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THE SOCIAL EFFECTS OF GROUP SOLIDARITY IN MICROFINANCE: A CASE STUDY FROM THE DOMINICAN REPUBLIC

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ABSTRACT

Microfinance has revolutionized the recent international development discourse by allowing individuals, who were previously unable to access trustworthy sources of credit due to lack of collateral and high operational costs, to collect small loans for use directly in business purposes. It has shown high success worldwide in empowering borrowers and providing them an opportunity to create extra income and join the formal or informal sector. In order to abate the overhead costs and the possibility of default, the loans are distributed using the group solidarity model in which a group of five associates are jointly liable for the entirety of the loan and must financially back each other if one member defaults. In order to ensure high repayment rates, literature has stressed the importance of high social capital among the women to create trust, overcome informational asymmetries, and facilitate cooperation.

This study was conducted through Esperanza International, a microfinance institution located in the Dominican Republic in their branch office in Santo Domingo. It aims to solidify the connection between social capital, willingness to lend within the group, and in-group repayment timing. As opposed to more theoretical standpoints taken by many microfinance studies, this research focuses in detail on the daily experiences of Esperanza associates interviewed during their regular biweekly repayment meetings. The findings point to the ability of existing monetary and social benefits for joining to overcome incomplete information regarding their fellow borrowers, as well as to the high prevalence of in-group lending and the mixed reactions this solicited. The study's conclusions and recommendations are applicable to other existing microfinance institutions and provide direction for new institutions.

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This thesis is dedicated to my mom and dad, for taking care of me on earth and from heaven.

INTRODUCTION

In 1979, Muhammad Yunus, the highly respected Head of the Economics Department at Chittagong College in Bangladesh, changed the world with just $27. Forty-two women in the neighboring village of Jobra each received a portion of this small loan, averaging around a mere 64¢ per person. While the amount may seem insignificant, the dream was not: Dr. Yunus was determined to find a way to provide credit opportunities for the poor villagers who had been overlooked by formal banking institutions for years due to their lack of collateral. Simply put, the bank knew there was little money to be earned off of them, and a strong belief persisted that the poor would simply run off with the money and it would never be seen again. Additionally, the fixed cost of administering and monitoring a loan is the same for a loan of $100 dollars as it is for a loan of $100,000, thus discouraging banks from extending many little loans despite the fact the value of the capital lent could be equivalent. Unfortunately, this meant that women were bound to middlemen, relatives, and corrupt money lenders who would take advantage of their lack of credit opportunities by offering loans with sky high interest rates.

The concept of using small loans as a development strategy in poor areas has since exploded into an international phenomenon often referred to as *microcredit* or *microfinance*. Dr. Yunus' initial small-scale experiment turned into a Nobel Peace Prize winning tool that has changed the lives of millions of impoverished entrepreneurs across the world by allowing them the ability to have control over their income and expenditures at a whole new level. In general terms, microfinance occurs when small loans (typically between $50-$500, depending on the geographic area and the recipient's business plan) are extended and repaid to the lending institution in small installments (often weekly, biweekly, or monthly) over the loan's term (ranging from 3 months to 3 years). Throughout Asia, Africa, Latin America, and even the

United States, the lending institutions range from non-governmental organizations (NGOs), government programs, or development-oriented banks. In fact, microfinance represents a rare example of a technology transfer from the non-West to the West, reversing the typical diffusion of information and innovation.

The Grameen Bank (hereafter, Grameen), is the model of microcredit developed by Dr. Yunus. Its goal is to help clients receive small loans in order to generate self-employment which is lucrative enough to be able to repay the loan, interest, and contribute to the economic development of the family and community. Despite the fact that Grameen does not require collateral as a safeguard against defaulters, its loans have a repayment rate of 99 percent. Additionally, the majority of credit recipients are women (99.3%). Previous lending schemes in traditional cultures often dealt mostly with men; however, studies have found that by catering to women more of the income earned from the entrepreneurial activities is going directly into the family for food, home improvement, and education, as opposed to being drank or gambled away. Since the creation of microfinance, it has been estimated that approximately 42% of borrowing families have managed to cross the poverty line in their respective countries (Syed 2009).

There are many types of formal and informal institutions that have adopted and adapted microcredit lending models. Examples include bank guarantees, community banking, credit unions, joint liability group lending, village banking, cooperatives, and individual lending models. The loans can be dispersed by commercial banks, microcredit-oriented banks (such as Grameen), government programs, NGOs, community initiatives, and informal groups. The presence and success of these models vary depending on whether the community is rural, urban and depends on its physical infrastructure, financial infrastructure and options, methods of transportation, level of poverty, education, and oppressiveness towards women, just to name a few.

Since its initiation in Bangladesh, the Grameen model has been quickly replicated in other developing countries. Formerly, the citizens' only option to receive loans was from commercial banks or individual moneylenders. The commercial banks tended to only offer loans that were too large for poor entrepreneurs and required significant collateral in case of default, thus effectively leaving them out of the process entirely. Unregulated moneylenders could take advantage of their recipients' lack of education and credit opportunities, exploiting the poor with high interest rates and leading to indebtedness and loss of land (Seibel 2005).

The Grameen model developed a way to integrate formal banking with the needs of impoverished rural villages. Instead of requiring financial or physical collateral to guarantee the loan against default, the Grameen model utilizes peer groups, called "solidarity groups," to ensure timely and complete repayment. This group consists of five self-employed women who are jointly liable for one another's loans, meaning that if one woman defaults at any point it is up to the remaining four women to repay her portion of the money. Thus, the system takes advantage of social collateral in order to be able to provide the loans and lessen the risk of default on the initial loan amount. Additionally, repayment meetings are performed with the whole group present, lessening the costs of recollection and monitoring each loan individually. Women in the same solidarity group often check up on their fellow group members between the repayment meetings to monitor how business is going and to ensure that they will all be able to make their repayment.

In order to best study the importance and individual facets underlying the microfinance and the solidarity group lending model (SGLM), this paper will first discuss existing literature regarding questions of social capital, trust, and group cooperation. After the subsequent presentation of the research questions, this study will introduce the microfinance institution (MFI) analyzed for the case study, Esperanza International, and the group formation policies are explained in depth. I then discuss the methodology and reasoning behind the choice of methods, followed by the quantitative and qualitative results attained through the interviews. To conclude, key points are summarized, sources of error discussed, and I provide recommendations, research implications, and possible paths for future research along these lines.

BACKGROUND AND RESEARCH QUESTIONS

Literature Review

Due to its economic and social expansion throughout the developing world, microfinance has quickly emerged as one of the most studied and researched phenomena in the arena of international development. Much of this research has focused specifically on the financial impacts that lending has on the families and how this increased income has thus affected the women and families socioeconomically. However, little research has been conducted assessing the social impact of the solidarity group lending model, and thus the true effectiveness of this model remains inconclusive. While there is some research that does broach this complex issue, the authors often only focus on specific in-group issues, neglecting others which could potentially provide different conclusions for their findings. Thus, a further compilation and analysis of existing research is needed to unite the present microfinance discourse in order to build upon it with specific examples from the case study at Esperanza International.

The solidarity group lending model (SGLM) employed by Grameen has become a staple in the microfinance world since it successfully achieves the double-bottom line heralded by development experts, actualizing both financial and social empowerment (Syed 2009). While the process is far from perfect, group lending has formed the basis for a majority of microfinance programs (LaTorre & Gianfranco 2006). The SGLM has the advantage of decentralization and transparency, delegating decision-making to the lowest relevant level (Syed 2009). It lowers the transaction costs because there is less official monitoring needed because peers assume responsibility for each other.

The loan applicant must apply for the loan with four other community members who are willing to share the risk that others in the group might be unable to pay. The borrowers are the ones who search for these other members, who ideally are people that they trust. At that time the importance of strong social capital begins, since their social ties are an important asset for balancing the lack of traditional collateral (LaTorre & Gianfranco 2006). The more the potential borrowers know about each other, the larger the informational advantage. In fact, ultimately the members have much more information on their group members than other banks or lending services have on their clients (Besley & Coale, 3). This informational advantage increases the social connectedness of the group, forming a powerful incentive to repay because the cost of upsetting others is high.

A successful process of group self-selection forms the basis for successful loan repayment. Unfortunately, the self-selection bias can come into play, causing the poor to assume that they do not have enough resources to generate the payments and worry that they will simply fall further in debt, either to the organization or their peers (Syed 2009). However, this barrier can be overcome with proper training and eliminating adverse selection by encouraging members to join with those that they know well and trust. By encouraging applicants to be selective during this process, it ensures a basis of social capital that will expand as the group continues.

Social capital forms the foundation for the solidarity group lending model and is essential for micro-entrepreneurial success (Gomez and Santor 2001); however, its creation is difficult to track and measure. It has been broadly defined as “features of the social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam 1993). Since culture and customs form a strong base for social capital and are greatly varied, findings from one study site may not be transferable to other microfinance recipients who are receiving money halfway across the world. Even so, development discourse stresses the emergence of trust that materializes from a shared understanding which then develops into norms of reciprocity. These norms help confront the "tragedy of the commons" which explains actions of individual opportunism with communal property (Rankin 2002). It has been suggested that their mutual indebtedness facilitates cooperation and commitment to overcoming poverty together, thus simultaneously increasing the sentiment of reciprocity among members while decreasing the potential for exploitive behavior (Chan 2006, 8).

The intimate nature of the group is enhanced due to its existence within their own community. The fact that financial transactions occur in or near their own homes increases its accessibility and exposure, and lessens intimidation (Syed 2009). Corruption decreases as well since the transactions happen openly, lessening the potential for bribery or alternative means of payment. By occurring in local communities with trustworthy neighbors, the SGLM aims to "smooth out the erratic behavior of individual members" and to "keep them in line with objectives" (Yunus 2003, 62). Additionally, it has been shown that the more the associates know each other before joining, the accuracy of monitoring information increases meaning that they are better able to watch each others' transactions and know whether or not their group member is utilizing her business to its full extent (Karlan 2007).

Anthony (2005) utilizes the competing identity and interests paradigms to analyze what is truly necessary for effective group cooperation. Within the identity framework, simply identifying with the group is enough to entice cooperation, and individual interests are not necessary (Dawes, van de Kragt, and Orbell 1990; Kramer and Brewer 1984). The interests paradigm argues the opposite: that individual interests are crucial to create cooperation and that group identity only emerges as a *result* of cooperation. This suggests that reciprocity increases the members' sense of commitment to the group. Additionally, when group members understand that they share a "common fate," as is inherent to the SGLM, cooperation increases (Brewer and

Kramer 1986). Levels of cooperation increase further when members perceive that others are similar to them, creating a collective identity.

These social relationships allow the members to form increasingly embedded ties to the group, thus increasing cooperation, creating more collective goods (DiMassio and Louch 1998), and limiting opportunism (Uzzi 1996). Group tenure, which measures the dedication of the borrower to their group, is considered to be a function of group strength, group commonality, sanctions, and reciprocity, along with the number of loans, members, delinquent loans, group size, and previous ties (Anthony 2005). Participating in many loan cycles offers the advantage of being able to screen out undisciplined borrowers and the consequent formation of a stronger group consisting of the ones who remain and, on occasion, new members that they trust (Morduch 1999).

Yunus, when describing the unique implementation of microfinance in the commercial world, stressed that that MFIs are banks based on trust, not legal agreements (2003). The creation of trust among group members as well as with the lending organization is largely based on reciprocity, which is a dyadic exchange in which actors make simultaneous decisions for collective goods production (Anthony 2005). By creating an environment with low risk, "both partners can prove their trustworthiness, enabling them to expand their relations and engage in major transactions" (Anthony 2005, 500). Additionally, in order to build this strong in-group environment and ensure that they are looking out for each others' best interests, members must be able to identify with each other and act together. This identification and empowerment occurs once they commit to exerting effort on behalf of the organization, accept common values and goals, and agree to share control and responsibility for the organization's outcome (Chan 2006).

Pride in membership subsequently forms once each member has assumed individual tasks which make them crucial to the continued functioning of the group (Chan 2006).

A risk-based view of trust suggests that we only need trust in risky situations. Trust inherently implies a relationship with confidence, fear, predictability, likelihood, and future expectations (which are inherently uncertain) (Das and Teng 2004). Without risk or uncertainty, trust is not needed. This implies that one person cannot attain adequate control of the situation, in this case acquiring individual loans and needing additional income, by themselves. The solidarity group lending model relies on “the expectation that some others in or social relationships have moral obligations and responsibility to demonstrate a special concern for other’s interests above their own” (Das and Teng 2004, 88).

Trust is so essential to microfinance that when the social capital mitigating these negative effects is compromised, solidarity groups begin to unravel. If a group member is experiencing difficulty repaying his or her loan, peer monitoring creates the social pressure to encourage the other group members to help the borrower complete the payment. According to LaTorre and Gianfranco, the level of peer monitoring “is proportional to the intensity of the relationships between the members of the group” and can only work “in the presence of non-explicit inter-subjective bonds” (2006). Thus, this process succeeds in social contexts where there is significant social cohesion and capital.

