

Measuring Effectiveness of Social Capital in Microfinance: A Case Study of Urban Microfinance Programme in India

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ABSTRACT

Creation and use of social capital is considered to be one of the emerging tools of development programmes. It is valued as one of the vital link to replace physical capital with social intermediation in microfinance. The paper analyses the meaning and role of social capital with specific reference to microfinance programme and tries to measure its impact on social empowerment of women with the help of empirical findings. The paper is based on primary data collected of 217 women Self Help Group (SHG) members by using random sample method from the SHGs organized by Forbes Marshall Co. Ltd, a leading manufacturing company in Pune, Maharashtra, India as an initiative of corporate social responsibility. A Likert scale is used to find the perceptions of SHG members about the changes which microfinance programme has brought out in their lives with respect to 15 parameters related to awareness building, capacity building and active and collective participation in social and political life to bring out desirable changes. The paper concludes that microfinance programme implemented by the organization has created a social capital which has an empowering effect on SHG members. The paper suggests that creation of social capital is not an automatic outcome and the organizations have to create and nurture it deliberately by implementing specific policies such as capacity building programmes, developing decision making abilities, etc.

Keywords: Social capital, Microfinance, Social empowerment, Collective action

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INTRODUCTION:

The concept of social capital is gaining more and more importance in social science research for various reasons. The positive connection between effectiveness various development programmes and social capital existing in the participants is one of them. Thus various issues such as what is social capital, how can it be generated, how it can be used more effectively for mutual benefit, how can it be measured, etc. become vital for policy makers as well as for practitioners and researchers. Microfinance institutions for instance very frequently bank on creation of social capital to bring out desirable change at macro level. In fact it is the basic fundamental principle of microfinance to replace physical capital or collateral required for acquiring loan with social capital or peer pressure and monitoring. The present paper attempts to understand the role of social capital in the context of development programmes and more specifically microfinance programmes. The paper is composed of four parts. First part deals with meaning and relevance of social capital in the broader context of development interventions. Second part deals with relevance of social capital in specific relation to microfinance programmes. Part three consists of empirical study undertaken to measure the effectiveness of social capital by using a case study method. Part four covers the conclusions and the recommendations for improving the effectiveness of social capital.

1. Meaning and Relevance of Social Capital:

The broad meaning of social capital is facilitating collective action for mutual benefit. Social capital resides in relation between individuals and its impact can be seen on individual level as well as on community or group level. It refers to quality of human relationship existing within some well defined social groups which has impact on achieving mutual benefits. Coleman (1988) defines social capital as an asset embedded in relationships that facilitates instrumental action among people and the sharing of knowledge and resources from one person to another. Putnam (1995) describes social capital as those features of social organization such as trust, norms and networks that can improve efficiency of society by facilitating coordinated action. World Bank (2009) also defines social capital as the norms and network that enables collective action and shapes quality and quantity of society's social interactions. It considers social capital as one of the vital resource to bring out the desirable outcomes for any development programme. Bourdieu (1985) elaborates different forms of social capital such as bonding social capital which connects individual to groups and networks, bridging social capital which ties relationships between different socio-economic and ethnic class and linking social capital which ties poor people

with the other members of positions such as organization, development officers, etc. Social capital in any society can be seen in different dimensions such as groups and networks existing in the society which promote and protect relationships and improve welfare, trust and solidarity which foster greater cohesion and willingness to take initiative in social context based on the assumption that others will respond as expected, collective action and cooperation which foster the abilities of people to work together towards resolving community/ social issues, social cohesion and inclusion which mitigates the risk of conflict and promotes equitable access to benefits of development by enhancing participation of the marginalized and lastly information and communication which provide improved access to information via network.

Social capital theory covers various aspects such as dimensions, levels, types, determinants, benefits and downsides (Claridge: 2004). The dimensions as mentioned earlier cover trust, rules and norms governing social action, types of social interactions and network resources. Interrelations and interactions at various level such as family, community, professions, countries is another dimension of social capital. Social capital can be classified into different types such as bonding or bridging relations (horizontal or vertical), weak or strong relations open or closed relations or geographically dispersed or circumscribed relations, etc. The nature and the quality of social capital is determined by various factors such as history and culture, socio-economic stratification in the community, strength and characteristics of civic society, families and kinship connections, institutional and policy framework and rules and norms to regulate public life, etc.

