THE EFFECTS OF MICROFINANCE LIABILITY STRUCTURE ON THE POLITICAL CAPITAL OF POST-CONFLICT CLIENTS: IMPLICATIONS FOR PEACEBUILDING AND ECONOMIC DEVELOPMENT

by

Samuel Wai Johnson, Jr.
A Dissertation
Submitted to the
Graduate Faculty
of
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in Partial Fulfillment of
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of
Doctor of Philosophy
Conflict Analysis and Resolution

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Date: ________________________________ Spring Semester 2016
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DEDICATION

I dedicate this dissertation to my mother who despite being illiterate instilled in me at a very tender age the passion for formal education. She insists that never should I allow my shortcomings to limit my ability to succeed because people are remembered not for the shortcomings that they faced but for their abilities to overcome those shortcomings and succeed in their pursuits. This is the torch that guides my path.

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THE EFFECTS OF MICROFINANCE LIABILITY STRUCTURE ON THE POLITICAL CAPITAL OF POST-CONFLICT CLIENTS: IMPLICATIONS FOR PEACEBUILDING AND ECONOMIC DEVELOPMENT

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This dissertation empirically examines and compares the effects of the two types of microfinance liability structures on the political capital of post-conflict microfinance clients. The two types of microfinance liability structures are joint liability lending and individual liability lending. Under joint liability, small groups of borrowers are responsible for the repayment of each other's loans, while under individual liability, the individual borrowers are liable for their loan repayment. Political capital refers to actions undertaken by an individual to produce a favorable political outcome, and for the purpose of this study, is measured as voting or registering to vote in an election, the use of violence as a legitimate means for political change, and contacting one’s legislative representative.

Much of the post-conflict microfinance literature has focused on the analysis of the effect of joint liability microfinance on the social capital of clients, the collateral for joint liability microfinance, but has been more limited in regard to accounting for the

effect of the microfinance liability structure on the political capital of clients receiving joint liability loans or clients receiving individual liability loans.

Using survey data from a quasi-experiment conducted among microfinance clients receiving loans under the two types of microfinance liability structures in Monrovia, the capital of Liberia, this dissertation uses a logistic regression framework to estimate and compare the effects of the two types of liability structures on the political capital of the clients receiving microfinance loans. Understanding this relationship will provide an insight into how microfinance contributes to peacebuilding at the micro, the meso, and the macro levels of post-conflict societies.

CHAPTER ONE

INTRODUCTION

1.1 Overview

This dissertation empirically examines and compares the effects of the two types of liability structures of microfinance liability on the political capital formation of microfinance clients based on a quasi-experiment among 127 microfinance clients in post-conflict Liberia during the summer of 2014. The two types of liability structures are joint liability lending, and individual liability lending. Under joint liability, small groups of borrowers are responsible for the repayment of each other's loans, while under individual liability, the individual borrowers are each liable for their own loan repayment. Political capital refers to actions undertaken by an individual to influence a favorable political outcome (Birner and Wittmer, 2000) and for the purpose of this study, includes voting, or registering to vote in an election, contacting one's legislator (Booth & Richards, 1998), while proposing a new variable ascribing to the view that rejects the use of violence as a legitimate means for political change as an additional measure.

Ascribing to the view that rejects the use of violence is not one of the measures of political capital developed by Booth and Richard (1998). However, an individual can pursue a gainful political outcome, such as the change of a political regime, through his rejection of support for the view that sees violence as a legitimate means for political change based on the individual's knowledge and expectation about the beneficial future outcome(s) that violence could produce in a political change process. Bozzoli and

Muhumuza (2011) demonstrate that one's expectations about the future impacts his/her support for violence or peacebuilding. Expectation about future outcome in this case becomes the outcome that an individual seeks to produce through his rejection or support for the use of violence as a medium for accomplishing a political outcome. Booth and Richard's (1998) measures, voting, or registering to vote in an election, contacting one's legislator, seem to overlook this political function of the use of violence. Hence, an individual's rejection or support for the violence as a means for legitimate political change deserves attention in the study of the relationship between post-conflict microfinance and political capital. Moreover, rejecting use of violence as constructed in this study fits the two major criteria used by Booth and Richard (1998) in their determination of the measures of political capital - political attitudes and participation towards democratic norms. In addition to the measures already developed by Booth and Richard (1998), rejecting the use of violence is included as a measure of political capital for this dissertation.

These measures of political capital indicate the knowledge stock useful for political action – that is, skills and education – that individuals acquired through socialization and knowledge-sharing in both formal and informal social relationships or from interactions in horizontal social organizations. Voting refers to an individual's voter participation rate; contacting one's legislator includes the rate and the individual's ability to lobby or make demands on his/her legislator for policies that are directly beneficial to him or her, and finally, rejecting the use of violence as a legitimate means for political change indicates the individual's perception and behavior toward how political policy changes should be pursued. The pay-off from the use of political capital is defined as the attainment of policy changes that are directly beneficial to the individual. This study argues that the liability structure of a microfinance institution does have an effect on the political capital of its clients. For instance, an individual liability structure microfinance institution may facilitate a speedy recovery or access to financial capital by post-conflict clients. However, this type of liability structure may impede the ability of post-conflict client households to nurture and generate political capital, which is a necessary asset for community strengthening and engagement in collective actions. While the financial capital provided by microfinance is vital to reviving the livelihoods and rebuilding the assets of post-conflict clients, a dearth of political capital provides a challenge to such clients' ability to actively participate in the political rebuilding of their communities and society. On the other hand, a joint liability structure microfinance institution may facilitate the speedy accumulation of political capital among joint liability clients, but risks reinforcing the cleavages produced by the conflict, which could, in turn, undermine social cohesion and community engagement in the peacebuilding process.

1.2 Background to the Problem

Liberia, a country of 43,000 square miles in West Africa, was founded as a geo-political entity in 1821. The country has 16 major ethnic groups, which together constitute 95% of the population. The Americo-Liberians, made up of mainly descendants of free men of color who migrated from the US to Liberia at Liberia's founding, constitute the other 5% (Government of Liberia, 2006). After 142 years of independence and relative stability, in 1989, Liberia erupted into a violent 14-year civil conflict that left the country untold costs: a destroyed infrastructure, the loss of about 10 percent of the population, and the scattering of an estimated additional quarter million in either internally displaced people's camps or refugee camps mostly across the West African sub-region (Government of Liberia, 2008).

Liberia's conflict (1989-2003) resulted from polarized social relations and vertical interactions between members of the ruling class of Americo-Liberians and the majority population. This polarization, which grew largely from the monopolization of power and privileges by the ruling Americo-Liberian elite, deprived the majority of the population of the economic opportunities that should enable them to fund their life cycle needs of healthcare, shelter, and feeding and attaining economic security. When people are denied economic security and political participation, they will pursue every action collectively in order to regain these basic human needs. However, if such collective action as public protest or civil upheaval are not possible, people will either absent themselves from the state or governance system or the state will become absent in their lives, even at the perils of their own lives. This has been the nature of the relationship between the state and its people in Liberia for most of the country's existence.

The monopolization narrowed the space for participatory governance, discounting severely the profitability and significance of the political capital of the population, and fueled ethnic and class animosities. These animosities undermined possibilities of social cohesion (Sawyer, 2005) and created the incentive for the population to use local networks of trust and social participation to develop skills in collective action that helped them to challenge the ruling class in 1980 in demand of a political system that was participatory, equitable and accountable. The outcome of this use of political capital was a coup which ushered in a military junta. The junta, however, turned out to represent a mere changing of the guard in the governance structure instead of setting in place the system of governance that had been so desired by the population in the build-up to the 1980 coup. This circumstance weakened any social ties between the new regime and the rest of the population, eventually readying the stage for the violent conflict (1989 – 2003) in yet another bid for political change.

Apart from destroying roughly 10 percent of the country's population between 1989 and 1997[1], the civil war left the country's infrastructure, both physical and social, severely destroyed, with economic activities severely disrupted, and both the tangible and intangible assets of the population, along with their livelihoods, significantly decimated if not completely destroyed. At the end of the violence in 2003, the more than 100,000 Liberians who had taken up arms would disarm (UNDP, 2006) in anticipation of a smooth transition to a life full of opportunities for socioeconomic advancement. A significant proportion of the other segment of the population who had not borne arms had to enter the informal sector in search of socioeconomic opportunities that were no longer available due to the near collapse of the formal sector. For the latter group, opportunities available in the informal sector would enable them to improve their social credential, power and influence, and overall economic wellbeing in order to participate fully in the activities of their communities and national decision-making. Opportunities available in

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1 This is based on the 1984 Liberia National Population and Housing Census which estimated Liberia's population to be 2.5 million.

the informal sector included micro-entrepreneurship, and self-employment in primary agriculture. Access to capital was limited in the informal sector, however. Thus, raising capital to sustain informal sector investments has been largely done outside the Liberian formal financial system even including the credit union, whose activities were disrupted by the conflict. This meant that the war-affected had virtually no capital to restart their lives. It was in this context that the NGOs which had flooded Liberia in the wake of the civil conflict to deliver humanitarian assistance began transforming themselves in order to provide financial intermediation services to the war-affected population in a bid to help revive their livelihoods and rebuild their assets, both social and physical.

1.3 Post-Conflict Microfinance, Political Capital and Peacebuilding in Liberia

Microfinance has been awarded a mainstream position within Liberia’s peacebuilding and development agenda. The Liberian government has anchored the provision of microfinance services in its post-conflict development agenda, starting with its short-term development plan that ran from 2003 -2011, called the poverty reduction strategy, and now in its medium-term agenda, “Liberia Rising: Agenda for Transformation”[2]. Furthermore, the Central Bank of Liberia has developed a framework for the integration of microfinance into Liberia's formal financial sector (Central Bank of Liberia, 2012).

[2] “Liberia Rising” replaces the PRS which expired in December 2011. The Liberia Rising builds on the gains of the PRS and details the first five years beyond the life of the PRS, a part of a longer 18-year strategy, the main aim of which is to have Liberia achieve middle-income status by the year 2030.

The country's peacebuilding and development program sees microfinance as a vital platform for addressing the country's problems of social exclusion and inequality by providing financial resources for the creation of livelihoods and the pursuit of socioeconomic opportunities by the population, especially for that found in the informal sector (Government of Liberia, 2008, 2011; Central Bank of Liberia, 2007; Central Bank of Liberia, 2009). By mainstreaming microfinance, post-conflict Liberia seems to be operationalizing its peacebuilding process through micro-level economic development aimed at addressing the underlying structural causes of its conflict. A significant proportion of the country's conflict-affected population is found in the informal sector searching for economic opportunities. For example, the Liberia Institute of Statistics and Geo-Information Services (LISGIS, 2010) estimated that informal sector employment accounted for 68 percent of all employment in Liberia. Micro-entrepreneurial activities accounted for over a quarter of total informal employment, only after primary agriculture (LISGIS, 2010).

Similarly, in the formal sector, nearly 80 percent of the population of employment age was found to be working in "precarious circumstances" and was "unlikely to have the benefits of favorable conditions at work such as an assured salary, pension, sickness benefit or job security" (LISGIS, 2011, p. 26). Given the country's high dependency ratio (LISGIS, 2011), this places a significant proportion of Liberia's population at the lower rung of the socio-economic ladder with either marginal or no ability to fulfill their basic human needs and attain their economic development potential. Informal sector employment seems to be a respite for this unemployment problem. Sustaining micro-entrepreneurial and primary agricultural activities, and deriving their profit possibilities in the informal sector, is constrained however by the acute shortage of financial capital, a constraint to which microfinance is being heralded as the solution.

The US Institute of Peace (USIP, 2012) noted the significance of micro-entrepreneurship in post-conflict peacebuilding. In this system, microentrepreneurs have access to local networks that connect different social groups, both victims and perpetrators of conflict (USIP, 2012). These networks enable the post-conflict populations to (re)create their social credentials, earn power, and nurture positive behavior for the collective development of their communities. These networks also become an engine for the formation of political capital. Political capital contributes to greater participation as well as indigenous ownership and stake in the peacebuilding process and, moreover, contributes to social cohesion. On the other hand, the acute shortage of financial capital in the informal sector in Liberia could reduce the value of this sector as source of post-conflict economic opportunities and inclusion. When the population in this sector begins to perceive the constraints on their financial viability or economic security as caused by the actions of those in privileged positions in the country's current dispensation, there is a greater likelihood that they might explore other alternatives, most likely violence, which they feel could accrue and provide them better political and economic outcomes for their political capital.

This alternative use of their political capital could have potentially negative consequences for peace and stability. These perceptions would provide the opportunities for conflict entrepreneurs seeking to capitalize on the hardening intergroup boundaries for their own gains, which could be destructive for social cohesion. It is apparently for this reason that the Government of Liberia, through its Central Bank and other institutions, has been developing various policies and strategies that award microfinance a mainstream position within the country's peacebuilding and development agenda to address the financial exclusion of the informal sector.

Informal sector financial intermediation is not, however, a new invention in Liberia. Until the civil war (1989 - 2003), the informal sector in Liberia relied on various mechanisms outside the country's formal financial system for savings and credit services. These included the *susu* (known otherwise as the Rotating Savings and Credit Associations [ROSCAs] in academic literature), the yearly club (or the Accumulated Savings and Credit Association [ASCrAs]), and the daily savings (the Deposit Collector). Since the end of the civil war, however, Liberia has seen the emergence of various forms of microfinance institutions offering financial services to households and entrepreneurs in the informal sector. The emergence of microfinance on the Liberian financial landscape is the result of the pioneering efforts of non-governmental organizations (NGOs), some of whom had earlier gone to Liberia to provide relief assistance to the conflict-affected population, or to support the country's peacebuilding and recovery effort following the end of the country's violent conflict in 2003. There are about eight registered microfinance institutions operating in Liberia. Prominent among them are the Access Bank of Liberia and the Bangladesh Rural Advancement Committee Microfinance Company (BRAC).

1.4 The Research Puzzle

Microfinance has been seen as central to the country's attempt to address its perennial structural problems of inequality, poverty, and exclusion, which are perceived as the root causes of the civil war. Specifically, microfinance is considered a micro level economic development intervention that would address the financial exclusion of the informal sector and the population at the lower rung of the economic ladder. Financial exclusion has disenfranchised this segment of the population in its fight against social exclusion, inequality, and poverty. It has hindered the population's ability to develop and sustain entrepreneurial endeavors in pursuit of social and economic advancement.

Since the end of the conflict, there seems to have been a tremendous growth in the informal sector with rising employment within the sector. In 2001, employment in the informal sector accounted for about 30 percent of the country's labor force (Government of Liberia, 2006), while in 2010 employment in the sector accounted for about 68 percent of all employment in post-conflict Liberia (LISGIS, 2010). The demand for financial capital has increased as a consequence of this growth. The formal financial sector seems unresponsive to this demand, however, serving to increase financial exclusion as well as inequality of access to economic resources between the populations in the formal and the informal sectors. Thus, there are thousands of micro-entrepreneurs in need of microfinance services (Central Bank of Liberia, 2009) due to lack of access to capital. It is apparently because of this trend that policymakers decided to anchor microfinance into the country's formal financial system as a way of reducing the inequality of access to financial resources and economic opportunities among Liberians as part of Liberia's peacebuilding and development program. The incorporation of microfinance into the formal financial system allows for the operations of the two types of liability structures: individual liability and joint liability.

At the core of this intervention is the assumption that the social exclusion that led to the conflict was due to economic inequality driven by financial exclusion (Government of Liberia, 2008, 2010). Thus, interventions that ignore the importance of financial access to all populations in Liberia are aimed at negative peace and are not conflict-sensitive, transformative, or reconciliatory. It is against this background, along with the belief by microfinance supporters that microfinance is an instrument for financial inclusion and poverty reduction, that microfinance has emerged as one of the key mechanism of peacebuilding Liberia. The Central Bank of Liberia has been developing a framework for the incorporation of micro finance into Liberia's financial sector.

Transforming an environment from negative to positive peace requires linking the post-conflict economic development and peacebuilding intervention with the root cause of the conflict. Positive peace awards the social and economic development of the post-conflict population a function in peacebuilding (Mac Ginty, 2010). Ensuring positive peace therefore requires that development interventions are conflict-sensitive. Positive peace stretches the elastic limit of peacebuilding and post-conflict development "far beyond a reaction to the immediate aftermath of violent conflict" (MacGinty, 2010, p. 34). It suggests a movement away from macro-focused approaches, which are concerned with top-down indicators of economic growth, to approaches that operationalize the socioeconomic development of the population as the primary focus of peacebuilding. This approach builds peace from bottom-up by facilitating social interaction and cooperation around mutual issues of peace and stability. Conflict-sensitive development bridges the gap between the root cause of conflict and internationally driven post-conflict development plans with the experiences and aspirations of the conflict-affected population around such micro issues as poverty and inequality. Mac Ginty (2010) identified microfinance as one of those conflict-response interventions that contributes to peacebuilding and bottom-up development.

One would expect, from the perspective of conflict-sensitive development, that the study of the relationship between post-conflict microfinance and peacebuilding in Liberia would go beyond a focus on the performance indicators of post-conflict microfinance and the readiness of Liberia for microfinance services, to interrogate the effect of the liability structure on the political capital of clients. Previous studies (e.g. Johnson, 2010; Tucker, 1995) examining the relationship between microfinance and peacebuilding in Liberia have focused largely on the performance indicators of post-conflict microfinance and the readiness of Liberia for microfinance services, but not on the effect of liability structure on the political capital of the clients. Such findings could be less representative of the true relationship between post-conflict microfinance and peacebuilding than a study focused on the effect of the microfinance liability structure on the political capital of microfinance clients.

Besides the Liberian case, the growing body of literature on post-conflict microfinance and peacebuilding seems to be dominated by the assumption that the effect of post-conflict microfinance services is limited to nurturing or strengthening social capital among clients receiving joint liability loans, while ignoring the aspect of political capital. The emphasis of these studies has therefore focused the analysis of post-conflict microfinance on the effect of group liability structure on the development of social capital among joint liability lending clients in post-conflict settings while neglecting the comparative effects of both individual and joint liability structures on political capital. This limitation seems to discount the significance of the liability structure of a microfinance institution on peacebuilding through its influence on the political capital of its clients, and subsequently, the implications that these effects could have for post-conflict peacebuilding. Nagarajan and McNutty (2004, p. 5) could be speaking about this gap when they call for systematic empirical research that "conceptualizes and characterizes the role" of post-conflict microfinance as an instrument of peacebuilding. This study is a response to that call.

Using survey data from a quasi-experiment among 127 clients in Liberia, this dissertation provides a platform for a discussion of the comparative effects of the two types of liability structure of microfinance on the political capital of clients. The participants in this experiment were comprised of clients, some of whom were members of an individual liability microfinance organization, and others of whom were from a joint liability microfinance organization, Access Bank and the BRAC Microfinance Company (BRAC), respectively.

1.5 Research Questions

This dissertation is guided by the following research questions:

- *What is the effect of the liability structure of a post-microfinance institution on the political capital of its clients?*

- *What implications do these effects have for post-conflict peacebuilding economic development?*

1.6. Research Objectives

The core objective of this research was to gather data and test for evidence about the relationship between post-conflict microfinance and peacebuilding through an examination of the effect of the liability structure of microfinance on the political capital of clients. Specifically, the study sought to:

- Examine and compare the effects of the two microfinance liability structures on the volumes of the political capital accumulated by the clients enrolled in the two liability structures;
- Evaluate the implications of these effects for peacebuilding; and
- Contribute to the existing literature on peacebuilding and post-conflict microfinance.

1.7 The Significance of the Study

This study is important for at least three interrelated reasons:

First, the study attempts to measure the effects of the liability structure of a microfinance institution on the political capital of its (microfinance) clients in a post-conflict setting. In this regard, the study addresses two major needs: on the one hand, the need to better conceptualize and characterize the role of post-conflict microfinance, and, on the other hand, the need to provide context-specific understanding about the performance of microfinance in conflict-affected or post-conflict situations. This responds to a call by Nagarajan and McNulty (2004) asking for the creation and application of context-specific tools to document lessons that would inform ways of adapting microfinance interventions in post-conflict situations. Assessing the effect of microfinance on the political capital of post-conflict population is important for the construction of post-conflict development interventions, especially in the case of Liberia, because there is limited information available in Liberia that could help explain the contribution of microfinance to the country's peacebuilding drive through the effect of liability structure on the political capital of clients.

Second, findings about the relationship between the liability structure of a microfinance institution and the political capital of its clients, particularly in a post-conflict setting, should provide insights to economic development policymakers about the link between post-conflict economic development interventions and the peacebuilding outcomes of those interventions to post-conflict populations. Understanding the link between economic development interventions and the population's political capital indicates not only how the dividends accrued by the populations help to address the immediate outcomes of the conflict, but also how these interventions strengthen the populations' ability to influence and participate in political decisions that affect them at both the community and state levels. This political-capital-effect helps to address the conflict overhang and contributes to social cohesion and positive peace. Social cohesion is key if post-conflict economic development and peacebuilding are to yield high dividends or to be deemed successful.