The guidelines state that once a borrower permanently defaults on the rest of her loan, she is no longer allowed to participate in the lending process. This protects both the MFI and the other members in the solidarity group from exploitation from high-risk clients. However, some studies suggest that there are groups where some women do remain after defaulting. They must undergo a discussion with their peers and explain the reasons they were not able to complete their payments and explain how they will perform differently in the future. Often, those with verifiable negative shocks have been forgiven and allowed to continue (Karlan 2007, 74). Unfortunately, not all who default receive a second chance since this would diminish the necessity to repay the loan to ensure continual service.

The first time a borrower arrives with an incomplete payment, trust is not necessarily gone. However, subsequent defaults tear away at the precarious balance of individualism and the desire for group success. Anthony (2005) found that "groups in which members have high commonality are significantly more likely to have zero delinquency, but once these groups have one delinquency they are at increased risk to have more." This trend has come to be known as the "unzipping" effect, which is the point at which the solidarity group or *Banco de Esperanza* (BDE), which is a combination of multiple solidarity groups, is burdened by many simultaneous defaults, and sees no hope that they will receive further loans and thus chose to default *en masse* which causes the group as a whole to "unzip" (Wright et. al 1998, iv).

In order to avoid "unzipping," the mechanism of sanctioning is crucially implemented to ensure the continued functioning of the SGLM. Heckathorn (1988, 1990) describes that the externalities that accompany collective goods increase the actors' personal interests in the group along with the social control of the group. When a member resists the group's control or suggestions, they risk losing dignity or feeling unworthy (Chang 2006, 4). As such, sanctions limit the members' incentives and opportunities for noncompliance while decreasing the temptation to purposefully default the loan money. Formal sanctions, including fines, postponement of future loan dispersal, and removal of money from savings, are typically imposed by the MFI, whereas informal sanctions, such as *en masse* group visits to a delinquent member's home, refusal to acknowledge them socially, and constant phone calls, are often left to the digression of their fellow solidarity group members. In telephone survey performed by Anthony (2005), she asked the members about the frequency of the sanctions realized by the group. Her results showed that 42% of the groups exerted no sanctions, 30% sanctioned for either meeting nonattendance or loan delinquency, and 28% exerted sanctions for both.

Although the percentage of groups actually exerting sanctions was only 58%, research abounds as to their importance and implementation strategies. When analyzing her study, Anthony suggested the necessity of graduated sanctions: beginning at minor punishments for the first time an associate defaults at a meeting, growing to larger punishments that have larger community and financial consequences. Yet, it is important to keep the sanctions consistent with the overall goal of the organization. The MFI and solidarity groups must "push hard enough so the group does not collapse and loans are repaid, but not push too hard that they starve themselves" (Woolcock 1999, 28). This careful balance is difficult to perfect since it changes with every individual circumstance. With a better understanding of overall and individual reasons for default, sanctioning methods could be improved and the group tenure rates could increase, thus creating for more successful solidarity group repayment rates and experiences within them.

Research Questions

As expressed in theory and chronicled in the popular media, microfinance certainly holds great promise. However, empirical fieldwork on the ground is necessary in order to compare theory with reality and to assess the validity of media accounts. This field study will fill in the gaps in the existing literature and provide ample depth into their connections within one specific MFI. Many people see such potential in microfinance because it uses market forces to encourage development in poor areas; however, in actual practice this perfect model often falls short. The high repayment rates that MFIs boast hide the difficulties that solidarity groups and loan officers might experience in collecting and repaying the amount due each week. Therefore, it is crucial to look into microfinance first-hand in order to be able to understand what its strongest and weakest facets truly are.

One question essential to understanding the proper functioning of the SGLM asks: What is the connection between the trust level in the solidarity group and the willingness to lend within the group when necessary? Does this affect how long it takes for the associate to be repaid? There is also the critical question concerning group selection and expansion processes. How are additional group members identified, and how effectively are they added to the group? To better understand one aspect of group dynamics and trust creation within each BDE and solidarity group, one must understand the importance of effective leadership in the solidarity group and how their decisions and actions affect the group as a whole.

Additionally, the specifics of the "unzipping" effect and other reasons for withdrawal suggest additional questions that need to be answered. At what point when a member or members in the group default does it make it more likely for the rest of the associates to default as well? In the end, what causes the associates to make the decision to withdraw from future loan cycles? Are any of these factors weighted more highly than the others, and are there any that are easily preventable? By closely examining the current levels of social capital and trust among current groups in Esperanza International, results can possibly be transferred across borders to similar MFIs experiencing similar problems.

Organizational description and processes

Overview of Esperanza International

Esperanza International (EI) is a Christian NGO dedicated to alleviating poverty throughout the Dominican Republic through the implementation of microfinance and social services in areas typically overlooked by development projects. In comparison to other Dominican microfinance organizations, EI prides itself on battling the further roots of poverty since poverty goes deeper than simply not having access to credit. Vocation and spiritual training, complementary medical screening, preventative health and dental care, and home improvement opportunities are all aspects that round out the provision of microcredit to associates. Employees of Esperanza take pride in the fact that they are distinct from loan officers, branch managers, and administrators of the other Dominican MFIs since, as they argue, that they can offer their clients more and are better able to fight the war against poverty and promote the development of people and places. EI takes its journey of faith very seriously and makes sure that all employees know that God comes first in all their actions. A huge advantage of this foundation is that the loan officers are sincere, trustworthy people who can gain the confidence of the town members through their honesty. Many of the associates belong to churches so they feel connected on a deep, spiritual base from the outset of their relationship.

While this all-around treatment provides significant advantages to their associates, it is expensive and has prevented them from becoming a financially self-sustainable organization like the surrounding MFIs. Although Esperanza currently is striving to become self-sufficient, they are still very reliant on funds from donors. A large majority of the money flows from USAID, Major League Baseball, Hope International, and is lent from Kiva.org. However, in today's unstable and uncertain economy, the organization cannot rely on the generosity of donors forever. Additionally, donors often place requests on the MFI that may not be in its best interest, but in order to keep the money rolling in they are compelled to comply with their every whim and wish.

Even so, there are economic advantages to their provision of additional services such as medical treatment and additional education. When the women and their families are healthier, they are able to more fully dedicate themselves to their business production. Sickness is one of the most devastating obstacles to successful business management since it requires a significant amount of time, attention, and money. There is no escaping it, and with each day that medical problems go untreated things only worsen. At this point the woman must spend the only money she has available to her, which is all too often that belonging to her small business, and use as much of it as necessary to visit a doctor and cover the cost of treatment.

Additionally, when they know how to read and write, they are more able to manage a business. With limited literacy and numeracy, it is difficult even to just keep track of what merchandise comes in, out, and the earnings made off of each item. EI requires them to maintain a business notebook with the purchase price, sold price, and the profit of everything they sell; however, without a basic level of literacy they are forced to rely on those with higher education around them to write it all down for them. (For additional information, see Appendix C.)

Santo Domingo Norte branch office

Esperanza currently has multiple branch offices throughout the Dominican Republic and another in Haiti. This research was conducted in Santo Domingo Norte (SDN), located just north of the Federal District of Santo Domingo, the nation’s capital and largest city. Naturally, it is an urban setting and the dense population makes it ripe for many potential solidarity groups. The

Santo Domingo Norte branch is the newest office of Esperanza International, opening in September 2009. The office services women and men in Villa Mella, los Guaricanos, and Sábana Perdida which are some of the poorest sectors of Santo Domingo. The borrowers often had running water and electricity, but house and roof material varied between cement, zinc, and wood. There were not many members with cement walls or ceilings, although this was the long-term dream of many of the recipients.

As of August 2010, they had 207 loans extended, 198 of which were group loans and 9 or which were individual loans (MicroCredit Management System). Three loan officers are in charge of the distribution and collection of the loans during repayment meetings that take place in associates' homes at a regular time every other week. Additional office members include the branch manager, administrative assistant, and a part-time cleaning woman. Many of the BDEs are within half an hour of the office, making it easy for the officers to attend up to two or three meetings each morning, go home to eat lunch, and return into the field for training or investment verification in the afternoons.

Since each loan officer has grown up in the sector that they work in, they already know their way around the twisty back roads that would take an outsider many months to master. It also makes them a leader and a role model for community members who have watched them mature, responsibly pay back their own loans when they were associates, and be selected to work for Esperanza. They are well-respected by their neighbors and are integral to creating the comfortable and intimate nature that forms the basis for each high-functioning solidarity group.

Group structure and formation

The ideal group formation is comprised of five associates, or recipients, from the same community organized into solidarity groups within *Bancos de Esperanza* (BDEs or Banks of Hope) that are inspirationally named by the members. Typically, the group begins with just one solidarity group (five borrowers) in each BDE. When five more approved associates from the community are interested in joining, they join the same BDE. Up to nine solidarity groups, which equals forty-five associates, are permitted in each BDE and each solidarity group is given a number after the name of the BDE to distinguish it. There can be as many BDEs as the loan officers in the branch office are able to manage. The solidarity groups within the same BDE do not need to receive the loan dispersion at the same time, but they all attend the same biweekly meeting. For example, *Unidos para Vencer 1* may be on their 5th repayment of their 2nd loan, whereas *Unidos para Vencer 3* is on the 8th repayment of their 1st loan, but they are both making the repayment at the meeting at 8 am on Tuesday. Below is a figure depicting the structure of associates, solidarity groups, BDEs, and Esperanza:

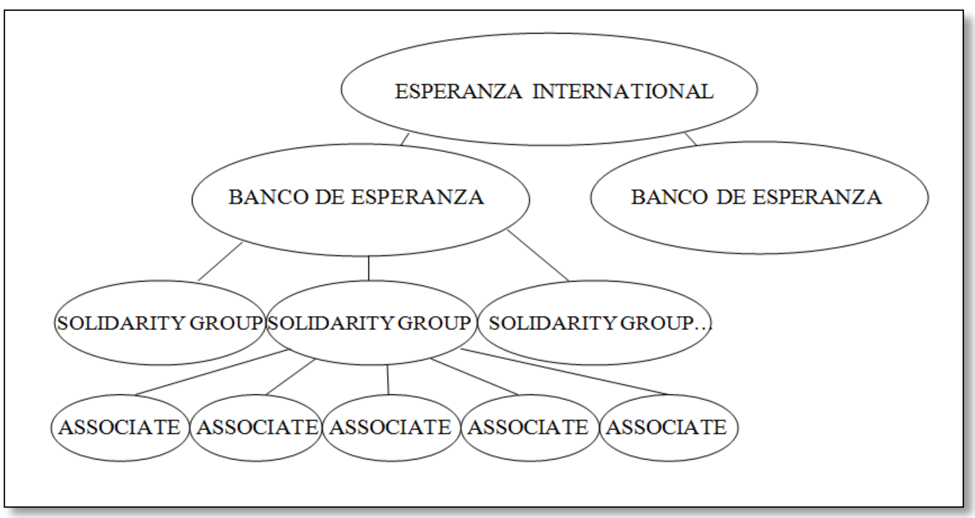

Figure 1: Solidarity group lending model structure

This structure makes it easier to collect loans and decreases the transaction costs that pose a financial burden for most microfinance institutions by increasing the economy of scale. If a loan officer already has to spend the time to travel to and perform the meeting in a community, it is more worth her time if she is able to collect the money from 45 women than just five. By continuing to increase the BDE size, Esperanza is able to become more financially sustainable and less dependent on donor funds.

To start a BDE in a new community, a *levantamiento*, or extensive evaluation, is performed in the area. Because Esperanza is a Christian organization, the loan officers often make their first contact a local pastor or recommended Christian community member. They take the loan officer around the town while she takes notes about the level of poverty, organizations already existing in the community, and the principal problems that exist in the town. During this process, the loan officer asks questions about the community's current financial structure including where current loans come from. After evaluating the current situation of the town, the loan officers decide whether or not the community fits with Esperanza's mission and whether their efforts would be accepted. If they decided that it does fit well, they go to the local churches and talk to the pastors and congregations about the organization. Afterwards, they perform a neighborhood meeting to ensure that the entire community, especially the town leaders, understands the process and the benefits of Esperanza's services. Once the town is informed, those who remain truly interested have another meeting where the loan officer further describes the specifics of the dispersion and repayment processes and group formation. At the end of that meeting they have the option to become an associate of Esperanza and begin to form their groups of five.

When there is at least one solidarity group ready and excited to form the new BDE or join an existing one, a week-long training period begins. This typically lasts five consecutive days for one to two hours during the afternoon. The loan officers follow a curriculum that explains Esperanza's guidelines and concepts. They stress the importance of being "in solidarity" with their other group members, meaning that they are jointly liable for the loan and if one member is unable to complete her payment during one meeting, the rest are responsible for her share. They also explain the system of loan dispersal, repayment, continuation, and increase based on successful loan completion as well as the voluntary and mandatory savings programs that are available. After training ends, the potential associates must submit a basic business plan delineating what they will buy with the loan. If the plan is deemed reasonable and feasible, it is approved and a date is set for the loan dispersion. All of the women must make the trip into the office to receive the loan money, and from that point forward they begin their lives as official associates of Esperanza International.

