity to understand their environment.

The third point is rooted to the methodological framework of this study that emphasizes the need to understand the contextuality of the situation and the beliefs and perceptions of the participants (Guba and Lincoln 1989). Additionally, the meeting offered a comfortable place in which an initial degree of trust was established. This was particularly important due to the fact that some of the participants in these lending groups were fearful of the lending organization sending officers to collect unpaid loans.

Likewise, my skin color and gender were additional social barriers, which the meeting help diminish.

It was unfortunate that the meeting gave individuals little time in which to decide if they would like to participate. However in the rural areas of Meru, travel is by foot and coordinating meetings is difficult due to the fact that most families do not have access to telephones and one must rely on individuals delivering messages in person. As it happened, there were some participants who asked to be interviewed after the initial group meeting occurred. This was accommodated. It should be noted as well that often all the group members wished to be interviewed at meetings, which forced the need to apologize to group members due to the fact that not everyone could participate because of time constraints.

The following offers a description of the process involved in meeting the groups:

On Sunday, April 5th, 1998, I had the opportunity to meet with the Chugu Women's Group. Rose, whose sister-in-law is the Fellowship's Patron (an official position in the group), arranged this meeting. The meeting took place after church, which I had been invited to attend. On the way to church, we stopped to visit Rose's sister-in-law who showed me her house and her zero-grazing project that she had implemented as her micro-enterprise. They accompanied us on the walk to church, giving me some time to become acquainted with their lending group's activities.

During our walk, another informal meeting took place, where I was introduced to two other group members -- one of them being the Vice Chair of the lending

group. When we walked, I explained my interests and what the research project's focus was. Both the Vice Chair and the Patron were very cooperative and expressed interest in participating in the study.

After church, we remained in the church with the group. We sat with the group members who had brought something to eat for everyone, and we had lunch.

During this time, I spoke briefly with the Vice Chair to let her know how I was hoping individuals might be selected to be interviewed.

After my intentions had been thoroughly explained to the group, they offered to recount their history, emphasizing the importance of understanding this before conducting interviews. Upon finishing, the group selected members to be interviewed. Each was to be conducted at the individual's home.

The entire meeting from church to choosing research participants lasted approximately 9 hours.

Overall, the process used with all the groups was one of meeting with them, explaining the research purpose, asking if they would be willing to participate, listening to their interests, history and activities, and selecting individuals interested in participating.

Lending Group Interviews

Within the groups, members self-selected the individuals to be interviewed. This was done in part because there was the risk of offending individuals in selecting one over another. Additionally, given the group's interest in providing a comprehensive picture of 'who they were,' there was the feeling that the group would be able to select a better representative sample. This method of sampling also touches on the issue of the constructivist philosophy and qualitative, participatory research, which holds that both researcher and participants should be involved in the creation of reality.

Twenty-six participants from five different lending groups took part in this study. Of the YWCA groups, all members are women. However, in two of the three ECLOF groups, members consisted of both men and women. For each of those two groups, two men were interviewed. Thus, overall 22 women and 4 men participated in this study. The breakdown of groups and the number of interviews is as follows:

- Chugu Women's Fellowship Group (9 participants)
- Kamakawa Women's Fellowship Group (5 participants)
- Kiende Group (5 participants)
- Gieto Mazewa Group (3 participants)
- Zero-grazing Self Help Group (4 participants)

Interviews were conducted either at participants' homes or business locations to provide a comfortable atmosphere in which to conduct the interview and to allow myself to understand the context of their situation.

The interviews were conducted over a three-month period (April through July, 1998). This breadth of time allowed for analysis to coincide with the data collection, which is the heart of grounded theory where data analysis stands in a reciprocal relationship with data collection (Corbin and Strauss, 1990). If a respondent brought an interesting or new perspective to the mode of inquiry, then this was pursued in subsequent interviews. Likewise, if questions asked opened up little insight, then they were dropped from subsequent interviews.

There were some questions that were difficult to translate into KiMeru, the local language, either their meaning was lost or changed. Those questions were dropped as well. Certainly, there was a balance that had to be found in terms of maintaining some consistency in questioning participants and altering the tool of investigation.

The Process of Investigation

The purpose of the interviews was to understand participants' thoughts and feelings regarding their relationship with their respective lending group and lending organization.

With this purpose, two concerns guided the process of investigation:

- 1) to understand the context, and
- 2) to establish a comfortable environment and relationship with the interviewees to enable them to speak freely.

It is stressed that establishing a relationship of trust is vital to a successful interview (Gitobu 1989; Vandenberg 1993). Thus, as initiated through the group meetings prior to the personal interviews, developing a sense of trust between each participant was continued at the beginning of each interview.

This was done through having tea or lunch with the participant during which informal, “getting to know you” conversation ensued. However, being able to reach this point was greatly facilitated by Ann, the research assistant.

As many of the women who were interviewed had little or no capacity to speak English and given the fact that Kiswahili is a second language to the Meru population, Ann’s being Meru and speaking the local language greatly eased conversation. Additionally, the communities knew Ann through prior interaction and family connections. Therefore, their apprehension of speaking to an outsider (myself) regarding their lending group and loan was reduced. Moreover, it was quickly learned that there is a great social division between men and women in Kenyan culture. Having Ann as a research assistant eased woman participant’s “social self” and made talking about their perceptions and beliefs easier.

The Interviewing Tool

The questionnaire was divided into 3 subsections, each with a specific intent. Overall, questions were not designed to regulate conversation, but to guide it and allow the participants to discuss what they believed was relevant. Before each interview, participants were once again told of the intent of the study and were given assurance that their responses would remain confidential. The opportunity for an individual to ask any questions with regard to the study’s intent was offered as well.

The first section of the questionnaire was meant to acquire background information (personal information) on the participant and understand the relevance of the loan to their livelihood (business information). The questions were as follows:

Personal Information

1. How old are you?
2. What is your marital status?
3. What are the names of your children?
4. How many people live with you?
5. How long have you lived here?

Business/Loan Information

6. What product (s) do you sell?
7. Why did you start the business?
8. How long have you been in business?
9. Is this you and your family's only source of income?
10. Do you believe that you have a successful business?
11. How much was your loan?
12. How much do you pay per month on the loan?
13. What did you use the loan for?
14. How was the loan secured?
15. How do you pay your loan?
16. What are some of the greatest problems that you have concerning your business and the loan?

It was apparent that individuals were readily willing (almost eager) to discuss their families and business information. Thus, discussion arising from these questions helped facilitate the construction of a comfortable environment as well.

The second section was meant to allow participants to describe their social networks to provide an understanding with whom they interacted in certain situations. These questions provided the 'ground work' to subsequent questions found in the later part of the questionnaire. The questions were as follows:

17. Who do you go to for business advice? Describe your relationship...
18. Who do you go to for emotional support when it comes to the business? Describe your relationship...

As with other questions, these questions were purposely left open ended to allow participants the greatest chance to describe their reality.

The third section of the questionnaire was divided into three sub-categories. However, all questions revolved around issues related to the lending group in which the individual was involved and their relationships with others in the group. The three sub-categories were a) Group Membership and Characteristic, b) Individual Values and Attitudes, and c) Loan Officer and Group Interaction.

A. Questions under the Group Membership category were designed to understand how they came to be involved in the group, their past and current relationship with other members, and how they perceive the group as a whole and its activities. These questions were:

19. When did you join this group? How long have you belonged to the group?
20. Why did you join/form the group?
21. What qualifications are necessary to join the group?
22. Who is in the group? Who are they? Did you know them before joining the group?
23. How did you select your group members?
24. How many members does the group have?
25. Have you had any problems being involved with the group?
26. In order to receive your loan, what was required of the group?
27. How often do you meet with your group?
28. Does every member attend each group meeting?
29. What do you do during these meetings?
30. Do you find the group meetings useful? Why?
31. Does the group have a leader? How is the group's leadership selected?
32. Do you have an official role in the group?
33. Does your group have a savings scheme? Is it compulsory?
34. How have you used your savings? How have others?
35. If someone in the group cannot pay for their loan how is this dealt with? Do you have any examples of this happening? How has it affected you or others?

B. Questions under the category of Individual Values and Attitudes sought to encourage discussion of their thoughts and feelings regarding their membership with the group as well as their closeness with fellow members. This area of questioning was by far the most sensitive and often required a re-phrasing of the question to bring about discussion. The questions were as follows:

36. What has your relationship with the other members been like?
37. Do you have close relationships with them? What do you do together?
38. Do you trust your fellow members? Why or why not?
39. How has membership in the group affected your business and family?
40. How does being a member in the group make you feel? Do the other members support you? How?
41. In terms of some of the problems that you have identified, has the group helped you?
42. Do you feel that being a member in this group is beneficial?
43. Would you prefer it if you were able to receive a loan individually?
44. Have you been able to cooperate with other people in the group to help your business?
45. Do you belong to any other groups? If yes, what group? Did you join this group after? Why did you join it?
46. How do you see your relationship with the group in the future?

C. Finally, participants were asked some basic questions regarding their perceptions and feelings regarding the lending organization and their loan officer. They were:

47. Have you had any interaction with the lending officer of the microfinance program? What has that been like?
48. Describe your relationship with the lending officer? Do you meet with him or her privately or with the group?
49. Does the lending officer aid in group decision making?
50. How could the lending officer help you more?

Interview Schedule and Amendments

The twenty-six interviews were conducted over the course of three months. Generally, on an interviewing day more than one interview was done with individuals from the same

general region or community. Interviews took anywhere from 2 to 5 hours, depending on whether the participant had “planed a day of it” or was interested in talking and then moving on with other chores. Often, I was taken around the family’s complex and introduced to mothers, fathers, sisters, brother-in-laws, children, and grandchildren, taking tea with each stop. This was a wonderful experience and heightened the level of information and understanding I had of the region and the people.

Over the course of the interviews, I became more and more comfortable with the interviewing process. With the first few interviews, I relied heavily on using the 1-50 questions, following their numbered format to an almost rigid degree. Many times however, I found myself asking a question whose response repeated what had been discussed in an earlier question. Soon thereafter, I became much more comfortable with the whole process and the questions, and I found myself listening to the participants more, allowing them to guide the format and direction of our discussions. Thus, after my first few interviews, many questions were not specifically asked, but were answered within the context of another response. Questions were not so much dropped as they were compressed into others. This change enabled a much more fluid conversation and provided for a more detailed picture of the participant’s world.

Change in the interviewing process also came about once I became more familiar with the Meru culture and their manner of speaking. One particular feature of Meru conversation is that if an individual is asked a question, they will respond exactly to that question and offer no additional information unless prodded. As an example, although

Rose was part of an existing ECLOF lending group and she knew that I was interested in working with lending groups, I had never asked specifically if she was in a lending group. Never being asked, she never told me until it became known through another source of information.

