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Social Capital, Microfinance, and the Politics of Development

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ABSTRACT

Policy makers increasingly rely on theories of social capital to fashion development interventions that mobilize local social networks in the alleviation of poverty. The potential of such theory lies in its recognition of the *social* dimensions of economic growth. This recognition has inspired some innovative approaches to development, such as the now-popular microfinance model. In assessing the implications of these recent developments for feminist objectives of social transformation, this paper evaluates prevailing ideas about social capital (rooted in rational choice theory) against the grain of three alternative approaches: Marxian social capital theories (*à la* Pierre Bourdieu), neo-Foucauldian governmentality studies, and my feminist ethnographic research on the social embeddedness of economic practice in a merchant community of Nepal. The paper concludes by bringing these critical insights to bear on possibilities for designing microfinance programs – and practicing a kind of development more generally – that could engage women's solidarity to challenge dominant gender ideologies.

KEYWORDS

Social capital, microfinance, Nepal, Pierre Bourdieu, governmentality studies

INTRODUCTION

In the past decade, a consensus has emerged among scholars and practitioners of development that "social capital" – popularly defined as local forms of association that express trust and norms of reciprocity – can contribute significantly to the alleviation of poverty worldwide.[1] Such claims about the promise of social capital rest largely on the discovery by Robert Putnam (1993), the term's most vociferous proponent, that dense associational networks within civil society correlate positively with indicators of political democracy and economic growth. Conversely, as Putnam (1995) argues with regard to the US polity, political malaise and economic stagnation can be traced to declining stocks of social capital in neighborhoods and communities. If we take the World Bank (2001) as a reliable authority

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on the matter, the task of development is to identify, use, invest in, and create an enabling environment for this particular form of capital.

In contrast to earlier "basic needs" (or welfare) approaches to poverty alleviation, the potential of social capital theory lies in its recognition of social networks and associational life as *resources* for fueling development from the bottom up. Indeed this recognition has inspired the World Bank and other mainstream development agencies to endorse some innovative, once marginal, approaches to development, such as the now popular "microfinance" models through which the poor receive credit on the basis of their membership in self-regulating "solidarity" groups. Given the propensity of microfinance programs to target their services to women, current trends favoring the mobilization of social capital within communities also appear to have finally responded to decades of advocacy for gender equality by feminist economists and development practitioners.

This paper first considers the genealogy of social capital employed by the World Bank and mainstream development agencies, in which social capital is construed within the liberal tradition as the cultural properties, such as trust, norms, and networks, that enhance efficiency by facilitating cooperation.[2] This theoretical orientation conflates development with economic growth and embraces the rational, utility-maximizing individual as the locus of progressive change. I then examine the claims of social capital theory and their practical manifestation in microfinance programs against the grain of three alternative approaches: (1) Marxian interpretations of social embeddedness (*à la* Pierre Bourdieu), (2) neo-Foucauldian "governmentality" studies that give a political–economic perspective on the recent "career" of social capital,[3] and (3) a feminist ethnographic study of a local cultural economy in Nepal, where planners are aggressively promoting microfinance models.

The microfinance sector offers an instructive context for exploring the different programmatic implications of liberal and Marxian theories of social capital. Paradoxically, both perspectives find expression within the dominant "Grameen model" now endorsed by most of the mainstream development agencies. Based on the pioneering innovations of the Grameen Bank in Bangladesh, the model evokes union and feminist traditions in its formulation of the "solidarity groups" through which women receive credit collateralized by "group guarantee" rather than by tangible assets. This rhetoric of "solidarity" implies that women who participate in group lending will identify collectively to resist their common oppression, much as a Marxian approach to social capital might prescribe. Yet in practice, the financial imperatives for sustainability often lead microfinance programs to engage the collective only in the most instrumental manner – reducing administrative costs and motivating repayment – at the expense of the more time-consuming processes of consciousness-raising and empowerment. Mere participation in the group borrowing process is often

considered a proxy for empowerment, and assumed to generate ample quantities of social capital (in the liberal sense of the term).

Ethnographic research I have conducted on the cultural politics of social change in a Nepalese merchant community identifies some of the many barriers to women's solidarity in the South Asian context. This research points to the instrumental role of associational life and collective norms and values in *producing* and *maintaining* existing gender (and other social) hierarchies. On the basis of this research, I caution that in the absence of a structural analysis of social capital, microfinance and similar development strategies could end up only *exacerbating*, rather than challenging, existing social hierarchies. A structural analysis draws attention to the ideological as well as material dimensions of social change. I thus conclude with some guidelines for designing microfinance programs – and in general practicing a kind of development – that could engage women's solidarity to challenge existing patterns of subordination rooted in dominant gender ideologies.

THE CLAIMS OF SOCIAL CAPITAL THEORY IN DEVELOPMENT DISCOURSE

Development discourse has generally evoked social capital in the sense popularized by sociologist Robert Putnam, as "features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (1993: 167).[4] When people engage in networks and forms of association, the argument goes, they develop a framework of common values and beliefs that can become a "moral resource" (Putnam 1993: 169) or the "glue that holds a community together" (William Potapchuk, Jarle Crocker, and William Schechter 1997). The trust that emerges from common understanding will in turn generate norms of reciprocity that can help confront the "tragedy of the commons," whereby individual opportunism leaves common property resources undercultivated (Putnam 1993: 172). Shared values endow society with a "logic of collective action" (Mancur Olson 1965) by instilling in individuals a sense of stewardship for the common good and by ensuring social sanction against defection from the collective interest (Putnam 1993, 1995; Potapchuk *et al.* 1997; Patricia Wilson 1997). Trust and norms of reciprocity, in other words, enhance "participants' taste for collective benefits" (Putnam 1995: 67).