Third, this study contributes to the growing body of peacebuilding and post-conflict development research that is concerned with the use of economic development as an instrument that helps post-conflict populations to rebuild their political capital, and financial, and physical assets ruined by conflict. The growing significance of microfinance in peacebuilding provides the basis for a thorough and empirical examination of the effect of the liability structure on the political capital of clients.

1.8 Conclusion

This chapter has given the overview of the dissertation, its research agenda, focus, and motivation. The rest of the dissertation is structured as follows:

Chapter Two reviews the literature on microfinance and political capital. The chapter also examines how post-conflict microfinance affects the attitudes and behaviors of individual clients towards democratic norms, through the effect of liability structure on clients' political capital. The chapter emphasizes the limitations of the microfinance literature in its examination of the relationship between microfinance and political capital.

Chapter Three presents the history of the Liberian conflict, highlighting the political, social, and economic factors that led to the violent conflict from 1989-2003. It also presents Liberia's post-conflict peacebuilding program, a description of Liberia's microfinance landscape, establishing the relevance of microfinance in helping to address the aspirations of the post-conflict population as well as the root causes of the conflict.

Chapter Four discusses the theoretical framework used to investigate the effect of the liability structure of microfinance on the political capital of clients in Liberia. It presents my own theoretical arguments, and outlines the hypotheses about how the liability structure of microfinance may affect the political capital of clients in both the Liberian and other post-conflict contexts.

Chapter Five details the research methodology. This includes a description of the questionnaire design, the data collection procedure, the demographic characteristics of the sample, and the methods of data analysis and interpretation. It also presents the indicators of political capital used in the study and empirical evidence about the relevance of these indicators to the Liberian context.

Chapter Six presents the findings of the dissertation. These findings are presented in three parts: the first part is the bivariate results, testing the hypotheses of the dissertation presented earlier in Chapter Five; the second part includes the results of the multiple logistic regressions describing relationships between the two liability structures of microfinance and the measures of political capital; the third part summarizes the results from the data of the participant-observation that were collected to supplement the survey data.

Chapter Seven summarizes the study and its major findings; it presents the conclusion and the implications of these findings for post-conflict peacebuilding and economic development.

CHAPTER TWO

THE POST-CONFLICT MICROFINANCE-PEACEBUILDING NEXUS: THE POLITICAL CAPITAL LINK

2.1 Introduction

The function of microfinance in post-conflict peacebuilding is emerging as a major field of inquiry in conflict resolution and post-conflict economic development. This is attributable to the growing body of post-conflict microfinance literature (Manalo, 2003; Nagarajan, 1997; Doyle, 1998) that suggests both political and social contributions of microfinance in peacebuilding. There seems, however, to be a paucity of data in the post-conflict microfinance literature about the comparative effects of the two types of liability structures on clients' political capital. The focus of much of the literature (Roxin, et al, 2010; Goronja, 1999; Marino, 2005) is instead concerned largely with examining the effect of joint liability structure on clients' social capital; that is, the collateral required in joint liability microfinance programs. As a result, the post-conflict microfinance and peacebuilding literature seems limited in accounting for the comparative effects of the different liability structures of microfinance on the political capital formation of microfinance clients. A similar assessment can be made about studies of post-conflict microfinance in Liberia. Few studies (see Johnson 2010; Tucker 1995), to the knowledge of this researcher, have attempted a look at questions surrounding post-conflict microfinance in Liberia. The focus of the studies by Johnson (2010) and Tucker (1995) is, however, on the performance indicators, and the potential viability of microfinance organizations in Liberia, and less on the relationship between microfinance and peacebuilding through the effect of the liability structure of the microfinance institution on the political capital formation of clients. This begs a systematic inquiry to probe the effect of a microfinance organization's liability structure on the political capital of clients.

The liability structure determines the type of assets that microfinance institutions (MFIs) require from their (potential) clients as guarantees for loan repayment. As used here, liability structure is restricted to whether the MFI administers its loan services on the basis of joint liability or individual liability (Bogan, Johnson, and Mhlanga, 2007). Individual liability lending refers the award of microfinance loans to individuals on their own merits or their physical collateral. The principles of microfinance individual liability lending is very similar to those of traditional banking, especially where the collateral required by microfinance institutions for the award of individual loans include tangible assets that have market value, usually equivalent to the size of the loan, such as housing, land, household items, and vehicle (Karlan and Goldberg, 2011).

Joint liability lending, on the other hand, refers to the provision of microfinance services or loans to a group of individuals who are jointly liable for the loan repayment by each member of the group. If one member of the group fails to repay his/her loan, the other members are liable to repay or will stand losing an opportunity for future loan. By this definition, joint liability microfinance includes both solidarity lending groups, and village banking groups. Similar in liability structure terms, the main different is that solidarity lending groups comprise about five members while village banking groups comprise about 15-30 members (Karlan and Goldberg, 2011). The collateral requirement for joint liability microfinance is non-tangible social assets, specifically, the social capital among clients. As a portion of an individual's assets, social capital is "the ability [of individuals] to secure resources by virtue of membership in social networks or larger social structures" (Portes and Landolt, 2000, p. 532). Social capital is therefore a network of trust that gives individuals the ability to secure resources that they otherwise may not be able to secure independently. Social capital functions as a medium of exchange that produces private outcomes (Lin, 1999) that may also benefit the larger community.

Post-conflict societies provide a ready market for microfinance interventions. Manalo (2003) and Doyle (1998) acknowledged that conflict-affected populations, especially refugees and internally displaced peoples, returnees, war widows, and demobilized combatants create a new clientele for microfinance services in addition to other victims of conflict. Materially and financially deprived due to conflict, these clients use their social assets, specifically their intra-group trust with fellow loan seekers, as collateral to obtain microfinance loans. Targeting this clientele and designing appropriate liability structures that accept both tangible and non-tangible social assets as loan collateral, post-conflict microfinance institutions are positioned to diversify their operational risks and provide efficient services that help their clients revive their shattered socioeconomic assets or fortunes (Ledgerwood & Gibson, 2013; Nagarajan, 1999; Doyle, 1998).

The effect of each of the liability structures on clients' political capital has implications for peacebuilding and economic development. Based on the type of liability structure used by the MFI, post-conflict microfinance has the potential to create the incentive for post-conflict populations to actively engage in collective actions and activities in their communities and state through voting and through peace and anti-violence campaigns. Membership in a microfinance joint liability loan group provides a means for post-conflict individuals to develop or increase their political capital. While the primary motive for investing in a microfinance solidarity lending group may be driven by the need to secure financial capital or economic opportunities, microfinance solidarity lending groups also provide their members access to political capital (de Haan & Lakwo, 2010; Marino, 2005; Sanyal, 2009). This contribution of microfinance to peacebuilding, upon which this study is grounded, is crucial to sustaining post-conflict peace, stability, and economic development.

Using Liberia as a case study, this dissertation argues that the liability structure of a microfinance institution has an effect on the political capital of its clients. An individual liability structure microfinance institution may facilitate a speedy recovery or access to financial capital by post-conflict clients; however, this type of liability structure may impede the ability of post-conflict client households to nurture and generate political capital, which is a necessary asset for community strengthening and engagement in collective actions. While the financial capital provided by microfinance is vital to reviving the livelihoods and rebuilding the assets of post-conflict clients, a dearth of political capital provides a challenge to clients' ability to actively participate in the political rebuilding of their communities and society. On the other hand, a joint liability structure microfinance institution may facilitate the speedy accumulation of political capital among joint liability clients, but risks reinforcing the cleavages produced by the conflict, which could undermine social cohesion and community engagement in the peacebuilding process. This is because these social cleavages are established as a function of what Goodhand (2000) calls "the emotional economy."[3] They function as networks for the survival, security and personal development of members in exchange of their loyalty. These types of cleavages produce two types of behaviors among group members: a cooperative and favorable behavior is accorded to group members and their associates, and a non-cooperative and unfavorable behavior is accorded to non-members of the group and their associates. In instances where a member of the group feels threatened, the collective security ties of the group are fully activated against those who are believe to be making the threats.

As noted in chapter one, microfinance is not a new invention in Liberia. Until the civil war (1989 - 2003), various traditional and indigenous microfinance mechanisms provided financial intermediation services to the populations that were excluded from the formal financial sector. These mechanisms include the Rotating Savings and Credit Association (ROSCA, known locally as the *susu*), and the Accumulated Savings and Credit Association (ASCrA, known locally as the yearly club). But since the end of the civil war, Liberia has seen the emergence of powerful new methods of financial intermediation for poor households, microenterprises, and small businesses. Many of these new methods were pioneered by international non-governmental organizations (NGOs), which had earlier gone to Liberia to deliver relief assistance in the wake of the

3 Goodhand's emotional economy refers to the instrumental use of individual fear in exchange of support towards a cause that is assumed to be beneficial to an entire group.

country's civil war (1989-2003). At the end of the war, these NGOs transformed themselves into microfinance NGOs, and along with other private microfinance institutions, are now delivering microfinance services to the population.

The consolidation of these microfinance institutions is being nurtured further by the general belief that microfinance contributes to the attainment of economic security through its provision of capital for engaging in entrepreneurial activities or creating self-employment opportunities by the conflict-affected population. As mentioned before, the Liberian government has anchored the provision of microfinance services in its post-conflict peacebuilding and economic development agenda, both in short and medium terms.[4] Meanwhile, microfinance continues to grow in Liberia. From 2008 to 2011, the number of active microfinance clients in Liberia more than doubled, growing from more than 32,000 in 2008 to more 70,000 in 2011 (Central Bank of Liberia, 2009; 2011). Using political capital as the indicator for analysis, this study investigated the comparative effect of the two liability structures of microfinance on the political capital of microfinance clients in Liberia.

2.2 Microfinance: A Conceptual Understanding

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4 The Poverty Reduction Strategy was the country's short-term development agenda for 2008 – 2011, following a successful completion of the interim PRS in 2006 -2008. The sequel to the PRS, "Liberia Rising: Agenda for Transformation", developed in 2012, is Liberia's medium-term development strategy. The strategy is intended to consolidate the country's post-conflict recovery and peacebuilding gains from 2006-2011. Both agendas highlight the significance of microfinance contributions not only towards the revitalization of households' financial assets, but their political assets as well.

Broadly speaking, microfinance refers to the provision of financial services to populations found in the informal sector. These financial services, which include the provision of credits, savings, remittances and insurance (Ledgerwood & Gibson, 2013; Christen & Rosenberg, 2000), are not formally available to these populations because of their socio-economic status; that is, they are poor and located at the lower end of the market. The structure of the formal financial sector is developed mainly to provide services exclusively to the wealthiest segments in the market, or the population on the higher rungs of the economic ladder. The provision of financial services to populations found in the informal sector is associated with steep transactions costs. These transactions costs are due to information asymmetry regarding the credit-worthiness of such populations, and the difficulty associated with managing credit services geared towards them, and the distances between them and a banking facility (Ray, 1997).

Apart from the general financial intermediation services, microfinance also facilitates enterprise development services, the provision of basic social services (Ledgerwood & Gibson, 2013), and social intermediation services (Edgcomb and Barton, 1998). Financial intermediation involves savings, credit, and remittance services (Ledgerwood & Gibson, 2013), while enterprise development services include non-financial services targeted at improving the business acumen of microfinance clients. Social services are nonfinancial services focused on improving the socio-economic wellbeing of the microfinance client, including health and education (Ledgerwood, 1999). Social intermediation, according to Edgcomb and Barton (1998), involves the building of social assets such as solidarity or village banking groups that enable financially excluded households to compensate for their dearth of material asset and prepares them for financial intermediation service. Brandsma and Hart (2008) are therefore right in their argument that microfinance is an instrument for social inclusion. Social intermediation, in contrast, is outside the focus of social and enterprise development services (Brandsma and Hart, 2008; Edgcomb and Barton, 1998). Through social intermediation, microfinance improves the social relationship among clients and builds up their physical, human, and social assets. Unlike financial intermediation services, the provision of both social and enterprise development services may require subsidies.

Microfinance institutions (MFIs) may be informal, semi-formal, or formal with a wide range of ownership, governance structures, and sources of capital. Formal financial institutions include banks and finance companies and operate under the supervision of a central superintending authority such as a central bank (Seibel, 2003). They are usually owned by shareholders. Semiformal MFIs include microfinance NGOs and other nonbank financial intermediaries, mostly savings and credit cooperatives, that are legally registered in countries where they provide service but which are not subjected to any external superintendence as are formal MFIs (Seibel, 2003). Informal MFIs include such self-help groups as rotating savings and credit associations (RoSCAs) and accumulating savings and credit associations (ASCrAs). Informal MFIs are traditionally indigenously developed institutions, are usually owned and managed by their members, and are neither officially regulated nor recognized, but may fall under traditional customary laws of the areas in which they operate (Ledgerwood & Gibson, 2013; Seibel, 2003). While there is no formal contractual obligation among members of informal MFIs, their agreements are enforceable under social norms (Seibel, 2003).

Irrespective of the classification of an MFI, the nature of services (i.e. financial intermediation, social intermediation, enterprise development, or social services) that it provides can be classified as oriented towards either a minimalist or an integrated approach. Kanbur and Squire (2001) defined a minimalist-oriented microfinance program as one that provides only financial intermediation or liquidity services (i.e. savings, credit and remittances), while an integrated-oriented microfinance program is defined as that which supplements financial intermediation with enterprise development, social intermediation and social services. Taken together, enterprise development, social intermediation, and social services can be referred to as non-financial oriented economic development services. In contrast, the minimalist approach is based on the assumption that financial exclusion is the major hindrance to the ability of informal sector businesses, particularly microenterprises and microentrepreneurs, to improving their economic development status (Ledgerwood, 1999; Robinson, 2001). Liquidity services provide an important resource that empowers microfinance clients to secure assets, both physical and social, that are vital to improving their economic development status. While the minimalist approach recognizes the role of other economic development-oriented services in improving the status of the population utilizing microfinance services, supporters of minimalist microfinance practice argue against integrating them in the provision of financial intermediation services. They contend that providing non-financial-oriented services along with financial intermediation service limits the potential of these services (i.e. social intermediation, enterprise development and other social) to accomplish their economic development goals of sustenance, self-esteem, and economic freedom. It is in this vein that supporters of minimalist microfinance argue that the provision of these non-financial economic development services be left to non-microfinance institutions, as this allows MFIs to maximize their comparative advantage, which is the provision of financial intermediation service (Ledgerwood, 1999; Maldonado & Goonzalez-Vega, 2008; Hashemi, Schuler and Riley, 1996).

The integrated-oriented microfinance, in contrast, emphasizes the importance of complementing the provision of financial intermediation services with non-financial economic development-oriented services (Ledgerwood, 1999; Ledgerwood, Earne, & Nelson, 2013). The provision of this combination of services is vital to addressing the structural causes of poverty (Ledgerwood, 1999; Ledgerwood, Earne, & Nelson, 2013). The provision of financial intermediation addresses the material capital constraint faced by the financially excluded and the informal sector residents (Otero, 1999). However, addressing the material capital deficiency through access to financial services alone is inadequate to help the targeted populations to improve their economic conditions (Otero, 1999; Woller & Woodworth, 2001). The combination of financial capital provided through financial intermediation, along with human capital provided through enterprise development services, and social capital provided through social intermediation services, together strengthens the ability of microenterprises and impoverished households to improve their economic development potential. This potential, which can be explained by the households' level of sustenance, self-esteem, and economic freedom, equips a marginalized person to actively participate in the affairs of his/her community or society. For this reason, the MFIs oriented towards the provision of an integrated service emphasize the depth of outreach over the breadth of outreach, with the primary goal of reaching the impoverished microenterprises and financially excluded with financial services to improve their socio-economic lot (Woller & Woodworth, 2001). This disagreement over the right paradigm for the provision of microfinance has resulted into two distinct schools of microfinance: the "institutionists" and the "welfarists." (Woller & Woodworth, 2001; Robinson, 2001; Woolworth, 1999) The focus of the institutionalists is the creation of institutions that can provide sustainable financial intermediation services to the populations in need of or those which have been excluded by the formal financial system. Key to the establishment of these kinds of institutions is financial sufficiency: providing high quality financial services on an increasingly cost-effective basis (Ledgerwood, Earne, & Nelson, 2013; Armendariz & Morduch, 2010; Hermes & Lensink, 2007; Helms, 2006; Morduch, 2006; Robinson, 2001, Johnson & Rogaly, 1999; Woller & Woodworth, 2001). The insitutionists, therefore, place a high premium on reaching many clients who have the ability to repay their loans (i.e. the breadth of outreach) irrespective of their poverty status or state of financial exclusion over reaching the poor (i.e. depth of outreach) (Woller & Woodworth, 2001; Robinson, 2001; Woolworth, 1999; Armendariz & Morduch, 2010). Financial sufficiency or sustainability resonates with the nature of services and objectives of minimalist microfinance: the institutionists therefore eschew the need for subsidies and contend that MFIs should make at least enough money to cover their cost of operations, if not immediately and not completely, but with the aim of eventually becoming viable on market terms. This is because subsidies from donors and governments will be depleted in the long run and MFIs will have to sustain themselves independently afterwards if they are to meet the rapidly increasing demand for microfinance services.

Welfarists, on the other hand, are more concerned about improving the well-being of microfinance clients through the provision of low-cost financial services. They emphasize reaching financial services to the ultra-poor and financially marginalized over reaching many clients (Woodworth & Woller, 2001; Robinson, 2001). This resembles the approach of the integrated microfinance and seems more oriented towards the group liability lending. Whereas welfarists recognize financial self-sustainability as a condition that is generally desirable for the provision of microfinance services, they do not eschew subsidies. They argue that subsidies are vital if they extend the frontier of financial services to the ultra-poor or otherwise hard-to-reach populations. This focus on poverty reduction and economic empowerment gives microfinance a social mission which distinguishes the welfarists from the institutionalists, and emphasizes microfinance's social mission over its commercial mission.

Jonathan Morduch (2000) described this paradigmatic divergence as the "microfinance schism" which, according to Woodworth and Woller (2001), borders on: (a) the institutional structural differences and financing to support these services, (b) the nature and design of service delivery to targeted households, and (c) outreach, or differences in the types of client households segments served. Maria Otero (1999) had signal earlier that this divergence negates the significant function of microfinance in economic development. Her position is that the debate is flaw-ridden because “it ignores that microfinance needs both points of intersection to development” appears to highlight the complementarity of the two sides of the debate– reaching the poor and financially excluded, and achieving financially sustainability (Otero, 1999: p. 14). This point is emphasized furthermore by Elizabeth Rhyne (1994), who argued that microfinance alone does not create economic opportunities directly for impoverished and financially excluded microenterprises. Instead, financial services help impoverished and financially excluded businesses to recognize and improve their entrepreneurial skills, and position them to optimize available economic opportunities (Rhyne, 1994). Given this relationship, microfinance integrates economic development with finance and commerce.

This debate over paradigm is largely due to concerns about the sustainability of microfinance services. The institutional structure, the kind of services delivered, and/or the type of clientele targeted by the microfinance institution determine whether the liability structure of the microfinance institution is one of individual liability or joint liability. Individual liability structure is more oriented towards a minimalist paradigm, while joint liability is oriented towards an integrated paradigm. Nonetheless, the liability structures affect the outcomes that clients generate from participating in microfinance program (Carpena, Cole, Shapiro, & Zia, 2012; Attanasio, Augsburg, Haas, Fitzmons, & Harmgart, 2011; Gine & Karlan, 2009; Mosley, Olejarova, & Alexeeva 2004; Hashemi et al., 1996). These outcomes include poverty reduction, entrepreneurship, social, economic, and political empowerment.

Various authors have studied microfinance programs and discovered mixed results. For example, Snow and Buss (2001) studied microfinance programs in sub-Saharan Africa and concluded that there is a need for better goal-oriented assessment to determine the effectiveness of micro-finance in reducing poverty. In another study, in Hyderabad, India, about one in five microfinance loans were found to be associated with the start of new business, but the loans showed no significant impact on the average profits and revenues generated by these businesses (Bauchet et al., 2011); similarly, no evidence was found regarding the impact of microfinance participation on empowering women clients to control their household expenditures (Bauchet et al., 2011). Nonetheless, these established businesses enabled client households "to make clear choices to reprioritize, invest, and make the most of the new opportunity" (Bauchet et al., 2011; p. 6). To cite another example, in rural Morocco, Bauchet et al. (2011) found no association between the increase in new businesses of clients and microfinance participation. However, clients already engaged in farming activities while accessing microfinance services were found to have experienced an increased volume of activities on their farms, including increased employment of labor from outside the household (Bauchet et al, 2011). This increase was believed to have been been associated with the household's involvement in microfinance activities (Bauchet et al, 2011).

More positively, Sanyal (2009) showed that microfinance program in West Bengal, India, aided women's abilities to engage in collective action activities to fight against domestic violence and other forms of gender inequalities that affected their lives. Through participating in the microfinance solidarity group meetings, the women built social connections, learned their rights and the importance of exercising those rights through collective action activities to challenge gender inequalities and produce a social structure that is engendered (Sanyal, 2009). In these social connections, the women developed social capital that in turn, enabled them to develop skills and knowledge for collective action strategies. Their frequent interactions over economic pursuits imbued in the women a sense of trust and agency that improved their ability to organize and campaign against domestic violence and the marriage of underage girls (Sanyal, 2009). Sanyal (2009) further argued that, while her findings are restricted to the areas of her study in Bengal, the social capital existing among these rather "socially isolated" women secured them access to larger and more influential networks beyond their communities, which therefore increased their political capital for collective actions against the social vices that affected them in their communities.