This was a source of frustration in the beginning of the interviewing process. I felt that participants were not opening up and expressing their thoughts, and attributed it to my inability to make individuals feel comfortable. However, it was really due to the fact that I was simply not asking my questions in the proper manner to prompt the participant to elaborate their answers. In this respect, changing the interviewing process and allowing a more free flowing discussion without the rigid aid of the questionnaire and understanding the “conversational culture” opened the discussion and participant response. New questions were also added to the questionnaire to provide a better understanding to the issued of trust and solidarity within the groups.

Over the course of the first few interviews, it became apparent that most women participants were involved in more than one women’s group. Therefore, one added question dealt with the difference participants perceived between their lending group and the types of groups with which they were involved. The intent of this question was meant to understand how their lending group was distinguishable in terms of trust or solidarity. It was added as a follow-up question to question number 45.

A second questions was added that meant to understand the dynamics within the group when it came to guaranteeing a fellow member’s loan. The question was:

- How did it feel to guarantee your fellow members? How did guaranteeing someone differ between your first loan and the most recent one?

This question was added after question number 14.

In regard to question number 38, “do you trust your fellow members,” occasionally participants did not quite know how to answer. To qualify this question, I began to offer examples to help clarify its intent. An example of this would be the following:

Question 38: “Do you trust your fellow members?” (if unclear) “For example, how do you know that your fellow members will payback their loans?”

The addition of this question offered more insight than had been expected, and provided greater participant input.

In addition to the questions, there was a modification to my initial explanation of who I was and the purpose of the study. This was brought about by one of my many discussions with Ann. In critiquing our interviewing process, she believed that there were some participants who were “scared” either because they were not sure that I was independent of ECLOF or because they did not want their group members to discover that they had said something bad about them. In all interviews after this, there was an emphasis placed on assuring the participants that their responses were kept confidential and that I was independent of any organization. Whether this changed members’ feelings is unknown.

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Interviewing the Loan Officers

In addition to the 26 lending group participants, three loan officers were interviewed as part of this exploratory research. Two interviews with the YWCA officers and one with an ECLOF officer who had moved to Meru town a month before the end of this study. These interviews were conducted not only to provide a better understanding as to the various lending groups' dynamics, but to also offer insight into their organization's experiences and methods. As with the lending group member interviews, questions were not necessarily asked as their responses came in the course of discussion.

The Interviewing Tool

Interviews were conducted at the offices of the YWCA and ECLOF without the assistance of Ann, as all loan officers spoke English fluently. These discussions were extremely valuable as the officers were approached after all interviews had been completed with the lending group. I had specific knowledge of and familiarity with the members and their activities, and had also managed to establish a rapport with each officer over the prior four months of group interviews. My relationship was certainly closer in the case of the YWCA than with ECLOF, but both factors enabled an open and frank conversation about each organization's activities and interaction with the various groups.

Questions to the lending officers were broken into three primary categories. The first section of questions dealt with general information regarding who the loan officers were, their knowledge of the area and the program, and who their clientele were. These

questions were meant to understand the individual's perceptions of their organization's goals, while establishing a conversational tone to the interview and allowing the participant to relax. This section's questions were as follows:

- 1) How old are you?
- 2) How long have you worked for the program?
- 3) How long have you lived here?
- 4) What are the primary goals of the program?
- 5) What kinds of changes have you seen in terms of the program and its goals since your time here? What would you attribute these changes to?
- 6) How many clients do you serve? How has this changed over your time here at the program? Why?
- 7) What is the economic status of your clients? Has this changed over time? Why?
- 8) What types of businesses do you serve?

The second section of the questionnaire tried to elicit the participant's perceptions of the program and its approach to microfinance. These questions were:

- 9) Do you believe that you have a successful program? Why or why not?
- 10) What are some of the best aspects of the program?
- 11) What are some of the greatest problems that you see concerning it?

The last set of questions sought to engage the participant in a conversation about their lending groups that participated in the study. The questions were meant to bring an understanding to the lending officer's perceptions of the groups and their problems, while also addressing the issue of the peer group lending mechanism. These questions were as follows:

- 12) What qualifications are necessary to join the group?
- 13) How often do the groups meet with you?
- 14) Are they required to meet?
- 15) What is done during these meetings?
- 16) What are the relationships like between members of the solidarity group?
- 17) Have these relationships changed over time?
- 18) What types of services does being in the group provide?

- 19) What do you see are the main benefits of the solidarity group? Do you see any problems with this mechanism?
- 20) Do you have any examples of group cooperation? If yes, what?
- 21) What happens within the group if a person defaults on a loan? How do they cope? How does the PROGRAM help groups/individuals cope?
- 22) How would you characterize your relationship with the solidarity groups with whom you interact? (e.g. friendships, councilor, administrator, etc.)
- 23) How do you see these groups interacting in the future?

Over the course of these interviews, there was no need seen in changing the questionnaire. Many of the questions naturally led to conversations regarding certain observed phenomenon that provided new insights and rich data.

Follow-up

Over the course of the research, there were opportunities to discuss general impressions and coding “categories” (discussed in the next section) that had emerged with Ann, some participants and YWCA officers. These were informal meetings. However, they offered the chance to confirm my preliminary findings and amend those categories that were misguided.

In addition, after all interviews had been conducted a focus group discussion was held with one of the lending groups. This meeting was meant to thank them for their time and input, allow a presentation of the preliminary analysis that had been done to that point, and for them to comment and participate in the outcome of the research findings.

It was unfortunate that more follow-up was not done. It was felt that negotiating the outcome of this study should have involved more input from the participants. However,

time was a limited resource that prevented additional focus group discussions and conversation.

Analysis

The purpose of this study was to understand the relationships between lending group members and the relationship between the group and the lending organization. To do this, grounded theory analysis methods were used to interpret the data and build a theory to describe those data. As Strauss and Corbin state (1990), coding is the process that brings meaning to the data. The purpose of grounded theory research seeks to:

- 1) build theory
- 2) provide the rigor in the research process
- 3) help the researcher break biases and assumptions brought to the research
- 4) ground the research, providing a richness to the developed theory that “approximates the reality it represents.”

Coding Procedures

“Coding represents the operations by which data are broken down, conceptualized, and put back together in new ways. It is the central process by which theories are built from data.” (Strauss and Corbin 1990)

Grounded theory analysis involves three stages of coding to enable the development of theory while “grounding” that theory in the richness of the data collected. There are three steps to the process as detailed by Anselm Strauss and Juliet Corbin, Open Coding, Axial Coding, and Selective Coding.

Open coding represents the “process of breaking down, examining, comparing, conceptualizing, and categorizing data” (Strauss, 1990). The first step involved in the

process is identifying concepts in the data and labeling them. Once a list has been advanced, concepts that describe similar phenomenon are grouped into a category. These categories are then developed by identifying their properties and dimensions.

Axial coding is used to identify and understand the relationships among categories. Using the *paradigm model* offered by Strauss and Corbin, links are highlighted by relating categories and sub-categories by causal conditions, context, intervening conditions, action/interaction strategies, and consequences. Once relationships are highlighted, selective coding asks the researcher to determine a core category under which all other categorical relationships are integrated.

As Strauss and Corbin highlight, asking questions and making comparisons are the two central procedures used throughout the coding process. In identifying categories, comparisons should always be made between categories and concepts. In this way, relationships between different concepts begin to appear. While engaged in this, they also sight the importance of continually asking questions -- who, why, what, and how.

The Coding Process

It is suggested that the entire coding process be conducted simultaneously with the data collection process (Strauss and Corbin 1990). This allows the researcher to understand the phenomenon being observed and when a concept has been “saturated,” providing no further insight. Using analysis in conjunction with collection also allows the research to explore the phenomenon more fully, highlighting areas that have not been “saturated.”

Open coding was conducted throughout each interview, either by making “mental notes” or by highlighting or writing concepts on the field notes. Likewise, some rough axial coding was conducted during the course of interviews to provide the researcher with a concept of the categories and their relationships, and to inform on-going data collection. However, time and also the experience of the researcher was a constraint to full analysis, and complete coding of each interview, their categories and relationships was not conducted. But, the information provided by the initial analysis offered enough useful insight so as make full analysis of the data seem unnecessary.

Methodology in Practice

While using the grounded theory methodology as a model, it is important to note that there were constraints that limited this research in attaining this in its ideal form. In addition to what has been mentioned in the preceding sections, a short window of time and the researcher’s lack of fluency in the local language presented barriers to developing a complete intimacy with the participants. This resulted in a less-than-ideal situation with respect to grounded theory, for conversation and observation is meant to construct participants’ reality. Moreover, the researcher entered into the study with some knowledge of the literature on solidarity and social capital, which may have influenced what was observed. In an ideal grounded theory study, development of the grounded theory is based solely on observation and discussion with participants with the researcher having no preconceived notions of the phenomenon at hand. Thus, while modeling the grounded theory methodology, reality constrained the research in attaining its ideal form.

Chapter 4: Findings

This chapter presents the findings of the study, discovered through the use of the grounded theory analysis methods of open, axial, and selective coding. This chapter is divided into three primary sections, each of which will address one of the three research questions:

- What are the dynamics of trust between lending group members?
- What are the dynamics of solidarity between lending group members?
- What is the interaction between lending group members and the microfinance program, and how does that interaction affect the dynamics of trust and solidarity?

In each section, categories and their concepts will be discussed using examples taken from the data collection process. Any names used in these sections are pseudonyms to protect the confidentiality of participants' contributions.

General Observations

In general, there were common features that the groups shared. All groups had a leadership structure that consisted of a group Chair, Vice Chair, Secretary, Treasurer, and a group committee that managed group affairs. Additionally, each group had rules designed by the group that governed the members' behavior. All groups had fines instituted for those that came late or did not show for a meeting who did not have a proper reason (an 'apology'). Many other rules existed that differed among the participant groups. For instance, the Kiende, Chugu, and Kamakawa groups had rules

regarding what group information was shared with outsiders - members were discouraged from speaking about other members to the greater community to prevent the spread of rumors and discontent within the group.

Relationships within these groups varied greatly. For example, the Chugu Group was characterized as having close, trusting relationships among its members, while the Gieto Group was plagued with distrust and factions within the group. However, even within groups with 'good' relationships, there were sub-groups who shared closer relational ties.

Prior to addressing the research questions. It is necessary to provide a brief summary of each group's background, including their history, composition, non-loan activities, collateral arrangements, and their loan activities. A summary table of the groups and the features is provided in Table 1.

K-ECLOF Groups

The MCK Chugu Women's Fellowship Group

History: The group began over 15 years ago within the church as a women's fellowship committee with 60 members. They were all from the same community and knew each other for a long time. Most members were unemployed, working on their shamba to produce cash crops and food for the family.

Non-loan activities: Their initial goal as a group was to share problems and to improve their lot ("community improvement"). They instituted "merry-go-round" (MGR)

activities (i.e., rotating savings funds) to help one another save money and to invest in their shamba (farm) or home. They also initiated a project meant to construct water tanks at each woman's home for use around the shamba and kitchen garden.

Group Meetings: Members met two times per month - once for MGR activities and the second to submit loan payments.