On the face of it, the conclusion that social networks enhance social opportunity is relatively uncontroversial and has animated public intellectual life for centuries.[5] Most everyone knows from experience how important networks are to success – in business, in the job market, in the arts, in academia, in human well-being itself. Yet never before have social networks and associational life been featured so prominently among the leading

development institutions as *prescriptions* for sustainable development and economic growth. In particular, the World Bank has in recent years advocated social capital as a key ingredient for development. According to the Bank's website:

> Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.
>
> (World Bank 2001)

This formulation draws on Putnam's research in Italy and North America, which demonstrates that at aggregate levels, indicators of social capital (such as membership in civic associations) correlate positively with indicators of political democracy and economic growth (such as voting rates and per capita income). Among economists in particular, social capital has been embraced as something of a "magic bullet" with the power to correct state and market failure (Michael Edwards n.d.). This view underlies the recent worldwide, nearly evangelical, faith in nongovernmental organizations (NGOs) and non-profits – rooted in civil society and mobilizing social capital – as the most appropriate institutions to carry out development. It also rests fundamentally on liberal rational choice theory, which interprets the development process to be driven foremost by the decisions of equally endowed, self-maximizing individuals subscribing to principles of economic rationality (Barbara Risman and Myra Marx Ferree 1995; Julie Nelson 1996).

Recent sociological research has challenged the deterministic relationship Putnam draws between social capital and development, thus expanding theories of social capital to encompass the "downside" of social capital (Alejandro Portes and Patricia Landolt 1996), as well as the much-overlooked role of macroeconomic and political processes in structuring degrees of civic engagement (Theda Skocpol 1996; Sidney Tarrow 1996; Michael Foley and Bob Edwards 1997; Meric Gertler 2000). These debates have forced significant analytical clarity upon social capital theory by raising questions about which kinds of networks are desirable, and in which contexts. World Bank economist Michael Woolcock (1998) has perhaps pushed these analytical distinctions furthest to develop a typology of different types of social capital and their likely outcomes. At the micro level, he accounts for both intra-community ties ("bonding" social capital, or "integration") and extra-community networks ("bridging" social capital, or "linkage"). Social opportunity requires high levels of both integration and linkage. Woolcock's typology also encompasses the macro-political framework – cross-cut as well by horizontal and vertical dimensions – that itself can facilitate or impede the capacity of communities to mobilize social

networks.[6] State institutions can have more or less institutional capacity ("organizational integrity") and more or less responsiveness to civil society ("synergy"). High levels of both are needed for states to achieve the cooperation, accountability, and flexibility characteristic of successful "developmental states" (the classic examples being Japan, South Korea, and Singapore; Peter Evans 1995).

Woolcock's multi-scalar typology finds some expression in the World Bank's analytical framework, which distinguishes between horizontal and vertical forms of association. In the Bank's definition of social capital, due attention is also given to the "enabling social and political environment" that must support efforts of social groups to act in their own self-interest if social capital is to achieve its developmental potential. Crucially, the Bank's representation of the "enabling environment" encompasses not just the state and broader civil society, as in Woolcock's formulation, but also the market and the corporate sector. Community welfare can be maximized when these three pillars of social capital – states, businesses, and civil society – mutually reinforce one another's objectives: "economic and social development thrive when representatives of the state, the corporate sector, and civil society create forums in and through which they can identify and pursue common goals" (Evans 1995).

Such assertions notwithstanding, further exploration of the Bank's web-based resources reveal far more about what civil society can do for states and markets than what either states or markets can do for enhancing social capital within civil society. For example, we learn that social networks among the poor could facilitate the deepening of formal markets; social networks among the elite could enhance the vitality of the corporate sector; social capital could benefit firms by reducing transaction costs; and "pre-existing" social capital within civil society could facilitate efforts to "privatize state-owned industries in a social environment where the rule of law is weak" (World Bank 2001). When more specific reference is made to the relevance of social capital for development work, that is, the onus appears to fall on civil society to generate the social capital for sustainable economic growth and widespread participation in political democracy. In this instance, too, the socio-structural perspectives of Woolcock and others appear to have been overlooked entirely. Some examples of the "Sources of Social Capital" specified on the Bank's website illustrate how in practice the World Bank engages social capital in the most narrow sense, as membership in associations:

> *Families*: As the main source of economic and social welfare for its members, the family is the first building block in the generation of social capital for the larger society.
>
> *Communities*: Social interactions among neighbors, friends and groups generate social capital and the ability to work together for a common

> good. This is especially important among the poor as social capital can be used as a substitute for human and physical capital.
>
> *Ethnicity*: Ethnic relations come up frequently in discussions of social capital. Whether it is immigration, microenterprise development, tribal nepotism or racial conflict, ethnic ties are a clear example of how actors who share common values and culture can band together for mutual benefit.
>
> *Gender*: Social networks of impoverished women . . . are necessary for women to obtain income and other necessities.
>
> (World Bank 2001)

Several assumptions about the way social capital is construed to inform development practice become apparent here. First, social capital (even ethnic ties in the context of racial conflict) has inherently benign qualities; families and communities are assumed to be the harmonious institutional frameworks within which the benefits of social ties and networks are enjoyed. This formulation overlooks the possibility that associational life might instill not cooperation but conflict – an oversight that decades of feminist-economic research on the household should by now have purged from even the most mainstream development institutions.[7] It also restricts the scale of analysis to individual tastes, preferences, and behaviors, and remains squarely within the liberal theoretical tradition. From this point of view, the task of development practice is to craft more associative subjects by creating opportunities for membership in various forms of associational life.