Number of studies focus on positive and negative impact of social capital while judging the performance of development programmes. Blair and Carroll (2008) give a precise explanation of how social capital can be used as a tool for community development. They state that social capital can be used for bonding or uniting individuals within a group or network as well as bridging or overcoming vertical barriers with unequal social status or power to work together. It helps local communities in different ways such as reducing cost of negotiations and monitoring due to increased trust established within the society, improving efficiency of transactions and mitigating negative economic effects on non-market transactions such as damage to environment, etc. as individuals who are part of same network also share trust, same values and reciprocity. Social capital also acts as a catalyst for encouraging innovations due to increased trust, improving quality of life, taking local competitive advantages in global competition, mitigating economic development conflicts due to availability of common platform to discuss issues and development of social economies.

Pronkyle et al (2008) study the impact of social capital in health intervention programmes in providing HIV training and reducing women's vulnerability in it in South African villages. The experiment was conducted in few villages where group microfinance showing the evidence of social capital and comparison villages with no evidence of social capital. The study found out that the impact of social capital was significantly high in bringing out desirable change. Krishna (2003) compared development outcomes in 69 North Indian village communities and found villages that have high levels of social capital also have high development performances which he measured in terms of enhancement in livelihood stability, employment generation, poverty reduction and improvement in quality of basic services. He also stated that social capital has multiplicative relations with other development resources such as capacity of village leaders to bring out socio-economic change.

Coffe and Geys (2005) study the impact of social capital on financial performance of local governments such as 300 Flemish municipalities assuming that social capital is likely to increase public monitoring abilities, effectively resolve social problems and lead officials to better performance. The authors selected three indicators to judge the level of social capital in the municipalities such as the density of voluntary organizations, rate of political participation and crime rate per capita in municipal areas. The empirical results showed that not only social capital had significant positive impact on budgetary surplus in Flemish municipalities; it also showed that one standard deviation improves the municipality budget surplus with 2 to 2.25 percent of total revenues.

Social capital may not always result in positive outcomes for its members. On a very broad level social capital is based on creation of horizontal associations between the members consisting of social members and associated norms. It is based on the assumption that horizontal ties give a group a sense of identity and common purpose. Limitations of this approach are the groups themselves may get isolated, may work against the common interests of the society at large and may hinder the individual growth and mobility. Thus if the social capital is based on narrow outlook on the basis of ethnicity, religion or socio-economic status; it may actually hinder socio-economic development.

The literature on theory and empirical studies conducted on finding impact of social capital on community development puts forward some important issues. It states that social capital exists in social relations of various types and it is very essential for any development programmes in order to create

trust, share common values and knowledge, resolve common issues and conflicts, enhance participation of the marginalized sector and bridge the gap between administration and participants. At the same time it might bring some negative outcomes if not monitored properly.

2. Role of social capital in microfinance:

More than any other development programme the link between microfinance and social capital is stronger and clear. Social capital cultivated through peer group pressure and monitoringt replaces conventional collateral requirements and improves credit worthiness of millions of clients especially women. Along with that it also contributes other benefits such as greater sense of community, trust, reliance on each other in times of crisis, sharing of information, skill up-gradation, better decision making and bargaining power within family and in community and creation of support system (CIDA:1999). Microfinance programme by nature and by objectives depends on creating virtuous spiral the base of which is creation and utilization of social capital (Mayoux: 2001). Access to savings and credit contributes to economic empowerment of women through productive use of credit. It leads to better control over resources by women and better wellbeing of themselves as well as their families. It further enables them to renegotiate and bring out changes in gender relations in their families as well as in local or community level which leads to social and political empowerment. At all these levels social capital in terms of networking, higher access to information and skill up-gradation and collective action to tackle gender and social issues enhances their abilities to bring out desirable change.

Ismawan (2002) explained the relationship between economic intermediation through micro finance programme on existing social capital. He stated that economic intermediation sometimes strengthens existing social capital such as local communities, local government, etc and destroys social capital such as money lenders, social hierarchy, etc. He states that microfinance helps building social capital to enhance degree of information sharing, democratic participation, collective decision making and sustainable development. The study undertaken by Brata (2004) in Javanese village throws light on the impact of social capital on access and repayment of rural credit where social capital is assessed in terms of number of membership in a group, meeting attendance and participation in decision making. The study found out that regularity in attendance of meetings and the higher positions in the group have positive influence over the amount of formal credit provided by the group.