Collateral Arrangement: One individual submitted a title deed to land to K-ECLOF. Other group members had their husbands guarantee their loans. Additionally, the group signed GCPs security among the members. However, they were allowed to use any asset as collateral (furniture, roofing, etc.) Those assets listed as collateral are generally not of the same worth as the loan.

Loan History: A leader in the Meru region introduced the group to K-ECLOF. There were a number of members who were uneasy about participating in the loan. Many were old and were unsure whether they would be able to have enough constant income to make the monthly payments. Thus, out of the 60 members, 23 left the group and only 37 remained that were interested in taking the loan. Individuals from the group borrowed between Ksh45,000 to Ksh80,000 (approximately \$700 – \$1,300). On February 1, 1997, the women began to pay back their loans. This was one month earlier than they had to begin.

At the date of this research, 10 cows had died from various causes. The cow deaths have caused serious problems for the group and individual women. Additional problems included the fact that the surviving cows were producing less milk than they had expected. It was originally planned that the dairy sales would pay the monthly loan payments. However, many were unable to cover family or loan repayment needs.

The Zero-Grazing Self-Help Group

History: The group started in 1996 to form their constitution and begin the group savings account. The group itself was comprised of 34 members living in a 20-kilometer radius of Meru Town. They were not from the same community, but were organized and gathered by a leader in the Meru region. The group consists of largely employed individuals, including both men and women.

Non-loan Activities: The group's activities consist only of repaying the loan, although there were some attempts at starting MGR activities and making contributions toward members' special needs (sicknesses, weddings, funerals, etc.).

Group Meetings: The group's committee met once per month while the group meets only once every year.

Collateral Arrangement: One individual submitted a title deed to K-ECLOF.

Additionally, the group required each member to provide a title deed as collateral to the group - furniture was not acceptable as collateral. The group has a lawyer who

coordinated the signing of the GCPs and the collection and retention of the title deeds. However, individuals were allowed to secure up to two members on their title deed, as many title deeds have a worth exceeding the individual loan. For those who did not have collateral equal to the worth of the loan or were seen as 'risky' by the group's committee, they were required to have a guarantor. Often this came in the form of the guarantor agreeing to secure the individual with their title deed.

Loan History: They received the loan in August 1996. Initially, the group had 50 members, but some left at this time due to the high interest rate (18.5%), and some did not have the security/collateral that was acceptable to the group. Repayment of the loan was relatively successful, although members were pressed to make the payments. They saw the high interest rate as a primary problem.

The Gieto Mazewa Group

History: The group started in 1994 with about 15 members (all women). It was in 1996 that they officially registered as a group. The motivation behind registration was that they heard that the Kenyan National Farmers Union (KNFU) was providing loans in partnership with K-ECLOF. At the time of their registration with the government, the group totaled 50 members - both men and women. 'Friends of friends' came into the group at this time for purposes of obtaining the loan. Members do not belong to any single community and many consider certain members strangers. Most of the members are farmers (approximately 90%). Very few are employed.

Non-loan Activities: This group was originally a MGR group that met once per month to do their rotating savings scheme. However, when the group officially registered and increased its numbers, non-loan activities ceased.

Group Meetings: The group met once per month as it did before officially registering. However, they stated that attendance was poor - even though there were fines issued to people who did not come. Group officials said that they are lucky to have 50% attendance.

Collateral Arrangement: One individual submitted a title deed to K-ECLOF. The group members needed to be guaranteed by one group member. Additionally, the group signed GCPs as security among the members. They were allowed to use any asset as collateral (furniture, roofing, etc.) These assets listed as collateral were generally not of the same worth as the loan.

Loan History: At the end of 1996, they received their loans. All 50 members took loans for Ksh40,000/person (approximately \$700) at 18.5% interest. They began re-paying the money in February 1997. Repayment was poor. There are many in the group who were pressed and some that altogether dismissed their repayment obligations.

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The Kamakawa Group

History: This women's group started in 1990 as a MGR group. All members were from the same general community. They met with the YWCA in 1994 who told them about their activities and what they could provide. The YWCA also described the requirements necessary for the group to become a member. Subsequent to this meeting, the group registered with the government (Social Services), opened up a group account, and paid the 20Ksh fee to join the YWCA. The group totaled 20 women who were primarily unemployed, working on their shambas for household income.

Non-loan Activities: There are those in the group who did not take a loan. The group conducts MGR activities with each member contributing 50Ksh/week (\$0.90). The group was also constructing kitchens in each member's house.

Group Meetings: The group met every Wednesday. Three times per month they conducted MGR activities while in the fourth meeting they took care of loan business.

Collateral Arrangement: The group had a bank account whose balance is used as security for the YWCA loan. Each member in the group was required to have three guarantors. Additionally, the members sign GCPs.

Loan History: The group has received two loans from the YWCA. In 1996, they took out their first loan. As their crops (a primary means of repayment) were doing well, they had

no problems repaying the loan. In 1997, they successfully finished the first loan and were interested in taking out a second loan - which they did. During the time of interviewing, they were repaying their second loan. However, they were having problems due to crop failure.

The Kiende Group

History: The group started in 1979 with 30 members. During this time they brought themselves together to improve their families' standard of living. They participated in MGR activities. The women are from the surrounding area of Meru Town, but do not belong to the same communities. They know one another because they conduct their businesses in Meru Town. In 1992, they registered with the Social Services. At this time their number had increased to 40 members.

Non-loan Activities: The group continued to conduct MGR activities. Individuals used moneys from these activities to pay for school fees, medical expenses, etc. The group, at times, also financially supported certain members who were strapped (helping them pay for school fees, medical treatment, etc.) Everyone in the group paid 20Ksh/month as dues. Non-loan members (those that do not have a loan with the YWCA) had been loaned some of the accumulated dues money (which was in a different bank account) to support their small businesses. The group provided their members with loans at 10% interest. Group borrowers were given a 1-month grace period, and were then expected to repay the loan within 3 months time.

Group Meetings: The group met two times per month, one day for loan activities and the other day for MGR activities.

Collateral Arrangement: The group had a bank account whose balance was used as security for the YWCA loan. Each member in the group was required to have three guarantors. Additionally, the members sign GCPs.

Loan History: During the course of the research, the group was in its fifth loan arrangement with the YWCA. In 1993, the group received their first loan (maximum Ksh7,500/person – approximately \$120). By 1994 they successfully finished their first loan. The second loan was distributed in 1994 (maximum Ksh15,000/person – approximately \$250). While the first loan was meant to provide seed money to start businesses, the second loan was meant to allow the members to expand their businesses. The second loan, however, was not given to all members and there were no problems associated with the second loan. The third loan was distributed in 1995 (maximum Ksh30,000/person - \$500). With this third loan, members continued to improve their businesses. They successfully finished this loan in 1996. For their fourth loan, members were allowed up to Ksh50,000/person (approximately \$850). They finished this loan in 1997 with no problems. As of April 1998, the group had just finished repaying their fifth loan (maximum Ksh50,000/person) without any problems. The group would like to continue with the YWCA and receive a sixth loan.

Table 1. Summary of Participating Groups

Group	Group History		Current Non-Loan Activities		Frequency of Meetings	Intra-Group Collateral Arrangements	General loan History
	Number of Members	Years Together	Geographic Origin				
MCK Chugu Women's Fellowship	37	15	Same Community	None	2/month	Signed, Collateral Papers per Individual	Group loan payments are past due
Zero Grazing Self Help Group	34	1	Various Communities	None	1/month (leadership)	Land Title Deed per Individual	Current
Gieto Mazewa Group	50	1	Various Communities	None	Rarely Any	Signed, Collateral Papers per Individual	Group loan payments are past due
Kamakawa Women's Group	20	7	Same Community	<ul style="list-style-type: none"> • Revolving Savings Activities • Construction of Kitchens 	4/month	3 Guarantors and Signed, Collateral Papers per Individual	Successfully completed 1 loan. Current with second loan.
Kiende Women's Group	40	18	Same "Working" Community	<ul style="list-style-type: none"> • Revolving Savings Activities • Assistance Funds • Co-Purchasing of a cow • Intra-group Lending 	2/month	3 Guarantors and Signed, Collateral Papers per Individual	Successfully completed 5 loans.

Trust Between Lending Group Members

This section addresses the first research question: what are the dynamics of trust between lending group members? Two major categories and three sub-categories were identified. Table 1 presents these categories with their concepts. Before discussing these concepts, it is important to mention a key sentiment that emerged from many of the interviews with participants. Often, individuals utilized the word 'fear' to describe their feelings of a particular trust-based situations. It was quite clear that the use of this expression was meant to connote feelings of distrust or reflect apprehension in engaging in a trust-based activity. Examples from the interviews will be used in the following sections to highlight certain aspects of the categories, where their expression of fear will be used.

As shown, the major categories of trust are an individual's "knowing" of others and their initial willingness or prior disposition to trust. The sub-categories relate to the first category and are 1) the use of community, 2) an individual's prior knowledge, and 3) foreseeable future interaction. Concepts for each category directly influence that category or sub-category. However, some concepts are descriptive of the category to which they belong. For example, "faith based" in the category of Initial Willingness/Prior Disposition to Trust describes the actions of one individual and their prior disposition to trust rather than a concept unto itself.

Knowing of Others

Knowing enough about an individual appeared to be the primary concern of participants when discussing phenomenon central to trust. Understanding "who" the person was

appeared to be an important factor in being able to predict the trustee's behavior and the development of trust. Issues that introduced personal risk into a relationship like

TABLE 1. CATEGORIES OF LENDING GROUP TRUST

I. Knowing of Others:

➤ *Prior knowledge:*

- **Contact:**
 - Prior Friendships
 - Past Business Dealings
 - Ability to Monitor
- **Successful Interaction:**
 - Fulfilling obligations
 - Aiding
 - Cooperating and Sharing
 - Reliability
 - Maintaining Confidence

➤ *Use of Community:*

- Establishing an Individual's Reputation

➤ *Foreseeable Future Interaction:*

- Future activity with group
- Expectation of future involvement

II. Initial Willingness/Prior Disposition to Trust

- Faith based
 - Guaranteed based on organization's word
-

guaranteeing others for their loans and whether individuals would pay back their loans were the areas of discussion that revealed this most clearly. Knowing of others comprised of three sub-categories: prior knowledge, use of community, and foreseeable future interaction.

Prior Knowledge

Having past knowledge of an individual provided information about who that person was and whether they were trustworthy. Having a prior friendship, past business dealing, or a relationship through past social interactions all provided information that the participant used to determine whether or not to guarantee another's loan, participate in revolving savings activities, or other group activities in which the members were involved.

Anna, for instance, claimed that she had no problems guaranteeing another member because she had a close relationship with that member and knew her business and ability to repay. Jane guaranteed a lending group member and had no "fear" because she had been in business with her on another occasion and knew her to be a good businesswoman. Many others responded that they "knew" those they guaranteed through their church and knew them to be a good people.