In yet another example, in northeastern Thailand, Coleman (2002), using a pipeline experiment, found a positive impact of microfinance on clients' income, savings, and expenditures. This impact was stronger among comparatively wealthy, compared with poor clients, a result that seemed to suggest that the targeting strategy was oriented more towards breadth over depth. Participants of the program were found to be significantly wealthier than those of nonparticipants. Some of the poorer nonmembers choose not to enlist for microfinance services, while many others were disallowed into the program against their wishes. Those who chose not to enlist felt that microfinance services were for the wealthy. Coleman (2002) observed a positive and significant impact of microfinance on the productive expenditures, income, savings, wealth, and labor of the wealthy clients, but a largely insignificant impact on the impoverished clients. This impact gap was due to the difference in access to loans by wealthier and poorer clients (Coleman, 2002).

Despite some of the positive results of microfinance described above, some additional studies raise caution. For example, van Rooyen, Stewart, and de Wet (2012), based on a review of various studies about the impact of microfinance in Africa,, find that "microfinance in sub-Saharan Africa — while it has modest but not uniform positive impacts — is not always a golden bullet, but indeed can cause harm" (p.2259). They warned that the rhetoric about microfinance's success could be problematic by raising unfounded expectation about the efficacy of microfinance among individuals interested in poverty reduction and micro-level economic development. This conclusion by van Rooyen et al. (2012) grew out of what they considered as the lack of rigorously conclusive evidence that microfinance is a transformational tool for economic development and poverty reduction. While microfinance positions some of its client households to develop assets and coping mechanisms against future shocks, microfinance loans, in other cases, can make some client households poorer and not richer (van Rooyen et al., 2012). Van Rooyen et al. (2012), notwithstanding, provided evidence that suggests microfinance's positive impact on the education, food security position, job creation, and housing of client households, though the impact on education was "contradictory" (p. 2257). Similarly, Kathleen Odell (2010), in a review of impact studies conducted for the Grameen Foundation, found inconclusive evidence about the impact of microfinance on the socio-economic wellbeing of its clients. States Odell (2010):

> Based on the studies in this survey, the overall effect on the incomes and poverty rates of microfinance clients is less clear, as are the effects of microfinance on measures of social well-being such as education, health, and women's empowerment (p.6).

Apparently for this reason, Roodman (2012) questions the hype that presents microfinance as the panacea for poverty or the economic development challenges that face the impoverished, financially excluded and less privileged. Based on his analysis of the history and recent evidence about the impact of microfinance in various places including India and Bangladesh, Roodman (2012) maintains that microfinance has had a zero effect on economic empowerment and poverty of clients. Microfinance has instead entrapped its clients in a cycle of debts, and therefore, cannot be a poverty reduction intervention. One positive impact he identifies, however, is that microfinance has aided the development of competitive financial products, both savings and credit, for the poor. Towards this end, Roodman (2012) suggests that microfinance as an industry focuses more on the development of savings products than credit products.

Many microfinance institutions use joint liability as the liability structure for their award of loans. Joint liability, through its internally built mechanisms of peer pressure and ability to nurture and leverage social ties among clients, reduces the chances of repayment defaults. In contrast to joint liability lending, other MFIs use individual liability lending that leverages the monetary value of tangible collaterals to guarantee loan repayments. While the primary motive for using either of these liability structures is to guarantee high repayment rates, there is evidence that microfinance liability structures do affect non-financial outcomes. These outcomes include political capital.

Birner and Wittmer (2000) has described political capital as the resources used by individuals or groups to "to influence policy formation processes to produce outcomes that are in the actor's perceived interest" (p. 6). Booth and Richard (1998), and Richard and Booth (2008) argued, furthermore, that these resources not only influence political outcomes, but also shape the performance of the political system, and increase the prospects for democracy. Political capital is therefore a resource that is invested towards a political endeavor in expectation of a gainful benefit(s) (Casey, 2008). This benefit could be the victory of a particular candidate or political party in an election, the passage of a legislation, a community's acceptance of a public project, or the ascendancy to power of a warring faction. Political capital fosters vertical social relations such as political party membership or interactions between institutions of governance and the population. Thus, elections, debates about community projects, leadership, and public policies, together constitute the political markets for the investment of political capital (Casey, 2008.). Booth and Richard (1998) identified the following as measures of political capital: democratic norms,[5] voting, campaign activism, and contacting public officials.

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[5] Booth and Richard's (1998) democratic norm refers to the "structural variables of the political system which influence the possibilities of the diverse actors to accumulate instrumental political capital and condition the effectiveness of different types of instrumental political capital." This is not the focus of the study, so the definition for this paper is restricted to the private perspective – instrumental perspective.

Theoretical studies about the comparative effects of microfinance liability structures appear to be mainly focused on the effect of both liability structures concomitantly on reducing adverse selection among clients, clients' repayment rates, poverty reduction, and entrepreneurship. Some research has been done to this end, however. For example, Gine and Karlan (2009) conducted a field experiment in the Philippines to investigate the effect of joint liability and individual liability structures on the default rates and the efficacy of peer monitoring among joint liability and individual liability clients, respectively. Their work found no significant difference in the default rates among the two groups of clients. In another study, Attanasio et al. (2011) conducted a random experiment among 1,148 women in 40 villages in Mongolia to measure the comparative effects of both joint liability and individual liability microfinance on reducing poverty among clients of the two kinds of structures. Their measures of poverty included the consumption of food and non-food items. The non-food items included VCRs and radios. The authors found a positive impact of joint liability microfinance loans on food consumption and business entrepreneurship, but no difference in the repayment rates between the two groups of clients. In contrast, Carpena et al. (2012) conducted a natural experiment to compare the repayment and savings behavior among a group of microfinance clients who transitioned from individual to joint liability lending programs in India. Carpena et al. (2012) found that the structure of joint liability lending improved the repayment and savings behavior of clients compared with individual liability clients; in sum, joint liability clients were found to be less likely to default on their monthly loan repayments than their individual liability lending counterparts. This is because compulsory savings is a feature of joint liability microfinance.

The works of Hashemi et al. (1996), and of Mosley et al. (2004) seem to be an exception when it comes to comparative impacts of the two liability structures of microfinance, however. Unlike other works that looked at the comparative effects of the two liability structures on the business and economic outcomes of microfinance clients, these works compared the effects of the two liability structures on the political development outcomes of the clients.

Using eight indicators of empowerment[6], Hashemi et al. (1996) examined the effect of microfinance on the empowerment of 1,300 female respondents in six villages in Bangladesh, comprising clients of the BRAC Microfinance Company, clients of Grameen Bank, and a comparison group of respondents who resided in the villages in which clients

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[6] The eight indicators are 1) mobility--a list of places where a respondent had been alone; 2) economic security--owning a home, land, or cash savings and whether the savings were ever used for business or moneylending; 3) ability to make small purchases--items for the respondent herself (hair oil, soap, glass bangles), items used daily to prepare food for the family, or for the children (sweets or ice cream), especially without the permission of the husband or with money earned by the respondent; 4) ability to make larger purchases--pots, pans, clothing, etc., especially without the permission of the husband or with money earned by the respondent; 5) involvement in major decisions -- the input of the respondent in decisions about the renovation of the house, leasing or buying land, especially with money earned by the respondent; 6) relative freedom from domination by the family –not having money or other personal belongings taken from her against her will by members of her husband's family; 7) political and legal awareness--knowing the names of government officials, the inheritance law and significance of marriage registration; 8) participation in public protests against spousal abuse, unfair wages or prices, or the abuse of power by police or government officials, and political campaigning for a political candidate. A woman was rated “empowered” if she had a composite score of 5 or more on these indicators (i.e., having a score of 1 on five or more indicators) (Hashemi et al., 1996, p. 638-39).

of Grameen Bank lived, but were not enrolled in the microfinance program of either Grameen of BRAC. The comparison group was comprised of females who were eligible for microfinance's enrollment but lived in villages that did not have the program of BRAC and Grameen. Two of the indicators of empowerment, including political and legal awareness, and participation in public protests and political campaigns, measured the political capital of the clients, while the rest of the indicators measured the economic empowerment of the clients. Hashemi et al. (1996) found that BRAC had a stronger effect on its clients' abilities to participate in political campaigns and public protests than did Grameen Bank on its clients. The authors suggested that this effect may have been due to the nature of training opportunities that BRAC provided its clients. According to them, BRAC "provides more opportunities for its members to participate in training programs, which give them an opportunity to travel outside their villages, and because of its greater emphasis on creating awareness of social and political issues" (Hashemi et al., 1996, p. 649).

Cheston and Kuhn (2002) commenting on the effectiveness of the training programs offered by microfinance institutions noted that these trainings have generally expanded the social networks of microfinance clients and enhanced their confidence and knowledge about participation in collective action activities. Through these trainings and networks, microfinance institutions empowered their clients to be effective participants in political activities and influential in decisions and political decisions or policies that affect their socioeconomic statuses (Cheston & Kuhn, 2002). In a different study, based on a comparative analysis of a participatory evaluation of microfinance impacts in

Bangladesh, Kabeer (2001) found that…"a growth of women's self-confidence, in their knowledge of their rights, their willingness to participate in public action and even the reduction of domestic violence may have occurred as a result of women's participation in the new forms of social relationships embodied in credit organizations…" (p. 81). This finding by Kabeer (2001) and Cheston and Kuhn (2002) could help to explain BRAC's effect on the political participation of its clients in the study of Hashemi et al. (1996).

Mosley et al. (2004) conducted a similar study about the effect of microfinance on the social capital formation and political participation of clients of two MFIs located in Slovakia, Russia and Romania: the INTEGRA Foundation, and FORA Fund. FORA Fund was sponsored by the international NGO Opportunity International and offered both individual and joint liability loans to microbusinesses in Russia, while INTEGRA offered both types of loans to only the "socially excluded" in Romania and Slovakia (p. 413). Mosley et al. (2004) surveyed a clustered sample of respondents that comprised clients receiving joint liability loans, those receiving individual liability loans, and a control group of newly enrolled entrepreneurs. The measures of political participation used by Mosley et al. (2004) were political party membership, financial support to political campaigns, and participation in general.

The study found microfinance to be associated with the political participation of clients. Political participation was found to be higher among clients than among the control group of newly enrolled entrepreneurs. The political participation by clients was found to be informal, such as an impromptu, informally organized resistance against the payment of bribes to a local government official for the issuance of business licenses, rather than more formal activities such as obtaining party membership or formally declaring support for political campaigns. Participation in these informal collective activities were built on informal ties that the clients had established in church, especially in Slovakia, or via social arrangements outside of the microfinance program. Mosley et al. (2004) argued that microfinance "provide[d] a catalyst to empower these prior groups" to attain their political goals (p. 424). Illustrating the catalyst role of microfinance in these prior ties, Mosley et al. (2004) showed how a client in Slovakia transformed a group of entrepreneurs into a political organization that could negotiate with government on various issues, though the nature of these issues were not made clear.

Because all of these works (Hashemi et al., 1996; Mosley et al., 2004; Cheston and Kuhn, 2002; Kabeer, 2001) were focused on microfinance in non-conflict settings, they leave unanswered questions about the comparative effects of the liability structures on the political capital of post-conflict clients.

2.3 Situating Political Capital in the Post-Conflict Microfinance and Peacebuilding Relationship

Post-conflict microfinance includes more than simply providing financial services to conflict-affected populations in order for them to rebuild their lives after conflict. Post-conflict microfinance embodies the establishment of a permanent institution, though primarily financial services in nature, which aids the socio-economic revival of conflict-affected populations and the overall post-conflict economic development of the post-conflict country. (Mac Ginty, 2010; Reychler, 2001; Doyle, 1998; Nagarajan, 1997; Manalo, 2003).

Post-conflict microfinance provides conflict populations access or the means to develop various forms of capital, including political and financial, that helps them to link their capacities with available socioeconomic opportunities. These capital help the post-conflict populations to rebuild their lives and assets that have been ruined by conflict in order to contribute to peacebuilding. The significance associated with helping the post-conflict population gain access to capital can be gleaned from the effects of the conflict on the economic status of population. Justino (2010) identified three effects of violent conflict on the economic status of households, including the survival capabilities, and assets both physical and social: direct, indirect, and instrumental (Justino, 2010). Directly, conflict results in the displacement and/or destruction of households, and the loss of income and livelihoods. Indirectly, conflict disrupts the local economy. Instrumentally, conflict disrupts households' mechanisms to cope with the socio-economic shocks created by the conflict (Justino, 2010). All of these effects are manifested during the post-conflict period in the dearth of the population's political and financial capital, which Collier, et al. (2003) refer to as the "conflict trap"; if left unaddressed, this trap increases the risk of the post-conflict country returning to violent conflict. Microfinance is seen as a mechanism that can aid the reconstruction of these types of capital during the post-conflict period. This suggests a function for microfinance in post-conflict peacebuilding and conflict prevention.

Nagarajan (1997) described post-conflict microfinance as a "major tool" to jumpstart an economy that is emerging from the devastation caused by conflict. This role of microfinance is tied to its financial intermediation ability. Apart from its ability to jump-start a devastated economy, microfinance also has the ability to provide large-scale financial intermediation service, reduce financial exclusion, and contribute to social inclusion and social cohesion, all of which are key ingredients for post-conflict peacebuilding and economic development (Murphy, 2013; Hailey, 2013; Reychler, 2001; Mac Ginty, 2010; Welle-Strand, Kjollesdal, Sitter, 2010). Doyle (1998) noted that post-conflict microfinance has a political function in post-conflict peacebuilding. This function includes promoting reconciliation (Manalo, 2003), restoring security (Parker and Doug, 2002), both economic and physical, rebuilding clients' political capital, and facilitating social cohesion (Reychler, 2001; Mac Ginty, 2010; Doyle, 1998; Welle-Strand, Kjollesdal, Sitter, 2010).

Post-conflict microfinance performs a socio-political function by facilitating social interactions across groups and the building of social networks and trust-building relationships among its clients. Through microfinance-facilitated interactions conflict-ridden populations learn new ways of collaborating for the collective benefit of their communities and societies (Mac Ginty, 2010; Welle-Strand, Kjollesdal, and Sitter, 2010). In terms of stability, continuous social interaction aids trust-building networks and the development of an entrepreneurial spirit among victims and victimizers while enabling the peaceful reintegration of the war-affected population (Larson, 2001). In these microfinance client networks, individual develop political capital that enhance their abilities to use their talents to influence socio-political decisions that affect their community over time (Roxin et al, 2010; de Haan & Lakwo, 2010; Sanyal, 2009).

As used here, political capital is an “instrumental resource” (Birner and Wittmer, 2000; p. 6) that is acquired by private individuals as they go through the process of socialization and knowledge-sharing which informs their social values. Formal educational institutions as well as networks of inter-personal relationships that an individual develops over time provide the essential avenues for socialization and knowledge-sharing. “Social values are the product of one's family, school, social class, church, and other groups and institutions that shape one's socialization experiences and cause one to internalize certain values and group identifications rather than others” (Chong, 1996, p. 2081). This socialization and knowledge-sharing process informs the individual’s political preferences, beliefs, and affinity towards a particular political symbol (Chong, 1993). As Chong (1993) stated, the effect of this process is manifested as an individual “gradually learns, through exposure to public discussion on …[a specific]… issue, to base his or her opinion on certain pertinent aspects of the issue and, at the same time, learns not to pay attention to other features of the issue deemed to be irrelevant” (p. 890). These predispositions and attachments include an individual’s political beliefs and party affinity.

This exposure includes interactions that take place among members of horizontal social organizations,[7] like microfinance loan groups. In these groups, members interact with other group members who may be more knowledgeable about certain political processes and provide a point of reference about these matters and the importance of

[7] Horizontal social organizations are voluntary **networks or groups that are formed to pursue their common interest through collective action.**

expressing these preferences and beliefs. Through these interactions, individuals develop new political beliefs and predispositions, and form attachments to a set of values that define the kinds of political actions that they are willing to undertake in support of their groups, and the development of their communities (Sanyal, 2009; Turner, 1999; de Haan & Lakwo, 2010), while pursuing their individual interests. These belief system and values attachments constitute the political capital of the individual clients which, they can use to influence their political preferences and affinity towards particular political symbols. Booth and Richard (1998) showed a positive link between membership in horizontal social groups and political capital formation. Political capital represents the foundation upon which individual members pursue their private political interests, though in recognition of the collective interest of the group.

An individual's volume of political capital is manifested by his or her political predisposition, and affinity towards, a particular political symbol, cause, or action. Political capital determines the attitudes and behavior of clients towards democratic norms. Moreover, political capital encourages greater participation and indigenous ownership and stake in the peacebuilding process, and contributes to social cohesion. Social cohesion, as used here, refers to the inclusive interactions across groups and between groups and the institutions of governance. Institutions that ensure both horizontal and vertical interactions are inclusive in construct and functioning. Horizontal interactions refer to the quality and nature of social relationships among people and groups. Vertical interactions refer to quality and nature of relationships between people and political institutions or politicians at the level of the community and state.

There seems to be a dual relationship, however, between political capital and violent conflict. While violent conflict can have a negative effect on political capital, it can also have a positive effect on political capital. Using survey data from 20 Latin American and Caribbean countries, Richard and Booth (2008) demonstrated that violent conflict has a negative effect on citizens' political capital by lowering their participation in voting, elections campaigns, or contacting public officials. However, in post-conflict Sierra Leone, for instance, individuals whose households experienced violence – the killing, maiming or displacement of a household member – were found to be more likely to register to vote and join political organizations than their peers (Bellows & Miguel, 2009). The violence suffered by these individuals appears to have generated a higher political awareness among them in the post-conflict era about the importance of political participation (Bellows & Miguel, 2006). Similarly, Blattman (2009) showed that in Uganda, individuals who were conscripted or abducted by a warring organization were more likely later to vote and seek community leadership. Blattman (2009) attributed this to personal growth that might have occurred during the course of the violence, leading to a re-evaluation of personal goals and the cost of participation in violence over political activities.

These conflicting findings could be attributed to individuals' responses and adaptations to the effects of violent conflict. The way in which individuals respond and adapt to the effects of violent conflict is explained largely by their perceived gains from the conflict and the nature of social institutions that emerge in the wake of the conflict. This suggests that the relationship between conflict and political capital is complex, dynamic, and context-specific, and not always negative. This dual relationship between political capital and conflict has implications for post-conflict peacebuilding. The effectiveness of a peacebuilding intervention is measured by the extent to which it accords voice to the population in matters affecting their governance. Post-conflict peacebuilding is a function of the nature and depth of interactions between the political institutions and the broader population. The amount of voice that individuals have in matters affecting their governance enhances their ability to participate and influence political outcomes that are in their perceived interest**s.** This also contributes to inclusion and social cohesion, and the positive effect of political capital. Turner (1999) argued that, "political capital goes beyond voice…by culminating in [the] self-direction" of the individual and the community within which he/she resides (p. 16). In situations of poverty, political capital increases the ability of the poor to escape the entrapment of poverty (McLeon, 2003) and leads to economic freedom. Thus, an individual's volume of political capital depends on the knowledge acquired through a process of socialization and knowledge-sharing, both formally and informally.

Political capital is fundamental to the functioning and sustenance of inclusive political institutions, which is foundational for peace, stability, and conflict prevention. However, the sustenance and functions of these institutions are ineffective if the individuals whom these institutions govern lack the political capital to define their personal interests and invest in these institutions to achieve those interests. While the institutional structure determines the rights and responsibilities of individuals, political capital determines the ability of individuals to exercise those rights and responsibilities.

Through the profitable use of their political capital, post-conflict individuals could be able to own, and direct or influence their governance, mitigating a chance of elite predation. Political capital, therefore, links the aspirations and interests of individuals with the development and governance of their communities and the broader peacebuilding agenda of their societies. If, however, individuals are unable to exercise these responsibilities, the implementation or functioning of the peacebuilding and/or conflict prevention program could be in danger of being perceived as unjust, exclusionary, and extractive.

Azar (1991) identified recognition and acceptance as factors that could increase an individual's propensity to support peacebuilding or, on the contrary, to participate in violent conflict. Recognition and acceptance refer to the influence and power that an individual possesses in his or her community or society. These (i.e. recognition and acceptance) facilitate individuals' access to the resources that are vital to the satisfaction of their basic human needs. With political capital, individuals are not passive, invisible actors who are easily manipulated by conflict entrepreneurs, predatory elites, or spoilers. Instead, they are active and rational actors in the peacebuilding process. Political capital can therefore contribute to stability, peacebuilding, and economic development. The effective use of political capital can contribute to constructive interactions and vertical relationships between institutions of governance and the population. These interactions have a cumulative effect of strengthening social cohesion, improving state-society relations, and reducing state avoidance (Jackson, 2005). Through these interactions, political capital is an effective instrument for creating profit stalemate for conflict entrepreneurs, predatory elites, or spoilers. Political capital can therefore also function as a social insurance against conflict.