THE SOCIAL STRUGGLE IN SOCIAL CAPITAL

A different view of social capital – one that does not find expression in development policy circles – can be found in the work of Marxian anthropologist Pierre Bourdieu. In *Outline of a Theory of Practice* (1977), where Bourdieu first develops a framework for studying social and cultural forms of capital (to which he collectively refers as "symbolic capital"), the analysis focuses squarely on social structure. Individuals do not generate social capital and are not the primary unit of analysis. Rather, social capital inheres in the social structure and must be conferred value by a society consenting to its cultural logic. Within this logic, differently positioned individuals experience associational life differently; some benefit at the expense of others. The benefits and costs of participation are distributed unequally. One does not acquire or squander social capital on the basis of individual choice; rather, one accrues obligation and opportunity to participate in social networks by virtue of one's social position.[8]

For Bourdieu, social networks operate as one among many cultural

dimensions of profit and exchange. He thus rejects a narrow understanding of economism as economic practice, and argues instead for:

> extend[ing] economic calculation to *all* the goods, material and symbolic . . . that present themselves as *rare* and worthy of being sought after in any particular social formation – which may be fair words or smiles, handshakes or shrugs, compliments or attention, challenges or insults, powers or pleasures, gossip or scientific information, distinction or distinctions.
>
> (1977: 177–8)

In an "economics of practice," then, associational life and social networks are forms of "symbolic capital" – "the sum of cultural recognition that an individual could acquire through skillful manipulation of the system of social symbols."[9] Like Putnam (and liberal formulations of social capital in development discourse), Bourdieu recognizes the mutual embeddedness of economic and social life. Both strains of social capital theory challenge the artificial divide between culture and economy by bringing the former under the scrutiny of economic categories. In Bourdieu's Marxian approach to cultural politics, however, associational life appears not as benign and harmonious but as inherently conflictual and contradictory.[10]

For Bourdieu, expanding an understanding of capital to encompass symbolic forms (including shared cultural norms and social networks) facilitates an analysis of the exploitative dimensions of culture and social practice. His notion of the "economics of practice" is intended to clarify the *ideological* dimensions of social capital and the modes of domination inherent in some forms of reciprocity and association. First, a theory of the economics of practice highlights the role not only of individual self-interest, but also of *class* interest in the logic (or ideology) of reciprocity. Among equals, gifting and acts of generosity provide an economic guarantee because they oblige a return. Among those of unequal status, however, gifting and other modes of reciprocity generate affective bonds that obfuscate the hierarchical nature of social relationships. In Nepal, the affection and kindness high-caste patrons may lavish on their low-caste inferiors, for instance, serves as a palliative for the abuses of caste distinctions. Of gifting practices within patronage relationships, Bourdieu (1977: 195) writes:

> Goods are for giving. The rich man is "rich so as to be able to give to the poor," say the Kabyles. This is an exemplary disclaimer: because giving is also a way of possessing (a gift which is not matched by a counter-gift creates a lasting bond, restricting the debtor's freedom and forcing him to adopt a peaceful, cooperative attitude); because in the absence of any juridical guarantee, or any coercive force, one of the few ways of "holding" someone is to *keep up* a lasting asymmetrical relationship such as indebtedness, and because the only

> recognized, legitimate form of possession is that achieved by dispossessing oneself – i.e., obligation, gratitude, prestige, or personal loyalty. Wealth, the ultimate basis of power, can exert power, and exert it durably, only in the form of symbolic capital. . . .

Bourdieu thus urges us to recognize a second ideological function of social capital: that gestures of giving and kindness can in fact function as a form of domination, a "symbolic violence" with the pernicious effect of binding the oppressed to their oppressors through feelings of trust and obligation:

> . . . the best way in which the master can serve his own interests is to work away, day in, day out, with constant care and attention, weaving the ethical and affective, as well as economic, bonds which durably tie his *khammes* [bonded laborer – or low caste client in the Nepal context] . . . to him . . . In a society in which overt violence . . . meets with collective reprobation . . . symbolic violence, the gentle, invisible form of violence, which is never recognized as such, and is not so much undergone as chosen, the violence of credit, confidence, obligation, personal loyalty, hospitality, gratitude, piety – in short, all the virtues honored by the code of honor – cannot fail to be seen as the *most economical mode of domination.*
>
> (1977: 190, 192; emphasis added)

Third, to the extent that such forms of social bonding and associational life generate common values or a moral community, we may begin to question how such values operate as forms of power within culture. For Bourdieu, morality falls within the realm of "doxa" – "that which is accepted as a natural and self-evident part of the social order and is not open to questioning or contestation" (Bina Agarwal 1994: 58). When social hierarchy assumes a moral force in society, ideological constructions and perceptions of the subordinate can converge, as revealed in the domain of practice Bourdieu calls "habitus." Social change thus requires the awakening of "political consciousness," through which subordinate groups recognize the established order as an arbitrary human construction and fashion alternative futures.

Feminist research on the politics of consciousness has developed a far more complex understanding of women's relationship to hegemonic patriarchal structures than that offered by Bourdieu's typology of "doxa," "habitus," and "political consciousness." For example, research in the Asian and Middle Eastern contexts suggests that women recognize (even covertly resist) male domination as ideology, but also comply in strategic ways that ensure their own and their children's security.[11] The key point for our purpose is to acknowledge that common moral frameworks are not *in themselves* desirable planning objectives, so long as they serve to entrench dominant cultural ideologies and undermine the potential for critical awareness

on the part of the oppressed. To the extent that development programs nourish local forms of association underpinned by common moral frameworks, they risk exacerbating already existing lines of hierarchy, coercion, and exclusion. The task for development from this point of view is to foster forms of associational life among the oppressed that transform individual recognition of oppression into more collective, overt forms of consciousness and resistance (Agarwal 1994).