The ability to develop a relationship with and increase one's "knowing" of other members was greatly influenced by how frequently they were able to **contact** or interact with them. The Zero Grazing Self Help Group highlighted this phenomenon. Many of those in the group did not feel a closeness or have a "knowing" of the majority of those in

the group. Although the leaders and regional representatives interviewed from the group (Chair, Vice-Chair, Secretary, etc.) felt reasonably close to their fellow leaders, they did not feel they had a relationship with the rest of the members in the group. At least once per month, these leaders met together to discuss their progress with loan repayment, while the group only met as a whole approximately once every 6 months. Those frequent meetings permitted the leaders to “know” one another, as one woman stated. Likewise, general members from the Zero Grazing Self Help Group only felt close to those in their “region” or community with whom they had contact and their regional representative who made regular check-ups on their cow’s and loan status. Frequent contact allowed individuals to develop their relationships and increase their knowledge of the individual, their family situation, problems, ideas, etc.

Being able to see the other with regularity also added to the individual’s ability to monitor the business of those that they guaranteed. Jacob had no “fear” in guaranteeing a fellow member because he could continually monitor the other’s business and understand his business situation.

By far the most prominent aspect of this category, the **success of an interaction** provided individuals with first-hand knowledge of whether an individual was seen as trustworthy. Many described this as “doing what you said you would do.” This was often discussed when speaking of an individual’s guarantee, how the participant currently felt about it, and whether they felt any “fear” that the person they guaranteed would not repay their loan. The frequent remark was that they believed that the individual they guaranteed

would repay the loan, because that individual had made all of their payments to date. When commenting on her relationship with others in the group, one woman from the Zero Grazing Self Help Group stated, “we are friends because we haven’t had any problems with them.”

Other examples of successful interaction came in the form of individuals never refusing to aid another in the group who was in need. Always helping another, in whatever form that took, provided the reassurance that those individuals were **reliable** or trustworthy. Being open and genuine with one’s feelings, sharing thoughts and ideas when interacting, **not betraying confidences**, and successful cooperating experiences were other important influence in placing trust in the group or an individual.

Use of Community

Community was another source of information that an individual used to determine trustworthiness. The use of existing social networks provided individuals with ‘third-party’ insight into an individual’s credibility, past interactions with others, and background – their reputation. Frequent reference was made to an individual not “knowing” another, but “trusting” them anyway because they came from the same church and/or had similar friends. Some used their social networks to determine whether an individual was “a hard worker,” using this information to decide whether they would be capable of or tenacious in repaying their loan.

Foreseeable Future Interaction.

Knowing that there would be continual contact with another provided reassurance to individuals that they were making a worthy 'investment' in a relationship. Almost all individuals who expressed trust in their fellow members sited future plans and projects that they had discussed after the loan. Having no certainty of future interaction placed uncertainty in the relationship. As one woman from the Zero Grazing Self Help Group stated, "without ECLOF, where are the ties to keep the group together?" Additionally, understanding that an individual would be "reachable" because they lived in the same community or had similar friends offered some level of accountability if any problems should arise. For instance, June felt confident in her guaranteeing others because she knew that if there was a problem she (or the group leaders) would be able to see them at their house to discuss it. This phenomenon was also observed in Jane's statement describing how members from the Kiende Group felt in guaranteeing each other for their first loan. As Jane said, many of the members are temporary 'town dwellers' who have their permanent homes elsewhere, and eventually will leave for those permanent homes when they have made enough money. Understanding this fact led to quite a bit of initial 'fear' in individuals guaranteeing their first loan. In perceiving a chance that individuals would leave and not seen again, there was a heightened level of 'fear.'

Prior Disposition to Trust

Certain individuals possessed what could be called an initial willingness to trust an individual. Some members guaranteed and trusted others with comparably much less knowledge than their fellow members used to guarantee. In some cases, this represented

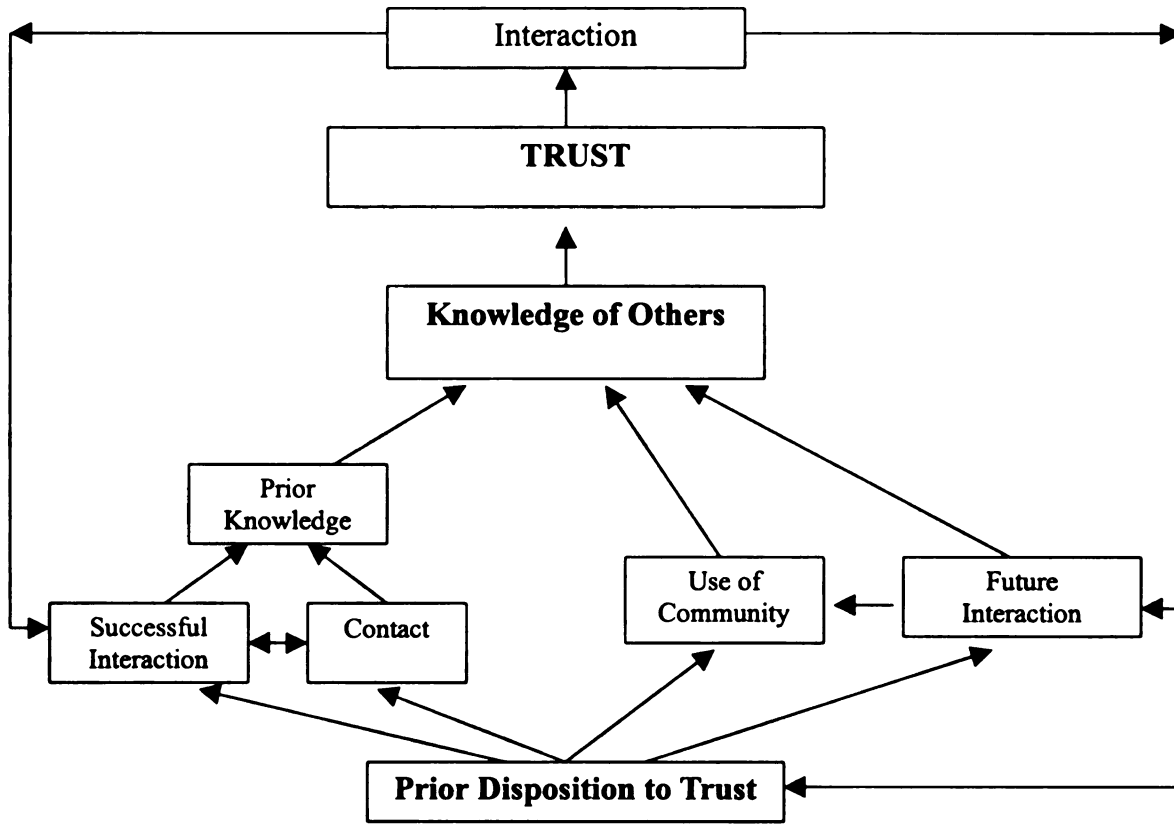
a category unto itself, while for others this factor seemed to affect the manner in which they weighed the other categories. For instance, one individual in the Zero Grazing Self Help Group was willing to guarantee another based solely on their 'belief' that the person was a "good Christian" and that they were doing the "right thing" in guaranteeing them. Two other members before this had refused to guarantee the same individual. In another example, a member of the Kamakawa group guaranteed a fellow member, of whom she had no knowledge, based solely on the word of the YWCA loan officer.

A Theoretical Framework of Group Trust

Given these categories, Figure 2 demonstrates a theoretical framework of trust and the integral relationship that these categories have with one another. This framework is derived from data obtained from respondents as a whole and provides an outline for more in-depth analysis of these categories and their relationships, which this study will not address.

As shown in Figure 2, before trusting and interacting with others, individuals bring with them a prior disposition to trust. This not only affects their willingness to trust another, but it also influences the manner in which they weigh the sub-categories of "knowing" another. Taking what they know of the person from past interactions (Prior Knowledge), whether they have a good or bad 'reputation' (Use of Community), and if they may interact with the individual in the future (Foreseeable Future Interaction), participants were able to assemble a base of knowledge from which they decided whether to trust and interact.

FIGURE 2. A Grounded Theory of Trust



Positive interactions enabled the strengthening of trust between individuals allowing for a relationship to grow and more, personal information to be shared in the group. Edith, from the Kiende group, explained that over the course of the first loan, there was ‘fear’ in guaranteeing each other because they didn’t know each other. However, once the members established a good ‘track record’ there was no ‘fear.’

Negative interactions had the exact opposite effect. For example, John from the Gieto Mazewa group saw that a number of individuals in the group were not repaying their loan. This unsuccessful interaction led him, and many others, to distrust the group as a whole. Thus, when individuals chose to participate in a trust-based activity, guaranteeing an individual's loan or participating in the group's borrowing activities, the interaction subsequently became part of their knowledge (Prior Knowledge) that they used in the future.

In addition to incorporating the new interaction into their bank of knowledge, the outcome of a trust-based activity can influence the community's knowledge of those involved and their reputations. Many groups were all too aware of the community and their reputations in it. The Kiende group paid member's past due loans, as one member stated, so they would not "lose face." One participant in the Chugu group commented that their group had a reputation in the community as being successful and a strong, productive group. Their community "respected" them as everyone in the group had purchased a cow and was taking care of it. She highlighted the fact that numerous people have come to their group for advice in acquiring a loan, stating, "you see how important we are in the community now?" Certainly, being in a successful lending group was a source of status for individuals, but it was also a means of establishing their reputation that might be used in future interactions.

New interactions also provide guidance to individual expectations of future meetings (how soon they would see each other again) and an individual's disposition to trust (whether they would guarantee another again).

Levels of trusting

Through the duration of the research, there were many types of trust-based interactions observed, and participants highlighted the fact that different types of interactions necessitated different levels of trust. As expressed by some respondents, they had less 'fear' in joining the group and participating in their rotating savings activities than in guaranteeing a fellow member's loan that introduced a more intense level of personal (financial) risk.

Additionally, knowing of others took on many different degrees. Participants were willing to share much more personal information with those that they had closer, trusting relationships. These close relationships were most prevalent in the groups who had been together for a number of years and/or had the opportunity to interact with one another frequently and over the course of more than one loan.

Thus, 'older' groups began with one another interacting in low-trust/low-risk activities. But, with each successful interaction they were able to build their knowledge of one another that enabled more trusting behavior (e.g. sharing of very personal, domestic problems, willingness to guarantee others loans, willingness to 'cover' a member's monthly loan payment, etc.). Again from the Kiende Group, Edith stated that although

she had known the members since 1985 she was still afraid to guarantee them because she didn't know them financially. She went on to say that she decided to guarantee them anyway due to her activities with them conducting the rotating savings. After their first successful loan, their fears subsided. Knowledge of fellow group members was continually being formed and re-formed with each interaction and subsequently affecting the trust within relationships and the interaction among individuals.

Within this relational dynamic, it is also interesting to note that individuals separated personal knowledge -- that of family problems, personal desires, and interests -- from financial knowledge of the individual they guaranteed. Financially 'knowing' an individual represented a more intimate relationship between members than a simple 'neighbor' relationship implied. However, this level of 'knowing' was still different and not descriptive of closer relationships shared by some lending group members where very personal problems were shared.