Additional information

There are two ways that associates can receive individual, not group, loans through Esperanza although these are much less prevalent than the group loans and have different standards for qualification. The first is through a specific program set apart from the general microcredit provision that goes through local churches to find appropriate recipients. The amounts vary from RD$10,000 - $20,000 (US$285-$570) in the first loan cycle. To be chosen to participate in this loan cycle, the associate must have sufficient collateral such as a house or a car that can be seized if they default on their loan.

The second way to attain an individual loan is through the general microcredit program. After being part of a solidarity group for a long period of time (certainly more than two years), having a well-established business (often with multiple employees), and being able to provide a guarantee or collateral on the loan taken, they can take out an individual loan with a maximum of $35,000. They are also allowed to now make monthly payments since biweekly payments would be too large to gather in that short of a time span. However, as not to lose her as a valuable resource within her original BDE, she remains in the group but brings another woman to take her place in the solidarity group of five. In this case, the BDE could be comprised of six associates: five in the solidarity group and an individual. The possibility of attaining this individual loan is a potentially powerful motivator to continue with Esperanza even after one's business has already been established.

Also, EI associates are not allowed to participate in outside lending organizations since it is highly unlikely that they would be able to make complete repayments for two loans at the same time. However, this does not tend to be much of a problem for the associates since the other Dominican MFIs (which are formal financial banking institutions) require more collateral to back up the loans to make up for the lack of a joint liability distribution model, which many EI associates do not have. Additionally, Esperanza provides more public services than the other competing MFIs. While banks like ADOPEM provide the most amount of loans across the country, their work ends there. Money is distributed, but they do not check if the money enters directly into a business or not. As long as the money is returned completely and on time, its origin is not probed.

However, EI does seem to be losing clients in certain areas now being serviced by "Mi Primer Progreso," a new microfinance operation implemented by the First Lady, Doña Margarita

Cedeño de Fernandez with backing from the Dominican government. This MFI offers a monthly repayment option which places much less of a time demand on their clients, which is why women are switching over. EI still sticks to the every two week payment cycle since monthly payments require women to be able to save over the course of an entire month in order to complete a larger (double) repayment.

Savings

The provision of savings is a significant advantage of participation with an MFI such as EI. Since the organization aims its services to the poorest of the poor, those who barely have furniture to act as a guarantee, many of the associates are new to the concept of creating a separate savings account (at least somewhere besides under a mattress cushion). Many are not accustomed to saving money apart from the rest only for use in an emergency or large, worthwhile purchase. Others have been barred from the possibility of savings due to a lack of identification or official documents needed to open an account in an official bank. Also, some have just never had enough money to get past living from hand to mouth and spend all their money on daily necessities (or, the money is poorly administered).

EI has three types of savings: initial, compulsory, and voluntary. The initial savings occurs at the beginning of every loan cycle when each woman is required to put at least 100 pesos into their account to open it. Compulsory savings is a certain percentage of the loan that they must add each week (for example, a weekly repayment of RD$800 may require her to put $50 additional to be added to their savings account). Voluntary savings is how much more money the woman would like to add each week to her savings account. However, this amount has to be decided at the beginning of each loan cycle and it stays consistent every meeting so that the amount does not change each payment making it easier for the associate and the loan officer to keep track of. So, for example, a woman can chose to deposit an extra $25 on top of her payment, which would bring our example payment up to $875, with $800 going back into EI and $75 being deposited in Banco BHD (typically). When a woman withdraws from EI, her savings are given back within the next two weeks. Also, if a current associate has a specific reason to take out money (i.e., business expansion, house construction, or medical bills.) she can petition her money and it will be released at the discretion of EI. This prevents that the money saved will be wasted and teaches the women that they can indeed save money and shows them the benefit of creating a savings, even without the help of this MFI.

Continual loan service

After each loan cycle, the women are evaluated on an individual and group basis to determine if they will be provided with the opportunity to take further loans. Loan officers review the number of absences, level of tardiness, willingness to be in solidarity with their group members, propensity of their business, if the next loan could be a potential aid to them, if they are participating in loans with outside organizations, and more than anything, their ability to pay the previous loan completely and on time.

When a woman decides that she wants to take a new loan, she then has to decide how much she wants to take out. If they are allowed to continue, which most are that are part of a BDE with no debt or constant tardiness, they are allowed to raise their loan by a maximum of 25 percent each time. A woman with a loan of $8,000 who chooses to increase her loan will often go next to $10,000 and then $12,000.When business is going well (which means the loan initiates in a high business season), associates often chose to increase their loan amount.

Continuing associates who had an average business experience during the completing cycle will likely chose to take another loan at the same amount since they feel secure in the size of the payments and do not know if they can handle the pressure of putting together more money every week (even though theoretically it should not be any harder since they are receiving more initial capital to invest which should correspondingly lead to higher profits; however, it does require being able to manage more and keep the efficiency of your business the same or better at a higher level of production). Finally, there are associates who chose to continue by taking less than their previous loan. If they do chose to take less, it is usually significantly less than their previous loan. This is because those who decrease the loan amount are often just staying in the group so that there are 5 people in the group. The pressure of the loan was heavy, but not too great to withdraw and deny the other 4 women the chance to be part of another loan cycle (or to make the cycle delayed as they search for a replacement and wait for her to be capacitated). For this reason, an associate will go from an $8,000 loan to one of $3,000. It lets her be part of the group and if her business improves during that time (although clearly not from increasing investment in products since they are choosing not to accept the same or greater loan amount), it is much easier for her to reclaim her loan amount in the following loan cycle than if she had withdrawn completely from the group.

Continual loan service is one of the most important aspects of group solidarity. If there were no promise that they could get another loan based on their performance on the current loan, there would be very little incentive to maintain good credit with that organization. The default rate would be significantly higher since there would be nothing to entice them to repay, thus threatening the potential future success of their small business. Under Esperanza's scheme, however, they must complete the loan and be in solidarity with their peers to support their future income and development. It is a common occurrence for women to choose to pay for their group deficit simply so that they can qualify to be part of the next loan.

METHODOLOGY

Introduction

This study was performed in order to better analyze the experience of microfinance recipients participating in the solidarity group lending model proposed by Muhammad Yunus and enacted by Esperanza International in the Dominican Republic. Its goal is to delve deeply into this specific institution by studying its newest branch in Santo Domingo Norte. Through intimate participation in the microfinance process, research was conducted to assess the interconnectedness regarding pre-group ties, the creation of social capital, as well as delinquency, punctuality, and proximity of homes.

In this section, I describe the research methods and design used to collect quantitative and qualitative data to answer the aforementioned research questions. The majority of the research was collected through interviews with the associates and loan officers regarding their experience with Esperanza and the SGLM. The associates' stories speak volumes more than facts and numbers about the necessity and success of microfinance, and are what will further this international development trend throughout the world. Therefore, a semi-structured interview was considered the most viable method in order to best capture these since it gave the participants a guided opportunity to share their experiences.

However, as mentioned before, social capital is hard to measure even when individual stories are collected and analyzed. For this reason, various aspects were measured separately. For example, factors such as home proximity and organizational involvement are both meant to assess their connectedness to the community as well as each other prior to joining the solidarity group. Specific factors of group solidarity, such as amount lent to another member and time taken to repay, were also asked to identify any possible correlation between the prior social capital levels and the in-group actions and support system.

Data-Collection Methods

Materials

The primary material for this research came from responses to in-depth interviews of women participants using an original set of questions designed to prompt the interviewee to expand upon various aspects of her experience with Esperanza. There was a mixture of open- and closed-response questions in order to be able to quantify the responses while still receiving direct quotes and allowing the ability for each participant to share his or her unique experience. Questions ranged from basic items that inquired into their name, gender, and business, to more complex questions aimed at assessing the level social capital before and after group formation.

Social capital is challenging to measure either quantitatively and qualitatively. Because it is a complex and multi-faceted concept, precise variables are difficult to specify and there is no single questionnaire item that can comprehensively assess it. Accordingly, survey questions from similar studies were evaluated and those most pertinent to this study were included. Additional questions were added specifically for Esperanza associates, using knowledge of the system from a previous internship experience. The interview questions, in both Spanish and English, can be found in Appendix A.

Participants

Participants in this study were active associates of Esperanza International who at the time were currently attending biweekly repayment meetings. Ninety-five percent of the participants were women, which is similar to the gender composition of Esperanza's clients (96% female), suggesting some level of representativeness of the sample of women interviewed. The tenure of the participants ranged; some had just received their first loan two weeks before the interview, and others had successfully completed up to five loan cycles, lasting 24 weeks each. The specific meetings were chosen based on the availability of the loan officer and if it would be a hindrance for me to accompany them each day. Seeing as there were only two loan officers I could go with, I spread out my time evenly between them which lowered the chance that the interview responses were affected by the specific loan officer as opposed to the actual situation at Esperanza.

Research duration

Background research and survey composition were performed in the two months preceding the fieldwork. The interviews took place in the Dominican Republic over the course of one month. This allowed ample time to attend a majority of the groups' of repayment meetings: the branch office had two active loan officers with meetings in the morning Tuesday-Friday that rotated on a biweekly cycle. Therefore, performing research for a month provided me the opportunity to attend most of the meetings of each loan officer.

Procedure

The interviews were conducted during the biweekly loan repayment meetings. At the beginning of the meeting, basic information on the group was filled out on the survey (group name, number of members, punctuality). The meeting began with a recitation of the *Compromiso Verbal de las(os) asociadas(os)* (Associates' Verbal Promise) and followed with attendance. At this point, depending on time allowed and the loan officer's persistence, an associate led the group in a short Bible study. After this the official loan repayment began. Four women would give their money to the group coordinator, who counts the money to assure that it is all there, and hand it off to the president or loan officer to double check. This is also when the women are asked to be “in solidarity” with each other, lending money if any part of the biweekly loan repayment is incomplete.

In order to receive varied and most representative opinions on the group solidarity model, participants were picked at random. The associates must sit in the circle next their solidarity group members within the BDE. For example, if in the BDE *Mujeres Vicoriosas*, the five women in the first group would sit next to each other with their group coordinator in the first seat, followed by the second and third solidarity groups so that the large circle was organized. In order to receive the most random sample, I simply chose to first interview the woman directly across from me in the circle. If there remained time for a second interview, I chose the woman directly on my left. This ensured that they were from different solidarity groups (if there was more than one in the room). Occasionally the loan officer would suggest an associate for me to talk to or someone would ask to be interviewed. In these occasions I obliged the request in hope of getting a good interview and to not be considered rude, despite the fact that systematically random means of selection were not followed. Non-random cases were not coded as such seeing as they did add an important aspect to the research that may not have been present otherwise.

Once the associate had been selected, we moved our plastic chairs away from the circle. The goal was to get out of earshot from the group so that the woman could speak openly about any struggles or concerns they experienced with the SGLM. However, this was not always completely possible due to the physical constraints of the space, although we were always able to find a space as to never be the center of attention during the meeting. Once we were situated, I read the approved verbal script describing that their answers would not affect their ability to take out a loan from Esperanza and that their loan officer and peers would not be informed of their responses. After she assented to the PSU approved informed consent, the interview was performed. Following the completion of the interview, I assessed the time remaining and typically had time to perform another interview before the loan officer had to leave for her next meeting. The same pattern was repeated for this associate. At the end of the meeting, I thanked them for their support and time and returned to the office or next meeting with the loan officer.

RESULTS: Quantitative

The interviews yielded a combination of quantitative and qualitative results which will be discussed thoroughly in the next two sections. The quantitative data resulted from questions asked in the beginning of the interview that could be easily categorized and formed into statistics. It is displayed in two sections, pre-existing social capital indicators and solidarity group lending data, in order to best distinguish the qualities that each table expresses. Qualitative information stemmed from the open-ended questions as well as first-hand observations and insights gathered from interviews with the administrators, loan officers. Some of the tables below prompt additional discussion while others provide interesting information from which the reader can draw appropriate conclusions. Table 1 provides basic information about the number of associates interviewed, gender distribution, and the breakdown of the interviews between certain BDEs and loan officers.

Table 1
Interview information

# of associates interviewed:	39
# of BDEs interviewed:	20
# females:	37
# males:	2
# interviews w/loan officer 1:	20
# interviews w/loan officer 2:	19
# meetings with all associates on time:	16

Pre-existing Social Capital Indicators

The tables in this section portray different aspects of social capital creation and existence that occur before joining and during the initial formation of a solidarity group. The purpose of these measures is to assess the prevalence of adverse selection, complete information, and connections within the community. They also give background information regarding the composition of the BDEs in terms of number of members (Table 2) and education levels (Table 8).

Table 2
Membership level in BDE

Number of members in BDE	# of BDEs	% of BDEs
5 members	0	0
10 members	11	55
15 members	6	30
20 members	0	0
25 members	3	15
30+ members	0	0

The distribution of the associates in the BDEs makes sense for an office that is just beginning and for the urban environment that surrounds SDN. Due to the fact that the branch opened in September 2009, there has been a lot of ground work needed to establish these BDEs throughout the communities. Each of the 20 BDEs visited required significant initial leg work and training to establish them. While economies of scale suggest that larger groups are more economically sustainable and an important goal in the long-run, the fact that the majority of the groups had only 10 members makes sense once the initiation process is considered.