Ronchi (2004) states that social capital and micro finance are reinforce each other. Any sustainable development requires combination of natural capital, physical capital and human capital. Micro finance programmes make use of existing social capital in the society and link that to physical capital to foster economic growth. The higher the social capital, higher the cost of defecting and missing of mutual benefits which enhances repayment performance. Similarly higher the social capital, higher the trust builds amongst members and higher will be the impact of microfinance programmes on other aspects besides access to credit. Ronchi studies the role of social capital in implementation of microfinance programmes in Ecuador and concludes that it has helped in bringing wider political participation, stronger interventions in decision making process and more bargaining position for poor women. Oksan (2008) throws light on how microfinance programme can contribute to the political awareness and social activism of its clients through the process of development of self efficacy and social capital.

The crucial problem faced by any microfinance programme is imperfect information available on poor customers which reduces their credit worthiness. This problem can be tackled by using social capital effectively in screening customers by borrowers themselves using their knowledge about each other, peer monitoring and peer pressure where private good like access to credit is made conditional on provision of public good like group repayment (Bastelare: 2000). Thus social connectivity among borrowers and lenders allows significant savings in screening, monitoring and enforcement and reduces transaction costs. Olomola (2002) tried to assess the impact of social capital on performance of microfinance projects in Nigeria in mobilization of savings, repayment of loans and regularity of meetings held by groups. He found that impact of social capital is varied as per the nature of the groups formed. It is significantly high in the groups which are autonomously developed emerging groups which have been subject of neglect from formal financial system as compared to well established organized groups which are assisted by NGOs. In case of the later the ability of the NGO to build credibility and confidence amongst the members is very crucial for building social capital. Financial sustainability is one of the crucial challenges faced by many micro finance organizations. If MFIs can substitute professional mangers and fieldworkers with voluntary inputs from saving and credit groups, it may act to reduce transactions costs substantially and simultaneously create social capital to address wider issues effectively (Baumann: 2004).

Mosley, Olejarva and Alexeeva (2004) find that the impact of social capital created with informal associations is not uniform across all economies. Social capital is valued more where issue of corruption is a serious

impediment to the access to credit. In some societies it helps in inducing greater trust in government officials and developing complementary services such as insurance where development of trust is essential.

Number of studies focus on role of social capital in encouraging and sustaining micro entrepreneurship. Morris, Woodworth and Hiatt (2006) make a comparative analysis of financial performance of individual lending and cooperative micro lending to self employed entrepreneurs in Bulgaria and Philippines. They concluded that cooperative micro lending leads to higher survival rates and better performance of self employed entrepreneurs due to higher level of social capital created by organizations. The social capital created through social ties and network help self employed women entrepreneurs in having flexibility in interest payment and repayment schedule, training and skill up gradation, networking with suppliers and customers as well as sharing responsibilities such as child care, etc.

Woodworth (2008) has shown a strong connectivity in success of micro entrepreneurship and development of social capital. In fact he gives more importance to access to social capital than to financial capital as it is this intangible asset which helps micro entrepreneurs in various ways such as leveraging relationships in building customers and suppliers, expanding businesses, reducing stress in times of economic crisis and building commitments towards your enterprises. Gomez and Santor (2001) study the effect of social capital on the performance of small entrepreneurs in terms of net earnings by making comparison between performances of entrepreneurs taking loan from group based lending activity by micro finance institution and individual lending programmes. The authors classify social capital at various levels such as country, community and individual and try to assess the impact of social capital at individual level. The positive relationship between social capital and better economic performance of the entrepreneurs comes through better 'instrumental support' such as provision of startup capital, non-interest bearing loans, cheap or free labour, etc; 'productive information' such as transfer of business knowledge, valuable referrals, etc, and 'psychological aid' in handling personal problems and helping in times of emotional stress. The authors conclude that social capital contributes to better economic performance and individual entrepreneurs with no or little financial collateral may benefit more from increased level of social capital. Lack of adequate information and weak social ties in urban areas may reduce the impact of social capital in urban settings. In analyzing its impact of repayment of loans in Western Europe, Federica and Alessandro (2009) found that even in urban setting repayment of loans is significantly higher from the entrepreneurs who are members of some associations or cooperatives as compared to single entrepreneurs.