SOCIAL CAPITAL AS A GOVERNMENTAL STRATEGY

Given the pragmatic insights for planning practice that can be derived from Bourdieu's social capital framework, we may wonder why the latter does not receive due attention in the World Bank's website on social capital (and in development discourse more generally). Why does development discourse defend a benign role for social capital to the point of effacing the qualitative distinctions even its own theorists (e.g. Michael Woolcock) have drawn between different types of associational life? Why do mainstream development institutions now promote microfinance as a programmatic strategy that mobilizes local social capital, when until just two decades ago such small-scale forms of petty capitalism might have been viewed as anachronistic "vestiges of 'traditional' society, with no place in modern, 'developed' societies" (William Walters, forthcoming)? And, in so doing, why do they target poor women as entrepreneurial agents of local economic development, when until recently conventional wisdom dictated that credit and other capital inputs be extended to small farmer households via their male heads?

To answer these questions we must keep in mind the global political–economic conjuncture within which social capital has emerged as the favored theoretical framework for understanding and alleviating poverty – and within which microfinance for women has emerged a favored model of development. Foremost, we must not forget that the recent "career" of social capital (to borrow an expression from Margit Mayer (2001)) coincides with the conclusion of the Cold War, dubbed sympathetically by another social capital theorist, Francis Fukuyama, as the "end of history" itself (Kanishka Goonewardena 2000).[12] Or that these events also paved the way for other, somewhat lesser endings, including state-centered planning and the comprehensive welfare state. Unmoored from state institutions, development planners with the best of intentions must now turn to civil society to do their good work – buttressed by policies and programs intended to devolve capacity to the local level. Much has been said about the opportunities this political economic conjuncture presents for grassroots mobilization, local self-reliance, participatory processes, and development informed by local knowledge (e.g. Mayer 1994). Without disputing

the potential for such progressive outcomes, I wish to emphasize the extraordinary omission in most of the social capital literature of the implications of this conjuncture for the cherished local capacities, on the one hand, or for the emergence of social capital as a politically expedient concept for those setting the terms of the new world order, on the other.[13]

Regarding the latter, the social capital framework enables the architects of neoliberal economic policy to cast the reconfiguration of state–society relations in progressive terms – local capacity building, local self-reliance, net social benefits from reduced transaction costs, and increased returns to human capital. As such, social capital can be expected to fill the vacuum left by the restructuring of the welfare state in countries around the world. By some accounts, state restructuring can actually *facilitate* the accumulation of social capital within civil society; Francis Fukuyama (1996: 17) writes that:

> . . . societies that rely on a powerful and all-encompassing state to promote economic development run a double risk. Not only will state-supported companies be less efficient and risk breaking national budgets in the short run, but the very intervention of the state may weaken the society's underlying propensity for spontaneous sociability in the long run.

Social capital thus offers a "governmental strategy" for shifting the onus of development from the state to civil society and to third-sector agencies working on its behalf.[14]

By focusing on the poor as agents of their own survival, the framework obscures the structural sources of inequality *produced* by the present political–economic conjuncture. Research on the impacts of structural adjustment programs, for example, has by now amply documented that women bear a disproportionate share of the social costs of state restructuring; in particular, women's unpaid domestic labor absorbs much of the shock to poor households from cuts in subsidies for health care and agricultural inputs (Lourdes Benería 1992; Pamela Sparr 1994; Isabella Bakker 1996; Dzodzi Tsikata and Joanna Kerr 2001). Feminist economists have argued that structural adjustment policies themselves reveal a gender bias in their assumption that households can infinitely bear the devolution of maintenance and caring activities from the public to the private sector (Diane Elson 1991; Benería 1995; Nilufer Cagatay, Diane Elson, and Caren Grown 1995; Bakker 1996). To the extent that women successfully "build social capital" through collective responses to inflation and cuts to public social protections (e.g. Amy Lind 1992), their labor underwrites the transition in macroeconomic policy from the Keynesian welfare state to the neoliberal "workfare" state (Bob Jessop 1994). Through social capital, cultural values – and the subjectivities of women – thus become instrumental to strategies of governance. Culture, rather than programs of the

state, becomes the medium through which the actions of individual women may be connected up with imperatives of government (Rankin 2001a).

By focusing on the benign qualities of social capital, mainstream development discourse offers a clear economic, and even moral, justification for reducing the state's role in the provision of basic social protections. Needless to say, representations of social capital as potentially (or inherently) conflictual and contradictory – not to mention as implicated in maintaining dominant social and political ideologies, as Bourdieu argues – could readily upset the governmental function of the term noted here. First, a more conflictual view of social capital would too easily undermine the claims now circulating in mainstream development discourse about capacities for local self-reliance. Second, such a formulation would draw analytical attention to forms of associational life that do not presently appear on the social capital radar screen – namely, social movements to protest the social costs of economic restructuring and the devolution of social protections (Mayer 2001). Mainstream development discourse has too great a political investment in *diverting* attention from the ways in which political economy structures associational life to admit into its analytical frame Marxian and other socio-structural perspectives on social capital.