Additionally, while there is no direct rural data to compare the results with, it makes sense that urban areas would have smaller BDEs, especially when starting. Although there are more people in urban areas, their level of social capital may not be at the same level as borrowers in a rural area whose families have known and lent among each other for generations. There are also more credit options in larger cities which eliminate microfinance's monopoly on the credit market that it boasts in some rural areas, meaning that potential worthy members may look elsewhere for financial aid.

Table 3
Reason for joining Esperanza

Why did you join this group?	# of Associates
Needed money for existing business	30
Wanted to start new business	9
The group needed another member	0

No one mentioned that their primary or sole reason for joining a group was because the group needed a member, although this was likely equally important for some in their decision as receiving money for their existing business. When associates are forming or expanding a new solidarity group, they are required to complete a group of five. This means that they search through the community for potential reliable borrowers to join with them. Seeing as 38 participants responded that they heard about the group through word-of-mouth (whether family or friends) (see Table 7), it is clear that this is an integral part of group formation.

Table 4
Members known before joining

What percentage of group members did you know before joining?	# of Associates	% of Associates
100%	22	56.4
75-99%	6	15.4
50-75%	5	12.8
10-50%	5	12.8
0%	1	2.6

Fifty-six percent of the women claimed to know everyone in their group before joining, and nearly seventy-two percent of the women knew more than seventy-five percent of the other members. However, this does not distinguish whether or not they knew they simply by sight or truly had regular interaction with all of them. This measure also does not take into consideration the size of the BDE; it is easier for those with a smaller BDE to know everyone in the group upon joining. Even so, it is encouraging to see that only six members joined the group knowing less than half of the people they would soon become jointly liable with. It also points to the reality of the SGLM in the field. Academic theorists stress the importance of knowing all group members before joining, and while that is still ideal, it is not always how it occurs since perfect information is not always available in the real world. These numbers are also likely heightened due to the study's location in an urban area with many migrating families where it is more difficult know all ones' neighbors, as opposed to a small rural town where the families are likely to have known each other for generations.

Table 5
Home proximity

	How long does it take to walk to the closest member's house? (in minutes)	The farthest?
Average:	3.4	13.2
Maximum:	15	45
Minimum:	0	2

By asking the participants about the proximity of the nearest and farthest members' homes, it helps to assess the sense of community between the women. Geographical distance, while it has not been directly proven to correlate with repayment rates, likely does play a factor in the effectiveness of the SGLM. By living closer together, they were more likely to spend time with each other outside of the meeting times and it was easier to support one another's businesses. In the BDEs where there was at least one member geographically dispersed from the rest of the group, the women tended to group with the others that lived nearby them. As supported by the research regarding the creation of social capital, this implies that a level of daily interaction facilitates group bonding and trust.

Table 6
Business ventures among associates

Business Type	# of Associates	% of Associates
Clothing, shoes, and accessories	14	35.9
Food	12	30.8
Household items	7	17.9
Beauty salons	4	10.3
Sewing instructor	1	2.6
Carpentry	1	2.6
Total	39	100

Many associates founded businesses that required relatively little formal training, which is why it is no surprise that the majority of the business ventures among the women interviewed had to do with clothing sales and food preparation. The clothing was often purchased in large packages mixed with clothes of various style, size, and gender. Once the pack was purchased, the women sold the clothes in a small store, in an outside stand, or while walking through the streets depending on the funding available to purchase a locale. Food was sold in a similar manner and typically prepared from scratch by the associate. Household items were often sold through catalogs and delivered the 15th and 30th day of each month. As one might expect, businesses ventures requiring more formalized training were less commonly undertaken since less associates had those skills.

Table 7
Source of introduction

How did you find out about this solidarity group?	# of Associates	% of Associates
Friend or neighbor	31	79.5
Family member	7	17.9
Loan officer	1	2.6

This is the type of data that we would expect from tightly knit urban and rural communities. It assures us once again that many associates did know other friends, family, or acquaintances in the group before joining. It also points to the importance of recommendations from trusted sources in a society where word-of-mouth is highly valued.

Table 8
Educational background

Level of education achieved	# of Associates	% of Associates
No formal education	3	7.7
1st-4th grade	9	23.1
5th-8th grade	12	30.8
Some high school	6	15.4
High school	5	12.8
Technical courses or higher	4	10.3

While there is no formal correlation between success of loan repayment and level of education achieved, it makes sense to assume that level of education greatly affects the success of the business, at least prior to joining Esperanza. For example, those with less education often have difficulties keeping a notebook with the price of the merchandise bought, amount sold, and total earnings. Without being able to read and write, keeping a written log such as this is nearly impossible without help from a family member or neighbor. They have to wait for someone to come over just to be able to write anything down.

Additionally, the group environment changes as the average level of education changes. According to the administrator, “a woman with a lower level of education might not be able to understand the concepts that her group members are talking about.” If this is indeed the case, she could be missing out on important business advice or community ideas that are discussed during the meetings. She continued her explanation: “Lack of intelligence leads to fighting among the women. They call each other names too, saying, ‘You don’t repay! You’re a thief!’” This immaturity is attributed, at least by Dominicans, to the lack of educational training and thus interpersonal training that they have received. Thus, in groups where few of the associates have received extensive formal education, it can be difficult to discuss highly conceptual ideas or technical business practices.

Table 9
Civil service involvement

What type of outside organizations are you involved in?	# of Associates	% of Associates
Religious	29	54.7
Community-based	15	28.3
Financial	2	3.8
None	7	13.2

*Associates can be involved in more than one outside organization

Since Esperanza is a Christian organization, the high prevalence of members involved in outside religious organizations is not surprising. Much of EI's initial training draws in church members, who then encourage their friends to join, who often are from their church as well. When asked about their involvement in community-based groups, most members initially responded "no" until given specific examples (such as a neighborhood group or a local decision making council). At that point they strongly agreed to the question. However, it is possible that the high level of religious organization participation outside of the group serves to slightly alienate those who are not religious. As Esperanza is a Christian organization, each meeting begins by singing hymns, prayer and a short Bible lesson. Those who did not go to church were left sitting there as the rest of their group connected around an essential part of their beliefs, thus creating at least momentary distance between the members.

The low participation count in outside financial organizations may be deceiving. It is against the rules for associates to be receiving a concurrent loan from another microfinance institution, so if they were a part of that they would have reason to not report their involvement. Additionally, a large number of associates are involved in local *sans*, a community-based lending scheme in which each member brings a given amount of money to each meeting and one or two get to take the pooled money home with her. The recipient of the money rotates fairly, so that by the end of the cycle each borrower has had the opportunity to take the pooled cash home. This allows them the opportunity to use a larger sum of cash to make a more significant investment, and points to the distinct lack of savings infrastructure and culture in these communities, since the entirety of the money is equivalent to the amount that they have brought to the group.

There was actually one BDE who combined this *san* into the meeting for their regular payments to Esperanza. Each woman brought an additional RD$200 to the biweekly meetings, and two names were drawn out of a hat to see who got to take the money home that week. Ideally, the money would be invested into their business. However, unlike the money lent by Esperanza, there were no formal restrictions to where the money could go.

Solidarity Group Lending Data

In Tables 10-15 (below) quantitative results regarding in-group lending participation and repayment is displayed. Unfortunately due to the exact data collection methods, statistical correlations between data cannot be drawn. However, it is still possible to glean conclusions by analyzing the tables together and separately.

Table 10
In-group lending participation

Have you lent money to another associate in your BDE to complete her loan?	# of Associates	% of Associates
Yes	27	69.2
No	12	30.8

The majority of associates (69.2%) attested to have lent to another group member at one point or another. This statistic points to the functionality of the SGLM in actual behavior – associates do truly lend to each other when needed. The amount of associates responding affirmatively would also have been higher had the newest members, some of which were at their first or second repayment meeting, not been included in this statistic due to the fact that they had barely had a chance to lend to another group member.

Table 11
Actualization of in-group lending

How many times have you had to lend a to fellow group member?	# of Occasions	% of Occasions
Never	8	22.9
Once	6	17.1
2-3 times	14	40
4+ times	7	20

In-group lending is a reality in the solidarity group lending model, given that 77.1% of the associates reported having lent to a fellow group member. This points to the dangers of individual lending in such areas and emphasizes the necessity of the members on the support and security each other provides. Because in-group lending is such a common occurrence, it is useful to have four other members in the group to share the burden of the default.

Table 12
Lending amount: Quintiles

If you have lent money, how much?		# of Occasions	% of Occasions
Dominican Pesos	*US Dollars*		
$20-99	$0.57-2.82	7	21.2
$100-299	$2.83-8.54	14	42.4
$300-499	$8.55-14.26	4	12.1
$500-999	$14.27-28.56	4	12.1
$1000+	$28.57+	4	12.1

Table 13 **Lending amount: Breakdown**		
	Dominican Pesos	*US Dollars*
Mean:	$331.73	$9.48
Median:	100.00	2.86
Mode:	100.00	2.86
Maximum:	2000.00	57.14
Minimum:	20.00	0.57
Total:	$10,947.00	$312.77

Tables 12 and 13 focus on the specific amount of money the participants reported lending to other group members. The arithmetic mean was $9.48 and the median amount lent was $2.86. While these amounts may not seem significant in more developed nations, this can be an important amount of money when associates are living on a day-to-day basis. As the tables show, there was a large distribution for amount of money lent, correlating appropriately with the variety of experiences that occur in various solidarity groups.

Table 14
Repayment delay among associates

How long did it take for you to be repaid the money that you lent?	# of Occasions	% of Occasions
Less than one week	15	57.7
1-2 weeks	6	23.1
3-4 weeks	0	0.0
More than 4 weeks	4	15.4
Will not be repaid	1	3.8

Many of the transactions were quickly repaid. In fact, 60.8% were repaid to the lender before or at the next meeting. This quick repayment facilitates trust and the possibility of lending to another member in the future. Only one member reported having actually lost the money that she lent; a surprisingly low number considering the fact that many of the women had had little previous experience with savings or lending banks with similar repayment schemes.

Table 15 Money needed to complete payment		
Have you ever had to borrow money from a group member to complete your payment?	**# of Associates**	**% of Associates**
Yes	7	17.9
No	32	82.1

Whereas Table 10 discusses the participants' lending experiences with other members, Table 15 displays the amount of times that that particular associate arrived with an incomplete payment and needed to borrow from her fellow group members. When asked, one associate explained why she had never defaulted on her loan: "[Arriving with the complete payment] is a promise and the money must be there. If I have to not eat that day, I go without eating." Similarly, another associate stated, "I am not going to be a burden on anyone. I know how hard the other members have to work to make their payments."

This dedication to the loan and the respect she has for her group members is truly admirable. Yet, an honest associate describes a reason why she once came with less than her full amount: "My son was sick during the meeting and I had to stay with him. I had the complete payment, but was not able to make it to the meeting. I was able to repay my group members once my son was better and I saw them again." Another woman experienced business-related circumstances that prohibited her from repaying: she had sold an item partially on credit to a neighbor and that woman had not yet paid her back. She was thus short on money but assured me that she was able to repay once her customer completed her payment.

RESULTS: Qualitative

The following qualitative results stem from personal observations, interviews with the associates, and discussions with EI employees regarding the group selection process, training, leadership, in-group politics, and reasons for withdrawing from Esperanza.

Social capital, trust, and group dynamics

Group selection, expansion, and training

A good associate has the desire to keep improving their life. They want their environment to come alive with progress. They have the ability to grow personally, interpersonally, and as a business woman. She is willing and able to help out the others in the group, whether it is with advice, time, or money. She is disposed to take solidarity seriously and is well respected by her group. Through her business and community efforts, she knows those in the town and they know her. This benefits her financially, since her neighbors will direct much business her way, and builds her up as a leader in the community.

These characteristics are what fellow group members should look for before entering into a joint liability contract with their peers. The prevalence of social capital prior to group membership is what they are supposed to base their decision upon. Unfortunately, there is often incomplete information about all group members when forming and expanding a BDE. Frequently the forming group can be strapped for time – loan dispersion dates, the beginning of training sessions, or important meetings may be approaching. It could also simply be the case that various members have suggestions for potential responsible entrepreneurs that another group member has not yet met. This word-of-mouth recommendation is highly important in their culture, so often it would be rude to deny entrance unless they had heard something negative about the recommended woman.