Though relatively insignificant, the negative side of social capital needs to be looked carefully. Mayoux (1997) mentions that empowerment is not an automatic outcome of any microfinance programme as social capital also has downfall in terms of having restrictions on growth and mobility on its members and social capital of men over-empowering women in many spheres such as market. After studying seven microfinance projects in Cameroon she concludes that creation of positive social capital in terms of building horizontal network for mutual benefit to improve women's economic power, collectively challenge gender inequalities and inequalities between women and having active collaboration with other development programmes has significantly higher impact on empowerment of women. Rankin (2002) draws attention towards coercive and exploitative dimensions of social capital when groups are formed on the basis of social hierarchies. In such case it is also possible that social capital may justify and perpetuate inequality and leave people more oppressed and disadvantaged. Thus the ultimate aim of bringing collective consciousness to change the subordinate position of women in the society is not an automatic outcome of any microfinance programme. Bislev (2003) also makes a critical evaluation of microcredit programme in Yunnan, China and finds that social capital may not be facilitated if the objective of micro finance programme is only making members collectively responsible for better repayment without having focus on poverty alleviation. The higher sense of participation and transfer of vital information and knowledge will take place only if microfinance programme has some higher content outside providing low interest loans. Microfinance may create negative social capital as its selection for credit provision is anti industrial and anti technology and in favour of tiny, informal, non industrial areas with no clear direction towards sustainable development. He further states that by emphasizing on individual survival as a function of individual entrepreneurial success and higher focus on cost recovery of services, the existing bonds of solidarity are likely to get destroyed.

3. Empirical Study of measuring the effectiveness of Social Capital:

Measuring social capital is complex yet very important task for researchers and development practitioners. World Bank has identified number of innovative quantitative as well as qualitative tools to assess different dimensions of social capital such as groups and network, trust, collective action, social inclusion and information and communication. They include community profiling, asset mapping, community and household questionnaires, attitudinal surveys, polling methods, experiments, etc. Devine and Robert (2001) comment that surveys and polling methods along with other quantitative tools though helpful in establishing correlation between variables, have a major limitation in understanding social relations

as they cannot provide an account of internal and underlying social processes that relate things together. A multi layered and multi method research techniques such as combination of quantitative and qualitative tools like assessing voluntary activism, citizen's auditing, etc is a better way to assess social capital. Karlan (2005) tries to assess as well as predict the trustworthiness which is a very critical factor for successful implementation of micro finance programme by making experiments such as 'Trust games' between the members of micro finance organization. The trust game experiment was also used by Cassar, Crouley and Wydick (2007) to find out the relevance of social capital on the performance of group lending of few microfinance programmes in south Africa. Almost all the studies conducted previously state on using a combination of various research tools such as survey, personal interviews and focused group discussions.

In the context of microfinance social capital plays a very important role as it has very close and positive relations with empowerment of women which is one of the most important objectives of most microfinance programmes. Rowlands (1997) defines empowerment as a process whereby women become able to organize themselves to increase their own self reliance, to assert their independent right to make choices and to control resources which will assist in challenging and eliminating their own subordination. Kabeer (1999) believes that collective action is important to bring out this consciousness for individual as well as social and political empowerment. Creation of social capital plays a very vital role in creating collective consciousness amongst disempowered women. The idea of power is at the root of the concept of empowerment (Rowlands: 1997). Economic empowerment focuses more on 'power to' which states that higher access to credit and savings and other economic resources such as business training, etc lead to better economic position of women leading further to better bargaining position at home and in community. Self empowerment focuses on 'power within' i.e. development of self esteem, confidence and leadership qualities. Social and political empowerment which concentrate on 'power with' and 'power over' state that social capital created through network helps them to bring out social mobilization, build alliances and act as a collective force to bring out changes in gender based social structure. It is assumed that social capital plays a very crucial role in social empowerment of women which can be viewed in terms of higher level of consentization of women in enhancing awareness and knowledge, higher level of interactive activities leading to higher mobility, higher collective action and better decision making abilities and better social position in the family and neighbourhood.