THE SOCIAL CAPITAL IN MICROFINANCE

In light of the governmental function of the term noted here, we can further note that the "capital" in social capital is not innocent. By announcing its semantic proximity to markets it constructs a "zone beyond politics," subject only to "natural" laws of economic rationality and requiring no lines of political accountability (Walters, forthcoming). As such, it also provides some ready answers to the architects of the new world order, who wish not only to manage the social costs of neoliberalism, but also to extend market rationality to regions formerly governed by centralized states or beyond the reach of global capitalism. In this regard, consider the recent flourishing of microfinance as a development strategy. While the *idea* of rotating credit groups is as old as commerce itself (and anthropologists and other social scientists have been documenting such informal lending arrangements since they first became interested in cultural "others" (e.g. Sidney Mintz 1961; Clifford Geertz 1962), its rise to mainstream prominence as a development strategy, like social capital, coincides with the recent resurgence of neoliberal economic ideology. Microfinance programs have proliferated rapidly in the 1990s with the restructuring of previously nationalized banking systems and the devolution of rural credit delivery to a new set of financial institutions specializing in banking with the poor. They also mark an important shift in approaches to poverty alleviation, from state-subsidized universal access to credit for male-headed subsistence family farms (through "small farmer" credit programs) to third-sector

microfinance institutions targeting poor, rural women as entrepreneurial agents.[15]

The "feminization of development" entailed in microfinance is now commonly justified through efficiency and empowerment arguments that draw on the principles of social capital theory. Women in many rural agrarian societies typically lack the collateral, literacy, numeracy, and freedom of mobility necessary to compete for credit from conventional institutional sources. At the same time, women spend disproportionately more of their incomes on household welfare than men and typically exhibit higher repayment and lower default rates (Kabeer 1994). Thus extending women credit for small-scale enterprise will likely have beneficial outcomes for all household members, poor communities, and lenders themselves (Jonathan Morduch 2000). The dominant model of microfinance – the group lending model pioneered by the Grameen Bank in Bangladesh – socializes the costs of lending to poor women by providing them access to credit on the basis of "social collateral" obtained through membership in borrower groups. Here social capital helps correct for imperfect information about borrowers lacking in formal credit and employment histories and substitutes for collateral by ensuring against default through social sanction and peer enforcement. As the World Bank social capital web page puts it, "poor but closely-knit communities pledge their social capital in lieu of the material assets that commercial banks require as collateral" (World Bank 2001).

For poor women, the theory goes, participation yields not only an economic payoff in increased access to financial services, but also an empowerment payoff in new forms of bridging and linking social capital that emerge from participation in networks of borrower groups (Lisa Servon 1998). As one scholar recently put it in a study of the Grameen Bank in Bangladesh, borrowers' interaction at "center meetings" (during which borrower groups convene to repay their loans) "facilitates [their] ability to establish and strengthen networks outside their kinship groups and living quarters" (Lisa Lawrance 1998: 2). Donors thus consider microfinance to be a "win–win" approach to development because investors can mobilize bonding social capital to enhance the financial viability of banking with poor women, and poor women gain access to both social and financial resources that allow them to help themselves through the market mechanism (Linda Mayoux 1995; Jude Fernando 1997; Morduch 2000; Rankin 2001a).

Even as microfinance advocates draw on liberal theories of social capital to promote this approach to poverty alleviation, they also evoke feminist and union traditions when they coin the expression "solidarity groups" for the women's borrower groups. The implication here is that women's associations through microfinance generate not just social and economic capital, but also collective consciousness of, and resistance to, oppression. Evoking "solidarity" imputes to microfinance programs (and the social capital they

generate) a capacity to mobilize women for transforming gender ideology. It also echoes the programmatic implications of a Marxian understanding of social capital (*à la* Bourdieu), which emphasizes the role of ideology and consciousness in social change. Gramscian, Habermasian, and Frerian traditions have, for over half a century, been working out the long-term communicative and institutional processes through which such collective consciousness can arise – and could provide ample fodder for fashioning microfinance programs. Yet in practice, microfinance models advocated by mainstream donors, such as the World Bank, respond more to lenders' concerns with financial sustainability and profit than to established traditions of fostering radical collective action.

For example, the present "microfinance orthodoxy" lies now in a "minimalist" or "credit-only" approach to poverty lending, as pioneered by the Grameen Bank (Elizabeth Rhyne and Maria Otero 1994). This approach must be viewed in contradistinction to "social services" approaches through which, in South Asia, small-farmer credit programs had been integrated with a range of community development initiatives. Responding to macro-regulatory imperatives for market-driven development, the minimalist approach pares down microfinance to the strictly financial dimensions of poverty alleviation (credit, savings, and increasingly insurance and other financial instruments). In this context, solidarity groups function foremost to provide lenders a mechanism for "slash[ing] administrative costs," "motivating repayment," and "introducing financial discipline through peer pressure" (Jacob Yaron 1991). Faced with management structures that award remuneration and status on the basis of outreach and repayment rates, moreover, staff have little incentive to attend to the difficult task of fostering an institutional climate for building collective consciousness (Brooke Ackerly 1997; Anne Marie Goetz 1997; Rankin 2001b). Under these circumstances, the health of the financial system, rather than the welfare of the population, becomes the core objective of microfinance.

CULTURAL ARTICULATIONS: SOCIAL CAPITAL AND SOLIDARITY IN THE NEPALESE CONTEXT

In the absence of an institutional focus on gender transformation, the "solidarity group" model thus takes as given that which must instead be *established* – the conditions of possibility for those in subordinate positions to identify collectively in opposition to forces of domination. To assess the potential for such transformatory outcomes, even the basic assumption that existing stocks of bonding social capital provide a cultural rationality for women to join together in groups must be examined in relation to local cultural economies. What opportunities and constraints exist within culture for women to mobilize social capital for emancipatory ends? What are the progressive and regressive tendencies of social capital itself? Do liberal or

Marxian theories best capture the role of social capital in social life? To examine questions of cultural articulation, I turn now to ethnographic research in a Newar merchant community characterized by extraordinarily dense forms of associational life.[16] Among the scores of ethnic groups within Nepal, the Newars are known for their tightly knit religious and cultural associations (*guthis*), their highly structured kin and caste relations, and the dense networks of obligation and reciprocity engendered by both. Historically, Newars have been among the most active of Nepalese ethnic groups in commercial enterprise and long-distance trading, and are known for their permissive cultural ideologies regarding women's involvement in commerce.