2.4 Comparative Effects of Post-Conflict Microfinance Liability Structures on Political Capital

The literature on post-conflict microfinance and peacebuilding seems to be limited in terms of the comparative effects of individual liability and joint liability lending structures on the political capital of post-conflict clients. The works that do look at this relationship have focused more on the effect of joint liability microfinance program on clients' political capital, or the effect of microfinance lending in general on the socioeconomic and political empowerment of post-conflict clients especially females (Roxin et al, 2010; Chapman, 2013; Goronja, 1999; Marino, 2005)

Roxin et al. (2010) conducted a quasi-experiment of 122 randomly selected microfinance clients in Sierra Leone to evaluate the effect of microfinance on the social, political, and economic empowerment of women, comprising both joint liability and individual liability clients, and a control group of women who were not clients but were engaged in the same trade as the microfinance clients. The women in the individual liability group served as members of the treatment group that was used to generate the data for the study. The authors used the following pathways as indicators to estimate the empowerment effect of microfinance: a) Material empowerment, including changes in income, ownership of assets, fulfilment of basic needs and earning capacities; b) Cognitive empowerment, including changes at the level of knowledge, skills, and awareness of the wider environment; c) Perceptual self-esteem, self-confidence; and d)

Relational empowerment, including changes relating to social interaction (e.g., decision-making, bargaining power, participation, self-reliance, organizational strength and mobility).

The researchers found no effect of microfinance on the political empowerment of the women, especially with regard to collective action organizing. Roxin et al. (2010) attributed this to the lack of experience and training among the women in collective action organizing and the primary focus of the women, especially women in joint liability microfinance program, on meeting their financial obligations to the group in order to qualify for future loan opportunities. Because of this, the women could not develop a shared concern nor function cohesively towards problems of political participation and decision-making, which affects the Sierra Leone women. This resonated with an earlier observation by Mayoux (1999) that a microfinance program can also have a negative impact on the political empowerment of clients if the programmatic focus of the microfinance program is on ensuring loan recovery or preventing repayment defaults (Mayoux, 1999), rather than social intermediation, which could ultimately hinder political capital development.

In contrast, in the Nebbi District of Uganda, joint liability microfinance provided the space and incentive for its clients, mostly women, to develop skills in collective action and community activism that helped them to challenge the traditional male-dominated style of governance (de Haan & Lakwo, 2010). The trust and solidarity that the women built as a result of their frequent interactions in pursuit of microfinance services, according to de Haan and Lakwo (2010), enhanced their abilities in community activism, and collectively secured a place in their local community leadership structures, ensuring a gender-sensitive system of community governance. The microfinance program was launched in 1991 in the district as part of the country's post-conflict recovery effort. About two percent of the population aged 18 years old and above did not have access to finance at the time (Lakwo, 2003). In their research, de Haan and Lakwo (2010) found that the microfinance program did not only widen the space for active women's participation in community politics, but also enhanced their ability to influence policies governing their individual wellbeing.

Apart from facilitating the political empowerment of post-conflict clients, microfinance has also been found to be useful in enhancing the ability of clients to participate in community-driven activities aimed at social reintegration and peacebuilding. This effect is the result of the social capital that clients develop within their loan groups (Marino, 2005; Goronja, 1999). Marino (2005) documented how microfinance provided the vehicle that enabled former combatants and farmers in Afghanistan to nurture trust in each other to undertake community projects while working to secure personal microfinance loans (Marino, 2005). Goronja (1999) made a similar observation about microfinance among Muslims and Serbs in Bosnia. She noted how microfinance solidarity groups provided a platform for trust-building and knowledge-sharing among the solidarity group members on the issues of domestic violence and the importance of participating in elections (Goronja, 1999). This occurred, however, after the villagers in the village targeted for the microfinance intervention had opposed the original design of the microfinance intervention. The microfinance institution launching the intervention had decided to award the loan to the entire village, and therefore required the village to elect a leadership that would guarantee the credit-worthiness of the rest of the villagers (Goronja, 1999). But the villagers refused this condition (Goronja, 1999). It was only after the microfinance institution agreed to award the loan to solidarity groups with membership not larger than five people that the program got started (Goronja, 1999). Working in the restructured solidarity groups, clients gained knowledge about the dangers of domestic violence and the importance of their participation in elections (Goronja, 1999).Though secondary in nature, these functions of post-conflict microfinance in peacebuilding are essential and "highly complementary to [the post-conflict microfinance's] primary economic goals" (Doyle, 1998; p. 27-28; See also Manalo, 2003; p. 15-16).

2.5 Post-Conflict Microfinance: An Opportunity for Inquiry

Despite its efficacy, there are a number of challenges associated with the study of the relationship between post-conflict microfinance and political capital. The first challenge is that the literature examining this relationship between post-conflict microfinance and political capital appears to be thin. In addition to its thinness, the emphasis of the studies examining this relationship has focused primarily on the effects of joint liability microfinance programs rather than concomitant effects of both joint liability and individual liability programs. This emphasis is dominated by the assumption that the effect of post-conflict microfinance is limited to nurturing or strengthening social capital among clients receiving joint liability loans alone, excluding the value of the individual liability microfinance as well as the value of considering the resultant political capital effects of the two liability structures. The post-conflict microfinance literature, therefore, has focused largely on the analysis of the effect of group liability lending on social capital among joint liability groups in post-conflict settings. This limitation ignores or discounts questions about the effect of the other type of liability structure (i.e. individual liability) on clients' political capital, as well as the significance of comparing the effects of the two types of liability structure on clients' political capital. Ignoring the effect of the liability structure on the individual clients, while focusing on the effect of joint liability on the group's social capital, leaves understudied the effect of microfinance on measures of political capital: voting, contacting public officials, and contemplating and devising as a legitimate means for political change. Understanding the effect of microfinance on these measures of political capital will give an indication of the effect of microfinance on the attitudes and behavior of individual clients towards democratic norms, an essential ingredient for peacebuilding.

Microfinance institutions that offer group liability loans have assumed that through the investment of their social capital in solidarity lending groups, clients seek to maximize their private benefits while in pursuit of their group's benefits. This positions social capital collateral as a platform for the provision of microfinance services to populations recovering from the impacts of conflict or to those excluded from financial services. By this assumption, rational individual behavior leads to rational collective behavior. In the words of Svendsen and Svendsen (2004), "individual rationality [however] *does not* lead to collective rationality" (p. 22). Svendsen and Svendsen (2004) argued that "the link between individuality and group rationality depends on the individual net benefit from contributing to the collective good" (p. 23). Building on the work of Mancur Olson and Elinor Ostrom, Svendsen and Svendsen (2004) demonstrated that even if the total group benefit far exceeds the cost of supporting the group's endeavor, individuals will support the group's cause only if they believe that their personal gains far exceed the benefits that accrue to the group.

In addition, it is worth mentioning that microfinance as an industry or institution has difficulty in understanding the terms "conflict situation" and "post-conflict" (Nagarajan and McNulty, 2004). Nagarajan and McNulty (2004) blame this difficulty on the evolutionary and overlapping nature of the two terms, which represent different stages from manifest conflict to peacebuilding. They therefore called for an in-depth examination of the various factors that distinguish the two stages from each other. Doing so is crucial because it will help to address the shortage of data and generate more robust indicators for measuring the impact of post-conflict microfinance. Moreover, this will address some of the controversies that surround post-conflict microfinance impact evaluations at various levels: the individual, the group, and the wider community levels.

Nagarajan and McNutty (2004) could be speaking about these gaps when they call for systematic empirical research that "conceptualizes and characterizes the role" of post-conflict microfinance as an instrument of peacebuilding (p. 5). This study is a response to that call. It engages in a conversation with the post-conflict microfinance literature by investigating the comparative effect of the two types of liability structures of microfinance on the political capital of clients. Liberia, in particular, presents a case for this investigation because of the role of political capital in its conflict history and the positioning of microfinance as a critical mechanism in the country's peacebuilding agenda.

Liberia's civil conflict from 1989- 2003 was due to the extreme marginalization and exclusion of the majority of its population at both the political and economic levels (Government of Liberia, 2008). In the wake of this unequal relation, various horizontal social organizations were formed across the country, creating avenues that helped the majority population accumulate political capital (Sawyer, 2005). These organizations included the rotating savings and credit associations (*susu*), and the accumulated credit and savings association (yearly club) among microenterpreneurs and community dwellers, as well as the farmers' self-help groups (the *Koo*). The financial capital accumulated from membership in these organizations helped these associated members of the population to sustain themselves socially and economically in the wake of the widening inequalities that existed in the country. These organizations became channels for the dissemination of messages for campaign activism by various political groups and individuals. These messages helped build the political consciousness of the population partaking in these organizations and their communities, especially concerning issues of their rights to governance and the importance of exercising those rights. The political capital accumulated from membership in these organizations provided the foundation for the collective actions that ended the one-party rule in 1980 and the subsequent rebellion against bad governance in 1989-2003.

While Liberians appear generally tired of violence and want to see their country move forward, post-conflict economic development interventions in the country appear to be following the same skewed pattern of wealth and power distribution as was present in pre-conflict Liberia (Kurz, 2010; Sola-Martin, 2011). It is within this context that households are becoming involved with microfinance for their collective advancement. But works looking at post-conflict microfinance in Liberia have focused largely on the performance indicators of microfinance (the trends of client base, types of loan products, portfolio size, profit margins, client repayment rates) and the readiness of the post-conflict country for microfinance services (Johnson, 2010; Tucker, 1995), and less on whether the microfinance liability structure has an effect on the political capital of its clients. As a result, these findings could be less representative of the true relationship between post-conflict microfinance and peacebuilding than a comparative study focused on the effect of the liability structure of an MFI on the political capital of its clients.

2.6 Conclusion

This chapter has examined the literature on microfinance and political capital as an analytical tool for understanding the peacebuilding function of microfinance through the effect of its liability structure on the political capital of clients. The chapter emphasizes the limitations of the microfinance literature in its examination of the relationship between microfinance and political capital. The focus of both the broader microfinance literature and that of the post-conflict microfinance literature has thus far hinged mainly on joint liability microfinance program and the notion that the effect of this type of microfinance program on the political capital of clients is the result of, or secondary to, the group's social capital. This demonstrates that both the small post-conflict microfinance literature and the large-scale studies about microfinance in non-conflict settings have ignored the diversity of microfinance liability structures and the effect of the individual liability microfinance program on individual loan clients, leaving understudied the direct effect of microfinance on the indicators of political capital, or the attitudes and behavior of individual clients towards democratic norms.

The next chapter focuses on the context against which microfinance interventions were launched in post-conflict Liberia. It discusses the marginalization and financial exclusion of the majority population in Liberian, the civil conflict (1989 – 2003), the country's peacebuilding process, and the emergence of post-conflict microfinance.

CHAPTER THREE

FINANCIAL EXCLUSION, POST-CONFLICT PEACEBUILDING, AND THE EMERGENCE OF MICROFINANCE

3.1 An Inquiry into Financial Exclusion in Liberia

Microfinance has been an essential resource for financial intermediation among Liberia's financially excluded and less privileged population. This segment, which constitutes the majority of the country's population, have been excluded from financial intermediation services offered by the country's formal financial sector due to their location along the lower rungs of the economic ladder, the informal sector (Horton, 2005; Government of Liberia, 2006). It is a situation that predates the country's unspeakable civil conflict from 1989-2003. Ray (1998) noted huge transactions costs associated with the provision of financial services to the informal sector. In the Liberian case, it was not only the cost faced by financial institutions that has contributed to the financial exclusion of the poor and less privileged, but also a part of the ruling Americo-Liberian establishment's policy and practice of excluding and marginalizing the lower class of the population from the wealth and opportunities for socioeconomic advancement and institutions of governance of Liberia. This was in exercise of the establishment's myth of psycho-political and cultural redemption, as shall be explored.

The Americo-Liberians constituted three percent of the country's population from 1847 the year of the country's independence 1980, the year that marked the end of the Americo-Liberian one-party rule (Dunn-Marcos, Kollehlon, Ngovo, and Russ, 2005;

Moran, 2006; Kieh, 2008; Sawyer, 1992; Khafre, 1978; David, 1984). They assumed control of the political institutions of the country, immediately following Liberia's independence in 1847 (Sawyer, 1992; Khafre, 1978; David, 1984; Dunn-Marcos, Kollehlon, Ngovo, and Russ, 2005). Using the structure of the state, the Americo-Liberians established an elaborate system which privileged those of Americo-Liberian descent over indigenous Liberians, the majority population, in every facet of human activity, socially, economically, and politically (Khafre, 1978; Sawyer, 1992; Dunn-Marcos et al., 2005, p. 4). The state became an instrument for capitalist accumulation and mercantilist expansion for the Americo-Liberians.

Formal financial intermediation services seem not to have been available in Liberia during most of the country's existence in the 1800s. (Dunn, Beyan, and Burrowes, 2001; Horton, 2005; Queshi, 1964). The first formal institution of financial intermediation was the Bank of British West Africa (Dunn, Beyan, and Burrowes, 2001). It is not known exactly when the Bank of British West Africa began operations in Liberia, but it ceased to exist in 1930 (Dunn, Beyan, and Burrowes, 2001). Five years later, in 1935, it was replaced by the Bank of Monrovia, a subsidiary of the Firestone Rubber Plantation Company (Dunn, Beyan, and Burrowes, 2001; Queshi, 1964; Horton, 2005), which had earlier begun a large-scale rubber operation in Liberia in 1926. The primary clients of the Bank of Monrovia were the Firestone Plantations Company and its expatriate staff, many of whom were from the United States (Horton, 2005). The bank provided financial services to only a few Liberians who, according to Horton, (2005), "least needed the credit" (p.18). However, the provision of these services, especially loan facility, was conditional upon the available balance in the account of this Liberian borrower with the Bank of Monrovia (Horton, 2005). If the balance of the account was less than the amount being requested, the borrower would have to secure a "co-maker" whose account balance with the bank was adequate to cover the amount being requested (Horton, 2005; p.18). If the co-maker also had lesser amount in his/her account than what is being requested, the loan would not be made. In reality, the money that was loaned to the Liberian borrower actually belonged to his/her co-maker, and not the bank. This system of financial intermediation excluded the local population, both Americo-Liberians and the indigenes, from formal financial services.

In addition to commercial banking service, the Bank of Monrovia performed quasi-central banking functions for the government of Liberia. These functions included issuing Liberia's currency, and serving as the depository of government revenues (Horton, 2005; Queshi, 1964). By 1963, the Bank of Monrovia accounted for more than half of the total deposits and credits that were available in the Liberian banking sector (Queshi, 1964). This stranglehold of the Bank of Monrovia on the Liberian financial sector would later be challenged in 1955 when the Liberian Savings and Loan Corporation was established as the first "indigenous financial institution" of Liberia (Horton, 2005, p. 20) Around this same period, the First National City Bank of New York, through its subsidiary, the International Banking Corporation, bought the stake of Firestone in the Bank of Monrovia (Horton, 2005). One year later, in 1956, the Liberian Savings and Loan Corporation was transformed from a non-banking financial intermediary into a full-fledged commercial bank named the Bank of Liberia (Horton, 2005). While the Bank of Monrovia now had a commercial banking competitor, it would go on to perform its function as a fiscal agent of the Liberian government until 1974, when the National Bank of Liberia was established to assume that role (Dunn, Beyan, and Burrowes, 2001).

The Bank of Liberia provided various financial services to both Liberians and expatriates (Horton, 2005). These included primary savings and loan services. As the Bank of Liberia grew, it offered other financial services including the Legal Power of Attorney (LPA), a form of credit targeted at mostly Liberians working in the formal sector (Horton, 2005). Under the LPA, "anyone working for government or a private company [could] give the Bank a legal power of attorney to take possession of their paycheck each pay day and deduct the loan payment due for credit to their loan account and either pay the balance in a cashier's check or by a credit to their savings or checking account" (Horton, 2005; p. 45). The LPA later became a popular instrument of credit or the means for acquiring assets among Liberians. It was also popular among businesses, especially the Syrian and Lebanese merchants[8], because of the ease of its adaptability. The financial sector mushroomed with banks after the establishment of the Bank of Liberia. From 1956 to the early 1960s, there were about six commercial banks operational in Liberia: the Liberian Trading and Development Company (TRADEVCO) of Italian origin; the Bank of Liberia; the Chase Manhattan Bank and the International Trust Company, both of American origin; the Commercial Bank of Liberia; and the Union National Bank (Horton, 2005; Queshi, 1964). The operations of these banks

8 These merchants had migrated to Liberia in search of better economic opportunities.

seemed to be focused on transactions outside of Liberia. As Queshi (1964) observed: "… the banks in Liberia customarily have (sp.) extensive banking operations with foreign banks and nonresidents, frequently involving large transfers of funds [out of the country]" (p. 316).

The motivation behind this growth in the Liberian financial sector was the rapid growth of the Liberia economy. From 1950-1960s, the Liberian economy averaged annual growth rates between 4 and 7 percent on account of the government's "Open Door Policy" (Government of Liberia, 2006; Kieh, 2008; Liebenow, 1987; Sawyer, 1992; Khafre, 1978; David, 1984). This policy, launched in 1944, granted foreign firms the concession rights to exploit the country's natural iron ore, as well as timber resources along with rubber (Government of Liberia, 2006; Kieh, 2008; Liebenow, 1987). The rising global prices for iron ore and rubber at the time made Liberia attractive for foreign investment (Government of Liberia, 2006; Kieh, 2008; Liebenow, 1987). Liberia therefore experienced a significant boom in foreign direct investment in its iron ore, rubber and timber sectors (Government of Liberia, 2006; Kieh, 2008; Liebenow, 1987; Sawyer, 1992).

The growth of the financial sector and the economy provided an important concrete test of whether Liberia, a country that was founded because of inequality,[9] would exhibit a distinguishable pattern of investment in increasing access to socio-economic opportunities and the extension of the formal financial frontier to include the marginalized and financially excluded population. Access to sustainable means of

9 See Sawyer (1992) Khafre (1978); Kieh (2008), and David (1984).

finance and socioeconomic opportunities is related both theoretically and empirically to the ability of the population to save, raise capital, and engage in productive economic activities. In the absence of an access to a sustainable means of finance, the ability of an individual to participate in capital formation is limited. Although the government's "Open Door Policy" opened up the country to increased foreign direct investment, the policy was, however, "a calculated strategy of economic development which was designed not only to enhance the foundations of privilege for the Americo-Liberian elite but also to give them the revenues for maintaining a more modern and efficient system of control over the tribal majority" (Liebenow, 1987; p. 59).

The gains from the economic boom were, therefore, not targeted at reducing socioeconomic inequality (Kieh, 2008; Government of Liberia, 2006), but at expanding the "financial means for the continued subsidizing of the system of Americo-Liberian privilege" (Liebenow, 1987; p. 153). Public spending on infrastructure (i.e. roads and communications), and basic social services in places of the country inhabited by indigenous Liberians witnessed an increase; but this increase was not equal to spending on the same programs in areas inhabited by Americo-Liberians (Liebenow, 1987). These expenditures ultimately did not target the channels that had the potential to reduce inequality, which included[10]: providing basic infrastructure and social services to the poor, creating conditions that would enhance the ability of the poor to accumulate assets, facilitating the creation of institutions to reduce risks facing the poor, and providing safety nets that help to reduce the impact of negative shocks on the poor. Rather, the rise

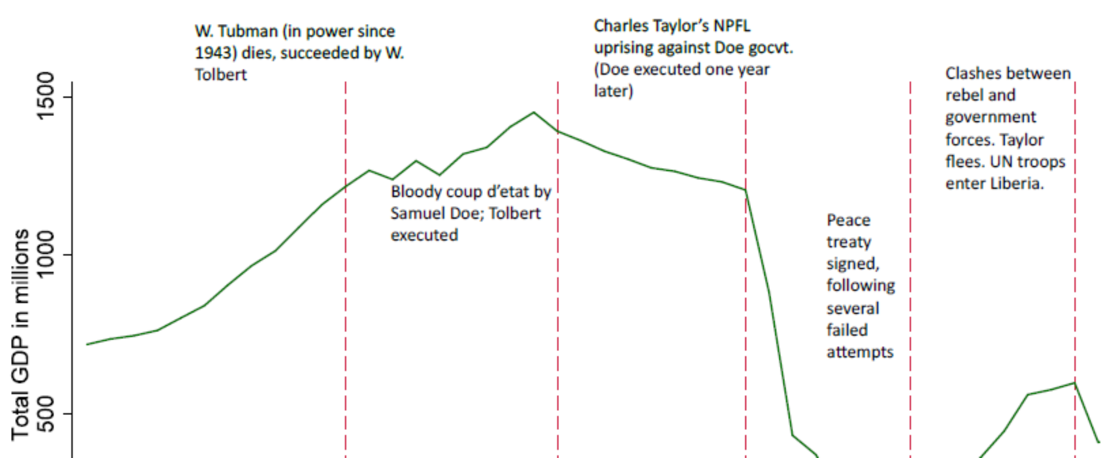
10 This list of channels draws on Oduro (2001).

in public expenditures was aimed at strengthening the ability of the government to suppress the rising opposition among the indigenes (Liebenow, 1987; Kieh, 2008; Sawyer, 1992; Khafre, 1978; David, 1984). For instance, the increased public expenditure on road improvements enhanced government's ability to efficiently collect taxes and conscript the labor of the indigenes for use by its officials (Liebenow, 1987). The constraint on the ability of the majority population to access socioeconomic resources or opportunities indicated that, despite the presence of a free market economic system in Liberia, the economic institutions of the country were extractive. Extractive economic institutions are institutions that are "designed to extract incomes and wealth from one subset of society to benefit a different subset" (Acemoglu and Robinson, 2001; p. 76).