Methodology:

To find out the relationship between creation of social capital and the social empowerment, a random sample of 217 members of Self Help Groups (SHGs) are selected for conducting survey to assess the impact of social capital on their social empowerment. These members are from sixty self help groups which were formed under the programme of corporate social responsibility by Department of Social Initiative by Forbes Marshall Co. Ltd, Pune, Maharashtra, India. Pune as a city is one of the most urbanized and fast developing megacities in India. In its high appetite for industrial growth, number of small surrounding villages is getting converted into industrial zones and thus semi urban areas. Transition of these villages into semi urban areas comes with a mixed outcome for local citizens. On one hand it gives the local citizens better job opportunities and better infrastructure, and on other hand it demolishes agriculture and local jobs and increases the social pressures within the community. It is very essential at this juncture that these local communities are brought in to trust, helped to take advantages of modern development and brought into mainstream development process. Forbes Marshall Co. Ltd. working in one such semi urban area where it is implementing microfinance programme as a tool to empower local communities through development of capacity building of local women and creation of social capital. The brief profile of the members is given in Table 1.

Table 1: Brief Profile of the SHG members

Sr. No.	Particulars	
1.	Average age of the members (Yrs)	30.02 (10.54)
2.	Percent married	88
3.	Percent illiterate	10
4.	Percent educated up to 7 th standard	21
5.	Percent belonging to lower social class	34
6.	Average number of family members	4.58 (1.46)
7.	Average number of earners in the family	1.61 (0.81)
8.	Average family income (Rs)	7635.02 (5754.58)
9.	Average number of years of association	5.08 (2.96)

(Figures in parenthesis show standard deviation.)

The socio-economic profile states that members belong to lower or lower middle income group. Majority come from lower caste and does not have adequate literacy to get jobs in an organized sector. The number of years of association varies from 1 year to 7 or 10 years.

Sources of creation and sustenance of social capital:

In order to create and sustain new social capital it is very necessary that potential members are made aware about microfinance programme and are introduced in the groups. At the same time it is also essential that group meetings are hold at the regular frequencies to increase the level of interactivity. Table 2 gives the details of the creation and sustenance of the social capital.

Table 2: Creation and sustenance of social capital:

Sr. no	Particulars	
1.	Percent of members informed about programme by other SHG members	81.1
2.	Percent of members informed about programme by relatives and friends	18.0
3.	Percent of members joined any social organization for the first time	88.5
4.	Average number of meeting held per month	1.86 (0.52)
5.	Percent enjoyed leadership positions in SHGs	32.7

(Figures in parenthesis show standard deviation.)

The data reveals that most of the SHG members have been introduced to any kind of social organization for the first time. Most of them have been introduced by existing members. This shows that the formal creation of social capital of formation of SHG is backed by informal trust and solidarity between existing members. The high frequency of meeting per month and higher opportunities to members to work at responsible positions such as chairman, secretary or treasurer of SHG by rotation method has helped in sustaining the social capital.

Measuring effectiveness of social capital:

It is assumed that social capital created with the help of formal and informal sources (NGO and group members) will help SHG members in enhancing their awareness and knowledge about various issues related to education of their children, health, sanitation, etc; enhance their decision making ability, enhance their social status at home and in neighbourhood and lead them to collective action for their better livelihood. As most of these issues are related to the perception of the participants, the SHG members were asked about the change perceived by them before and after joining SHG. These changes were ranked in Likert scale such as:

- (1) Worst than before
- (2) Worse than before
- (3) No change
- (4) Better than before
- (5) Very good than before

Thus any score above 3 shows the positive perception about that parameter by the member. In all 15 variables were selected for measuring change in perceptions. One variable of 'reduction in domestic violence' was removed as it was not grouping with any other variable. The details of factor analysis and the reliability test of the selected 14 variables are given in Table 3.