FIGURE 3. Dimensions of Knowing Others

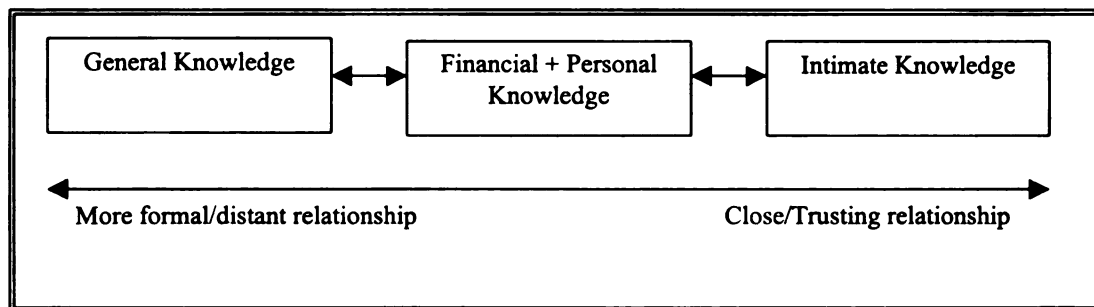


Figure 3 provides a graphical representation of the dimensions of 'knowing' another and trust. Those with very little knowledge of another in a group tended to be more reserved

and hesitant to trust them, perhaps deciding not to guarantee their loan. However, the more information that was shared between individuals in the group, the more trust-based activities occurred. The horizontal arrows, however, reflect the fact that knowledge of others is a continual, reflective process.

Some participants spoke of relationships that were once close and now distant due to problems (unsuccessful interactions) that arose within the group. When an individual acts contrary to what current knowledge would predict, there can be a negative change in the level of trust associated with that person. A case in point:

One woman from the Kamakawa group who had successfully repaid the first loan with the group, had run into some misfortune in repaying her second loan of 30,000Ksh (approximately \$500). Rather than discuss the problem with the group and maintain the trust that had been developed from the success of the first loan, the woman sold her cow, and hid her radio and sewing machine so that the group would not be able to take them away to cover her default. These actions on her part gravely impacted others' perceptions of her trustworthiness to the point where the group believed that she would flee the region. They therefore came to her house and took the rest of her and her children's belongings to cover some of the cost of the loan. Those interviewed from the group expressed dismay at the fact that this was done, but due to her actions that went against what they had previously known of her, they felt that this was their only recourse. Since this time, she no longer belongs to the group.

However, violations of trust – or an individual’s expectations based upon their knowledge of the trustee – did not always have such drastic affects on the relationships between individuals. For example:

One woman from the Kiende group had been in the group for a number of years – since the first group loan. One participant described this woman as a very close member of the group. However, she was refusing to repay her third loan (in 1996). Throughout 1997, the group gave her warnings that they would have to take measures if she continued. Then, during the research period in 1998, they went to her house and took some of her furniture to cover the outstanding balance of her loan. The furniture was set aside for one month, during which time the woman could approach the group to discuss repayment. Those interviewed from the group continued to consider her a member and were willing to forgive her for her distrustful actions. One stated, “she has only wronged the group this one time.”

The differences between these two cases highlight a level of ‘knowing’ or trust that suggests a point at which trust becomes greater than its parts. Some individuals in certain groups were willing to forgive transgressions or a “bad” interaction because they knew the individual well enough to understand their situation. It is quite easy to understand that the Kiende group’s long history together offered the opportunities for individuals to known each other. The level of information sharing and self-descriptive relationships

within these two groups indicated that the Kamakawa group history did not offered as many opportunities.

Lending Group Solidarity

Understanding members relationship from a trust-based perspective offers insight to the solidarity within the groups. This section addresses the second research question: What are the dynamics of solidarity between lending group members? The research highlighted five categories relevant to group solidarity, Group Worth, Group Composition, Group Environment, Group Leadership, and Group Dynamic. Table 3 provides a summary of these categories and their concepts.

Group Worth

Members entered their respective groups with expectations that they would receive some type of benefit from being involved. Additionally, members identified other benefits of being in the group that were not necessarily part of their initial expectations, but became incorporated into the 'benefits' that they saw in being part of the group. These 'benefits' derived from three primary sub-categories (motivation, group activities, group support, and community), and relate to the level of personal and material fulfillment individuals felt in being a member of their group. This fulfillment was seen as important to the level of worth an individual gave to the group, which influenced how much interest and time they devoted to it. This consequently influenced the group's solidarity.

TABLE 3. CATEGORIES OF SOLIDARITY

- **Group Worth:**
 - *Motivation:*
 - Individual expectations
 - Prior disposition
 - *Group Activities:*
 - Group loans
 - Non-loan activities
 - Development activities
 - Educational activities
 - Revolving savings activities
 - Discussion of future
 - *Group Support:*
 - Business advice and ideas
 - Share farming ideas
 - Emergency financial help
 - Performing in-kind tasks
 - Provides encouragement
 - Provides emotional support
 - Help with domestic problems
 - Provides networking
 - *Community:*
 - A source of status
 - A source of bonding
 - **Group Environment:**
 - Allowing socializing
 - Individuals “feel free”
 - Relaxing
 - Respect
 - **Group Composition:**
 - Old and Young
 - Men and women
 - **Group Leadership:**
 - Transparency
 - Elected
 - Fairness in action
 - Uphold group standards
 - Openness
 - Participatory
 - Show concern for members
 - **Group Dynamic:**
 - Shows genuine concern
 - Works with the individual
 - Provides a sense of inclusiveness
 - Incorporates family
 - Importance of the individual
-

Motivation

Reasons for members initially joining and participating in a group were seen as important to the issue to the group’s solidarity. Motivation referred why members became members. Some participants stated that they had joined the group to simply gain access to a loan, others joined a group to take part in the rotating savings activities, some joined

to socialize, and still others joined the group because they wanted to help each other improve their situations.

Group fulfillment of these individual needs is certainly important in developing an individual's perception of the group's worth. If an individual's expectations were met they saw value in being involved in the group. Josephine, for instance, joined the Kiende group because she believed that the group would be able to advise her and provide ideas as to how to start a business. She continues to find the group meetings useful because of the very reason that they do provide her with sound advice.

One issue that became evident, but was based more on observation than participant input, concerned individual's **prior disposition** to belonging in a group. Often women expressed a readiness in the past to joining any number of merry-go-round savings groups. This stemmed from what might be described as a 'wanting to belong,' and can be seen as influencing a member's prior expectations to what the group would offer. In the Zero Grazing Self Help Group, this was highlighted in one woman's curious statement, "we are fighting to become a family."

Group Activities

Group activities provide one of the primary incentives for individuals to come together. Satisfying initial group interest and developing new reasons for their continuing to value membership is another factor influencing group solidarity. Group activities can satisfy member's **motivation** for joining the group, but if those activities are short-lived and do

not lead to alternatives, an individual's perception of group worth can dwindle. For instance, Susan from the Zero Grazing Self Help Group stated that people came together to acquire a loan from ECLOF. In commenting on the group's future upon finishing the loan, she said, "without the loan where are the ties to keep us together?"

The activities in which groups engaged provided more reasons for individuals to see value in the group. Relationships were described as closer in groups that conducted non-loan activities in conjunction with their loan. The Kamakawa Group and Kiende Group, for example, conducted rotating savings schemes and had 'educational meetings' (discussing family planning, nutrition, and health) in conjunction with their lending activities. In this way, even members who did not participate in YWCA lending could still participate in and benefit from group activities. Likewise, the Kiende Group offered small loans from the group's savings account to members who did not take YWCA loans, and the Kamakawa group began helping each member construct kitchens at their home.

Even with strong relationships in the group, lack of on-going activities can reduce the level of worth members give to the group. For example, when asked about having any problems with the being in the group, the Kiende Group chairwoman found that the members had been lax in their level of commitment. Some of this she attributed to the fact that the YWCA had told the group that they would not be receiving a sixth loan. She did add however that having the group savings (that would enable them to give each other loans) was a reason for members to have a continued interest in the group.

Often, it was **discussion of the group's future** that revealed the level of 'closeness' or interest an individual associated with the group. Many in the Zero Grazing Self Help Group, like Susan, viewed the loan as the only reason the group would continue. The Kiende group was planning on utilizing the group's accumulated savings to continue lending among themselves regardless of future YWCA loans. However, as Judith from the Zero Grazing Self Help Group stated, their group would simply refund their savings to the members with interest and then the group would dissolve.

Alternative, non-loan activities in the present or past provided the groups with a future course of action. For example, the Chugu Group had past **development activities** like constructing water tanks at each individual's house. Knowledge of these activities did not place the loan as the central reason for individuals to gather. Members simply viewed the loan as one of the many group projects. As such, when asked about their future with the group, many Chugu Group members responded that they would continue other activities (non-loan) like they had done in the past.

However, in the case of the Chugu Group, it is important to highlight the fact that the group's sole activity at the time of the research was the loan. The repercussions of the group's single activity were that 23 left the group because they did not want to take a loan. As was explained by a number of the Chugu group members, there was no reason for individuals to stay with the group if they were not going to take the loan. In fact, Chugu members saw non-participating members as a threat to the group's solidarity. As

one woman stated, “if you didn’t take a loan, you would be idle and distract the group from repaying its loan.”

Group Support

Often, members of close groups (particularly the Kiende, Chugu, and Kamakawa groups) cited other benefits to being in the group. These benefits related to how the group helped and supported the individual members. Support ranged from sharing farming and business advice and information, providing financial moneys for particular family occasions (weddings, funerals, etc.), and offering networking opportunities to providing emotional support, help with domestic (i.e. husband-wife) problems, and in-kind tasks when a member was too sick to work on their farm. It was these ‘intangibles’ that contributed to the group’s worth.

Community

As mentioned in the previous section on trust, belonging to certain groups proved to be a **source of status** to individual members. Community recognition as being part of a successful group is another influence on individual perceptions of group worth. When asked about whether she felt that being a member in the group was beneficial, Jane from the Kamakawa Group stated that she felt good about being a member and that she “felt famous” because she is well known in the community. She cited the fact that she is asked to attend the local chief’s meetings to talk about her group and their loan activities. June, from the Kiende Group mentioned the fact that the members were somewhat

disappointed in the fact that she did not choose to take a fifth loan, because she had been repaying her past loans well and was “spreading the word” of the group in her rural area.

Group Composition

The group’s make-up – whether it was men and women or just women, whether it was women, young and old – influenced what type of ‘sharing’ occurred and the closeness that members felt to other members. June, from the Gieto Mazewa Group stated that the group would be better if there were only women as members, citing the fact the group would meet as a whole more often and addressing group problems would be easier. She found that most of the “dormant” members of the group were men. In comparing her YWCA group to another to which she belongs, Kathy, from the Kamakawa Group, said that she was closer to her other group because they were all the same age. In the YWCA Group, she said, “you can never joke” because there are older women in the group.