Conventional representations of Newars' propensity for festival, feasting and religious devotion often overlook the ideological function of associational life in maintaining social hierarchy and inequality. Like liberal theories of social capital, the representations focus on the role caste, kin, and religious associations have played for centuries in supporting socio-economic development – in the Newar case, developing and preserving the spectacular medieval temples and townscapes, as well as an insular, highly ritualized cultural tradition amidst the flux of a thriving trans-Himalayan trade. Planners often evoke the Newar *guthi* associations, which not only regulate participation in religious and social life but also often distribute "micro-credit" to their members on a rotating basis, as a cultural referent for microfinance and the solidarity group concept (e.g. Uttam Dhakhwa 1995).

As caste-based associations, however, *guthis* also have hierarchical and coercive dimensions that can perhaps be best grasped with reference to Bourdieu's perspective on social capital. For example, within *guthis* members often describe the norms of association entailed in mandatory membership as exacting onerous, if not unbearable, costs in terms of time, labor, and money. These costs accrue most notably through the feasting obligations that punctuate all life cycle rituals, ancestor worship, festivals, and other occasions for propitiating the deities. Members endure these obligations, often at the expense of basic material comforts, only to escape the even more burdensome social sanctions against nonconformity – tantamount, in some cases, to excommunication from Newar social life. One might say that in the Newar "economics of practice" finance capital gets transmuted into social capital through investments in *guthi* membership and religious piety. Profits transformed into social investments establish a sound reputation critical for survival in Newar social and economic life. The honor that accrues from fulfilling social obligations is thus one's best economic guarantee, the shame in forsaking them one's surest demise.

The flip side to the intense solidarity among *guthi* members is a vigorous exclusion of outsiders, most notably lower castes and women. *Guthis* thus serve a crucial role in regulating social hierarchy by establishing and

maintaining shared moral frameworks justifying segregation. To the extent that bonding social capital does exist in Newar society, it exhibits many of the "dark sides" of social capital now routinely noted in the literature. Generating social capital through the onerous *guthi* obligations preserves ancient cultural traditions, but also entails significant costs that can undermine both commercial initiative (by diverting financial capital) and social transformation (by monitoring existing lines of in/exclusion). These findings caution against the tendency within liberal social capital theory of imputing to "primitive" societies a logic of solidarity that has been "lost" in capitalist contexts where individual self-interest prevails. Following Bourdieu, they suggest a more analogous relationship between capitalist and noncapitalist societies with respect to the role of social *and* material capital: in both contexts an ethic of social hierarchy and individual gain structures practice not just in the market, but also in the domain of social investment (Rankin 1996). In both, norms of reciprocity and common moral frameworks offer an ideological justification for uneven accumulation. Development planners must therefore recognize that idealistic recourse to traditional forms of social capital offers no necessary defense against naked self-interest and may in fact exacerbate existing sources of inequality.

The Newar case also illustrates how, from the perspective of women, relying on honor and reputation to build networks and establish social trust, as advocated by Putnam, can be problematic. Maintaining *guthi* and other social obligations is considered a matter of household honor, to be endured despite extraordinary costs. In addition to transmuting finance capital into social capital, the Newar "honor economy" also expresses – indeed produces – Newar gender ideology. Put starkly, men's honor depends crucially on relationships with women, who not only perform the onerous domestic labor entailed in keeping up social obligations, but also must exhibit qualities of moral, sexual, and social propriety. While for men honor functions as a possession (one either has it or one does not), for women, honor operates as something more like a character trait that reflects not only on themselves, but also on their household or patriline (Mark Liechty 1995). A woman's honor is gauged primarily through sexuality and ritual pollution (as opposed to integrity in maintaining social investments); if not properly managed, women's sexuality and regular episodes of ritual pollution can compromise the pedigree of an entire household or lineage.

Here again, we see how common moral frameworks can *limit* the scope for associational life to generate transformatory consciousness and action. It is with recourse to the morality of honor that women self-regulate in matters of dress, extra-household mobility, and social exchange. In addition, caste and ethnicity are obvious examples of the kinds of social differences that structurally preclude women in certain locations from viewing their interests in solidarity with women in others. Even within

Newar caste groups, structural antagonisms prevail. Within joint family households, for instance, women's personal strategies for accruing material resources and political power often entail efforts to control the labor of junior women, especially recently married daughters-in-law. For their part, daughters-in-law in joint family households have a vested interest in conflict with their mothers-in-law as a means for promoting the eventual break-up of the extended family and establishing themselves as the senior woman in a new nuclear household. Such antagonisms extend across households over time as they go through cycles of expansion through marriage alliances and contraction through the splitting of joint families (Rankin 2001b).

In microcredit programs, "solidarity" groups are expected to mobilize existing networks, trust, and norms of reciprocity in order to perform not only the *financial* tasks of selecting borrowers, evaluating proposals, and monitoring repayment, but also the *socially transformatory* task of challenging gender ideology. In light of the hierarchical and coercive frameworks within which social capital can operate, however, one might wonder whether the solidarity groups could in fact entrench, rather than challenge, some already existing modes of subordination. Given the limitations of bonding social capital briefly explored here, what evidence exists that microfinance programs create new linking forms of social capital that are beneficial to women's empowerment?