Similar situations occur when deciding how to add an additional solidarity group to a BDE. Ideally, all five new members would be strongly connected to all of the existing members:

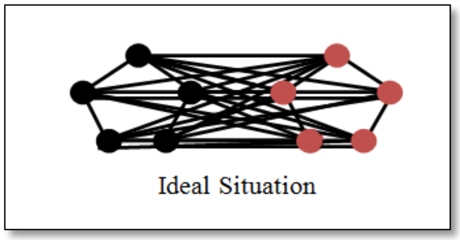

Figure 2: Ideal formation for group expansion

At some point, though, this becomes unrealistic. If the BDE already has 15 women, finding five more women in an urban community that they all know is difficult. Thus, with every additional group it is less probable that everyone can have an intimate connection with all new members. Given this, there are two possibilities for women to join into an existing group. The first way is for the women to receive a direct invitation from one of the associates. A second option is for a separate group of five women to form, who are then integrated into the BDE:

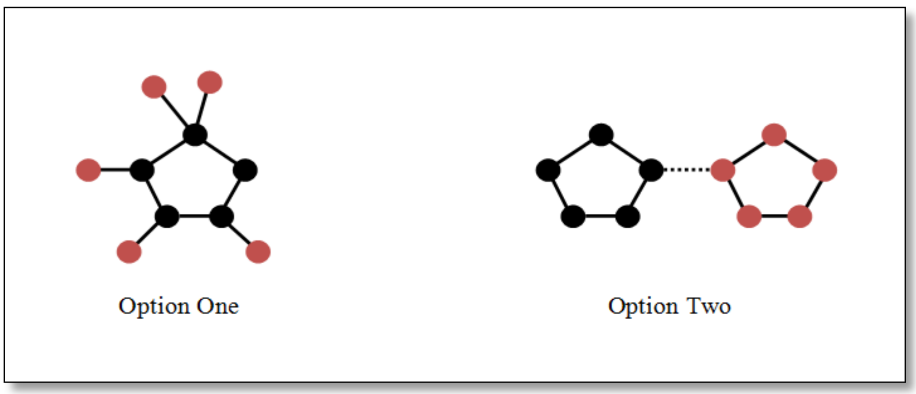

Figure 3: Common group expansion options

While the second option occurs less often, it may be a more successful option since at least the five in the second group have more complete information about each other and thus know each other well enough to enact the proper social pressures that ensure repayment. In the first option, the women already have strong ties to the one new associate that they brought in, but it is possible that none of the other existing or new members know this woman, which makes social sanctions and in-group lending very difficult. Esperanza works with communities and families who do not have a lot of extra money, so if the confidence of repayment is not there, they are unlikely to lend them the money to repay the loan.

Yet when I asked the administrator about the importance of knowing group members before joining, she initially responded that the level of knowledge was unimportant. When I pressed further, she said that they do have to relate with each other at least on some level in order to know enough to deny membership due to her history with credit, business practices, or responsibility. Formal economic studies researching the group lending and selection process, such as that by Laffont and N'Guessan (2000), lack the social aspect of decision making which holds a lot more importance in towns barely above the poverty level than mathematical formulas modeling adverse selection that attempt to predict moral hazard. Often, the reason to join is much simpler than the academics assess. The administrator, when asked why borrowers join groups with women they do not know, responded: "Someone in that group does know them. And someone in that group knows you. Word of mouth and community has a strong pull in these towns. It would be seen as arrogant for you to not join a group simply because there was one member that you did not know. If you want money for your business and Esperanza seems to be the safest institution to get it from (as opposed to big banks or *prestamistas*), it is irresponsible for your financial future to turn the loan down just on the off chance that the few that you don't know won't pay their part, especially if your friend or friend's friend can vouch for them."

This explanation does not fit well into a rational mathematical model, but it is what is happening in the real world. While academia claims that having incomplete information about fellow group members is often too risky for the borrowers, in reality, few women actually heed this caution and stay away from the group. If there is more complete information that informs them that one woman is not responsible, women are more likely to stay away from the group, but perfect information is difficult to attain, especially with time and education constraints.

One associate, Maria, who did not know her whole group, explained that she joined because a friend called her and convinced her to do it. She was worried about the commitment because she would always have to follow through, but her friend reminded her how responsible she was and this encouragement gave her the confidence to join. Multiple others cite word-of-mouth from trusted sources as their deciding factor as to why they joined the group. Another woman explained that she was scared upon joining a group in which she did not know anyone, but now trusts them completely. “It was worth it!” she said. A majority of respondents shared her sentiments of initial trepidation that was overcome through successful cycles.

Group dynamics and trust creation

Leadership

Forming a group with people who already know each other is an important first step to create a strong foundation upon which to build trust. Another aspect that strongly affects trust levels is the group’s leadership. Each BDE has a president, coordinator, and secretary. The borrowers chose among themselves who receives each title. Often, the group converses among themselves for a while and point their fingers at a wide variety of people before one finally says yes. It is rare for someone to volunteer themselves, although that does not mean that they do not want the position; rather, it is socially unacceptable to bestow this position upon oneself.

The president adopts the role of making sure that her group members attend the meeting and bring their complete payment with them. The more force and respect that she commands, the more likely the group is to comply with her demands and the rules of Esperanza. She is the one who shows the loan officer around when doing inventory of what new associates invested in their products. She stays with the loan officer until the last group member shows up in the middle of the rainstorm 2.5 hours after the meeting was to have ended. She is the one who calls them at least a day before to remind them of the meeting. It is important that she be seen as an honest businesswoman and well-respected in the community since her leadership and behavior sets the tone for the rest of the group's actions.

It is also essential that associates are comfortable with their loan officer. The loan officer is their primary connection to EI and the face that they associate with the entire organization. Thus, their feelings and reactions towards the loan officer naturally mimic those towards EI in general. If the loan officer is timely, competent, and requires the women to pay in full before ending the biweekly meeting, the associates assume that EI operates under similar principles and will hold it in high esteem, thus making them more likely to pay back. The loan officer's behavior, language, dress, and timeliness assures them that they are part of a well-known, responsible organization – not one that is going to rob them. The satisfaction of being associated with Esperanza is known in the community and they can be proud to be part of it. If the loan officer is late, lazy, and leaves outstanding debt often at the end of each meeting, associates assume that EI is too weak of an MFI to actually require complete loan repayment and they find ways to take advantage of the loan system and the officer.

With more loan officers, there can be more follow-up, effort, and time spent with each group and each woman. When there was only one loan officer to take care of Santo Domingo Norte's associates, she said that she could only spend about five minutes with each group. There was no time for discussion; she simply collected the money, wrote the receipt, and had to rush off to the next meeting. Now that there are three loan officers, they have time to build a repertoire and trust with the associates.

Such intimate knowledge of the associates by the loan officer and president is crucial to the proper functioning of the group. The administrator insisted that even after successfully completing a cycle, it is important to still analyze each member's motivation for continuing. Borrowers can also build up trust with the group during two loan cycles (for example), and on the third they decide to take the money and not repay properly. They have built up the group's confidence in them only to exploit them down the road. One example she gave me was a woman who wanted RD$1000 to sell coffee along the street. All that that requires is to buy the coffee machine, cups, sugar, and cream. In the next loan cycle she asks for $2000 to do the same thing. Two thousand pesos is much more than one can invest in coffee, so clearly she is asking for money to go to some other cause besides her business. "Poor people are more ambitious, but they can't be rich. They want a car but don't have money for the gasoline," she explained.

"Solidarity" dynamics

The first time an associate is not able to make her biweekly payment, there is seldom much fuss. The other women quickly pull out their money (typically RD$50-100, US$1.43-2.85 each) and make up the difference. When they are paid back by the next meeting, no harm was done and group faith in the solidarity model continues. Problems typically arise when the same woman comes to the meetings every week without her part of the money. However, if she pays the other women back regularly and they know that she is being as responsible as possible (and perhaps her business' timing just does not fit the payment meeting cycle), usually only a small amount of annoyance is brought up and is worked around. However, if she is slow in repaying, even if it is the first time she has borrowed money, the group's trust in her will drop significantly.

If someone is unable or unwilling to pay for her portion, Esperanza first asks the members to cover it, and if they are unwilling, takes the missing amount from the group's savings. (Esperanza, of course, would rather the money come from the group member's pockets since that still leaves them with the group's collateral against default. Group members would prefer not to go through the hassle of trying to find that amount of extra money lying around, so it is easier for them if the money is just taken from the savings they have already put in.) While they often complain about the unfairness of being financially punished for another member's ineptitude, they are simply reminded that they agreed to be a part of this model. Technically, the woman is still required to repay them; however, it is unlikely that they will ever reclaim the money or savings that they lent her. If the associate does not return the money during the two month grace period after the loan period ends, a lawyer is sent in to evaluate her belongings. Sometimes, they are able to find an item to sell and the money from which goes to pay back the other women. The lawyers look for any type of merchandise and sell it at any price to get it to move.

Ideally, as the loan cycles continue the weed-out process perfects itself and the BDE is left with only the most responsible and timely members. However in practice this is not the case; as people get weeded out others are recruited to fill their space that also needs to be weeded out. Thus by a woman's third loan cycle there are still new members joining the group in whom they might not be able to trust completely. If the newcomers are irresponsible and constantly tardy, the woman who has already dealt with these problems in the past two loan cycles will tire of the constant hassle and, although she has proven worthy of the loan and is exactly the type of client

EI wants to attract and keep, could easily decide to leave the group because of the revolving hassle. One very articulate associate on her third loan cycle had come to every single meeting with her money complete is going through this very struggle: “I’ve been thinking about withdrawing from the group…I’m tired of dealing with these irresponsible women constantly showing up late without even a cent of their payment.” This is a serious problem that if not address quickly by EI could lead (and has already begun to lead to) an exodus of their most trustworthy associates.

Difficulties and withdrawal: When groups go wrong

Reasons

There are a wide variety of aspects directly and indirectly related to the SGLM about which the associates expressed frustration. While some of these reasons are not within the structure of the SGLM, they strongly affect how the associates acclimate to the model and feel about Esperanza, which thus affects repayment rates. Causes most often mentioned by the associates include both financial and personal factors:

- Financial reasons:
  - Inability to complete weekly repayments
  - The more loans one takes out, the more it seems like she are withdrawing from her own savings bank
  - Difficult to access savings
  - Seeking higher loans
  - Meetings are time consuming and takes time away from their business or a second job
- Personal reasons:
  - Illness (personal or in family)
  - Meetings are at a bad time of day
  - Seasonal variations
  - Group politics
  - Entered on a speculative basis to try it out and see if they can get away with loan

Currently, EI has no specific information regarding the dropout rates of their clients and at what point they decide to stop participating in further loan cycles. Yet in the near future they are hoping to implement a research project to obtain these data along with the reasons for desertion. Even so, the SDN administrator mentioned that the average length of participation with EI through SDN is three loan cycles. By the third loan, they have already had the opportunity to save enough money to purchase something of significant value. Moreover, they are tired of being in solidarity with their group members or attending the weekly meetings. Completion of three loan cycles means the associate has been in the organization for a year and a half with 1 to 2 hour-long meetings (minimally) every other week. Thus, between 36-72 hours of the associate's life (and often during peak business hours in the mornings) have been dedicated to solely meeting attendance, not to mention the time spent gathering money and checking up on the other women's businesses apart from the official gathering times.

One common complaint held by Esperanza's associates is that the repayment meetings are always held during the morning. Community members say that they would love to join the group if only they could get together in the afternoon after their daily work as been completed. For example, it is difficult for those with small restaurants or *empanada* stands to take an hour or so off of work twice a month during their peak breakfast business hours. Also, those who work in *bancas* (roadside lottery stores) often have to work from 9-1 and then have the afternoons free to develop their own business and a second form of income. However, due to the structure of the system the afternoon is reserved for bringing in new associates (*capacitaciones* and *entregas)*, supervising current businesses, bank deposits, and general office work. Unfortunately, the bank system gets very crowded in the afternoons and does not permit deposits after 5 pm, so all money not deposited by then would have to stay with the loan officer until the next day, which is extremely dangerous in the areas they live. Additionally, when all the money has been entered in the bank by 2 pm, it can then be withdrawn again by 3 pm for the distribution of new loans that happens during the afternoons. Thus, meetings without money such as trainings can be held at any hour with the repayment meetings occurring during the mornings. However, this also significantly lessens the potential productivity (and self-sustainability) of the organization since they are limited in the number of BDEs that can be attended to due to time constrictions on each loan officer (never more than three per officer per day). Of course, the BDEs could be expanded in the community, although those meetings with more women tend to take more time simply because more problems arise.

In a study of MFI dropout rates in Uganda, they found that the first two loan cycles show a very high level of withdraw from the group (Wright et al., 1998). The study goes on to show that by the third cycle the dropout rate reaches its lowest point, meaning the most amount of associates stay on to the next loan. However, it would be interesting to see if that group was comprised of entire BDEs on their third loan cycle, or just individual women who reached that point although at this point their group could be comprised with a mixture of years in the MFI. For EI, the women seem to be significantly *more* likely to drop out after their loan cycle if their group contains women of mixed duration, and significantly *less* likely to withdraw if all of the women in the group have stayed the same during the three loan cycles. If they have stayed together that far, they know that they can trust each other and have built up a community of women that they likely enjoy going to see every other week. They know that the chance of them having to be in solidarity with each other is less and even if they do, there is a high level of confidence in their peers that they will be repaid. With new members, there has not been time to confirm their honestly and work ethic, so women often fear not only their ability to pay their loan completely, but their willingness to be in solidarity when necessary leaving the older members to give the money that is lacking.