Table 3: Details of the variables selected for measuring effectiveness of social capital:

Sr. No.	Parameter of measuring social capital	Variables	Cronbach's Alpha Value
1.	Access for awareness building and capacity building	a. Access to education and training b. Access and awareness related to healthcare c. Access and awareness related to family planning d. Access and awareness related to sanitation e. Access to loans and awareness related to girl's education f. Access to loans and awareness related to boy's education	0.84
2.	Improvement in social status and mobility	a. Improvement in physical and social mobility b. Improvement in the social status within family c. Improvement in the social status within neighbourhood	0.79
3.	Improvement in decision making ability	a. Improvement in decision making abilities in family expenses b. Improvement in decision making abilities in other family decisions	0.82
4.	Collective action	a. Higher participation in electoral process b. Higher participation in collective action for gender related issues c. Higher participation in collective process for other social issues	0.70

In order to see the effectiveness of social capital on overall social empowerment of SHG members the SHG members were divided into 3 categories as per their years of association with the SHG such as new members (having associated with SHG for less than or up to 1 year), 1 to 3 years and more than 3 years.

Hypotheses: Higher years of association with the SHG will should lead to higher social capital and would lead to higher social empowerment in terms of higher level of awareness, decision making abilities and collective action. Table 3 gives the details of the perception of SHG members related to the change perceived by them.

Table 4: Perceptions of the SHG members related to the changes before and after joining SHG:

Sr. no	Particulars	SHG members - association up to 1 year	SHG members - association from 1 to 3 year	SHG members - association above 3 years	Total	P Value
1.	Access to education and training	3.23 (0.42)	3.76 (0.73)	3.93 (0.67)	3.81 (0.69)	.000
2.	Awareness about healthcare	3.41 (0.50)	3.72 (0.61)	3.93 (0.63)	3.82 (0.63)	.000
3.	Awareness about family planning	3.05 (0.21)	3.60 (0.62)	3.63 (0.68)	3.56 (0.65)	.000
4.	Awareness about sanitation	3.18 (0.39)	3.93 (0.72)	3.73 (0.74)	3.73 (0.73)	.000
5.	Awareness about girl's education	3.23 (0.42)	3.69 (0.65)	3.75 (0.70)	3.68 (0.68)	.003
6.	Awareness about son's education	3.18 (0.39)	3.67 (0.57)	3.72 (0.70)	3.65 (0.66)	.002
7.	Decision making ability related to expenditure at home	3.18 (0.39)	3.78 (0.59)	3.90 (0.55)	3.79 (0.59)	.000
8.	Decision making ability related to other issues at home	3.14 (0.35)	3.78 (0.59)	3.83 (0.58)	3.75 (0.60)	.000
9.	Physical mobility	3.73 (0.55)	4.12 (0.70)	4.16 (0.67)	4.11 (0.68)	.021
10.	Social status in family	3.64 (0.58)	4.22 (0.53)	4.29 (0.58)	4.21 (0.66)	.000
11.	Social status in the neighbourhood	3.41 (0.50)	4.16 (0.52)	4.28 (0.55)	4.16 (0.59)	.000
12.	Participation in electorate process	3.14 (0.46)	3.33 90.47)	3.32 (0.48)	3.30 (0.48)	.225
13.	Participation in collective action for gender related issues	3.36 (0.49)	3.64 90.55)	3.72 (0.52)	3.66 (0.53)	.016
14.	Participation in collective action for other social issues	3.14 (0.35)	3.57 (0.56)	3.71 (0.57)	3.61 (0.57)	.000
	Overall social empowerment	3.28 (0.23)	3.78 (0.33)	3.84 (0.31)	3.77 (0.35)	.000

(Figures in parenthesis show standard deviation.)

Table 4 depicts the difference about the perception between three categories of SHG members classified as per their years of association with SHG. In all

the social empowerment is measured on 14 parameters which collectively measure the changes in the level of knowledge and awareness, decision making abilities, changes in social status and willingness for collective action. The overall impact on social empowerment is found by getting a mean of all the fourteen variables. It has been found to be positive in all the three categories and growing with more years of association. The change is found out to be significantly higher in some parameters like decision making ability, access to education and training, awareness about healthcare, social status in family and neighbourhood and participation in collective action for gender related issues and other social issues. The P values in all the variables except in case of participation in electoral process are significant ($P < .05$).