Ethnographic research in South Asia on the articulation of microfinance programs with a wider cultural context offers considerable cause for skepticism. For example, women have been shown to self-select for group members with significant assets – such as husbands with income – thus concentrating microfinance services among those with access to other forms of capital and excluding "the poorest of the poor" (Ackerly 1997; Fernando 1997). Groups also tend to self-select for members with identical caste and ethnic identities, mitigating possibilities for gender solidarity across other socio-cultural difference (Rankin 2000). Moreover, women often borrow from local moneylenders and other sources in order to meet the rigorous weekly repayment schedules – thus recycling their debt and entrenching the very class-based hierarchies that microfinance programs are intended to address (Aminur Rahman 1999). When group members do vigorously monitor one another's consumption and repayment patterns in accordance with program incentive structures, they can generate an environment of hostility and coercion that in practice atomizes rather than unites them (Ackerly 1997; Fernando 1997). Finally, in spite of expectations about the capacity of microfinance programs to transform existing gender ideologies, in at least two respects, they seem to have the effect of entrenching, not challenging, the gender division of labor and power. Women receive the credit, but it is often their husbands who actually control its investment and the income generated by it (Goetz and Rina Sen Gupta 1996). And, to the extent that women do initiate

income generating activity, they are often encouraged to take up enterprises, such as sweater knitting, that do not disrupt practices of isolation and seclusion within their households (Mayoux 1995; Goetz and Gupta 1996; Tracy Ehlers and Karen Main 1998).

SOCIAL CAPITAL AND THE CULTURAL POLITICS OF SOCIAL CHANGE

The trends cited above can be traced in large part to the interpretation of social norms and networks that underlies the Grameen model of microfinance now widely promoted by mainstream development agencies. Drawing on liberal theories of social capital, these interpretations expect that opportunities for association afforded women through "solidarity groups" will foster the social networks and common moral frameworks necessary for cooperation and collective action. This idea has indeed introduced a remarkable financial innovation in rural credit delivery – namely that social collectivity can substitute for collateral in underwriting loans to poor women. But in evoking radical traditions of organizing and resistance (*à la* "solidarity"), the dominant microfinance model implicitly (and sometimes explicitly) makes claims about the potential for social networks to empower women and transform social relations.

Without wishing to refute such radical *potential*, this paper has argued that the first step to its realization must be to introduce into the analytical frame of social capital theory the Marxian perspectives of Pierre Bourdieu. This framework clarifies the coercive and exploitative dimensions of social capital (as one among many goods in an "economics of practice"), and its role in maintaining social hierarchies. Corroborated here by ethnographic research from Nepal, it demonstrates the ways in which common moral frameworks generated by social norms and networks can be implicated in cultural ideologies that justify and perpetuate inequality. In this view, promoting social capital through networks and norms of reciprocity may in fact leave people – even the oppressed – free to carry on oppressive relations. The crucial task for development *vis-à-vis* the poor and disadvantaged is thus to bring them to *collective* consciousness of their subordinate location so that they are able to overtly challenge the social structure. The latter interpretation of social capital has not adequately informed development approach and has been largely absent from representations of social capital theory in development discourse. I have argued that this omission must be understood in relation to the "governmental" role played by social capital in providing a moral justification for economic restructuring and the devolution of social protections from the state to civil society. As a programmatic manifestation of liberal theories of social capital, microfinance demonstrates a clear gender dimension to this governmental function: here the transition from state-led to market-led approaches to poverty alleviation has

been anchored in women's capacity to leverage social capital on behalf of the financial sustainability of formal lending institutions.

Ethnographic research on the "economics of practice" in a Newar merchant community has suggested that development interventions seeking to indiscriminately promote social capital risk entrenching the hegemony of dominant interests. This research suggests that, at a minimum, practitioners and policy-makers must develop typologies for distinguishing between regressive and progressive forms of associational life. This goal requires a socio-structural approach that both investigates individuals' locations within social structures (as does Bourdieu's) and locates structures within a broader macroeconomic context (here Woolcock's typology is instructive). It also requires an analysis of the dialectical relationship between the material and ideological dimensions of social change (Agarwal 1994). Credit programs that leave ideological structures intact, for example, cannot in themselves catalyze social change. Even in the context of expanding women's access to credit, the ethnographic evidence now shows that without due attention to the cultural politics of social change, microfinance programs may in fact serve to defend existing hierarchies along the lines of class, caste, and gender.

Programmatically, then, several procedural conclusions emerge. As the microfinance example demonstrates, the mere formation of solidarity groups does not guarantee progressive outcomes and may in fact perpetuate existing social hierarchies. Solidarity among women can, however, serve as a powerful tool for progressive social change, as long as it fosters critiques of dominant cultural ideologies. In the context of microfinance programs, planners might introduce strategies for "conscientization" about the broader macro-regulatory context and for re-framing individual resistance to local gender ideologies as more collective, overt forms of action. For example, training in numeracy and basic banking principles can assume a political function as aspects of popular economics education that seeks to foster a collective critical awareness of power relations and policy affecting women's lives.[17]

More generally, once development planners understand the ideological dimension of social change, then the crucial issue shifts from the search for *the* authoritative development model, to concerns about the locus and mechanism of social criticism. The latter priority demands that planners play a role in creating the social spaces and institutional means for collective reflection on individual experiences of subordination and powerlessness. A first step is to construct development institutions with organizational cultures, management styles, incentive structures, and staffing policies that can respond to women's strategic interests in challenging oppression. Such procedural considerations could facilitate the design of programs that encourage women (and others in subordinate social locations) to negotiate their differences and recognize shared aspects of their subordination.