Group Dynamic

How the group interacted and the manner in which activities and group support were conducted influenced individual’s feelings about the group as a whole, and thus the group’s solidarity. Such factors as whether or not the group showed genuine concern for the individual member’s welfare, asserted the importance of the individual to the group, and discussed future plans (demonstrating an interest in continuing the relationship) emerged as important in an individual’s feeling ‘good’ about being part of the group. For example, one woman from the Chugu Group stated that the group makes her feel important - when have a problem, it becomes a group problem (e.g. when a cow dies). In

another example, a Chugu Group member stated that she had been having problems repaying her loan, so the group sold her their vegetables which she in turn sold at the town market at a much larger mark-up. In all, what appeared important was the fact that the group would make the extra effort to help a fellow member.

Group Environment

Often group members who expressed a deep felt belief in the group – as expressed by many in the Chugu and Kiende Groups in the comment “I will stay with the group until I die” – also provided their feelings about the group and its relational environment. These two groups in particular provided healthy atmospheres to supportive relationships. Members stated that they enjoyed meetings because they were able to socialize, “feel free,” and relax. Additionally, they expressed the fact that they felt that they could express their feelings and problems without “community gossip” and be respected by other members. These qualities of the group contributed to healthy group relations.

Group Leadership

Group leadership was an extremely influential factor in the group’s ability to engage in activities constructively, encourage mutual support, promoting a friendly group environment, and help develop a healthy group dynamic. Important factors in successful group leadership included leaders being supportive and showing concern for the members, transparent in their actions and feelings for the group, participatory, and available.

In groups where relationships were strong, leaders were often the first people members would approach should they have a personal or business problem. However, in the Gieto Group particularly, leaders did not attend meetings. Two participants translated this action as a demonstration of the leaders' lack of concern for their welfare. They in turn were very hopeless about the loan, the group and their future.

When asked about their future with the group, one woman from the Kiende Group stated, that the future looked good because their leaders are "open and there are no problems" with them. Conversely, the Gieto Group was fraught with issues related to whether or not the group's leaders were actually using their monthly payments to repay the loan. When interviewing the Gieto Group chairman, he was able to account for most funds, however, he had yet to actually present this to the group. Leader's openness and transparency in terms of what they were doing and how they felt promoted trust within the group.

Participation in appointing leaders as well as in making group decisions appeared to be important factor influencing group relationships. In groups where these issues were ignored or down-played, relationships suffered. For instance, one woman from the Kamakawa Group cited the sole problem in the group had to do with leadership. She stated that members are "jealous of who is leading." Likewise, a member of the Gieto group commented on the fact that there was a high level of mistrust directed at the leaders of the group because those leaders had not been elected – "we were told by the chair who was on the committee."

For all groups, leaders who were not available to members helped to spring feelings of untrustworthiness and unreliability. Members in the Gieto Group, for instance, took their leaders' lack of accessibility as a sign that they were trying to "avoid" the group member and "hide" their activities.

Discussion of Solidarity and Trust

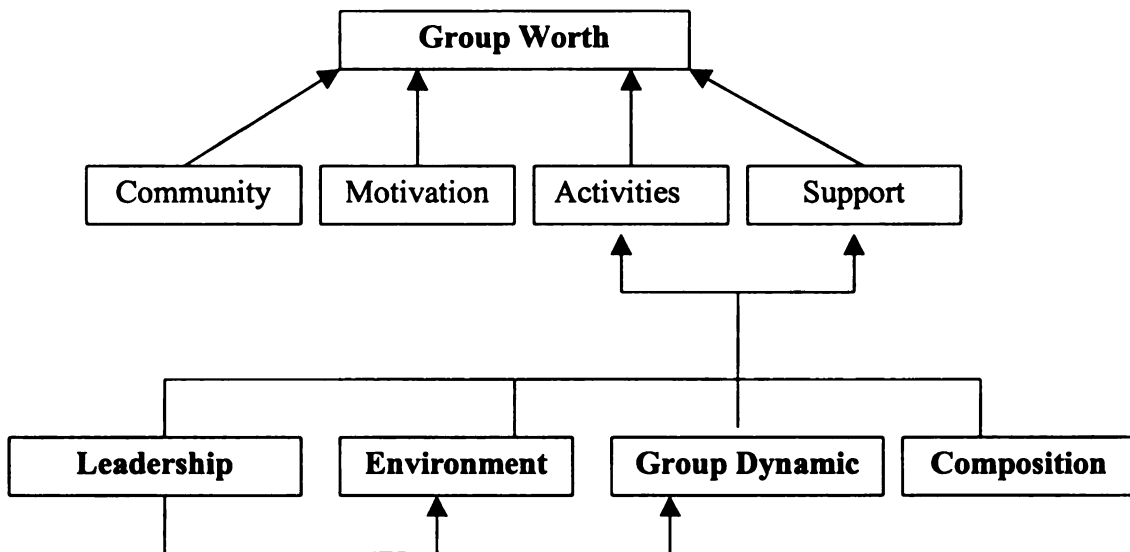
With these categories, Figure 4 provides a theoretical framework to group solidarity. This framework represents the relationships among categories as expressed by participants in interviews.

Collectively speaking, solidarity appeared to be highly influenced by the expressed worth an individual has. However, as shown in Figure 4, Group Worth is composed of different components: Community, Motivation, Group Activities, and Group Support. Group activities and support are further influenced by a number of different categories: Leadership, Group Dynamic, Group Environment, and Group Composition. These categories help shape what the group does, the manner in which it is done, the types of support given to members, and how that support is given. Group leadership further influences the group environment and the group dynamic.

Overall, solidarity is a composite of both group worth or what might be called 'attraction to group' and individual relationships among members. As such, trust is central to this entire phenomenon. Each category implies some form of interaction, which gives rise to the opportunity to build knowledge of others, while success of the interaction builds an individual's perception of group worth. Thus, in the case of groups like the Gieto

Mazewa Group whose existence was mostly attributed to receipt of a loan and who are suffering from repayment problems, trust and solidarity were scarce commodities. Moreover, the level of trust imbued can influence issues central to each category like the types of support offered, whether the group conducts high or low risk activities, whether there is an atmosphere that encourages the free exchange of feelings and ideas, and if true 'concern' for the individual is expressed.

FIGURE 4. Theoretical Framework of Solidarity



Loan Officer Interaction

To a large extent, interviewed loan officers offered confirmatory remarks to the preceding sections. Their input adds to the understanding of trust and solidarity in lending groups, and together with group participants' remarks, also provides a starting point from which to begin highlighting areas where the lending program might influence their development. Thus, this section addresses the third and last research question: What is the interaction between lending group members and the microfinance program, and how does that interaction affect the dynamics of trust and solidarity?

Group Solidarity and the Lending Organization

From the loan officers' perspectives group activities, composition and leadership were the most prominent categories related to the integrity of group solidarity. Regarding group activities, YWCA loan officers saw the loan as a relationship building tool. When asked about observed changes in group relationships upon receiving loans, one officer stated that the loan meetings brought group members together because they shared a common goal in repaying and receiving another YWCA loan. She added that some groups failed to meet regularly prior to the loan. Thus, the loan enabled frequent contact among members.

But, maintaining group solidarity was one of YWCA loan officers' greatest concerns as well. They were particularly interested in finding other lending organizations for their graduating groups – those who had finished their fifth and final loan with the YWCA. Their concern center on their belief that lending group's 'togetherness' was centered on

their loan activities. Loan officers saw that encouraging non-loan activities in groups provided another means of “keeping them together for other reasons than just the loan.” Officers stated that they tried to encourage an additional meeting once per month for the group to conduct other activities not related to the loan.

Loan officers also supported the finding that group composition plays a role in the group’s relationships and solidarity. One officer provided the example of age being a factor, while another offered a different example. She found that the economic status of individuals in the group played a factor in the development of group solidarity. She stated that there was a “danger” in a group having rich women. Wealthier women were not as reliant on others in the group and, upon receiving a loan, did not associate with other members.

According to lending officers however, issues of leadership were central to lending group success. Loan officers found group leadership important for a number of reasons. One officer cited that it was important because the leaders determined how loan officers interacted with the groups, and how the group met, repaid the loan, and dealt with group problems. Another mentioned the fact strong leaders facilitated communication between the NGO and the group. YWCA officers stressed that they observed groups to assess the leadership and the level of group participation in decision-making. If there were problems, they often provided leadership training while encouraging yearly elections to ease quarrels in the group.

Lending Officer/Group Relationships

The two YWCA lending officers both stated the importance of maintaining a 'good' relationship with their groups for the sake of repayment, but also in maintaining the group's solidarity. Being "lenient and flexible" with repayments showed individual group members that they were concerned about their welfare. One YWCA officer saw her relationship with members as one of a counselor. In establishing 'caring' relationships, officers were able to hear about group problems and to intervene before they threatened the group's cohesion.

The YWCA program worked with individuals within a 20-kilometer radius of Meru Town, as they also felt their proximity to their lending groups was another important factor in the development of their relationships as well as loan repayment. Having a short distance between the YWCA office and their groups ensured regular contact, allowing the officers to closely monitor groups' progress and problems. But, short distances between the loan officers and groups also ensured that group members could have easy access to the loan officers.

YWCA lending group members spoke favorably about their relationships with their loan officers. They commented that they felt they could always approach their loan officers with problems and that the YWCA officers respected them. In working with members and their families in providing various health training seminars, talking with husbands and wives, and being somewhat flexible with repayments, loan officers were viewed as truly caring about individual members. In having a relationship with the loan officers,

lending group members were not only able to speak about problems that they were having, but also expressed a desire not to 'let down' the organization – that because of their relationship, members did not want to 'fail' their loan.

ECLOF members provided the opposite sentiment concerning their relationship with loan officers. Many felt disheartened and betrayed by ECLOF, and expressed a strong need for contact and advice concerning group problems with the organization. The Gieto Mazewa Group was keenly interested in asking for ECLOF's help in sorting out their leadership and loan repayment problems. ECLOF's lack of contact was perceived as a lack of concern by group members who commented that ECLOF only wanted a 'repayment' relationship with their group. One member expressed that without ECLOF's intervention, the Gieto Group's problems were simply going to fester.

It is important to recognize the fact that all groups expressed a desire to develop or maintain 'good' relationships with their lending program. Whether it was because they wanted a follow-up loan, business advice or training, or family support, the groups saw their relationship with the lending organization to be important to the group's success. Thus, in promoting close, trusting relationships between lending group members and themselves, loan officers promoted group confidence while gaining access to "confidential" group information and problems. In turn, loan officers saw that having access to this enabled them to mediate group problems before they became, for example, as complicated and deep-seeded as those in the Gieto Mazewa Group.

Summary of Loan Officer Interaction

Overall, interviews with loan officers and group members offer some useful insight into how microfinance organization influence group solidarity and trust. Areas of influence are:

Leadership: Loan officers could influence the leadership style and structure within groups, which was shown in the theoretical framework to be a important category in the development of solidarity.

Group Dynamic: Whether loan officers reflected a true concern for the group's welfare could shape whether the leaders in the group did too. Through participants' eyes, concern for the group was attributed to officers being somewhat flexible in the timeliness of monthly repayments, offering counseling regarding family problems, or delivering 'training' on issues such as family health and nutrition.