This action limited the ability of the Liberian indigenous population to accumulate assets necessary for a vertical climb in their socioeconomic status. Besides, the rise in public spending on social services and infrastructure in areas inhabited by the indigenes was also intended to mask the widening inequality between the indigenes and the Americo-Liberians in addition to the various forms of corruption in government (Liebenow, 1987; Moran, 2006; Kieh, 2008; Sawyer, 1992; Khafre, 1978; David, 1984). Kieh (2008) argued how the officials of successive administrations carted off the country's revenues to foreign banks with impunity. For instance, from 1960-1985, the elite class, representing about four percent of the population, controlled 60-68 percent of the national income (Kieh, 2008). This unequal distribution of wealth in the midst of economic growth created a duality of wealth and poverty in the country. A duality of wealth and poverty is a manifestation of horizontal inequality. Stewart (2008) defined horizontal inequality as “inequalities between groups with shared identities” (Stewart, 2008; p. 12). These identities include ethnicity, race, and nationality. Stewart (2008) identifies four dimensions of horizontal inequality: political, economic, social, and cultural. *Political* horizontal inequality refers to the difference between identity groups in the governance or political processes that affect them (Stewart, 2008). This could be manifested in the composition of a country’s cabinet, national army, the legislature, and local government (Stewart, 2008), and could include the deprivation of one group in the exercise of their level of civil and political rights. *Economic* horizontal economic inequality refers to the unequal distribution of a society’s economic wealth, while social horizontal inequality refers to the unequal distribution of basic social services, which include health, education, water and sanitation, and housing. *Social* horizontal inequality therefore results in unequal outcomes of human development as measured by education, longevity, and employment (Stewart, 2008). *Cultural* horizontal inequality refers to the deprivation of a particular group from engaging in its cultural practices (Stewart, 2008). In spite of these differences, the various dimensions of horizontal inequality reinforce each other in a manner that Stewart (2008) described as the “reinforcing cycles of privilege and deprivation” (p. 13).

Political horizontal inequality is fundamental to sustaining economic horizontal inequality. Political horizontal inequality includes the instruments used by political elites to not only maintain their hold on power but also to control the national purse (Freeman 2005; Stewart, 2008). Through deprivation, people’s ability to reach their potential is impeded by the unjust socio-political structures which benefit a select group at the expense of others, usually the majority. Inequality is therefore the outcome of a system of unjust socio-political structures, institutions, and policies that deny a group or groups of people the satisfiers of their basic human needs. Horizontal inequality sows the seeds for conflict (Stewart, 2008; Azar, 1991). Stewart (2008) is therefore right when she argues that groups suffering inequality may find conflict as the only avenue to redress the gap, irrespective of the dimension of inequality. In the case of Liberia, the deprivation suffered by the indigenous Liberians from the formal financial sector was economic in nature.

The danger associated with the duality of wealth and poverty began to manifest itself in Liberia in the 1970s when the country's economy began a nose-dive due largely to external economic shocks: a sharp increase in world petroleum prices and a decline in the prices of Liberia's key export commodities, which are rubber and iron ore (Government of Liberia, 2006). This drop, together with a decline in foreign direct investment, set the stage for a plummeting of the Liberian economy, as shown in Figure 1 below (Government of Liberia, 2006).



Source: Government of Liberia, 2012

Figure 1: The Trend of GDP per Capita in Liberia from 1960 - 2002

This trend persisted into the latter part of the 1970s when it reached a crisis point of alarming proportion, due to a sharp rise in unemployment and food prices. Sawyer (1992) described the situation this way:

> By 1978 … unemployment had risen to 23 percent nationally and to 39 percent in Monrovia. Consumer prices that rose at an annual rate of 6 percent in 1977 reached a rate of 14 percent in 1979. Food prices in particular rose by 15 percent in 1979 (p. 373).

The loss of employment moved many Liberians to the informal sector, which itself had been an object of financial exclusion by the various regimes, as it was seen as the haven for the lowest class. The rise in unemployment, therefore, worsened the precarious financial capital position of the majority population and coincided with its weakening political capital in the administration.

There seems to be no evidence about whether there was any effort on the part of the Liberian government or the National Bank of Liberia, which took over as fiscal agent of the Liberian government from the Bank of Monrovia in 1974, to facilitate or encourage the expansion of the financial sector beyond the enclaves of the elite population, especially those in the capital Monrovia, in the wake of the country's growth in the 1950s-1960s. The landscape of the formal financial sector would change, however, when during the course of the economic downturn in the 1970s, the Liberian government in 1978 established the Agriculture Cooperative and Development Bank (ACDB). The primary functions and responsibilities of the ACDB were to make loans to local farmers in order to increase their agricultural productivity. The 1970s was the last decade of what was referred to as the early "development decades (1950s, 1960s, and 1970s)" (Martin, Hume, and Rutherford, 2002). During these decades, the financially excluded and indigent were believed to be the population engaged in subsistence agriculture (Martin et al., 2002). The provision of subsidized credit facilities to this sector or population was therefore seen as the panacea to financial exclusion and economic alienation and poverty (Martin et al., 2002). It was believed that financial capital would raise the productivity of this segment of the population through an increase in their use of agriculture technologies and, hence, their incomes, lifting them out of poverty and increasing economic growth (Martin et al., 2002).

Like other developing countries at the time, Liberia therefore established the ACDB to make loans to farmers in order to increase agricultural production and address the country's perennial problem of financial exclusion, poverty, and economic inequality. This creation of the Agricultural Cooperative and Development Bank seemed to have altered the financial landscape of the country, raising the prospects about the expansion of the frontier of the Liberian formal financial sector to include the marginalized and economically excluded population. The ACDB would continue to operate until the outbreak of the civil conflict in 1989. But like other financial or formal sector institutions in the country, the ACDB's facilities were destroyed during the civil conflict. The extent to which the ACDB expanded the frontier of Liberian formal finance towards the marginalized remains unclear due to the lack of data. Martin et al. (2002), however, provide evidence suggesting that the marginalized and impoverished populations in other developing countries where similar agricultural-focused banks were established hardly benefited from the services of these banks due to corruption and the high transactions cost faced by subsistence farmers in accessing the services offered by these banks. Many politicians used such banks as an avenue to leverage their private political gains.

Apparently for this reason, microfinance became the preferred option of financial intermediation for the financially excluded in Liberia. There is a paucity of data, however, about the microfinance landscape of Liberia before the country's recent turbulent history (1989-2003). It seems, however, that until 1989 when the civil broke out, the microfinance landscape of country was dotted with various informal financial institutions. These included member-based organizations such as the Rotating Savings and Credit Organizations (RoSCAs), the Accumulated Savings and Credit Associations (ASCrAs), and the daily savings club.

3.2 Informal Financial Intermediation in Liberia Until 1989: Towards A Typology

Prior to the Liberian civil conflict (1989–2003), the microfinance industry in Liberia was characterized by informal MFIs. These institutions primarily provided access to credit for the financially excluded population. This process of credit provision was facilitated broadly by two indigenous financial mechanisms, the Rotating Savings and

Credit Associations (RoSCAs) known locally as the '*susu*' or, and the Accumulated Savings and Credit Associations (ASCrAs) known locally as the 'yearly club.' These mechanisms, which Ledgerwood and Gibson (2013) describe as indigenous community-based microfinance providers, operated throughout the country and up to the present day. While providing credits, these mechanisms also created the opportunity for people to save for emergencies or existing opportunities. They therefore provided a combination of "saving up" and "saving down" functions. Rutherford (2005) refers to "saving up" as the ability to keep some money somewhere that you can retrieve and use for consumption or investment purpose some day in the future, while "saving down" refers to the ability of an individual to draw drown money against a saving to be made in the future. Both ROSCA and ASCrA are mechanisms of saving up and saving down functions while the Following the civil conflict, other microfinance organizations, such as the microfinance NGOs, and banks have emerged. Ledgerwood and Gibson (2013) describes these MFIs as institutional providers.

3.2.1 The Rotating Savings and Credit Association: The Susu

The *susu* is organized by members to raise capital for existing opportunities (Nelson, 2013). Members of a *susu* are usually either traders within the same marketplace or members of a community who defer consumption in order to lend to each other. Its membership varies from as few as five to as many as 20 people. At the start-up process of the *susu*, members decide by consensus on the required contribution for each member, and when during the *susu* cycle that each person would receive the pot (Nelson, 2013). Although agreed upon by consensus, the turn of each person is decided based on past records with the *susu* group. Usually, members with good participation records are given preference over new members. Individuals with poor performance records with the group are not allotted membership. Individuals applying for membership go through a form of screening. The *susu* ascertains the behavior of new persons seeking membership from other *susu* groups of which this new member might have previously been a part. After each of the members has taken turns receiving the pot, the *susu* is ended. At the end of the *susu* cycle, a decision is made about starting another cycle (Nelson, 2013).

3.2.2 The Deposit Collector: Daily Savings Club

A second informal finance model is the deposit collector, which provides a safe place for the poor to save their money (Nelson, 2013). One of the many challenges of savings which the poor face in Liberia is finding a safe place to keep their savings. In economic terms, the deposit collector is a form of deposit collectorate. The deposit collector visits the homes of clients, usually on a daily basis, and collects a deposit that is determined before the start of the collection. The collection is done over a period of time, usually 31 days. While the conventional practice is for clients to save for 31 days, not everyone saves for that length of time. Thus, the savings cycle for individuals varies and may run for more than or less than 31 days. At the end of the savings cycle, the deposit collector returns to the clients the full value minus one day of the total deposit saved. The value of the one-day savings is the payment to the deposit collector for his services (Nelson, 2013).

The payment of a day's deposit to the deposit collector is a negative interest rate earned by the clients. These savers accept the negative interest rate payment because the daily savings provides the best option for them to save. There are some risks associated with saving with a deposit collector, however. Some of these risks include the ability of the deposit collector abscond with the clients' savings, and the inability of clients to access the deposit when needed (Nelson, 2013).

3.2.3 The Accumulated Savings and Credit Associations (ASCrAs): The Yearly Club

The Accumulated Savings and Credit Associations (ASCrAs) are an advanced version of the ROSCAs. Like ROSCAs, ASCAs are member-owned and member-managed. The membership is comprised of people who are driven by the desire to borrow but also willing and able to save. They usually live within the same neighborhood or are in a common economic venture such as operating a microenterprise or a small business. Interest rates are earned on savings and charged on borrowings (Nelson, 2013; Johnson & Rogaly, 1999). Unlike ROSCAs, ASCAs are governed by formal rules that are established by members at the first meeting of the business cycle of the association (Nelson, 2013). The business cycle of an ASCA in Liberia usually runs for a year. The rules of an ASCA include the maximum and minimum savings requirement for each member, the interest rates on savings and borrowings, and the penalties for loan default. The leadership is decided by membership consensus.

Members save at regular intervals, varying from monthly to weekly. The amounts to be borrowed by members are approved by the ASCA leadership based on the saving levels and the demonstrated ability of the potential borrower to repay. Every member is encouraged to borrow, although not every member borrows. Borrowing is also offered to non-members (indirect borrowing) through a member, who is liable to ensure the repayment of the loan by the non-member (Nelson, 2013). The interest charged on borrowing is the dividend that is accrued by the ASCA, which is distributed among members at the close of the business cycle of the organization. The interest earned at the end of the ASCA's business cycle is higher for those who borrowed than those who didn't. This discrepancy in interest earnings is an incentive for individual borrowing.

All of these methods of informal financing were severely disrupted by the civil conflict from 1989-2003. The conflict left the country with untold costs: a destroyed infrastructure, the loss of an estimated 270,000 of its population,[11] with and an additional nearly one million people scattered in either internally displaced people's camps or refugee camps, mostly across the West African sub-region (Government of Liberia, 2008; UNDP, 2006). Various theories have been advanced to explain the cause of the Liberian civil conflict. These theories include the institutional pathology, the elite pathology, ethnicity, the spiritual anarchy, the political culture, and the state-peripheral-capitalist theories (Kieh, 2008).[12] While not evaluating the strengths and weaknesses of these theories, this dissertation argues that the origin of the Liberian conflict is rooted in the various forms of exclusion, and marginalization, that were meted out towards the majority indigene population throughout most of the country's existence (Moran, 2006; Kieh, 2008; Sawyer, 1992; Khafre, 1978; David, 1984; Liebenow, 1987).

3.3 Liberia's Post-Conflict Peacebuilding and Economic Development Agenda

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[11] This loss of lives constitute more than 10% of the country's population, based on the 1984 population census of Liberia, the last official population data before the violence.
[12] See Kieh (2008), Ellis (1995), and Moran (2006) for an examination of these theoretical arguments.

The civil war ended in 2003 following the signing of a Comprehensive Peace Accord by Liberian warring factions, political parties, and civil society organizations in Accra, Ghana. A transitional government, comprised of representatives of the signatories to the peace accord, was established to govern Liberia for a two-year period, presiding over the disarmament, demobilization, rehabilitation and reintegration (DDRR) of the factions, and the holding of democratic elections. Madam Ellen Johnson-Sirleaf was elected in the presidential election in November 2005, defeating international soccer star George Weah in the runoff of a two-round presidential electoral contest. Twenty-one political parties and one independent candidate participated in the first round of the contest from which Mr. Weah and Madam Johnson-Sirleaf emerged the top two candidates. Madam Johnson-Sirleaf was inaugurated in January 2006.

The inauguration in 2006 of Madam Sirleaf as Liberia's president marked the second stage of the country's peacebuilding attempt after an earlier failed attempt from 1997–1999. This second stage was aimed at political reform and democratic consolidation. The first stage, which occurred from 2003 –2005, had focused on the DDRR process. The elections in 2005, which brought Madam Sirleaf to power, provided a space for all stakeholders in the conflict, both primary, and secondary, to rectify the errors of the failed process of 1997-1999 and to focus on national healing and addressing the root cause of the conflict. Democratic elections are believed to provide the strongest legitimacy to assumption of national leadership (UNDP, 2002); they do not, however, guarantee strong state-society relationships, especially in societies emerging from such brutal conflict as that stemming from Liberia's over-exclusion and marginalization.

The launching of the conflict had been driven by a very weak relationship between the state and the population. A majority of the population felt that the regime at the time gave unfair preference to the political elites and other individuals with strong affinity to the regime over the broader population. Thus, if this second attempt at peacebuilding and conflict prevention were to be a significant break with the past, it would require a governance system that was participatory and inclusive, and not extractive or exclusionary. For the victims of, and even the participants in, the Liberian conflict, this approach to governance was seriously needed in the state's economic management function as well as its political settlement function.

The conflict had ravaged the economy and nearly every form of livelihood in both the formal and the informal sectors. By the end of conflict, the country's national output had fallen by 90 per cent when compared to output levels in 1980, the year of the military overthrow (UNDP, 2006), while the average income in 2005, the year of the first post-war elections, was less than a quarter of what it had been more than 15 years earlier (Government of Liberia, 2008). Inequality had widened, with more than three-quarters of the population living on less than US$1 per day (UNDP, 2006), during the same period. In addition, the more than 100,000 combatants, 70 percent of whom were below the age of 18, had disarmed in anticipation of a smooth transition to a life free of violence and rich in socioeconomic opportunities (UNDP, 2006). In terms of infrastructure, there was barely any electricity or pipe-borne water; meanwhile, the delivery of basic healthcare and educational services had essentially been disrupted by the end of the conflict in 2003 (UNDP, 2006). For the average Liberian, peace was defined not by the new political arrangement, but by access to public goods and services, and better economic opportunities that would restore their war-ravaged lives to normalcy. The significance of this would be measured by the extent to which these opportunities provided a form of social insurance that enhanced the population's ability to cope and recover from the shocks produced by the conflict.

Violent conflict affects the economic security of populations. It alters household composition and destroys livelihoods. This impact ruins the economic security of individuals with negative consequences for post-conflict governance and political stability. This situation calls for interventions that address the issue of individual economic insecurity while ensuring stability and governance. A failure to pursue this path would present major risks to the country's rebuilding efforts. In the mind of the Sirleaf administration, the key to this problem was conflict-sensitive economic development (Government of Liberia, 2006). Conflict-sensitive development targets economic development interventions aimed at addressing the root cause of conflict by stretching the elastic limits of a post-conflict economic development program "far beyond a mere reaction to the immediate aftermath of violence" (Mac Ginty, 2010, p. 34). Conflict-sensitive development emphasizes the importance of social and economic development of the post-conflict population to the attainment of peace and stability. This bridges the gap between the root cause of conflict and internationally driven post-conflict development plans with the experiences and aspirations of the post-conflict population (Mac Ginty, 2010). It was against this background that the administration opted for a post-conflict peacebuilding agenda that awarded conflict-sensitive development a mainstream position in the rebuilding of Liberia. Broadly conceived, this agenda was articulated in the Poverty Reduction Strategy (PRS) process.

3.3.1 The Poverty Reduction Strategy

The Poverty Reduction Strategy (PRS) process, developed in 1999 by the World Bank and the International Monetary Fund (IMF), is primarily a development intervention for low-income countries that owe unsustainable debts to international creditors, including these two institutions (Cheru, 2006; Wam, 2010). The PRS requires countries to design an economic management plan through a Poverty Reduction Strategy Paper (PRSP) that has evolved from a process that is considered participatory and socially inclusive, comprehensive, results-oriented, and forward-looking, in order to receive debt-relief (Cheru, 2006). The implementation of the PRSP is done first with a one-year interim Poverty Reduction Strategy Paper (i-PRSP), followed by a full Poverty Reduction Strategy Paper (PRSP), which is implemented for about two years. For post-conflict countries, the PRSP process seems to be an avenue for post-conflict recovery and peacebuilding (Obwona and Guloba, 2009; Cheru, 2006; Wam, 2010). The performance of the post-conflict PRS process has received mixed reviews, however. In some post-conflict settings, the PRSP process seems to be politically inclusive and financially conflict-sensitive to some degree (World Bank, 2005), while in others, it seems to be exclusionary (Adejumobi, 2006; Cheru, 2006). Nonetheless, there are a growing number of post-conflict countries that are using the PRS as a method for reconstruction, peacebuilding, and national reconciliation (Wam, 2010).

In the case of Liberia, the PRSP represents the country's determination to turn the page on the nightmarish chapter of its history. The PRSP defines the contours of the country's post-conflict peacebuilding, reconstruction, and development agenda, functioning as the "key reference document for all development and reconstruction efforts [in Liberia] no matter the sector or issue area" (Kurz, 2010, p. 22). Built on four pillars – "Enhancing national security; Revitalizing economic growth; Strengthening governance and the rule of law; Rehabilitating infrastructure and delivering basic services" (Government of Liberia, 2006, 2008) [13] – Liberia PRSP situates conflict-sensitive development as the fulcrum for Liberia's peacebuilding process. The PRSP therefore directs immediate attention to the "structural conditions and processes and attitudes that sustain social and political divisions [in the country] and encourage the use of violence" from 1989-2003 (Government of Liberia, 2008). These pillars are seen by supporters of the PRSP as the foundation required for the state to perform its primary functions of establishing legitimate political institutions, providing basic social services and security, and managing the country's economy. Despite the emphasis of the PRSP on inclusive growth, Liberia's ability to attain this type of growth remains challenged by the nature of its approach to growth, which according to Sola-Martin (2011), mirrors the extractive approaches of the pre-conflict era. This suggests a tension between the country's overall development program and the implementation of this program.

Microfinance service is one of the interventions anchored in the economic management function of Liberia's peacebuilding program. Microfinance is seen as a

[13] See the Liberia PRSP for full details about these four pillars.

platform for the creation of livelihoods and socioeconomic opportunities for the population, especially for those found in the informal sector (Government of Liberia, 2008; Central Bank of Liberia, 2007). Microfinance provides access to resources and the opportunity to build peace organically through a participatory process (Mac Ginty, 2010). Microfinance also provides the opportunity for post-conflict societies to address the structural issues of inequality and financial exclusion while reviving the macro-economy.

The near collapse of Liberia's formal sector, which until the civil war had accounted for a significant proportion of the country's employment, combined with the destruction of other forms of livelihoods by the conflict, provided incentive for the entry of a large segment of the population into the country's informal sector in search of alternative economic opportunities. Prior to the civil war, the formal sector accounted for about 50 percent of all employment in the country (United Nations Development Programme [UNDP], 2006). At the end of the civil war, employment in the formal sector employment was down to about 15 percent. This sharp reduction was due to the disruption of mining activities, a major source of employment, and the destruction of private enterprises by the civil conflict (Government of Liberia, 2006; UNDP, 2006). More than 50 percent of those unemployed as a result of this disruption sought employment in the informal sector (UNDP, 1998). The informal sector has continued to grow with rising employment rates since the end of the conflict. In 2001, the informal sector employed about 30 percent of the country's labor force (Government of Liberia, 2006), while recent estimates say that the informal sector now employs about 68 percent of post-conflict Liberia's labor force (LISGIS, 2010) , highlighting the significance of informal sector employment to economic security and peacebuilding. The major opportunities provided in this sector are in the areas of microentrepreneurship, and primary agriculture (LISGIS, 2010; Central Bank of Liberia, 2009).