This kind of social network – a solidarity grounded in women's own analysis of dominant cultural and political ideologies – can provide the surest foundation for "development," in collective strategies for challenging the social basis of inequality.

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NOTES

[1] A World Bank web page, now an international clearinghouse for the latest research and theories on the promises of social capital, announces at the outset that "social capital is critical for poverty alleviation and sustainable human and economic development" (World Bank 2001).

[2] I use "liberal" here in the sense of political liberalism, whose essence "lies in its recognition of individual desiring as the basic fact of modern civil association" (Kenneth R. Minogue 1994). The liberal emphasis on rational choice presumes all individual behavior to be rationally calculated to advance the actor's material interests.

[3] I have borrowed this expression from Margit Mayer (2001); see also Jane Jenson (1998).

[4] The ideas underlying social capital – concerned with the capacity of community members to cooperate for mutual benefit – have been circulating within political theory for well over a century (Nicholas Lemann 1996). Yet never before have they been taken up so enthusiastically in mainstream policy circles. Putnam's "Bowling Alone" and *Making Democracy Work* in particular have had an extraordinary impact, far beyond most academic writing (Michael Edwards n.d.).

[5] The genealogy of the term can perhaps be traced most directly to French envoy Alexis de Tocqueville who observed in eighteenth-century America a "propensity for individuals to join together to address mutual needs and pursue common interests" (Wilson 1997: 746).

[6] Putnam himself distinguishes between horizontal and vertical forms of social capital, but in the absence of an analysis of the macro-regulatory context.

[7] For a summary of this research see Naila Kabeer (1994: 95-135).

[8] On Bourdieu's structural interpretation of social capital, see also Foley and

Edwards (1999) and Woolcock (1998); these sources do not, however, elaborate the broader "economics of practice" crucial for understanding Bourdieu's specifically Marxian view of the socio-structural determinants of individuals' access to social capital.

[9] See Axel Honneth (1995: 187). Bourdieu adopted the term "social capital" in his later work, *Distinction* (1984), to denote specifically that part of "symbolic capital" relating to social location.

[10] Indeed, what is *missing* in Bourdieu's understanding of economism is an analysis of disinterested, cooperative, or soladaristic action (Sherry Ortner 1994). For the purposes here of examining the engagement of social capital theory in development discourse, however, Bourdieu's emphasis on the conflictual and contradictory dimensions of social life offers an important challenge to the dominant liberal tradition.

[11] See, for example, Aiwha Ong (1997), Deniz Kandyoti (1991), and Katharine Rankin (2001b); needless to say, this formulation applies with equal force to Anglo-middle-class women negotiating patriarchal institutions in Western contexts.

[12] See Goonewardena's "The Future of Planning at the End of History" (2000) for an excellent discussion of Fukuyama's conservative prophecy and its implications for planning theory and practice.

[13] For some exceptions in this regard see Foley and Edwards (1996), Skocpol (1998), and Walters (forthcoming). For a discussion of the analogously ideological function of social capital in the North as well as in the South see Mayer and Rankin (forthcoming).

[14] Here I am drawing on Foucauldian "governmentality" studies which provide a method for understanding the dynamic of state power and the "capillary" ways it operates through civil society as a disciplinary force (see Michel Foucault 1991; Colin Gordon 1991; and Peter Miller and Nikolas N. Rose 1990 for summaries of this method). Social capital (and microfinance) can thus be viewed as "governmental strategies" that help establish the *idea* of self-regulating markets as a legitimate and ethical objective of government (Rankin 2001a).

[15] Small farmer credit programs and other forms of "poverty lending" by the state have their own set of problems, which are beyond the scope of this paper.

[16] This research was conducted over the course of several visits to Nepal: over an eighteen month period in 1993-95, a six week period in 1996, and a four week period in 2000, under the auspices of a Fulbright-Hays Research Grant, a Cornell University Mario Einaudi Center for International Studies Summer Fellowship, and a Social Sciences and Humanities Research Council (Canada) Assistance for New Researchers Grant respectively. Within the merchant community of Sankhu, I engaged ethnographic techniques of open-ended, unstructured interviews, focus groups, and participant observation on the general topic of the cultural politics of markets. Informants were sampled selectively to ensure a diverse range of responses by caste, gender, class, age, and neighborhood. Observations and interview content were recorded in field notebooks to be later catalogued by key words and concepts; interviews were conducted in Nepali (in which I have been conversant since 1986 over the course of prior study, research, and employment in Nepal). Forty lengthy unstructured interviews were recorded on audio cassette, transcribed and translated for in-depth narrative analysis. These observations were supplemented by a 150-household survey dealing with labor and investment practices and, for historical perspective, archival research on the economic history of the town. To research financial policy, I conducted thirty-five in-depth, structured interviews with planners in the central bank, managers of financial institutions and representatives of donor agencies, focusing on the

relationship between economic liberalization and preferential credit schemes. In November 1994 and May 2000 I also visited project sites of two "Grameen replications" in southern Nepal.

Findings from this research are also documented in Rankin (1996, 2000, 2001a, 2001b), as well as in a dissertation on "The Cultural Politics of Markets: Economic Liberalization and the Challenge for Social Planning in Nepal" (Cornell University, 1999).

[17] One intermediary organization supporting such overtly political practices – Alternative Women in Development – works with microfinance programs to help them "ground women's self-employment efforts in the broader context of women's collective empowerment, community development, and human rights" (Alt-WID 2001).

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