Group Activities: Through the encouragement of additional non-loan activities, loan officers could affect the 'longevity' of the group. Even through discussing future plans and activities was seen as being a positive influence toward the group seeing itself as a future resource for individual members, and as such, could build individual's perceptions of group worth.

Community: Although not specifically highlighted by loan officers or group participants, loan officers had the ability to influence community perceptions of the

lending group, and thus, influencing the group's worth and trust among individuals. For example, in drawing attention to the success and strength of particular groups, loan officers increased the community's recognition of the group.

Loan Success: As obvious as it might sound, success of the loan is an important contributor to the worth an individual attributes to the group. While it is in every interest of loan officers to see that loans are repaid and improve the lives of the borrower, it is important to realize that the success of the loan does not begin and end with the loan. Lack of successful lending can reduce the worth that individuals attribute to the group.

Negatives of Solidarity and Loan Officer Interaction

While it can be said that there were direct benefits received from members belonging to strong solidarity groups, it is important to add that there were observed cases where solidarity resulted in potentially negative outcomes. These outcomes developed from the direct interaction of the group with the microfinance organization or from members' association and identification with the group itself.

Particularly in terms of the Chugu Group, the opportunity to gain access to loan moneys resulted in a dissolution of the group, from its original 50 members to 37. Members who did not want to take part in the group loan were seen as posing a risk to group solidarity. As one participant stated, those members who took the loan (37 in all) were worried that those who did not take a loan would be "idle" and jeopardize the group's concentration

on repayment responsibilities. Therefore, 13 of the original members of the group were asked to leave.

Alternatively, in the Chugu Group as well participants mentioned that they took loan moneys because they did not want to jeopardize the opportunities for others in the group to have access to them. In fact, these members stated that if they would have refused the loan had it not been associated with the group's activities. Thus, they took on an "unwanted" loan for what they saw as the greater good of the group.

During the focus group discussion, conducted as follow-up to the research interviews, Chugu Group members also stated that they saw their relationships within the group change after taking the loan. When asked to describe what they felt, members said that some members "moved away," meaning that they became distant to others. The reason for this was because those members were having troubles with their loan and did not want to fail the group. Therefore, instead of sharing their problems with the group, they tried to solve their repayment problems alone. Thus, the very resource that they valued (the group) was the reason for members distancing themselves. This problem was eventually resolved by a concentrated effort on the part of the group's leadership to bring about dialogue, but demonstrates the pressures that individuals can feel in belonging to and identifying with a strong group.

In all, Chugu Group members expressed some of the strongest feelings of solidarity, and it was this group who also exhibited some of the strongest forms of negative-ness with respect to that very phenomenon.

Chapter 5: Summary and Conclusions

This chapter provides a summary of the research and its findings, a discussion of how the findings relate to the literature cited in Chapter 2, and recommendations for further research.

Research Summary

Purpose

Recognizing that peer-lending groups are a community resource that extends beyond the purposes of microfinance, it is important to understand how loans and group interaction with lending officers influences the trust and solidarity within groups. Further it is important to understand how microfinance may contribute to further development of these qualities in the peer-lending groups.

Through this lens, this study pursued the following line of inquiry:

- What are the dynamics of trust between lending group members?
- What are the dynamics of solidarity between lending group members?
- What is the interaction between lending group members and the microfinance program, and how does that interaction affect the dynamics of trust and solidarity?

Methodology

The philosophical foundation of this study was based in the constructivist paradigm. . Under this belief system, reality is a social construct, where no singly defined reality exists. Thus, how solidarity and trust are defined is based upon individual perceptions.

To explore individuals' perceptions of group solidarity and trust, this study used semi-structured, open-ended interviews and observation as the primary means of data collection. Participants belonged to the micro-loan program of either the YWCA-Meru Branch or the Kenyan Ecumenical Church Loan Fund (K-ECLOF). Twenty-six participants (22 women and 4 men) from five different lending groups took part in this study. Interviews were conducted either at participants' homes or business locations.

The interviewing process was undertaken through multiple steps. With the help of the partner microfinance organizations, introductions regarding the study's purpose were made to the potential participants through group meetings, which were in turn used to establish a relationship with group members. Thereafter, a second meeting was held with each willing participant to conduct the formal interview where issues specific to the data collection tool were discussed. Finally, one focus group discussion was also held after all interviews had been conducted to review preliminary findings.

Data analysis was an iterative process as well, where data collection and analysis had a reciprocal relationship. This procedure of data analysis allowed the emergence of categories and patterns of relationships, and permitted data collection to further explore

and uncovered knowledge. Utilizing the grounded theory methodology and analysis techniques, categories describing group solidarity and trust and relationships between one another were discovered. These categories and their relationships were used to develop grounded, theoretical frameworks for both solidarity and trust within lending groups. The frameworks aided in understanding how loan officers influence their peer-lending groups.

Findings

A brief summary of how individuals thought and felt about their relationships with others in their lending group and their loan officer, specifically related to solidarity and trust, is provided below:

- 1) Participants' beliefs and feelings of trust were found to be related to two primary categories and three sub-categories. The major categories of trust are an individual's "knowing" of others and their initial willingness or prior disposition to trust. The sub-categories relate to the first category and are 1) the use of community, 2) an individual's prior knowledge, and 3) foreseeable future interaction.
- 2) These categories and sub-categories can be used to form a theoretical framework of trust within the peer-lending group, as shown in Figure 1.
- 3) As highlighted by group participants, trust among members is dynamic and is an ongoing, reflective process based upon interactions with other members. As such, successful interaction can contribute or build trust while unsuccessful interaction may decrease trust or promote distrust.

- 4) There is a point at which trust becomes greater than its theoretical parts.
- 5) Participants' beliefs and feelings of solidarity highlighted five categories: Group Worth, Group Composition, Group Environment, Group Leadership, and Group Dynamic. Under the category of Group Worth, there were four sub-categories: Individual Motivation, Group Activities, Group Support, and Community.
- 6) These categories and sub-categories are dynamic and related, and were used to develop a theoretical framework of solidarity within the peer-lending group as shown in Figure 3.
- 7) The major categories of Group Composition, Group Environment, Group Dynamic, and Group Leadership can greatly influence the sense of worth an individual attributes to the group via Group Activities and Support.
- 8) Group Leadership was emphasized by both group participants and loan officers as an important component to the development of solidarity and trust
- 9) Group solidarity is not only composed of the various categories, but is also a locus of interaction among members, where trust is a central factor.
- 10) Loan officers and participants highlighted that group solidarity and trust between members can be influenced and encouraged through the categories of Group Leadership, Group Environment, Group Activities, and Group Worth. Specifically, Group Worth can be influenced through the sub-categories of Community and Group Activities.
- 11) The success of the loan matters not only to the 'successfulness' of microfinance, but also to the future solidarity of the group.

Relevance to the Literature

Given the findings of this research in Chapter 4, it is important to discuss their relevance to the literature cited in Chapter 2. This section begins with a review of the literature as relevant to the findings, and ends with conclusions about trust and solidarity within the lending group mechanism and how these conclusions might be used in microfinance practice.

Trust

The findings in Chapter 4 allow a revisitation of trust within the peer-lending group. As discussed, evidence and issues of trust were most revealing when speaking of individual's participation in rotating savings groups, guaranteeing another's loan, and repayment of the total group loan. From participants' comments, major and minor categories of trust were developed, an individual's "knowing" of others and their initial willingness or prior disposition to trust, the use of community, an individual's prior knowledge, and foreseeable future interaction. These highlighted categories may offer new insight into the phenomenon of trust

Components of Trust

Observation and analysis of the data reveal components of trust similar to Goto's concept (Goto 1996). For Goto, trust is composed of three characteristics, situational uncertainty, personality traits, and a relational component between the actor and the target. These are much related to the observed phenomenon.

Situational uncertainty reflects individual expectations in the light of incomplete knowledge. In the study, this situation was emphatically implied in discussing issues related to relying on another to pay back their loan, where individuals expressed a need to reduce uncertainty – ‘know’ the other financially. Likewise, an individual’s prior disposition to trust, as described in the study, paralleled Goto’s concept of personality traits to trust in that some individuals in the study relied on a “belief in the goodness of others” regardless of the level of uncertainty in a trust situation.

This concept of a prior disposition to trust is reflective of the Social Context Framework of trust. Moral development literature cites the fact that certain individual’s help and trust others simply because it is the “right thing to do” (Tyler and Kramer 1996). The woman from the Zero Grazing Self Help Group who stated that she guaranteed another without any first-hand knowledge because she ‘feared’ her loan would not be blessed, reflects this moral inclination. This phenomenon surely points to the fact that there is more to trust than rational calculations.

This is certainly not to say that these research findings discredit the Rational Framework of trust. As the theoretical framework of trust in Figure 1 offers, reciprocity is an important component. Tyler’s comment appears to hold true that “the expectation of an ongoing relationship...sustains trust in the actions of others.” Individuals from the lending groups expressed less ‘fear’ in their interactions with other when they knew there

was to be a future relationship. Those groups with little discussion of future projects and activities saw less accountability in individuals' current activities.

The fact that trust and relationships are socially contextualized cannot be ignored. This notion is supported by evidence in the research related to the "use of community" category, where individual group members used their community to obtain knowledge of another in determining whether to trust them. An individual's reputation was important in the trust phenomenon, thus supporting Lewicki and Bunker's claim (Lewicki and Bunker 1996). This concept is also in line with Burt and Knez (Burt and Knez 1996) who argue that "third party" gossip can affect trust between two individuals.

Furthermore, the categories of Future Interaction among individual members and the Use of Community combined, plays to Creed and Miles' view of trust as a function of process, where "trust arises either through the personal experience of recurring exchanges or expectations based on reputation" (Creed and Miles 1996).

Dimensions of Knowledge and Trust

Discussion of trust in Chapter 4 highlighted the fact that there was an observed relationship between the level of knowledge an individual had of a person and the level of trust associated with her. Participants who had close, trusting relationship with others were willing to share more personal information with them. These findings closely resemble Lewicki and Bunker's (Lewicki and Bunker 1996) depiction of trust through early, developing, and 'mature' stages of a relationship. Particular similarities are found

in their description of knowledge-based trust and identification-based trust. In the former, relationships are build over time and knowledge acquired of the other person enhances the predictability of the other's actions, while in the later there is an 'intimate' knowing of another to a point that the other person can act in the best welfare of the other. Overall, the research supports their notion that trust is a dynamic that evolves and changes over time and according to one's knowledge of the other.

Looking further into the category of Knowledge of Others, the findings also support Mishra's research (Mishra 1996) that found four different dimensions of trusting behavior, competence, openness, concern, and reliability. All four dimensions are present in this research under the concepts of successful interaction.

Solidarity

Certainly, there was much evidence of solidarity as defined by the literature. Participants cited many instances of emotional support, cooperative activities, and giving without guarantee of a return gift. These testaments support the literature's depiction of the benefits of group cohesiveness. However, this study focused on what the components of solidarity were.