Post hoc analysis of the data using Tukey HSD method shows that the mean difference is significant at 0.05 level in two groups such as Years of association up to 1 year and up to 1 to 3 years and between up to 1 year and more than 3 years. It is not significant between 1 to 3 years and more than 3 years. Thus there are mainly two homogenous subsets: 1) years of association up to 1 year and 2) years of association from 1 to 3 years and more than 3 years.

4. Discussion and Conclusions

Though microfinance movement started in rural area, it is spreading its roots slowly but firmly in urban areas. Some of the components such as access to small savings and credits, conducting monthly meetings, creating awareness about local issues and implementing capacity building programmes are common in all the microfinance programmes. The present case study of the microfinance programme runs by Forbes Marshall co. Ltd, Pune, India is a representative case of number of microfinance programmes implemented by various organizations in urban India. Thus to some extent findings of this study can be used to generalize to other programmes run in urban areas.

Findings and suggestions:

- a. There are various ways to evaluate the impact of social capital. Taking perceptions of the participants related to the change which they perceived after joining the organization is only one of the ways of evaluation which is used in the present study.
- b. Development programmes like microfinance can build social capital to improve the effectiveness of desired outcome such as social empowerment of women. The study shows that there is a positive

relationship between the years of association of the SHG member and the social empowerment which is created with the help of social capital.

- c. The regular activities conducted to run microfinance programmes such as conducting monthly or bi-monthly meetings, peer monitoring on individual member's financial transactions, using social network, creating a platform for collective action create social capital. This can be further enhanced by providing access to capacity building, creating awareness, building decision making abilities and enhancing social mobility.
- d. Literature also supports the argument that organizations can deliberately enhance social capital. Kanak and Iiguni (2007) state that microfinance organizations play a vital role in creating social capital by implementing well designed social capital strategy which emphasizes on strong commitment of field level staff to the organization's goals, continuous relations between staff and the members, implementation of credit plus policies such as training on human rights, skill up-gradation, collective actions, etc.
- e. The role of public policy plays a vital role in creating a framework required for enlarging political and economic resources of the poor (Quinones and Seibel:2000). It is thus essential that micro finance organizations as well as government regulatory bodies both play supportive and innovative approach. Public policy can help in bringing more flexibility in regulations, facilitating competition and helping existing financial institutions to change their strategies for poverty alleviation. Micro finance organizations can capitalize on internationally acclaimed cases such as Grameen Bank and attract more funds from various sectors and adopt good practices from them. The trust formed between lender and borrower plays a very important role to make microfinance programme viable.
- f. Social capital can also be enhanced by increasing social interactivity (Falk & Kilpatrick:1999). This process requires two resources such as 'knowledge resources' or common understanding of community, group members, collective information, skill sets, etc and 'identity resources' which build up a sense of belongingness and encourage participation for bringing out change. Quantity of interactivities in terms of frequencies and intensities as well as quality of interactions in terms of knowledge, community resources and information available and degree to which community members build each other's self confidence and encourage community members for positive identity are important for creation of positive social capital.
- g. There are certain strategies which can also be implemented at the organization level. Basteralaer (2000) states that social capital can be deliberately enhanced by building credit discipline, well documented

inter borrower relations, etc. Dowla (2005) elaborates specific strategies used by Grameen bank, Bangladesh to deliberately promote social capital. These are formation of horizontal and vertical networks, establishment of new norms or fostering a new level of social trust for collective action such as creation of social collateral, group liability, compulsory attendance for meetings, strict adherence to the essential principles, rotating leadership, empowering women, etc. In another paper Larance (1998) has stated that Grameen Bank enabled women to invest in community life through regular and frequent interactions and develop networking skills by building new network reaching beyond their familial networks.

In the end it can be concluded that the existing literature and present study show that there is a positive and strong relationship in social capital and social empowerment. It is also seen that in most cases microfinance has helped creating and sustaining positive social capital where women have benefitted by enhancing their level of consciousness, awareness, decision making abilities and improvement in wellbeing through collective action. It is expected that the focus of microfinance has to be more on leveraging social capital for to catalyze social change rather than for financial sustainability (Rankin:2002). For that the microfinance organizations move away from minimalist approach of financial sustainability and create and sustain positive social capital with horizontal and vertical mobility of the participants, democratic participation within group, collective decision making and formation of heterogeneous groups which are not based on narrow basis of ethnicity or religion.

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