As cited earlier in this dissertation, nearly 80 percent of the population of employment age is working in “precarious circumstances” and is “unlikely to have the benefits of favorable conditions at work such as an assured salary, pension, sickness benefit or job security” (LISGIS, 2011, p. 26). Given the country’s high dependency ratio (LISGIS, 2011), this places a significant proportion of Liberia’s population at the lower rung of the socio-economic ladder with marginal to no ability to fulfill their basic human needs and attain their economic development potential.

While the informal sector is vital for ensuring livelihoods and socioeconomic opportunities for the post-conflict population, access to capital remains significantly limited in Liberia due to financial exclusion. Following the conflict, American Refugee Committee International (2005) estimated that there were about 82,000 people in need of formal microfinance service (American Refugee International, 2005), but only about 9,200 receiving service. This demand has increased tremendously since 2005; the current demand for formal microfinance services has since been estimated to include more than about 138,000 microentrepreneurs (CBL, 2008). It is apparently for this reason that Government of Liberia, through its Central Bank along with other policy stakeholders, has been developing various policies and strategies to integrate microfinance into the formal financial sector. Prominent among these is the Liberia Financial Inclusion Strategy that awards microfinance a mainstream position within the country’s peacebuilding and development agenda.[14] The emphasis of these financial integration or financial inclusion strategies is on providing commercial microfinance.

There is no clear definition for the term *commercial microfinance*. Commercial microfinance, however, has been used to refer to the operation of formal microfinance institutions on a self-sustaining basis, both financially and operationally, under the prudential supervision of a central monetary authority, usually a central bank (Armendariz & Morduch, 2010, Tucker, 2004; Charitonenko & Afwan, 2003; Robinson, 2001). Its integration is an outcome of an evolutionary process at both the micro and macro levels of an economy through which semi-formal microfinance institutions attain a set of benchmarks along a continuum of financial integration (Tucker, 2004; Charitonenko & Afwan, 2003). These semi-formal microfinance institutions are mostly microfinance non-governmental organizations (NGOs). These benchmarks, which Tucker (2004) refers to as phases, include: the start-up phase, the expansion phase, the consolidation phase, and the integration phase. The next section will detail the four phases.

3.4 Phases of the Evolution of Commercial Microfinance[15]

At the start-up phase, semi-formal microfinance activities are introduced to the economy in a test case, particularly in the informal sector (Tucker, 2004; Charitonenko & Afwan, 2003). The market is explored while products are developed and tested for

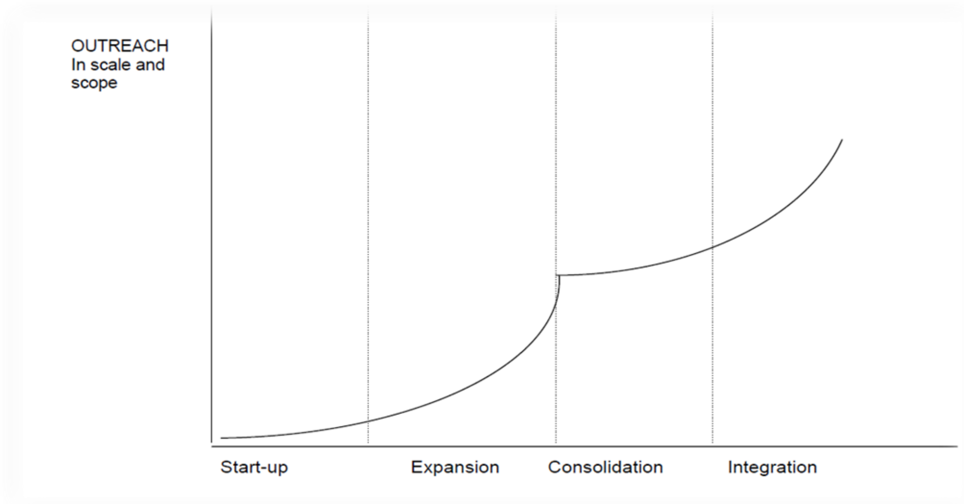
[14] Developed in 2012, this strategy seeks to ensure improved access to financial services for the country's financially excluded. The strategy emphasizes the dangers of financial exclusion to Liberia's post-conflict economic revitalization, poverty reduction, and peacebuilding.
[15] Much of this section is based on Tucker (2004).

market appropriateness and adaptability. Meanwhile, a pool of qualified staff are recruited and trained for the delivery of sustainable microfinance services, while the creditworthiness of long-term potential clients are being cultivated and nurtured. The emphasis of this engagement with clients or potential clients is on the potential for microfinance to aid livelihood and generate income (Tucker, 2004; Charitonenko & Afwan, 2003). It also focuses on developing the ability of clients or potential clients to manage their businesses efficiently and repay their loans in a timely manner. The successes at the micro level, including livelihood creation, income generation, and overall micro economic growth, are used as the basis for the legalization of semi-commercial microfinance activities (Tucker, 2004; Charitonenko & Afwan, 2003).

Next, in the expansion phase, successful MFIs focus on consolidating their gains from the start-up phase with a goal towards adopting a for-profit orientation. There is now a movement towards the development and provision of a diversified range of products that are demand-driven and have the ability to earn interest rates sufficient to cover the operational cost of loan provision, while increasing the scale and scope of client outreach (Armendariz and Morduch, 2010; Tucker, 2004). Meanwhile, subsidies and grants are still being pursued from goodwill donors, which will continue until financial sustainability can be attained. Human resources to improve the operational efficiency of the MFI continue to be strengthened. Therefore, the focus here is more towards the operational self-sufficiency of the institution.

Then, in the consolidation phase, the overall sustainability of the microfinance institutions – financial self-sufficiency and the operational self-sufficiency—is emphasized. There is now a progression towards operational and financial efficiencies that can attract adequate revenues to cover the costs associated with loan provision and make the microfinance institutions profitable (Tucker, 2004). Operational self-sufficiency indicates the ability of the microfinance institutions to cover their costs for microfinance services, while financial self-sufficiency indicates microfinance long-term sustainability, including the costs of operations, without subsidies (Ledgerwood, 2013). Meanwhile, the organizational processes are increasingly formalized. These include the management of organizational policies, procedures and systems, and management oversight. Newer markets are explored, including the market of small businesses. At the macro level, a regulatory framework that is supportive of the development of the commercial microfinance sector, governed by a central supervisory authority, usually a central bank, is established.

Finally, in the integration phase, the leading MFIs become integrated in the formal financial sector as for-profit institutions, regulated by the central bank. Figure 2 below shows the evolutionary process of the commercialization and financial integration of microfinance.



Adapted from Tucker (2004)

Figure 2: Phases of the Evolution, Commercialization and Integration of Microfinance into the Formal Financial Sector

Commercial microfinance is seen as a sustainable way to provide large-scale, inclusive financial intermediation services to the marginalized and financially excluded population of Liberia. This belief is based on the experiences of the early microfinance institutions that provided microfinance services in Liberia during the days of the civil conflict. Prominent among these organizations were Liberia Enterprise Assistance Program (LEAP) founded by the Association of Evangelicals of Liberia, and the Liberty Finance founded by the America Refugee Committee. These organizations offered similar savings and credit services in the most populous counties of Liberia to the financially excluded population who were mostly engaged in economic activities in the informal sector, despite the perception that this segment of the population was not credit-worthy or able to save. However, from December 2005 - December 2008 after the disruption of its activities by the fighting in 1996[16], LEAP recorded about a three-hundred percent increase in the size of its client base along with about a four-hundred percent increase in its loan portfolio (World Hope, 2008). From December 2005-December 2006, Liberty Finance witnessed an increase in the size of its client base and the size of its gross loan portfolio: client base increased by 54% while loan portfolio increased by 120 percent.[17] These performances led to changes of perception in the formal financial sector about the bankability of the population in the informal sector, generating support for the provision of financial services to this clientele and the emergence of commercial microfinance in Liberia. These experiences by LEAP and the Liberty Finance demonstrated that microenterpreneurs in the informal sector had the need for savings as much as credit, once they are provided with a mechanism that is safe, accessible, convenient, and reliable. Savings instruments provide a valuable service to clients who might need savings most, especially clients who want to build their borrowing capacity for future loans. These attributes help to gauge the credit worthiness and bankability of clients. This experience laid the foundation for the integration of the informal financial sector into the formal financial sector of Liberia through the commercialization of microfinance.

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[16] The fighting in 1996 took place across Liberia both in the interior parts and the capital Monrovia. During this round of fighting, the offices of LEAP, along with other relief agencies that were operating in the country, got looted. As a result of this, LEAP suspended its operations for nearly nine months. It resumed operations in 1997 following the end of the fighting and was able to recover most of its portfolio lost in 1996, including outstanding loan repayments (See MBP Microfinance Following Conflict, Brief No. 3.).

[17] Author's calculation based on data obtained from the Microfinance Information Exchange (MIX) Database found at http://www.mixmarket.org/mfi/country/Liberia

It was against this background that the international NGOs which had flooded Liberia to deliver humanitarian assistance in the wake of the civil conflict, along with other MFIs, began providing formal microfinance services to the war-affected population interested in microenterpreneurship, primary agriculture, and small businesses. Microenterpreneurships in post-conflict societies are vital to building peace because of their ability to access local social networks (United States Institute for Peace [USIP], 2012). Through these networks, micro-, and small businesses connect different social groups, including both conflict victims and victimizers. Through collective activities, these networks help conflict-affected populations to (re)create their social credentials, earn power, and nurture positive behavior for the collective development of their communities. These networks also function as engines for the accumulation of political capital. The use of this political capital in governance activities at the community or state level is dependent, however, on the individual's belief that the leaders at the community or state level are serving the interests of the broader population rather than those of the political elites. Making financial capital accessible to the population in the informal sector, therefore, has a peacebuilding function. By its mainstreaming of microfinance, post-conflict Liberia seems to be operationalizing its peacebuilding process through micro-level economic development aimed at addressing the underlying structural causes of the conflict.

3.5 The Post-Conflict Microfinance Landscape

The microfinance landscape in Liberia has evolved. By Tucker's (2004) categorization, Liberia's microfinance industry is currently in the integration phase.

While the term *microfinance* has become well known since the civil war to refer mainly to the externally generated financial schemes often implemented by non-governmental organizations, there are additional mechanisms that also offer sustainable financial services to the country's population that has been marginalized and financially excluded. As a result, the microfinance landscape in Liberia is composed of various types of microfinance institutions that include informal or indigenous and formal MFIs, with varying forms of governance and ownership, sources of capital, and levels of external supervision. These include commercial banks, commercial microfinance institutions, and Rotating Savings and Credit Associations (ROSCAs) and the Accumulated Savings and Credit Associations (ASCrAs), the last two of which predate the civil conflict. The Table below shows a typology of MFIs in post-conflict Liberia.

Table 1: A Typology of Microfinance Institutions in Liberia

Institution	Source of capital	Ownership and governance	Regulation and supervision	Scale (number of clients)	Profitability	Motive

ROSCA	Membership-generated	Member-owned and governed	None	Less than 100	Sustainable but not always durable	Self-help
ASCrA	Member shares and borrowings	Member-owned and governed	Secondary or tertiary national credit union association	5-100	Profitable	Self-help
NGOs	Donors, retained earnings, commercial borrowings and savings mobilization	Socially responsible professionals	Limited government oversight	100–≥ 10,000	Occasionally	Reduce poverty
Micro-finance Bank	Private equity, occasional donor support	Private owners	Central Bank	Tens of thou-sands	Sustainable	Profit

Adapted from Johnson (2009)

There are eight registered microfinance institutions operating in Liberia (Central Bank of Liberia, 2011) in addition to the hundreds of ROSCAs and ASCrAs. These institutions operate in at least 10 of Liberia's 15 counties (Bomi, Bong, Grand Bassa, Grand Cape Mount, Grand Gedeh, Lofa, Margibi, Maryland, Montserrado, Nimba, and Sinoe) (Central Bank of Liberia, 2011). The combined population in these 10 counties constitutes more than 90 percent of Liberia's population (Government of Liberia, 2008). Access Bank and BRAC Microfinance Company (BRAC) are the two largest MFIs operating in Liberia. The client base of these two MFIs is made largely of microenterpreneurs and small business owners. For these clients, the microfinance loans serve the general purpose of gaining working capital or business improvement.

3.5.1 Access Bank

Access bank, a private banking company with shareholders in Africa, Europe, and the US, offers individual liability microfinance services targeted at micro, small, and medium-sized enterprises. It has about 15,000 clients across Liberia, many of whom are microentrepeneurs (Central Bank of Liberia, 2009). Prominent among its loan products are the micro and super micro loans aimed particularly at microenterpreneurs. A micro loan is in the amount of $50, and a super microloan is $100. In order to qualify for a loan, a prospective client must have an established business, a property equivalent in value to the size of the loan, and a guarantor from his/her community of residence (BRAC 2010).

3.5.2 BRAC

Liberia is one of five countries in Africa in which BRAC currently works in addition to countries in Asia.[18] Like Access Bank, BRAC was established to provide microfinance loans to the population who have been marginalized and lack access to financial services. BRAC provides joint liability microfinance services. Clients are organized into groups of 25-40 members otherwise known as village organizations, with no immediate family members in the same group. The group is then sub-divided into smaller groups of five. Each group elects its own leader, whose responsibility is to organize weekly meetings, to collect the weekly repayment of the loan from each

[18] The other four countries are Sierra Leone, South Sudan, Tanzania and Uganda.

member, and submit the repayments to the credit officer assigned to the group. Loan size to each group ranges from \$50 – \$500, and the amount is awarded for up to 10 months with weekly repayments (BRAC, 2010). The members of the small groups are responsible to ensure repayments by fellow group members. This mechanism reduces the risk of loan default. New borrower groups meet four times prior to loan disbursement (BRAC, 2010). After these initial meetings, they meet weekly to discuss credit decisions with their dedicated BRAC credit officer, and to make their loan repayments (BRAC, 2010). At present, BRAC has more than 10,000 clients (BRAC, 2013) in seven of Liberia's 15 counties.

3.6 Conclusion

Microfinance has evolved in Liberia from a solely informal sector means of financial intermediation in response to financial exclusion to a more integrated feature of the country's formal financial system. This integration of microfinance is a result of the country's civil conflict from 1989-2003, which was caused by extractive economic policies that created a duality of wealth and poverty or wide economic inequalities. The rapid expansion of microfinance activities, especially by microfinance NGOs following the civil conflict, challenged earlier perceptions about the credit-worthiness or bankability of the financially excluded population. It is therefore no surprise that the country's post-conflict development agenda emphasizes the importance of addressing the inequality gap within the population. Microfinance (i.e. commercial microfinance) is anchored in this agenda as a platform that has the ability to create large-scale financial capital on a cost-effective basis and to facilitate financial inclusion and economic equality. Such inclusion is key to sustaining peace and preventing the kinds of exploitative patterns that caused the civil war from 1990-2003.

CHAPTER FOUR

THEORETICAL FRAMEWORK FOR ANALYZING THE EFFECT OF LIABILITY STRUCTURE ON CLIENTS' POLITICAL CAPITAL

4.1 Introduction

The analysis in the literature review suggests that the effect of microfinance liability structure on peacebuilding is a function of the interaction of the demands for microfinance and the assets of post-conflict population. These assets include both social and financial, which according to Jackson (2005), are vital to the socioeconomic choices that post-conflict individuals make in pursuit of their socioeconomic advancement. Responding to these demands for microfinance service, post-conflict microfinance institutions prescribe requirements or rules to which microenterpreneurs and individuals must either adapt or conform in order to qualify for loanable capital. These rules are operationalized as liability structures – joint liability and individual liability – that serve as insurance against losses or default in credit repayment by borrowers. These requirements include the types of collateral, both non-tangible social assets (specifically intra-group trust or guarantees) and tangible fixed assets that are accepted by microfinance institutions as insurance for repayment. Non-physical and intangible assets, acquired through intra-group trust or guarantees, are acceptable from clients who do not have fixed assets, such as a house, a car, or other tangible goods. Clients who do not have tangible assets cannot secure a microfinance loan on an individual basis. Such clients can only secure loans as a member of a collective effort (Karlan and Goldberg, 2011; Bogan, Johnson, and Mhlanga, 2007). The collective effort reduces the cost for attaining loan on an individual basis. The size and nature of the loan received by individuals within the collective are therefore shaped by the terms, values and objectives of the collective – a solidarity lending or a village banking group.

Apart from determining the loan requirements, the liability structure indicates the focus of the microfinance institution. Joint liability microfinance focuses on both social and financial intermediations, while individual liability microfinance focuses only on financial intermediation. Financial intermediation involves savings, credit, and remittance services (Ledgerhood, 1999). Social intermediation, on the other hand, involves building social assets in the form of solidarity village banking groups that enhance the ability of financially excluded individuals to make up for their lack of physical asset in order to qualify for microfinance loans (Edgcomb and Barton, 1998). Through social intermediation, microfinance facilitates the establishment of social networks and structures that enable the provision of sustainable financial services to individuals who do not have tangible assets.

The liability structure of a microfinance institution influences the attitudes and behavior of clients towards norms of social and financial intermediations. Working together in their loan groups, microfinance clients learned the importance of combining their individual resources in order to pursue the collective ends of their groups, while pursuing their private objectives (Mosley et al., 2004; Sanyal, 2009, de Haan & Lakwo, 2010). These clients use this experience from their groups to their communities in order to seek solutions to problems that may be facing their communities which also affect them. The norms of social intermediation, therefore, create incentives that motivate clients to develop and pool their non-financial, social resources to support the collective interest of their groups and communities, politically and socially. This working of microfinance, especially social intermediation, facilitates the building of political capital, a political function of post-conflict peacebuilding (de Haan & Lakwo, 2010; Manalo, 2003; Nagarajan, 1997; Doyle, 1998). This relationship between microfinance and peacebuilding is modulated through the effect of the microfinance liability structure on the political capital of microfinance clients. Political capital determines the attitudes and behavior of clients towards democratic norms – voting, contacting or lobbying legislative representatives for the production of particular policy outcomes, and espousing and pursuing nonviolent means of political change. There seems to be a dual relationship, however, between political capital and violent conflict. While violent conflict can reduce political capital, it can sometimes increase political capital **(**Blattman, 2009; Bellows & Miguel, 2009)**.** Despite this dual relationship between political capital and violent conflict, political capital can encourage greater interactions between and among individuals and groups who may not be members of political parties or other formal political institutions. These interactions contribute to social cohesion and political inclusion. As used here, social cohesion includes not only interactions among social groups and individuals at the community level, but between these groups and individuals on the one hand and political leaders and institutions of governance at the state level, on the other.

This effect of microfinance is differentiated by the type of the liability structure of the specific microfinance program. Joint liability microfinance provides a platform that facilitates greater social interactions among its clients, which enhance their ability to participate in symbolic politics. An individual's participation in symbolic politics demonstrates his or her political predisposition, and affinity towards a particular political symbol, cause or action. Symbolic politics participation is a function of the political capital of the post-conflict population. This relationship could, however, run in the opposite direction, where political capital could be used to start violence instead of supporting and sustaining peace. The direction of this relation, whether toward increased peace or increased violence, is context-specific.

The social interaction platform provided by joint liability microfinance is not available to clients of individual liability microfinance program. Joint liability clients will, in principle, be in a better position to develop or increase their volume of political capital. Individual liability clients, on the other hand, face higher costs for increasing or developing their political capita due to the limited platform for social interaction among them as a group, and the emphasis of the individual liability microfinance program on financial intermediation over social intermediation. All else equal,

4.2 Hypothesis 1: Joint liability microfinance clients are likely to have greater political capital than that of individual liability clients.

Joint liability MFIs provide a platform that facilitates social interactions, increases the social assets of its clients, and creates the incentive for individuals subscribing to microfinance program to gainfully support peacebuilding. Enhancing the assets of individual clients, joint liability microfinance creates entrepreneurial opportunities for post-conflict clients, a vital ingredient for social and economic reconstruction and development. Through these opportunities, joint liability microfinance services reduce the chances of elite predation or conflict entrepreneurship as well as reduce the possibility of a conflict relapse. Entrepreneurial opportunities expand the economic freedom of post-conflict microfinance clients, and increase the opportunity cost for them to support or participate in violence. The economic freedom created by joint liability microfinance widens the range of economic and social resources available to the post-conflict population, reducing the degree of clients' socio-economic vulnerability and improving the probability of their economic and political participation. Social interaction also enhances clients' abilities to participate in community development. Social interaction nurtures their development of positive behavior while enhancing their social credentials.