There are various reasons why people chose to withdraw from the group. Some withdrew because their business was not earning enough money to fulfill the biweekly repayments. Women who started a new business with the loans may not have been wise enough when investing their money. It could be a slow season of the year (for example, clothing sales are significantly more prosperous in the beginning of summer and in December). When they find themselves lacking sufficient income from the business, associates often seek out more regular employment. They use money from this other employment, instead of their own business earnings, to complete the payment. Employment, however, places a significant demand on their time, making it harder to attend the group meetings, and thus providing them another incentive to withdraw from further loan cycles.

Secondly, women may take out a loan just to “test the process.” During the loan, they decide that Esperanza is not a good fit for them due to a wide variety of factors, including the biweekly meeting structure, the requirement that all money taken out go to their business, etc. Others have been successful enough in their business and find that they no longer need the monetary assistance to keep growing (the ideal destination for microfinance recipients).

Thirdly, associates can also be driven out, often unwillingly, by group politics. This is the most frustrating reason for EI employees to see women leaving the group since it has little or nothing to do with their business’ success. Political matters such as not abiding by group norms, not attending meetings, chronic tardiness, or failing to complete the payment when one woman does not have all her money, demonstrate that the women “don’t understand or simply don’t want the responsibility that comes with the loan.” They do not want to dedicate the time to be sure to attend the meeting or to their business. Generally, it shows that the women have not made Esperanza a priority yet still believe that they will be able to take out another loan despite their inaction.

Finally, outside social interactions and group politics provide one last, albeit not as common, reason that associates withdraw from the loan process. In communities where women are jointly liable for a large amount of money, it is inevitable that business transactions (and their feelings toward those who they make them with) will remain completely separate from their day-to-day interaction with those same people. For example, say the local church is experiencing difficulties with disagreements among the members and both the pastor's wife and the head of the opposition are in the same solidarity group. Thus, even though they both may be able to fully complete their payments and regularly attend the meetings, the group is still likely to experience difficulties which may result in disintegration.

Withdrawal process and consequences

EMMS, Esperanza's integrated microfinance computer system, has a special feature for those associates who have had serious difficulties repaying their loan. While their associates are customarily part of the normal workings of the system, there is a separate part of the system called *proceso legal* in which the debt stops accumulating interest and they are given a significantly longer time to repay their loan (as opposed to the daily fine for being in debt imposed by the normal system). They fall into *proceso legal* after months without any repayment activity on their account. Typically by that point they have been visited by the lawyer and their assets have been evaluated to see if they have anything that can be sold to help the loan repayment process. While in *proceso legal* the lawyer, as opposed to the loan officer, is in charge of receiving the money and the payments can be any size (usually, they require a deposit of a full loan payment).

Commercial banks do not have this special process and defaulting on a bank loan can lead the client into further debt. Since EI's main objective is to free its members from the bonds of poverty, a system that would lead them further into debt would be counterproductive, hence the creation of the *proceso legal* system.

Women cannot take out another loan if a group member has defaulted on part or all of their loans. If the lawyer visits her house and is able to recoup the money, then that money goes to the group and they can continue their service in a continual manner. Otherwise, the group members decide to pay the amount out of their own pockets or savings. Typically, they do decide to pay the amount (as long as it is not exorbitant) in order to continue their privilege of taking money out.

Consequences of withdrawal are determined by the reasons for doing so, but they can include social embarrassment, increased debt (if she was unable to pay her loan), and nervousness to join a similar lending group in the future. These could potentially lead to a stagnating or declining business if their neighbors or other loan groups no longer want to support them.

CONCLUSIONS

Key Conclusions

It is easy to see the statistic that Esperanza International retains a ninety-seven percent repayment rate and assume that their methods therefore are nearly perfect (see Appendix C for more specific data on EI). Theoretical analyses of microfinance practices assume similar success. However, throughout this discussion it has been demonstrated how when actually implemented the solidarity group lending model has its downfalls as well as strengths.

It is necessary to grasp a complete understanding of the decisions that structure the group formation and selection process. As shown by Tables 3, 4, and 7 which discuss reasons for joining, members known previously, and source of introduction to Esperanza, the prevalence of complete information regarding fellow associates is high, but not perfect. There are many barriers allowing this asymmetrical information to persist, including the high density of women in the area, belonging to different civil service organizations, owning different businesses, living far away from other group members, raising children or other time consuming activities.

Existing literature has not yet assessed whether the presence of any asymmetrical information should result in non-participation from those potential members, or whether there is an amount of informational asymmetry that is permissible during group formation. This research suggests that, while it certainly is ideal for all members to know each other beforehand, it is not essential for a successful solidarity group because, although only 56% of the associates claimed to know everyone in their group before joining, EI maintains a 97% rate of repayment. This implies that there are aspects which overcome this asymmetry or at least diminish its severity.

The monetary and social incentives for joining a solidarity group are weighty enough to overcome slight to moderate lack of information about their fellow borrowers and act as collateral to ensure repayment. These incentives range depending on the associate's background but can include lack of alternative trustworthy funding sources, a dire lack of funds for one's business, the wish to become more involved in the community, and the desire to receive the other medical, educational or economic resources provided by Esperanza International. Additionally, being personally invited to join the group by a trusted friend or family member has proved an integral way to encourage new participants. One participant described that she was "not scared to join with people she didn't know because her friend invited her." This feeling of being acknowledged, valued, and accepted from the very beginning of the process also gives the new associate enough confidence and pride to overcome the desire for asymmetrical information. Therefore, this personal connection and sense of self-worth is integral in assuring that informational asymmetry does not necessarily produce adverse selection.

Furthermore, Tables 10-15 discuss the repayment and lending processes and the impact that in-group lending behaviors have on the level of social capital and group dynamics. Unless there are pre-existing judgmental feelings against another member of the group, associates typically are willing to lend the amount necessary to cover an incomplete loan. As one would expect, willingness decreases as the quantity increases, but with enough pressure to complete it from the loan officer, it will be done. In fact, the occurrence of small, infrequent in-group loans that were successfully and quickly repaid increased the trust and the feeling of confidence that prevailed in the group since it reinforced their mutually dependant bond and assured solidarity.

Table 12 points to the distribution of in-group loans and demonstrates that the majority of loans are relatively manageable loan amounts, meaning that the borrowing associate is financially able to lend. One associate even assured me, "Everyone comes to the meeting with an additional RD$50 (US$1.43) in case someone defaults." Group members strive to understand the reasons for their fellow associate's defaulting behavior, and if they are called upon to give a small amount for an appropriate reason (personal or family illness, travel, bad week of business, robbery, or other unforeseeable external circumstances), they will be gracious with their money.

However, it is true that, although many do not admit to it, there are often at least brief sentiments of annoyance when a woman arrives without all her money, increasing proportionally with default quantity and number of times this has occurred. At one meeting, when asked to loan RD$200 (US$5.71) an associate complained: "But then I won't be able to eat today!" It is certainly unfortunate that one member's actions can have such ramifications on another member who worked hard to complete her share; yet, loan officers constantly remind their associates that it is a necessary part of the contract and it must be completed to attain further loans, even if she were to default in full.

The resources available and unavailable outside of the group are displayed in Tables 6, 8, and 9. Level of education, business types, and civil service involvement all form and reflect the creation of social capital and business success within the group. As one might expect, the most prominent business choices for EI associates are also the most abundant businesses in their communities due to the ease with which they can be started and the fact that little formal education is needed to be successful. This brings into consideration the concept of locational equilibrium: more business will continue to move into an area until there is zero economic incentive for another to open. The market surrounding SDN is saturated with used clothes venders, making it difficult for any individual businesswoman to gain an edge on her competition. Value-added services and products, such as professions such as sewing and carpentry, are thus more valuable; significant experience and education is needed to create them and as such fewer venders are able to compete. With a steady demand for the product and low demand, the more unique businesses are able to better thrive than their more popular counterparts.

Yet despite the low level of education in many of the groups (61.5% of associates had completed eighth grade or less), it is possible that their previous business experience or recommendations from more experienced group members helped to overcome this deficit. Also, it is likely that the women chose a venture that they were particularly skilled or interested in which engenders their commitment to the business. Thus, while the communities may become more saturated with similar businesses, their continued dedication to making it successful can help to distance the eventuality of zero economic profit.

Sources of Bias

As with most field studies, there are a wide array of possible sources of bias that must be factored into this interview process. Some sources would be avoidable in future studies; others that are due to the nature of the environment in which they occurred would still persist. It is unlikely that the combination of these biases yields the study invalid, yet it is important to recognize their existence and aim to diminish their effects in future research.

To begin, the language barrier provides the study with a potential source of error. While I do have near-fluency in Spanish, occasionally the participant would use phrases, slang, or words that were regionally specific and difficult to understand. In those situations, I often asked her to repeat the response again in different words or to explain it, but sometimes due to the growing frustration of the associate or time constraints, I just moved on to the next question. Also, there is a large population of Haitian immigrants in Santo Domingo who primarily speak Creole. These interviews were thus conducted in both of our second languages, which made it especially hard to communicate.

Whether due to lack of education or having a different primary language, some of the associates were not able to understand the wording in some of the questions. The questions were worded the same to all participants and the majority understood and were able to give an appropriate response, which makes me assume that the reason for their inability to comprehend the question was not due to poor Spanish or a bad accent. Sometimes the loan officer, if she unfortunately happened to be within earshot, would repeat the question and the participant would still not understand. This occurred most often with the questions that required them to respond analytically regarding their experience with Esperanza.

Occasionally, due to the layout of the meeting location, it was nearly impossible to get far enough away from the meeting to be out of earshot without being culturally insensitive. The participants sometimes felt uncomfortable getting too far away. This could be because attendance is highly stressed and they felt like they might get in trouble for not being present, or simply because their friends were there and they did not want to leave them. One set of interviews was carried out during the *inversión* which took place directly in the new associate's business. The loan officer was right there and the family was nearby.

One must remember that these interviews were collected in the field. That means the conditions that the interviews take place in are often less than ideal. For example, it is quite difficult to conduct an interview and hear responses in the middle of a tropical storm under a tin roof. When the rain went away, the strong sunlight came out. Contrary to the American desire for tan skin, Dominicans wish to spend as little time in the sun as possible as to not get any darker or begin to sweat, so interviews conducted in the heat often received shorter answers than those inside.

As mentioned in the methodology section, to ensure random selection my ideal participants were those sitting across from me and to the left of me. However, sometimes the loan officer would recommend a specific associate to talk with because she had a long time with Esperanza or was the group coordinator or BDE president. While often the specific associate was selected for my benefit and to round out the pool of participants in my study with unique stories, it did change the methodological selection of interviewees.

The responses to some of the questions also varied significantly between group coordinators and members without a leadership role. For example, the question asking if they checked up regularly on their fellow associates' businesses throughout the week was more positively responded to by the leadership than the regular members. It is inconclusive if this is causation or merely correlation: did they check up more on their group members because they were leaders, or did they become leaders because they were already naturally doing this work? Group coordinators and presidents also happened to be the first ones to lend money when needed to complete others' payments.

Furthermore, all of the interviews had to be conducted over the course of one month which placed significant time constraints on the interviewing possibilities. The loan officers remained in the office on Monday morning, leaving only four days per week during which to conduct the interviews. Also, these could only be performed in the mornings since the training sessions were in the afternoon. If the loan officer only had one or two meetings that morning, that meant I could only collect up to four interviews per morning. I averaged ten interviews each week, held back by things such as weather or lack of many meetings. Thus, four days a week for four weeks provided ample time to get a baseline of the associates' interactions and social capital, but a much more extensive and longitudinal study could be performed with more concrete results.

Also, the interview was occasionally rushed by the loan officer's busy schedule. Esperanza stresses timeliness with its associates, so it is understandingly unacceptable for a loan officer to be late to their own meeting. However, this meant that some of the last interviews in each BDE may have been rushed in order to respect her timeline, leaving less time to probe into the reasons for joining and the social capital and trust that already existed in the group (topics that take time to build up to and discuss).

In order to get a representative sample of the associates, I talked with people with varying experience with Esperanza. Some had just begun their first loan cycle, whereas others were completing their 5^{th}. Clearly, amount lent within the group and feelings on group solidarity greatly differ depending on their tenure. Those on their initial loan were in a "honeymoon" stage; they were nervous about how the loan would go, but trusted fully in their group members that nothing would go wrong (especially those who already knew their group members). The associates receiving a further loan cycle understandably had a more realistic view of the solidarity group lending model; they knew that there would be days that they had to complete another member's payment, and that they may not be paid back in full. Yet, they overcame this and have still found Esperanza a worthwhile endeavor, even if they lose RD$50 to their peer.

Additionally, it is possible that the associates misunderstood the purpose of the research and, despite being assured otherwise in the verbal script, presumed that their responses would affect their loan payments or their relationship with Esperanza and affect the continuation of their loan. If this misunderstanding occurred, the interviewees would have been more likely to portray their group as more cohesive than it actually is. In fact, there were multiple occasions where associates told me that they were always willing to lend to another member and assured me that there were no hard feelings in the group when another member lack a portion of her payment; yet, when we reentered the meeting the associates were complaining profusely about having to cover a few pesos for a woman who had had a hard week.