Solidarity literature brings recognition to the fact that solidarity is a social dynamic. As such, this research offers a new framework to understand solidarity and its components within the context of the peer-lending group. The findings most closely resemble those brought forth by Hogg (Hogg 1992) and his social cohesion model, where an individual's

attraction to the group serves to promote interdependencies among individuals. In this study, solidarity appeared to be highly influenced by the expressed worth an individual had for the group. Furthermore, as part of Group Worth, group activities and support are influenced by a number of different categories: Leadership, Group Dynamic, Group Environment, and Group Composition. These categories help shape what the group does, the manner in which it is done, the types of support given to members, and how that support is given. Thus, these factors help define solidarity.

Solidarity is a phenomenon of degrees, showing a level of maturity over time. This is very similar to Shaffer and Anundsen (Shaffer and Anundsen 1993) concept of community, where community develops over the course of positive interactions and attainment of similarly held goals. Their gradient of functional to conscious communities offers a level of understanding to this research in that solidarity too is developed over the course of developing relationships.

Building Community, Solidarity, and Trust

While the pieces to the theoretical frameworks for both solidarity and trust provide confirmatory evidence of past theory, they offer new insight to their relational dynamic. How each category interacts with others not only introduces a new understanding to trust and solidarity individually, but offers a new starting-point in understanding the interrelationships between the two concepts. Moreover, these frameworks begin to highlight specific areas within peer-lending groups where loan officers may intervene to help develop and strengthen the group as a whole.

Overall, solidarity is a composite of both group worth or what might be called ‘attraction to group’ and individual relationships among members. As such, trust is central to this entire phenomenon. Each category implies some form of interaction, which gives rise to the opportunity to build knowledge of others, while success of the interaction builds an individual's perception of group worth.

These categories within solidarity and trust revealed themselves to be areas where the microfinance loan officer could influence them. In summary, loan officers and group participants highlighted the following categories of influence:

Group Activities: Through the encouragement of additional non-loan activities, loan officers could affect the ‘longevity’ of the group. Even through discussing future plans and activities was seen as being a positive influence toward the group seeing itself as a future resource for individual members, and as such, could build individual’s perceptions of group worth.

Leadership: Loan officers could influence the leadership style and structure within groups, which was shown in the theoretical framework (Figure 3) to be a important category in the development of solidarity.

Group Environment: Whether loan officers reflected a true concern for the group’s welfare could shape whether the leaders in the group did too. Through participants’ eyes, concern for the group was attributed to officers being somewhat flexible in the timeliness

of monthly repayments, offering counseling regarding family problems, or delivering 'training' on issues such as family health and nutrition.

Community: Although not specifically highlighted by them, loan officers had the ability to influence community perceptions of the lending group, and thus, influencing the group's worth and trust among individuals.

Loan Success: As obvious as it might sound, success of the loan is an incorporated group activity and an important contributor to the worth an individual attributes to the group. While it is in every interest of loan officers to see that loans are repaid and improve the lives of the borrower, it is important to realize that the success of the loan does not begin and end with the loan. Lack of successful lending can reduce the worth that individuals attribute to the group, while undermining the development of trust.

Certainly the most important element highlighted by both participants, loan officers and observation was the importance of leadership within the group and the manner in which loan officers might influence it. For overall, leadership influenced the group dynamic, environment, and the types of support and activities within the group. This point is supported by the literature. Drawing from Creed and Miles' (Creed and Miles 1996) discussion of manager-employee relationships, they highlight the fact that the manner in which leadership is conducted is crucial to the development of trust. Trust in fellow employees is developed when managers show genuine concern for organizational participants. As the research suggests, this too breeds an environment of group-wide

concern for individual members. Likewise, the manner in which decisions are made, whether participatory or dictated, greatly influence the trust in organizations, and also in the development of 'ownership' and community (Shaffer and Anundsen 1993).

Overall, these findings offer new insight into the role of microfinance in building community.

Microfinance in Practice

Overall, this study reflects an ability on the part of microfinance organizations to encourage the development of solidarity within lending groups, which extends benefits to members past the duration of their loan. However, it is important to highlight the potential negative-ness of solidarity as well and the possible repercussions that microfinance involvement can have on social groups.

In light of Alejandro Portes' contribution to social capital theory (Portes, 1998), this paper supports and furthers his description of double-edged sword of social capital. As was observed, group solidarity forced non-borrowing members to leave the group. A grouping implicitly implies that there are members and non-member, and those who are members enjoy the benefits of solidarity while non-members are effectively excluded from them. In a small local community like those in Meru, what other sources of support are there for these exiled members?

Taken from another perspective, the introduction of the loan essentially destroyed an existing social group. In understanding that this is a distinct possibility, microfinance organizations must be aware of what their involvement with a group may entail. Moreover, in using existing social groups for lending purposes, microfinance organizations may be lending to unwilling borrowers, who have taken a loan to support the group rather than further their own personal interests. In this context, the microfinance organization may be the unknowing player in the dynamic of group solidarity in which excess burden is placed on individual members.

Literature in Context

While the literature reviewed in this study provides a basis from which to view the phenomenon observed in Meru, it does not offer a full account. For instance, Hogg's (Hogg, 1992) observations of cohesive group having more and better communication was a generalization that did not hold true in all circumstances. In one example described above, solidarity in fact limited communication due to members not wanting to disappoint the group.

Likewise, from the perspective of the research the literature does not necessarily encapsulate the 'meaning' of the group in terms of gender in Meru society. What the group meant to women is often completely different from the meaning men attribute to it. This is an area that could be studied in much further detail with more appropriate literature cited. Moreover, the role of the women's group within the context of gender roles and age groups is an important feature to truly understanding group benefits, the

social environment, the local community surrounding the group, and how microfinance organizations interplay with these features. These are subjects that the cited literature does not address, but are crucial to further exploring the phenomenon of trust and solidarity within the Meru context.

Recommendations for Research

This section will begin with recommendations for the research process in investigating trust and solidarity and conclude with suggestions for further research

First, to better understand the social context and participants thoughts it is important to have complete familiarity with the culture and fluency in the local language. Conducting the study in a new culture and having interviews in Kimeru translated by a research assistant introduced an obstacle in the intimacy of the interviews and the researcher having a thorough 'feel' of the data.

Second, researchers new to the grounded theory methodology (as I was) might consider conducting a small pilot study prior to their actual research endeavor to become acquainted with the entire data collection and analysis process. Third, emphasis should be place on axial coding while in the field, as this provides a clear map from which to pursue further data collection. Fourth, considerable time should be devoted to developing questions specific to understanding the trust dynamic.

The categories and theoretical frameworks provided in this study offer a starting-point from which to further investigate solidarity and trust within the peer-lending group. As this was a single, qualitative case study, additional investigation of the observed phenomenon is highly recommended. Understanding these phenomenon in light of multiple cases would enhance the findings immensely. Moreover, it is important to recognize that the topic of leadership has an entire body of literature devoted to it. Thus, familiarity with leadership development and theoretical frameworks may provide new insight into this study.

Next-Step Research

In view of this study, there are a number of phenomenon uncovered that call for further exploration. This is particularly true in terms of the theoretical frameworks developed. The following points address these issues.

- With respect to microfinance practice, it is important to understand what direct methods most affect the categories of solidarity developed and how microfinance officers can best develop trust both between themselves and the group, and within the group itself.
- The research highlights the need for further contributions in the understanding of trust as an integral factor in the development of solidarity. Particular time could be devoted to exploring the trust within each category of solidarity. For instance, how is trust affected by changes in leadership style or the group's environment?

- This research provided examples of the negative consequences of solidarity. However, additional research in this area would provide a greater understanding of this dynamic. Specific research might address how strong solidarity may in fact limit individual choice within the lending group and consequently diminish the effectiveness of micro-lending.
- While trust was shown to be a fluid phenomenon, this study did not address how trust may be affected by solidarity's negative-ness. Understanding of this subject would greatly further our comprehension of the duality of trust and solidarity.

In addition to these points, further research might explore the more general issues related to peer-lending groups and the local community. For instance, little research has been done in terms of understanding the longevity of trusting lending groups, and exactly how long the possible benefits extend to members. In light of this research, do the theoretical frameworks developed hold to be true over time?

Moverover, what are the carry-over benefits to the local community? The research highlighted the fact that solidarity groups and members' families can benefit greatly from their involvement with a lending institution, while also highlighting that existing social groups can be negatively impacted with the introduction of the peer-lending mechanism to the local community. Further research in this realm could provide an understanding to the breadth of the impacts of microfinance.

Finally, given the study's findings, the following is a list of questions relevant to future research:

1. What are the relationships between lending organizations and peer groups outside of the Meru, Kenya context? How do their relationships affect the solidarity and trust within the groups?
2. What are the indicators of solidarity?
3. Provided with the study's findings, what categories and their relationships do group participants find most important in the continued development of trust and solidarity?
4. What leadership training provides the best skills for group leaders to promote solidarity and trust within the peer-lending group?
5. What are the 'costs' associated with peer-lending groups not continuing after their loan is finished?

Conclusion

This study provides a general understanding to the phenomenon of solidarity and trust within the microfinance context. Microfinance organizations, through their lending officers, can influence the development of long-term, trusting relationships among borrowers. These relationships extend the potential benefits of group organization beyond the duration of the loan.

Findings from this research also provide a cautionary note to the claim of the pure positive-ness of solidarity (or social capital). While the opportunities for networking,

labor sharing, emotional support, and the like are true benefits of group association, it is important to recognize the dynamic nature of solidarity, which can have potentially negative consequences as well. How lending officers interact with members, how they make 'first contact' with the group, and how they recognize existing social networks and relationships, can greatly affect the long-term viability of group solidarity and the development of the group's local community.

Moreover, this research has implications with respect to the larger debate between microfinance institutionalists, who focus on institutional sustainability, and welfarists, who emphasize alleviating poverty among the world's 'very poor.' In demonstrating the potential impact that lending officers can have on the group and what the group can offer over the long-term, it is important to recognize the quality of the interaction between lending officers and the group. In addition to this recognition, understanding that the introduction of a loan can impact the existing social structure of the group and their local community places even more emphasis on the microfinance organization taking time in their interaction with and 'knowing' of the group.

Given that neither the literature of the institutionalist nor welfarist perspectives greatly address the issue of the group as a long-term resource, the statements above offer a different viewpoint to both camps. The issue at hand is one of simply readjusting practice and the focus of poverty alleviation to encapsulate the notion of the group as a vital, on-going asset to the individual. Practitioners must understand that group's solidarity may be as important as the loan itself for future support and material benefit.

For practitioners of the institutionalist perspective, this research comes as a cautionary note. While scale and loan repayment is crucially important, focus on these two objectives may undermine an organization's ability to concentrate on the quality of the interaction for the sake of the loan. In establishing peer-lending groups, failure to recognize entrance into a dynamic social system and the importance of the group over the long-term may in fact be doing more harm than good in terms of communal development.

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