These intra-group interactions among clients of joint liability microfinance facilitate to the building of new or renewed interpersonal relationships, networks of knowledge-sharing and centers of socialization. Through these relationships, joint liability microfinance enables the social and political development of clients. Group members who may be more knowledgeable about matters of political processes and means of collective actions function as centers of growth and development on these subjects (Sanyal, 2009; Turner, 1999). Clients become exposed to knowledge about various political beliefs, and symbols, which aid the development of their own personal political values, attachments and preferences through intra-group interactions (Sanyal, 2009; Turner, 1999). These beliefs, values, and attachments help to inform the attitude and behavior of clients towards the norms of democracy, voting, contacting one's legislator, and supporting a particular kind of collective action as the legitimate means for political change (Chong, 1993). Booth and Richard (1998) show that membership in horizontal social organizations[19] aids the political capital development of an individual. Political capital provides the foundation that individual members need to influence a political outcome that serves his/her private interest while supporting the collective interest of the group. This may not be the case in individual liability microfinance program which has a limited chance of social intermediation because it is oriented towards the use of tangible asset as collateral for the award of loans. Given its higher social intermediation orientation, joint liability client seem to be better positioned to develop a higher volume of political capital than individual liability clients.

Based on the measures of political capital, hypothesis 1 provides evidence for the derivation of the following hypotheses:

4.2.1 Hypothesis 1A: Clients of a joint liability microfinance program are more likely to vote or register to vote in an election than clients of an individual liability microfinance program.

The ability of social intermediation to incentivize the organization and the participation of clients in nonviolent collective actions in seeking to address specific issues (i.e. political, social, or economic) that may be facing their communities suggests a

[19] These are voluntary networks or groups that are formed to pursue their common interest through collective action.

second function for the social intermediation platform of joint liability microfinance – nurturing a value system among clients that encourages nonviolent collective action instead of individual action in solving particular problems that may be affecting their communities (de Haan & Lakwo, 2010; Sanyal, 2009; Chong, 2009).

Values enhance the ability of individual members to act in his or her own interests, given the set of available alternatives (Chong, 1996). Clients in a group liability are better positioned to access value-based resources through their participation in meetings of their loan groups. Intra-group meetings avails clients to additional resources of knowledge and skill sets that are imbued within group members which may not be available within the homes of individual clients. These include knowledge and skills about subjects surrounding clients' civic responsibilities and engagements in collective actions. Individual liability clients may not have access to these types of resources due to the lack of group meetings, which increases the cost associated with knowledge-sharing as a resource.

With these resources – knowledge and skills set – joint liability microfinance clients nurture perspectives and opinions about their communities and community governance process and their respective individual roles with these processes. These perspectives and opinions are derived, however, largely from the collective interest of the loan group. The collective interest of the group therefore becomes the driving force behind the private actions of individual group members. One political capital-forming effect of joint liability microfinance is its effects on the voting behavior of its clients. Booth and Richard (1998) have shown how membership in horizontal social groups contributed to individual voting. In the context of microfinance, this effect is due to the civic values and skills that individuals learn within their loan groups about their political responsibilities to their communities (Sanyal, 2009; de Hann & Lakwo, 2010). People's values determine their choice for a particular set of political beliefs, and symbols (Schwartz, Caprara, & Vecchione, 2010), which they tend to express through their vote for leaders and policies that they believe are likely to protect their own personal interest and values. For joint liability microfinance clients, the choice to register to vote or to vote in an election is, therefore, not only driven by their developed political predisposition, attachment, or the personal benefits to be derived from the outcome of the election, but the long-term benefits they stand to gain from their loan group. This evidence supports the derivation of hypothesis 1A.

4.2.2 Hypothesis 1B: Clients of joint liability microfinance program are more likely to contact their legislator than individual liability clients.

Voting is an expression of political choice. Voting enables individuals to make a choice regarding to whom power should be delegated and granted. Although voting is a personal choice, the decision about this choice by a microfinance client is strengthened by the incentive structures associated with the voting decisions that are available them. The stronger the incentive structure, the higher the probability that a given client in a particular microfinance liability structure will vote or register to vote in an election. The incentive structure of individual liability microfinance program supports the development and investment of financial assets, while the incentive structure of a joint liability microfinance program supports the development and investment of political assets, which include voting.

Voting, in itself, however, does not increase the legitimacy of political institutions. Legitimacy of political institutions is enhanced by the perceptions about and the interactions between the public officials, both those elected and non-elected, who are awarded the control of these institutions, and the population that they govern. In the context of post-conflict peacebuilding, interactions between public officials and the population gives a measure of social cohesion. The higher the degree of political leader-population interaction, the higher the degree of social cohesion and the lesser the degree of fragility, and vice-versa (Jackson, 2005) Legitimacy contributes to a sense of inclusion and a measure of how individuals and groups use their talents and skills to influence political decisions that affect them or hold their leaders accountable. The lack of legitimacy increases opportunities for violent conflict (Ingram, 2010; Whaites, 2008)

Horizontal social organizations contribute to the ability of their members to interact with their public officials (Booth & Richard, 1998), both elected and not elected, in order to hold them accountable. In the context of post-conflict microfinance, particularly joint liability microfinance program, given that its membership is comprised of individuals that come usually from the same community or electoral district, microfinance loan groups provide a channel that enables individual members to contact their legislators in order to influence and participate in local community development matters. This increases the probability that that a client in the joint liability microfinance program will contact his or her legislative representative. All else being equal, this supports hypothesis 1B.

This is due to two factors. First, the social intermediation platform of joint liability microfinance puts it in a better position to provide the resources needed to mobilize clients for participation in collective action, when compared with an individual liability microfinance structure. Second, the social intermediation platform of joint liability microfinance provides the social connective structure that increases the benefits that its members are likely to accrue from their participation in collective action.

A form of collective action, such as contacting or interacting with public officials, can contribute to accountability. Contacting or interacting with public officials ensures accountability, links group members with public policy process, and promotes their participation in decisions that affect their communities (Inri, 1994). Through these structures, individual microfinance loan group members are able to contact or interact with their public officials and use their skills and talents to influence political decisions that affect them. Through their membership in microfinance groups, individuals who have been considered weak in their communities garner strength and become imbued with skills of participatory governance. In this instance, "political capital goes beyond voice…by culminating in [the] self-direction" (Turner, 1999, p. 16) of the individual clients and the community in which they reside.

Thus, the knowledge provided through the intra-group process of socialization and knowledge-sharing in the microfinance loan group, both formally and informally, enhances the ability and probability for the individual clients to contact their legislative representatives in order to discuss community governance and matters at the legislature that may affect their communities. This may not be the case for clients in an individual liability microfinance program.

Unlike individual liability clients, joint liability clients have an incentive to conform to the objectives and values of the group in exchange for the primary benefit that the group provides– that is, access to loan. In the case of microfinance, membership in a loan group is required for loan access for clients or potential clients who lack tangible asset. This is unlike clients in individual liability microfinance program. Given their possession of tangible assets, individual clients do not need to be a part of a loan group in order to qualify for loan. A loss of a group's membership means a loss of the ability to acquire a microfinance loan for joint liability microfinance clients. As Chong (1996) stated, "It will therefore be in the interest of groups to defend their values because institutions, conventions, and practices are built around … those values, even if the values did not originally emerge purely from self-interest" (p. 2134). Microfinance loan groups will therefore fight to protect their group's values of anti-violence because of the benefits the groups provides. Joint liability microfinance clients will, in theory, be in a better position to reject the use of violence as a means for political change. This leads to the derivation of the following hypothesis:

4.2.3 Hypothesis 1C: Clients of joint liability microfinance program are more likely than individual liability clients to reject violence as a means for political change and positively support peacebuilding.

Collier (2003) and Azar (1991) showed how poverty, inequality, and exclusion create a ready pool of labor for the waging of violent conflict. Individuals or groups who feel they are targets of social and economic exclusion are more likely to support or participate in violence than those who feel included (Azar, 1991). Violence creates avenues for profitable enterprises for entrepreneurs, livelihoods, and a source of prestige and fame for both victims and supporters of violent conflict (Keen, 2000; Wennmann, 2011). Keen (2000) described this relationship as "bottom-up" violence. Poverty and inequality are therefore important determinants of an individual's support for or participation in violence (Keen, 2000; Wennmann, 2011).

Entrepreneurial activities such as microenterprises provide an avenue of economic opportunities that helps post-conflict populations rebuild their assets and have their material needs satisfied. Economic opportunities give an indication of the socioeconomic fortunes, or social insurance, that are available to the post-conflict population (Del Castillo, 2008). These populations, however, are usually plagued by the lack of capital to undertake entrepreneurial activities or jumpstart new business activities which have either been disrupted or destroyed by the conflict.

Loan groups of post-conflict settings are organized around the objective of jump-starting or restarting of microenterprises and economic livelihoods. For these individuals, the opportunity cost for supporting or participating in violence is prohibitively high, and therefore, not a viable option. Financial access and economic participation is the preferred option. That violence is the means for political change is rejected as the group's social value and norms.

This inverse relationship between loan access and violence could go both ways: on one hand, joint liability clients, because of the invaluable cost of the social asset that the group provides to guarantee them loan access, are less likely to support or participate in violence. On the other hand, individual liability clients, because they may have a higher volume of physical assets and be engaged in a greater proportion of economic activity, are less likely to support or participate in violence. Nonetheless, based on the incentive structure provided by their loan group, joint liability microfinance clients are more likely than individual liability clients to reject support for or participate in violence as a means for political change and positively support peacebuilding.

4.3 Conclusion

Collectively, the hypotheses above suggest there will be an effect of the microfinance liability structure on the political capital of microfinance clients. Political capital enhances an individual's ability to use his or her skills and talents to influence political decisions that affect him or her at the levels of the community and the state. By doing so, political capital enhances an individual's political independence. Political capital, therefore, contributes to the political freedom of microfinance clients, a key pillar of peacebuilding and reconciliation. These hypotheses (1-1B) recognize, however, that some individuals might elect not to participate in non-microfinance-related collective action or symbolic politics activities, such as contacting legislators, or registering to vote, or voting in an election, in order to pursue private ventures that may be more rewarding to them or possibly for the lack of self-confidence. In this latter situation, it is unlikely that the social empowerment platform constructed by microfinance as hypothesized by this framework would effectively lead to socio-economic freedom and facilitate increased horizontal and vertical interactions and governance participation.

These hypotheses also recognize the need for due attention to such conflict overhang as inter-group tensions which may be simmering over power and wealth distribution at the meso- or the macro level. While increasing inter-group interaction is a critical component of conflict-prevention and peacebuilding, it is unlikely that the social interaction platform constructed by microfinance would be effectively sustained if no attention is paid to these tensions or grievances between groups to which some microfinance clients may be aligned. Conflict entrepreneurs and elite predators who encourage violence, are likely to take advantage of these grievances in order to derive political benefits, if no action is taken to address these grievances (Wennmann, 2011).

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 Research Design

The ultimate purpose of this study was to determine empirically the effect of the liability structure on the political capital of post-conflict microfinance clients. The study used a combination of quantitative and qualitative methods of data collection and analysis to fulfill this objective. A field experiment with a random assignment of clients to a treatment and a control group would have been the ideal for this study. But due to the lack of baseline data, and lack of funding to execute such a design, the best available option for this study was a carefully designed quasi-experiment with a treatment group comprising clients of the two microfinance institutions in Liberia that award loans under the two different lending methodologies– Access Bank and the BRAC Microfinance Company (BRAC) – and an equivalent control (pipeline) group (i.e. clients who have been screened and qualified but await their first loans). This was not possible, however, due to the outbreak of the Ebola Virus Disease (EVD) in Liberia at the time of fieldwork for this dissertation (June-July 2014). Therefore, a nonequivalent control (pipeline) group comprising micro-entrepreneurs with membership in neither organization, was constructed to adjust for the non-random problem in place of the equivalent pipeline groups. The clients of the two microfinance institutions, therefore, became the treatment group while the non-equivalent group of micro-entrepreneurs who were not members of either of the two microfinance institutions became the control (pipeline) group.

In a non-equivalent control (pipeline) group study, the two groups, the treatment group and the constructed non-equivalent control (pipeline) group, are compared according to a set of observable characteristics or indicators that are similar across both groups and are known or believed to have the ability to impact the outcome of the program being examined (World Bank, n.d.). Based on practices used by Hashemi et al. (1996), Baker (2000), Shadish, Cook, and Campbell (2002), and Maldonado and Gonzalez-Vega (2008), members of the non-equivalent comparison group for this study were selected using the following observable indicators: location, business duration, gender, and socio-economic status as measured by the type of business. These indicators also guided the selection of members of the treatment group from the two microfinance institutions. Both treatment group members and non-equivalent control group members were owners of a microenterprise for at least one year, and resided within the Greater Monrovia area (i.e. Monrovia) in Montserado County. In addition to these characteristics, treatment group members were clients of their respective microfinance institution for at least a year. This procedure minimized selection bias (Hashemi et al., 1996; Maldonado & Gonzalez-Vega, 2008).

The quantitative data were supplemented with the qualitative data that were collected through participant observation, and through informal interviews with loan officers and clients of the two microfinance organizations. This method of analysis - a combination of quantitative and qualitative methods - provided me two modes of understanding the social reality of microfinance in Liberia: experience (participant-observation) and inquiry (survey interview).

The quantitative approach generated three sets of parameters: the first characterizes clients who are receiving only individual liability loans; the second, clients who are receiving only joint liability loans; and the third, clients who are receiving neither joint liability nor individual liability loans but are eligible for either type. These three sets of parameters allowed the estimation of the political capital of the treatment and the control groups who shared the following observable characteristics: location (Baker, 2000; Maldonado & Gonzalez-Vega, 2008), socio-economic status (Shadish et al, 2002), membership cohort (Hashemi et al., 1996; Maldonado & Gonzalez-Vega, 2008), and gender (Hashemi et al., 1996; Maldonado & Gonzalez-Vega, 2008). Selecting the control and the treatment groups was based on these characteristics (Maldonado & Gonzalez-Vega, 2008; Shadish et al, 2002), in addition to statistical procedures that are employed in the data analysis to minimize self-selection bias (Hashemi et al., 1996). Members of both treatment groups had been receiving loans for at least a year and operating a microenterprise for at least two years. The control group members had been operating microenterprise for at least a year. A microenterprise in Liberia is defined as a "very small, usually family business with family labor or perhaps one or two full time employees" (Liberia Ministry of Commerce, 2011, p. 10).

The effect of the liability structure on political capital would be the difference in the estimated marginal effects of the two liability structures on the political capital measures of the two groups of clients - the individual liability and the joint liability clients. For this dissertation, political capital is measured by the following criteria: voting or registering to vote in a pending election, contacting legislators to influence a law or policy or express an opinion on some important matters affecting one's community, and ascribing to views that reject the use of violence as a legitimate means for political change.

5.2 Sampling Strategy

The data for this dissertation was collected in Liberia from June – July 2014 through a targeted sampling survey of individual liability and joint liability clients of Access Bank and BRAC Microfinance Company, respectively, in Monrovia, Liberia's capital. A combined total of 127 clients of the two organizations were surveyed during this period through a face-to-face interview by this author. The use of targeted sampling was a deviation from the original strategy of random multi-stage cluster sampling, as explained above, due primarily to the outbreak of the deadly Ebola Virus Disease (EVD) pandemic in Liberia in June, at roughly the same time when the fieldwork for this dissertation began.

Another reason that drove this change was the inability of the microfinance organizations, especially Access Bank, to make available their client lists on confidentiality grounds. The client lists would have served as the sampling frame for the survey. Both organizations, however, were willing to identify to me the locations of their operations. These the factors, the Ebola virus outbreak and the confidentiality concerns by the MFIs, led to the change of the survey strategy from a face-to-face, random, multi-stage clustered sampling to a face-to-face targeted sampling. Other survey options, such as mail-in and telephone interviews, were not possible due to the lack of a home mailing service in Liberia and the high illiteracy rate among the potential survey respondents. The estimated literacy rate among females in Liberia is less than 50% (LISGIS, 2010). These factors, in addition to the use of the face-to-face interview technique, demanded the highest degree of caution in order to minimize the risk to the research participants or to me of being exposed to the EVD.

Targeted sampling is a purposeful, systematic sampling methodology that uses indicator-based qualitative and quantitative data to survey targeted populations that are "hidden," or located in hard-to-reach places in specific geographic locations, for whom there may not be a formal sampling frame (Watters & Biernacki, 1989; Semaan, Lauby, & Liebman, 2002). Targeted sampling has been used primarily by medical researchers in settings where random sampling is not feasible and convenience sampling is not adequately rigorous to meet the objectives of the research design of random sampling (Watters & Biernacki, 1989; Semaan, Lauby, & Liebman, 2002). These indicator-based data are then used to develop a systematic sampling plan. Indicator-based data, therefore, become the sampling frame for the survey of the targeted population based on such characteristics as age, geographic location, and occupation (Watters, & Biernacki, 1989; Semaan, Lauby, & Liebman, 2002). The indicator-based data include interviews with individuals who are knowledgeable about the targeted population, as well as characteristics of the targeted population as known from census data, and other government, industry, or institutional reports about their operations or program interventions in the geographic locations of the targeted population (Semaan, Lauby, &

Liebman, 2002). Research participants are therefore identified and selected through a multi-stage process that involves the following steps (Watters, & Biernacki, 1989; Semaan, Lauby, & Liebman, 2002):

a. Develop a sampling frame of locations of the target population;

b. Distinguish the targeted sample from the non-targeted sample based on the variables of interest, such as age, occupation, overall living condition, education level, etc.

c. Randomly select locations for sampling from the developed sampling frame.

d. Go to selected sites and identify and interview individuals eligible for participation in the research.

Targeted sampling is distinguished from convenience sampling for its ability to ensure the inclusion of individuals with "specific attributes that preliminary research has defined as targets for study" (Watters & Biernacki, 1989, p. 426). However, there is no definite probability that a person within a target population will be included in a target sample (Watters & Biernacki, 1989; Semaan, Lauby,& Liebman, 2002). This is because there is no pre-determined sampling frame in targeted sampling (Watters, & Biernacki, 1989). The probability of an individual being included in a target sample is therefore determined as the study unfolds (Watters, & Biernacki, 1989). These factors make targeted sampling vulnerable to producing biased study samples that may not be easily replicable, and potentially can lead to under-sampling of the targeted geographic areas (Watters, & Biernacki, 1989; Semaan, Lauby, & Liebman, 2002). Despite these weaknesses, the samples obtained from target sampling are not convenience samples either, so are therefore more reliable (Watters, & Biernacki, 1989; Semaan, Lauby, & Liebman, 2002).

For this dissertation, targeted sampling provided the feasible means to adjust the original sampling strategy due to the unavailability of the sampling frames, then systematically draw a sample of the microfinance clients targeted by this dissertation while controlling for sampling bias and ensuring this author's safety in the wake of the EVD pandemic in Liberia during the course of this research. It was envisaged that target sampling methodology would:

a) Result in a sample size that permitted useful comparisons among the selected research participants;
b) Provide a sample size that was sufficiently substantial to generate in-depth information from which theoretical conclusions could be reached;
c) Enable the study to tap into major variables related to the effect of the liability structure of a microfinance institution on the political capital of post-conflict clients;
d) Yield findings that could be transferred to other regions in Liberia or post-conflict settings; and
e) Allow for a safe and cost-effective collection of data.

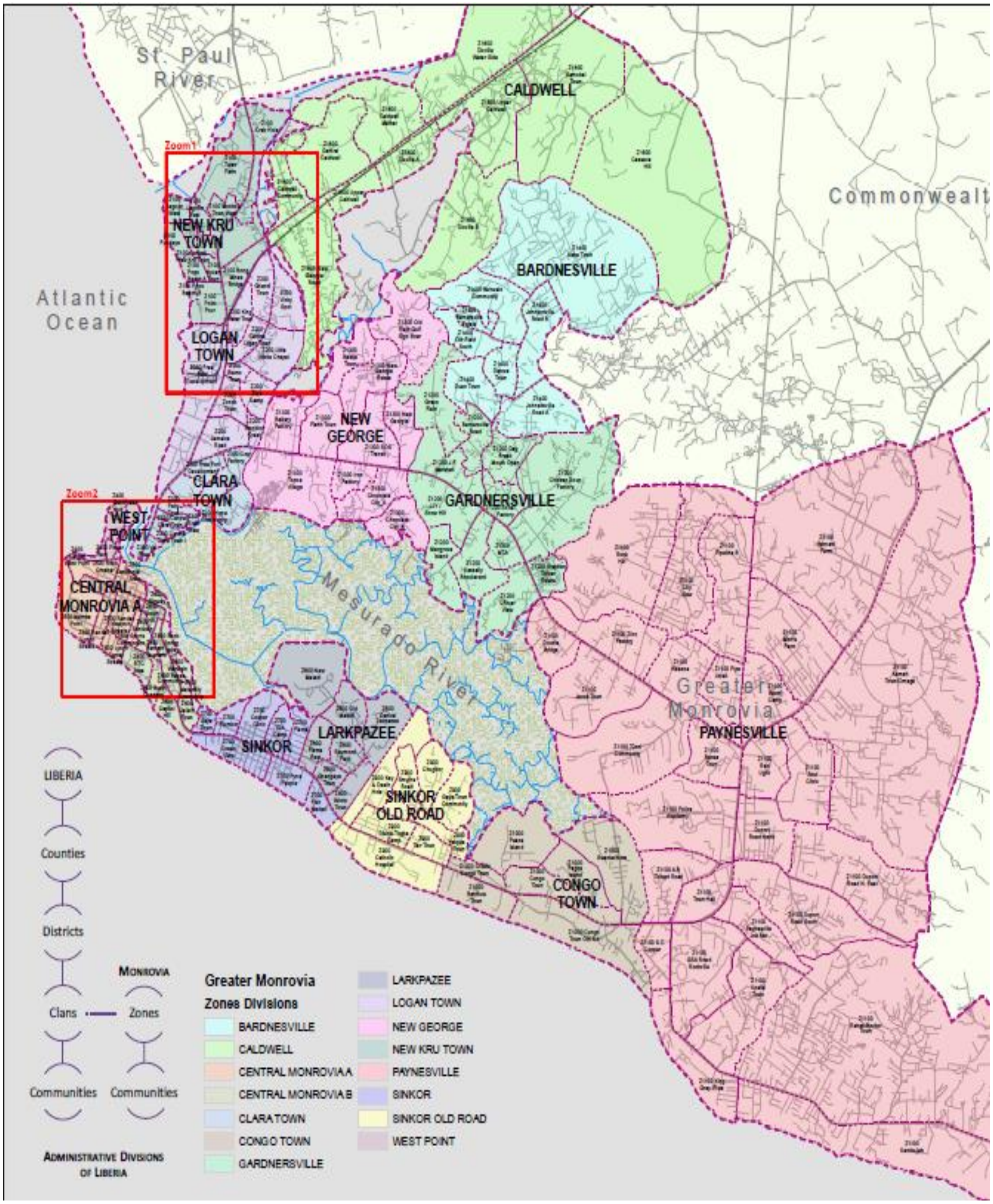
In order to accomplish these goals, this author adapted a combination of sampling techniques, ranging from multistage cluster sampling to what Biernacki and Waldorf (1981) described as a "chain referral" technique, to interview a sample of 127 clients.