Finally, the largest potential source of error for this study is that only current associates of Esperanza were interviewed. Associates with trouble repaying their loan or who were pushed out for not being in solidarity with their group members were not given a chance to share their experiences. In future studies, this is a crucial demographic to include in order to get a truly well-rounded view of the solidarity group lending model.

Recommendations

In response to the difficulties experienced within the solidarity groups as discussed in the results section, there are a few recommendations that Esperanza or similar organizations may want to consider when evaluating their programs. First, it would be useful for the loan officers to highlight the possibility for an associate to attain an individual loan after a certain number of continuous and successful loan cycles. In theory this is possible: the individual still attends the same repayment meetings with her BDE so that they do not lose her expertise and to make it easy for the loan officer to collect, but she is primarily liable for her own money. Emphasizing this possibility may entice good associate who may be getting bored or frustrated with the SGLM to stick around for another cycle or two in order to be eligible for the upcoming individual loan. Her continued presence would have a positive outcome on the newer members of her group, and would keep her investing in and working hard to promote her business.

Another potential lending structure that many associates requested was the ability repay just once a month. While this would be doing a disservice to the associates with smaller loans since it would increase the likelihood that they would spend any income before the next meeting, it could be quite beneficial for those taking out a larger loan or making a large initial investment with the money. For example, if a woman buys a freezer or new stove with her loan it is more difficult for her to quickly earn back that initial return on investment within two weeks. This is especially difficult if she invested some of her own capital into the purchase as well, meaning that there is little lying around with which to create the first repayment. In order to not miss out on the solidarity bonding and lending, it could still be required that she attends the meeting in-between each of her payments, but the loan officer would just adjust the amount collected depending on the week.

It also appeared to be rather difficult for some of the associates to spend an hour or more at a repayment meeting. For many, the opportunity cost of attending the meeting means missing out on prime business. Associates who sell breakfast to passersby as a living can miss out on many potential customers due to the long morning meetings. Some also have difficulties with childcare during that time. If the meetings were streamlined and only necessary elements kept, while retaining the personal attention and group bonding that occurs during that time, it may make it more feasible for more associates to join Esperanza.

Finally, associates strongly expressed the desire for afternoon meetings. These are not currently performed since a reliable system for loan officers to deposit the money before banks close at 5 pm has not yet been created. Also, training and loan dispersions are currently done in the afternoons. However, if one loan officer were to have the exact opposite schedule of the others in the office, they could to the trainings in the morning and meetings in the afternoon.

Especially in an urban environment such as Santo Domingo where the banks are not too far from the meeting places, it would likely that the officer could arrange their schedule to make it on time to deposit the money each night. As a backup plan, the branch office could install a safe that the loan officer could return to and deposit the cash in until the morning.

Implications

The experiences described in this case study can be adapted and applied to other similar MFIs currently utilizing the solidarity group lending model. Through extensive field work and analysis, I have identified important aspects to consider when forming, evaluating, or remodeling current microfinance programs including: pre-existing levels of social capital and the venues through which this is created, the group formation and selection process, a prevalence of asymmetrical information, as well as the provision of additional, non-monetary services. Utilizing the aforementioned results, conclusions, and recommendations, this case study can be used to expand current academic literature from a merely theoretical basis into practical application in the field.

Future Research

This in-depth case study provides the groundwork for continued research in the field of microfinance. As it focused extensively on only one MFI, Esperanza International, it would be useful to compare such successes and difficulties with other similarly inclined organizations to better flesh out good strategies for loan distribution and ensuring a strong level of social capital in the SGLM. With this comparison, we would be able to distinguish the techniques that are successful from the organization that implemented them. If contrasted with another culture, we could eliminate some of the cultural specificity that comes along with such an individual case study.

Similarly, on a more regional level a thorough comparison between the SDN branches and other EI branches would help to identify which of their policies were most useful as well as the most and least effective way of implementing these policies. This would provide distinct yet equally important contrasts by holding different variables constant and analyzing the results. With both sources of comparison, we would be able to identify the successes and difficulties of EI from the solidarity group lending model across cultural boundaries.

In the future, more discussions with those who did not know many people before joining would help to better understand trust creation, group cooperation, and the ability to compensate for informational asymmetries. They either have a strong belief in microfinance to help them economically, a desire to fulfill a friend’s request to join the group, or both. Extensive interviews aimed at fleshing out their previous worries or lack of concern is integral to solidifying the importance of social capital between members before committing to a jointly liable loan.

Another study comparing socioeconomic factors along with social capital would be useful in suggesting other possible reasons for variation in this research. It is important to distinguish the willingness and sentiments towards taking out a loan as well as in-group lending within the socioeconomic structure. It is likely that poorer borrowers would have a stronger negative reaction to the defaulting of their peers, but this has yet to be confirmed through systematic research.

In order to better understand the social capital and implementation intricacies of the SGLM, the associates who dropped out of Esperanza and those who decided not to join after hearing about the process need to be interviewed in future studies. Gaining a better understanding of their reasons for not continuing with Esperanza would provide a much more well-rounded view of the experience and would allow us to truly distinguish the importance of pre-existing social capital in the initial group selection and formation process.

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APPENDIX A: Survey Questions for Esperanza Associates (Spanish)

Información del grupo *(llénalo antes que empiece la reunión)*
Nombre y número del grupo.:____________________ Cantidad del préstamo: RD$_______

Número de préstamos completados:_____ Número de miembros en el BDE: ____

Puntualidad de BDE: A la hora de reunión:____ +5 minutos:____ +10 minutos: ____+20 minutos:_____

Temas mencionados:____

____

Información de la asociada: Sección Uno
1. Nombre: ________________________________ 2. Sexo: M F

3. ¿Cuál es su negocio?:____

4. ¿Cuántas personas en su grupo solidario conocía Ud. antes de unirse a Esperanza?: ______________

5. ¿Por qué decidió unirse al grupo?____

____

6. ¿Cuál es la principal fuente de ingreso para la familia?:
   1. *Negocio propio*
   2. *Trabajo asalariado*
   3. *Le manda su familia (Remesas)*
   4. *Otra: ______________________*
   5. *No tiene ingresos regulares*

7. ¿Cuál es el último grado de educación alcanzado por usted?:
   1. *Ningún*
   2. *Educación básica 1ro. a 4to. grado*
   3. *Educación básica 5to. a 8vo. grado*
   4. *Algunos estudios bachilleratos*
   5. *Educación media (bachillerato)*
   6. *Cursos técnicos o superior*

8. Aparte de Esperanza, ¿a cuáles tipos de organizaciones pertenece Ud.?:
   1. *Religiosa*
   2. *Cultural*
   3. *Financiara*
   4. *Educativa*
   5. *Comunitaria*
   6. *Deportiva*
   7. *Otra: ______________________*
   8. *Ninguna*

9. ¿Cómo se informó sobre este grupo solidario?:
   1. *De un familiar*
   2. *Un vecino o amigo*
   3. *Contacto de negocio*
   4. *Un administrador o asesor de EI*
   5. *Inglesa local*
   6. *Otro: ______________________*

10. ¿Por qué se unió a este grupo?
   1. *Necesitaba capital para mi negocio que ya existía*
   2. *Quería fundar un negocio nuevo*
   3. *El grupo necesitaba otro miembro*
   4. *Quería conocer a más gente*
   5. *Para experimentar*
   6. *Otro: ______________________*

11. ¿Ud. le ha prestado dinero a otro miembro de su grupo solidario? *:
   1. *Sí, 4 veces o más*
   2. *Sí, entre 2 a 3 veces*
   3. *Sí, una vez*
   4. *No, nunca*

*11(a). Si 1-3: ¿cuánto le prestó Ud. la última vez?: RD$_________

*11(b). ¿Le repagó el dinero a Ud. y cuánto tiempo tomó?:

1. *Sí, menos de una semana*
2. *Sí, 1-2 semanas*
3. *Sí, 3-4 semanas*
4. *Sí, 4+ semanas*
5. *Todavía no*
6. *No será repagado*

*11(c). Si no, ¿por qué no le ha prestado dinero?:

1. *Nadie ha necesito que sea solidario*
2. *No tenía fondos sueltos para prestarle*
3. *No confiaba en ella para repagar el dinero*
4. *No estaba presente en esa reunión*
5. *Otro:* ___________________________

12.¿Cuánto se tarda caminar desde su casa a la casa de la asociada más cerca a Ud.?__________
Lo más lejos?_______

13. ¿Cómo se apoya su grupo entre sí?:

1. *Darles consejos de negocios (i.e. ___________)*
2. *Recomendar clientes posibles*
3. *Ser cliente de ellos*
4. *Recomendarles a sus amigos que sean clientes*
5. *Otro:*________________________________

14. Como es la relación con sus vecinos?:

1. *Conoce los vecinos muy bien, muy amigos*
2. *Casual*
3. *No ha conocido los vecinos ni interactúa*

15. ¿Me pudiera explicar por qué tiene confianza en los del grupo?________________________________
____
____
____

16. ¿Cuáles aspectos de la solidaridad a Ud. le gustan y no le gustan?______________________________
____
____
____

17. ¿Cuáles habilidades ha aprendido Ud. durante su tiempo con Esperanza?_________________________
____
____
____

18. ¿Tiene unas sugerencias para mejorar Esperanza?:____
____
____
____

19. Después de haber recibido el préstamo, ¿cómo ha usado los ingresos adicionales de su negocio?
(Mark all that apply, double check principle expenditure; mark specific expense next to category):

- ☐ *1. Mejorar el hogar:* ______________________________
- ☐ *2. Educación:*_______________________________________
- ☐ *3. Tratamiento médico:* ________________________________
- ☐ *4. Comida:* ____
- ☐ *5. Viajar:*____
- ☐ *6. Negocio:*____
- ☐ *7. Otro:*____
- ☐ *8. No he recibido ingresos adicionales*

20.¿Pasa tiempo con los miembros de grupo aparte de las reuniones? Si sí, ¿con cuántas de ellas?

1. *Sí, con todas*
2. *Sí, 3 o 4 de ellas*
3. *Sí, uno o dos de ellas*
4. *Raras veces o nunca veo a ninguna de ellas*

*20(a). ¿Con cuál frecuencia y que hacen Uds.?____
____
____

21. ¿Ha tenido que ser solidario el grupo contigo? Sí No Por qué?
1. La venta del negocio ha estado lenta.
2. Por razones de salud de usted o algún familiar (hijos o esposo).
3. Por ventas a crédito no pagadas
4. Un familiar o un amigo prestó su dinero
*5. Otro:*___________________________

22. ¿Ha visitado usted los demás negocios de las asociadas del grupo entre las reuniones para ver cómo han ido progresando? Sí   No   ¿Con qué frecuencia?____
____

23. Cuando una asociada no puede pagar durante una reunión, ¿cuáles acciones se toman para asegurar que ella page?
1. Toma la mercancía y la vende
2. Se pone en conocimiento que puede ser expulsado del grupo
*3. Otro:*____

24. Si ellas han cumplido más de un ciclo con este grupo: Con el crecimiento de los préstamos, ¿se aumenta también la presión del grupo? Sí   No ¿Por qué?_______________________________________
____
____

***

25. Del grupo entrevistado anteriormente, ¿cuál es el índice de recuperación de los préstamos?_________

26. ¿Cuál dificultad ha experimentado este grupo para pagar sus préstamos?_______________________
____
____

27. En una escala del 1 al 10, siendo 10 la calificación más alta y 1 la más baja, ¿cómo calificaría el nivel de repago de este grupo?________

28. ¿Cómo calificarías este grupo?
1. *Cohesivo*
2. *Abierto*
3. *Lleno de confianza*
4. *Inestable*
5. *Difícil*
6. *Otro:*__________________

Comentarios adicionales:

Preguntas adicionales:

A. ¿Tienes miedo que las personas que no conoces no van a poder pagar?

B. ¿Compran Uds. en los negocios de las asociadas para ayudarle en el desarrollo de ellas y sus negocios?

C. ¿Hay malos sentimientos en el grupo cuando una asociada viene con su pago incompleto?

APPENDIX A (continued): Survey Questions for Esperanza Associates (English)

Group Information *(to be filled out before meeting)*

Group Name & No.:________________________________ Group Loan Amount: RD$__________

No. loan cycles:_________ No. BDE members: ________

Timeliness of BDE: @Meeting time:____ +5 minutes:_____ +10 minutes: _____ +20 minutes:______

Topics mentioned during meeting:____

Associate Information: Section 1

1. Associate's name: ________________________________ 2. Gender: M F

3. What type of business do you own?:____

4. How many women in your solidarity group did you know before joining Esperanza?: ______________

5. Why did you decide to join the group?:____

____

6. What are your family's sources of income? :
   6. *Their business*
   7. *Salaried job*
   8. *Remittances*
   9. *Other:* ______________________
   10. *No regular income*

7. What is your highest level of education completed? :
   1. *None*
   2. *1st-4th grade*
   3. *5th-8th grade*
   4. *Some high school, but no degree*
   5. *High school*
   6. *Technical courses or higher*

8. Apart from Esperanza, what types of organizations are you involved with? :
   1. *Religious*
   2. *Cultural*
   3. *Financial*
   4. *Educational*
   5. *Civic/Community*
   6. *Sports*
   7. *Other:* ______________________
   8. *None*

9. How did you find out about this solidarity group?:
   6. *Close friend or family member*
   7. *Neighbor*
   8. *Business contact*
   9. *An Esperanza loan officer*
   10. *Local church*
   11. *Other:*__________________________

10. Why did you join this group? :
   1. *Needed capital for existing business*
   2. *Wanted to start new business*
   3. *Group needed another member*
   4. *Wanted to meet more people*
   5. *Just to try it*
   6. *Other:* _______________________

11. Have you ever lent money to another woman in your group?*:
   1. *Yes, 4 or more times*
   2. *Yes, 2-3 times*
   3. *Yes, once*
   4. *No*

*11(a). If yes: How much did you lend most recently?: RD$_________

*11(b). Were you repaid and, if so, how long did it take?:
   7. *Yes, less than 1 week*
   8. *Yes, 1-2 weeks*
   9. *Yes, 3-4 weeks*
   10. *Yes, 4+ weeks*
   11. *Not yet*
   12. *Will not be repaid*

*11(c). If no, why have you not lent money?:
   1. *No one has needed in-group lending*
   2. *Didn't have money available to lend*
   3. *Didn't trust member to repay*
   4. *Wasn't present at meeting*
   5. *Other:* __________________________

12. How many minutes does it take to walk to the house of your closest group member? __________
The farthest?_______

13. In what ways does your group support each other? :

6. *Business advice (i.e. _________________)*
7. *Recommend potential clients*
8. *Patronize business themselves*
9. *Recommend friends to patronize business*
10. *Other:*____________________________

14. What is your relationship like with your neighbors?:

1. Knows neighbors very well, good friends
2. Acquaintance with neighbors
3. Hasn't met or interacted with neighbors
4.

15. Can you tell me why you trust your group members? ___________________________________
____
____
____

16. What aspects of solidarity groups do you like and dislike?___________________________________
____
____
____

17. What skills have you learned during your time with Esperanza?: _______________________________
____
____
____

18. Thinking about Esperanza overall, how could it be improved?:_________________________________
____
____

19. Since receiving the loan, have you used the extra income from your business for the following uses? (Check all that apply, double check principal expenditure; next to category mark specific expense):

- ☐ *1. Home improvement:* _____________________________
- ☐ *2. Education:*_______________________________________
- ☐ *3. Medical treatment:* _______________________________
- ☐ *4. Food:* ____
- ☐ *5. Travel:*____
- ☐ *6. Business:*____
- ☐ *7. Other:*____
- ☐ *8. Has not received extra income*

20. Do you spend time with your group members outside of group meetings, and if so how many?*:

3. *Yes, all of them*
4. *Yes, 3 or 4 of them*

3. Yes, 1 or 2 of them
4. Rarely or never see anyone outside of meetings

*20(a). How often and what do you do?____
____
____

21. Have you ever had to borrow from a group member to fulfill your biweekly repayment? Y N Why?

1. Business was slow
2. Medical reasons
3. Needed money to repay other loans
4. Family member or friend borrowed money
5. Other: ____

22. Do you ever visit the business of your group members between meetings to see how they are doing financially? Y N If so, how often?____
____

23. When a member is unable to repay at a meeting, what actions do you and your group members take to ensure that she repays?

1. *Take their products and sell it*
2. *Let her know that she can be expelled from the group*
3. *Other:*_______________________________________

24. If they've completed more than 1 loan cycle with this group: As the size of the loans grows, does the peer pressure increase as well? Y N Why?
____

***

25. What is the group repayment rate?:___________________

26.What difficulties has this group experienced in repaying their loans?___________________________
____
____

27. How would you rate the overall group repayment rate of this group on a scale from 1 to 10? ______

28. How would you describe this group?

1. *Cohesive*
2. *Open*
3. *Trusting*
4. *Unstable*
5. *Difficult*
6. *Other:*__________________

Additional comments:

Additional questions:

A. Are you scared that the people you don't know will not be able to pay?

B. Do you shop at your associates' businesses to help them or the development of their business?

C. Are their bad feelings in the group when an associate arrives with her payment incomplete?

APPENDIX B: Survey Questions for Esperanza Loan Officers and Administration

1. What is the dropout rate for associates of Esperanza International?

2. What does it mean to be in *proceso legal*? Do many associates get to this process?

3. How many loan cycles does it take to qualify for an individual loan? Do the majority of the associates know that this possibility exists? Is this a goal that many are working towards?

4. Are there members that no longer attend meetings but still make savings deposits?

5. Do EI associates belong to other credit organizations as well?

6. How did you arrive at your position in Esperanza? Were you ever an associate?

APPENDIX C: Esperanza International Additional Information

From the Esperanza International website (http://www.esperanza.org/us/):

Mission Statement

The mission of Esperanza International is to free children and their families from poverty through initiatives that generate income, education and health, restoring self-worth and dignity to those who have lost hope.

Values

- Following Christ and living the Gospel in all of our relationships
- Honoring the worth, dignity and potential of every person
- Developing the whole person: body, mind, and spirit
- Strengthening the family
- Fostering a sense of community wherever we serve
- Learning from all those with whom we serve as we endeavor to teach truth
- The earth as God's creation that we steward for the good of all people
- Achieving excellence in all we do
- Pursuing integrity over image
- Enabling every person to have the opportunity to become all that God intends

Principles

Esperanza's program principles lead toward and facilitate community-based sustainable development programs focused especially on benefiting children and their families.

Esperanza will promote and support development policies, strategies and activities that:

- Address the root causes of poverty, especially those impacting children, and facilitate activities that lead to improved living conditions, reduced infant mortality, greater life expectancy, better nutrition, improved education, increased income, environmental improvement;
- Focus on families and communities as the agents, planners, implementers and evaluators of the development efforts, where the vision comes from the people, and the ownership is theirs;
- Improve the capacity of people to learn from their experiences of development, to be empowered by that process and to lead more fulfilled lives with greater understanding of the world they live in;
- Free people from the bondage and oppression of cultural, social, spiritual and economic forces that inhibit becoming all that is intended;
- Build alliances and partnerships with other institutions with compatible goals, such as churches, non-governmental organizations and local community groups;
- Lead to more technically appropriate and sustainable activities and practices that contribute to self-sufficiency and self-reliance;

- Encourage systems that ensure accountability and integrity;
- Improve the leadership, management and organizational skills within the families and communities of a project area.

It is our policy to provide assistance to those in need, regardless of religious or political persuasion, and that it will not be withheld for lack of certain sectarian, religious or political beliefs.

Microfinance Services

The foundation of our Integral Development Model (IDM) is our Microfinance Services program, which consists of five components designed to sustainably improve the economic situations of impoverished families:

1) Microcredit
2) Business training
3) Savings
4) Insurance
5) Group-lending

1) Microcredit- The main ingredient is a small loan averaging $150 to start or expand the small business of a person living in poverty. This capital empowers the working poor with self-employment so they can invest in their business and use the profits to provide for the basic needs of their families. Esperanza serves people who are not eligible for commercial loans or who are preyed upon by loan sharks who charge extreme interest rates. Esperanza charges a 2% interest on the loan balance, which is paid every two weeks over a six-month period. Being in charge of their own business and working to repay the loan by their own merit fosters dignity and self-worth.

2) Business training - In order to maximize the effects of the micro loan, Esperanza offers its associates training in business planning, specific trade skills, marketing, budgeting, inventory management and accounting. Five business training sessions with an Esperanza loan advisor prepare them for running their businesses and understanding how the loan repayment process works. Empowering our associates with knowledge and skills decreases dependence and helps break the cycle of poverty.

3) Savings - Esperanza requires each associate to put 2% of the balance on their loan into a savings account. Living in poverty can cause increased vulnerability to disease, exploitation, natural disasters and theft. Therefore, mandatory savings of 2% as well as voluntary savings can ensure that our associates will be better prepared for emergencies and have improved security of their capital for future investments such as tuition and home improvements. This process develops peace of mind and transforms hopes into achievable goals.

4) Insurance - In the event that an associate becomes incapable of working and is unable to repay the loan, whether because of extreme illness, injury or death, then the family keeps the loan

balance without having to make any more payments.

5) Group-lending - Esperanza associates form solidarity groups of five entrepreneurs in a given community. Multiple groups in one community join to create what we call a Bank of Hope. Together, this group receives their micro loans, goes through business training, makes loan payments and supports one another throughout the process. If a member cannot pay in full or on time, the other group members are responsible for making the payment. This not only cultivates social bonds and trust, but accountability as well.

Our associates, more than 80% of whom are women, use their loans to invest in their businesses and use their profits to improve nutrition and living conditions and send their children to school. Once associates have been through the loan cycle and have successfully repaid their loan, they are eligible to borrow larger amounts to continue developing their business and enhancing their quality of life.

Performance to Date

Indicators	Value	
Created business	47,836	
Active clients	9,429	
Active BDEs	1,249	
Active groups	3,870	
Women percent	89.31	
Clients retention rate	30.22	
Disbursed loans	105,840	
Loan amount average	DOP 7,639.50	USD* 213.39
Amount disbursed	DOP 808,564,274.59	USD* 22,585,594.26
Total amount repaid	DOP 730,347,079.36	USD* 20,400,756.41
Write off	DOP 18,944,431.23	USD* 529,174.06
Active portfolio	DOP 59,272,764.00	USD* 1,655,663.80
Re-payment rate	97.47	
Loan officers	45	
Total staff	65	

* Esperanza International operates in Dominican Pesos (DOP); thus, the figures in DOP above are exact. For your convenience, USD estimates have also been included. To reflect fluctuations in exchange rate as best as possible, the USD figures above have been approximated using an average rate.

*Data above as of 3/16/2011

APPENDIX D: Glossary and list of acronyms

Associate – Borrower actively participating in a loan cycle with Esperanza International

BDE: *Banco de Esperanza* – A group of one to eight solidarity groups from the same community who attend biweekly meetings together

EI: Esperanza International – A microfinance institution located in the Dominican Republic that distributes loans and additional social services to its associates

Loan cycle – The 12-24 week time period in which the associates attend biweekly meetings and make payments on their loan

Loan officer – An employee of Esperanza International who visits the communities regularly to lead the biweekly meetings, training sessions, and initial appraisals

MFI: Microfinance institution – A general term used to describe lending organizations utilizing the strategy of microloans

SDN: Santo Domingo Norte – The branch office of Esperanza International located in the north part of Santo Domingo where this study was performed

SGLM: Solidarity group lending model – A method of distributing microloans in which five associates are jointly liable to assure repayment of the entire loan. If one associate does not bring her complete payment, the other four women are responsible for her portion as well.

Solidarity group: A group of five women who agree to enter the joint loan agreement together. These form the basis for the *Bancos de Esperanza*.

ACADEMIC VITA

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Schreyer Honors College
B.S. Community, Environment, and Development (with honors)
International Development Option, Specialization in Latin American Development
B.A. Spanish
Study Abroad Experience:

- Escuela Agrícola Panamericana: Tegucigalpa, Honduras (Summer 2009)
- Facultad Latinoamericana de Ciencias Sociales: Santo Domingo, Dominican Republic (Fall 2009)

Awards, Scholarships, and Distinctions:

Student Marshal for Department of Spanish, Italian, and Portuguese
Standard Bearer for CED Major during commencement ceremony
Recipient of Evan Pugh Scholar Award (top 0.5% of graduating class)
Recipient of Tag-Along Funds for International Travel (College of Agricultural Sciences)
Recipient of Undergraduate Summer Discovery Research Grant
Dean's List all 8 college semesters
One of five recipients of the Dean's Fund for the Schreyer Honors College (8 semester full-tuition scholarship)
Recipient of Lawton Academic Excellence Scholarship (Schreyer Honors College)
GOTCHA International Experience Fund (College Agricultural Sciences)
Recipient of Oswald Scholarship (College of Agricultural Sciences)
President's Freshman Award
National Spanish Honor Society

Experience:

Penn State University: ***4-H Conference Translator & Interpreter*** Feb.2011
Guanajuato, Mexico

- Simultaneously interpreted conversations, translated PowerPoints, biographies, and other conference materials between English and Spanish
- Visited and assessed potential for 4-H projects in multiple Mexican high schools and communities

Esperanza International: ***Microfinance Researcher*** July-Aug. 2010
Santo Domingo, Dominican Republic

- Performed self-written and researched interview questions to assess level of social capital and solidarity within jointly-liable microfinance recipient groups
- Analyzed effectiveness of current business methodology and provided suggestions for improvement

Esperanza International: ***Kiva Fellow*** Aug.-Dec. 2009

- Interviewed over 50 loan recipients and collected stories and experiences with the microloan process
- Attended and assisted loan repayment meetings
- Developed over 30 highly-viewed Kiva.org loan requests, all of which were completely filled