These clients and clusters or communities were demarcated into the treatment groups (clients of either Access Bank or BRAC), and the control (pipeline) groups.

First, a map defining the geographic spread of the clients of the two organizations in Monrovia was developed based on my personal observation, conversations with staff of Access Bank Liberia and BRAC, micro-entrepreneur leaders in the market centers located across the city, and information obtained from the databases of the Central Bank of Liberia. The assessment enabled me to produce a sampling frame or a rough map of the locations of the clients of the two microfinance organizations across Monrovia. The sampling frame development, or mapping exercise, showed that the clients of interest to this dissertation were not evenly spread across regions of Monrovia. Therefore, Monrovia was then demarcated into six clusters of microfinance activities of Access Bank and BRAC, including Sinkor, Sinkor Old Road-Congo Town, Central Monrovia, Water Side, Vai Town-Bushrod Island, and Paynesville-Somalia Drive. I therefore had to determine the areas or clusters with the highest concentration of microfinance clients and activities involving businesses that were classified as microenterprises in Liberia. To accomplish this, I visited and directly observed various market centers, the activities of BRAC and Access Bank regional banking offices, and neighborhoods within the six demarcated clusters for easily identifiable signs of microfinance activities (e.g. group meetings), and had conversations with knowledgeable informants, including micro-entrepreneurs in these areas.

In each of these clusters, I collected information on microfinance activities in the 24-month period prior to the fieldwork. This was done through conversations with the field staff of the two microfinance organizations and business leaders in these clusters. The intent of this exercise was to identify specific communities, meeting points, or market centers with high concentrations of the clients or activities of the two organizations within which to sample.

This procedure enabled me to identify communities within these clusters that had the largest concentrations of both treatment group and control group clients. The communities were then ranked according to the size of the control and the treatment groups, accessibility, and the reported presence of the Ebola cases. Seven meeting points were then randomly selected in the Sinkor Old Road-Congo Town cluster, in addition to one market center each in the Paynesville-Somalia Drive and Vai Town-Bushrod Island clusters, as my sites of interest. The Sinkor Old Road-Congo Town cluster had about 10 loan groups otherwise referred to as village organizations, with about six to 25 members each; Paynesville-Somalia Drive and Vai Town-Bushrod Island had an estimated combined total of about 600 individual liability loan clients. In spatial terms, each of the meeting points, or market centers, chosen were easily accessible by public transport, and the distances between groups meeting points or locations could be reached on foot within twenty minutes. Apart from these factors, these clusters were selected also because the clients in them had been operating a microenterprise for at least two years, and had been microfinance clients for at least a year. Below is the map of Greater Monrovia showing Sinkor-Old Road-Congo Town, Paynesville-Somalia Drive and Vai Town-Bushrod Island.



Source: Medicins Sans Frontiers, June 2015

Figure 3: Map of Greater Monrovia Highlighting the Survey Clusters

This detailed selection process had three main advantages: first, it allowed the generation of reliable background variables from an aggregation of a relatively small number of respondents with in-depth policy insights that could be transferrable to other microfinance programs within Liberia or other post-conflict settings; second, it ensured sufficient variation in the degree of clients' exposure to microfinance activities within the selected clusters, while minimizing the possibility that a geographic area relevant to this study was omitted altogether; and third, it helped ensure my own safety as well as the safety of the research participants from possible exposure to Ebola Virus Disease.

These meeting points and market centers were sub-divided into sites of the two treatment groups and control (pipeline) group. The treatment group site comprised of the clients of the joint liability organization, BRAC, was found in the Sinkor-Old Road-Congo Town cluster, while the sites of the individual liability organization, Access Bank, were located in the Vai Town-Bushrod Island, and the Paynesville-Somalia Drive clusters. From the sites of the treatment groups, the meeting points for seven joint liability groups, and three market centers of an estimated total of 300 clients, were randomly selected. Within the treatment group site of the joint liability clients, a control (pipeline) group of individuals who were eligible but not members of the two groups were identified and interviewed. Research participants for the two treatment and the one control (pipeline) groups were then contacted and interviewed using Biernacki and Waldorf's (1981) "chain referral" technique. Using this technique, clients belonging to the treatment, and control groups in each of the selected research sites who had been earlier identified during the cluster/community ranking exercise, provided the initial links in the chain of respondents and were then asked to identify their fellow clients to me during the survey. Chain referral resulted in the sample size of 300 with respondents equally split between the two treatment groups; 25 percent of this original sample size was included to account for the non-equivalent control (pipeline) group.[20]

This last stage of the sampling was executed while ensuring minimal contact between me and the respondents. Ensuring minimal contact was key to reducing the risk of possible exposure of both me and the research participants to the Ebola Virus. The initial targeted sample size of about 375 respondents had to be revised downward by early July due to the ravaging spread of Ebola across Monrovia. By July, the disease was killing about 69 percent of its victims, while many more infected people were being admitted to various health centers across Liberia (Liberia Ministry of Health and Social Welfare, 2014). Among the regions of Liberia being hit by the disease, Monrovia, where this survey took place, was the epicenter, recording more than half of the incidence of new infections and deaths resulting from the disease, the highest incidence and mortality rates (Liberia Ministry of Health and Social Welfare, 2014). Revising the sample size downward was done through an iterative process that ensured that the final sample size reflected the particular qualities for each cluster and groups, enhancing the credibility of the study and increasing the chances of findings being transferrable to other post-conflict settings of microfinance activities.

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[20] The sample size is based on Yamane (1967: 886) formula to calculate sample size: $n = N / [1+N(e)2\ ]$, where, n=the sample size, N= the population, and e=the level of precision, which for this study is 0.05.

This targeted sampling procedure resulted in a final sample size of 127 research participants included in the treatment and the control (pipeline) groups, spread across five loan groups, and two market centers in two business and one residential district of Monrovia. The distribution of the research participants by clusters is shown in the Table 2 below.

Table 2: Distribution of Research Participants by Cluster

Cluster	Participants	Percent
Old Road Congo Town	92	72.44
Paynesville-Somalia Drive	18	14. 17
Vai Town-Bushrod Island	17	13.39
Total	127	100.00

Of the 127 research participants, about 24 percent belonged to the nonequivalent control (pipeline) group (See Table 3 below).

Table 3: Distribution of Research Participants by Treatment and Control (Pipeline) Groups

Research Classification	Membership Size	Percent
Individual Liability Group	35	27.55
Joint Liability Group	62	48.81
Control (Pipeline) Group	30	23.62
Total	127	100.00

For studies such as this one, that uses multiple regression analysis as the basis for their conclusions, Bartlett, Kotrik, and Higggins (2001) proposed a ratio of observations to variables of at least five to one. As will be seen in the data analysis chapter, the maximum number of variables examined in this study is seven. Thus, a sample size of 127 can be justified as adequate. In this study, the districts, irrespective of their statuses as business or residential, were treated as the primary sampling unit since they represented the lowest level of political representation in the Liberian political system, and the clients as the secondary sampling units.

5.3 Survey Instrument

The survey instrument for this study was designed to enable participants to estimate the measures of their volume of political capital, and make ordinal judgments about their overall living condition. The questionnaire contained four parts with both close-ended and open-ended questions that elicited information about the participants': a) demography; b) microfinance membership; c) community participation; d) trust and solidarity with fellow clients; e) collective action involvement, and f) level of empowerment and political action. Questions in these sections included portions of the World Bank Social Capital Survey and the University of Michigan Afrobarometer Liberia Survey that were adaptable for this study. The World Bank Social Capital Survey contained questions about social capital, while the Afrobaromater Survey contained questions about overall living conditions and measures of political capital. The congruence of this research's survey instrument with portions of the instruments of the Afrobarometer Survey and the World Bank resulted in findings that should be transferrable, given the sampling methodology, to other microfinance programs in Liberia.

Responses to the demographic information and microfinance membership sections were open-ended; the responses to the other three sections of the questionnaire were close-ended. The responses to the close-ended questions ranged from "not so well" to "very well." The use of close-ended questions placed a lesser demand on the memory of participants. The sections on microfinance membership contained questions about the size of the last loan obtained by respondents prior to the survey, the reasons for seeking microfinance loan and choosing this microfinance liability organization, overall living condition of the participants compared to one year prior, and the use of the microfinance loan.

The section on community participation included questions about respondent's participation in non-microfinance-related community activities such as community meetings, religious functions including attendance at church or Islamic services, social functions such as parties, and sporting activities. The section on trust and solidarity contained questions about the respondent's feeling of attachment to her fellow microfinance clients, while the section on collective action, empowerment, and political action contained questions about measures of the respondent's political capital. Political capital was measured according to the following actions of the respondent: voting or registering to vote in the December 2014 Liberian legislative elections (**vote**); contacting her legislator or local councilor (**contleg**); and the respondent's ascribing to views that rejects the use of violence as a legitimate means for political change (**violence**). Specifically, the questionnaire asked: "How much do you agree with the following statement? Violence is a legitimate means to pursue political change;" and given the response to this question, "How likely is it that you would support a party or an individual that would call for the use of violence as the legitimate means to pursue political change?"

Guided by the literature reviewed for this dissertation, data were obtained from the questionnaire for the following variables: measures of political capital, educational level, overall living condition, and type of liability structure. The political capital measures variables (contleg, violence, and vote) were coded 1 and 0 based on these response options. For the contacting legislator or local councilor variable, 1 was coded for responses ranging from the respondent stating that she has contacted her legislator "Just once or twice a year," to "Everyday," while 0 was coded for responses stating "Never." The question about whether or not a respondent agrees with the statement that "Violence is a legitimate means for political change" was coded to mean ascribing to the view that rejects violence as a legitimate means to pursue political change, instead of support for violence. The responses to this question ranging from “Agree” to “Very strongly agree” were therefore coded 0, and the responses ranging from “Disagree” to “Very strongly disagree” with the statement that “Violence is a legitimate means to pursue political change” were coded 1 to mean rejection of violence as a legitimate means for political change. The responses “Refused to answer” or “Neither agree nor disagree” were dropped along with Missing data. Liability type was coded 1 for joint liability, and 0 for individual liability. For the Vote variable, 1 indicated the response stating, “I have updated my voter’s registration/registered to vote,” and 0 was coded for responses ranging from “I have decided not to vote” to “I did not have time to register/update my voter’s registration”. The meanings and coding of the variables are shown in Appendix A.

5.4 The Issue of Self-Selection Bias

Impact studies, such as this one, that seek to examine the comparative effect of the liability structure of microfinance on the political capital of microfinance clients are usually limited by the issue of self-selection bias. This issue of self-selection bias arises because likely program participants are usually relatively more innovative, empowered, or motivated about the program’s goals than non-participants. Failure to adjust for this bias could therefore lead to an overstatement of the actual program effects. Longitudinal data provide a remedy for this problem. However, in the absence of longitudinal data, it is important to identify the background variables of the study participants that could contribute to the self-selection bias and adjust for them using appropriate statistical techniques in the analysis. Drawing on the works of Maldonado and Gonzalez-Vega

(2008), and Hashemi et al., (1996), the following are background variables of microfinance clients in this study that may lead to self-selection bias: age, education level, location, business duration, microfinance membership duration, and overall living condition. A review of these background variables of the three groups of participants in this study (the joint liability clients, the individual liability clients, and the control (pipeline) group members), as seen in Table 4, below, suggests some self-selection bias. However, there was no statistically significant difference in most of these variables among the joint liability clients, the individual liability clients, and the control (pipeline) group.

Table 4: Background Variables and Membership Duration of Study Participants

Variable	Individual Liability	Joint Liability	Control (Pipeline) Group
Age (mean years)	43(7.2)*	41(8.5)*	37(9.7)*
Business Duration (mean years)	12(6.9)*	10 (7.3)*	6(4.5)*
Education (% of respondents who completed certain level of school including Quranic reading)	77	63	63
Overall Living Condition (% of respondents saying it is better)	33	56	64
Membership Duration (mean years)	4(1.7)*	3(1.2)*	n/a

*Means with standard deviations in parenthesis

Respondents in both liability structure organizations were four to six years older on average than respondents in the control (pipeline) group. Respondents in the individual liability group were more likely to have had some education than respondents in the joint liability lending group and the control (pipeline) group. Although both the joint liability respondents and the control (pipeline) group came from the within the same cluster, the pipeline (control) group respondents were more likely to rate an improvement in their overall living condition than the respondents in the joint liability and the individual liability groups. Some of the difference in the rating of the overall living condition may be the result of respondents, especially the joint liability group respondents, wanting to justify their continuous membership in the program. The statistical models for this study partially adjusted for the selection bias by controlling for age, education, overall living condition, membership duration, and business duration. In addition to controlling for the respondents' demographic and socio-economic characteristics in the multivariate regression models, this study attempted to address the possibility of selection bias by including nonparticipants and comparing them with the respondents in the two liability structures.

5.5 Participant Observation

The survey procedure was complemented by the participant observation procedure. Participant observation allows the researcher to collect data in the naturally occurring settings of the participants (Creswell, 1998). While reliable estimates could be gleaned from the survey data about the effect of the liability structures of microfinance on political capital, the data could not provide a good understanding about the social reality of the two groups of microfinance clients and how the two liability structures affected their political capital. By employing participant observation, I was able to immerse myself in the daily workings of the microfinance institutions and interact more closely with both the staff and clients of both the individual liability and the joint liability microfinance institutions. Through participant observation, I asked the various study participants follow-up questions based on their responses to the open-ended questions that were contained in the survey questionnaire. These follow-up questions were intended to probe the participants' responses in order to clarify the foundation for their responses, one group of respondents after another. Respondents within subsequent groups of the study participants were asked follow-up questions similar to those posed to previous participants in order to confirm or disconfirm the responses received from the earlier participants. The need for and the nature of these follow-up questions as they were asked from one group to another were based on the likelihood that the subsequent responses to be generated would either confirm or expand the emerging thematic patterns, or alternatively, open up new themes that would disconfirm those patterns discovered earlier. Because of this possibility, the qualitative data from the participant observation were continuously analyzed as the survey took place, and the follow-up questions continuously refined as they were asked. This helped to unravel patterns and characteristics of the interviewees, and identify or discern the emerging themes or pattern of responses that needed further follow-up. This process continued until the data reached a saturation point, a point where no new information was emerging.

Through participant observation, I also followed the news about post-conflict peacebuilding and microfinance developments in Liberia and actively participated in events about Liberia's overall peacebuilding program. I moderated and participated in conferences and workshops located in both the US and Liberia about Liberia's overall peacebuilding program and microfinance development. These experiences provided me a rich contextual understanding about the overall Liberian peacebuilding process and helped me to identify the subjective experiences and perceptions of clients, policymakers, and academics about the general effects or contributions of microfinance to Liberia's peacebuilding program.

5.6 Data Analysis

The data were analyzed and the findings interpreted within the context of this study's research question and the hypotheses. The analysis was conducted in three stages: descriptive, bivariate, and multivariate sections. The descriptive analysis section analyzed the aggregate data for the study participants, using frequency tables and graphs to describe the background characteristics of the research participants.

The descriptive analysis section discusses the background characteristics of respondents as well as the distributions of clients across the sampling clusters. This section offers a preliminary assessment of the respondents' education levels, ages, and years of being in microenterprise activities. Measures of central tendency, notably the means and frequency distributions, were used to analyze these characteristics of clients, including frequency tables, and graphs.

The bivariate analysis evaluated and compared statistical differences between the political capital measures of the respondents belonging to the two liability structures and the control (pipeline) group. A significance test for a proportion was used to compare the average proportions of the measures of political capital of the control (pipeline) group and the treatment group. A significance test assessed statistical evidence that the difference between the observed means or proportions of a variable of the two groups was not due to chance based on a test statistic with the 0.05 level of significance (Agresti & Finlay, 2009). If the probability value (p-value)[21] of the estimated difference between the means or proportions is less than 0.05, then there is statistical evidence that the difference in the observed means or proportions between the two groups was not due simply to chance or "ordinary sampling variability" (Agresti & Finlay, 2009; p. 145). In the case of this study, the null hypothesis that there is no difference in the average proportion of the political capital measures of the treatment groups and the control (pipeline) group will be rejected. The preliminary conclusion will thus be that there is statistical evidence that shows differences in the average proportions of political capital measures between the control (pipeline) group and the treatment group. If, however, the p-value turned out to be greater than the stated significance level of 0.05, then the null hypothesis will not be rejected and it will be concluded that there are no differences in the average proportion of the political capital measures between the pipeline/control group and the treatment group.

[21] A p-value is the probability that the test statistic equals the result of or the observed value the significance test (Agresti and Finlay, 2009).

An observed statistically significant difference in the average proportion of political capital measures between the treatment and the pipeline/control group demands the next step to establish whether this difference was due to the liability structure. This will be determined by answering the question: What is the effect of the liability structure on the political of the treatment and control groups? Answering this question is the preoccupation of the third stage of the analysis – multivariate regression.

Regressions make it possible to isolate the unique influence of each independent variable on the dependent variable while controlling for the effects of the other independent variables in the model. Using regressions attempted to strengthen the analysis by controlling for the effects of the liability structure and the background variables on the dependent variable, political capital measures; this method had the advantage of eliminating, or at least explaining, factors other than the independent variables that may indirectly account for the differences in the political capital of the clients. A multiple logistic regression framework was used to investigate the effects of the independent variables, including the liability structures, on the political capital measures. The marginal effects of the individual liability structure lending and the joint liability structure lending on the political capital measures were then estimated. The differences in the marginal effects gave the effect of the liability structure on the political capital.

The analysis of the data from the participant observation was iterative and simultaneous. The data from the participant observation were woven into the survey data. The iterative process allowed for the identification of recurring themes, patterns, similarities, and contradictions that are found across the both the survey and participant observation data.

CHAPTER SIX

RESULTS AND DISCUSSION

6.1 Introduction

This chapter presents the major findings of the study. It is guided by an effort to test hypotheses developed in Chapter Four about the relationship between the liability structure of microfinance and the political capital of clients. Political capital measures are the major dependent variables, while the two liability structures (i.e. individual and joint) are the major independent variables. In order to test the hypotheses, political capital is delineated into three measures based on the definition by Booth and Richard (1998): first, respondent's decision to vote in the December 2014 Liberian Legislative elections through registering or updating her voter's registration card (**vote**); second, respondent's action to influence rules, laws or policies by contacting her legislator to give her views about some important problem facing her community (**contleg**); and third, respondent's view about the use of violence as a legitimate means for political change (**violence**). The measures of political capital of the study participants are presented in the descriptive results section below. These measures are compared later in the bivariate section using significance test analysis. The analysis is concluded with a multiple logistic regression analysis which attempts to sort out the effects of the liability structures, among the other independent variables, on the political capital measures of the clients.

6.2 Descriptive Results

All of the respondents in this study were women aged 19-58 years who were demarcated into the treatment group (joint liability and individual liability microfinance) and the control (pipeline) group. The average age for all of the respondents, including members of the control (pipeline) group, was about 40 years; the oldest respondent was 58 years old while the youngest was 19. Table 5 below shows the percentage distribution of respondents by age. In terms of liability structure, the oldest respondents (i.e. 58 years old) were members of the treatment (joint liability and individual liability), while the youngest of 19 years old was a member of the control (pipeline) group. The largest proportion of respondents was in the age group of 44-48 years old and the smallest within the 19-23 years bracket.

Table 5: Age Distribution of Respondents

Age(in Years)	Frequency	Percentage
19-23	6	4.76
24-28	7	5.55
29-33	11	8.73
34-38	27	21.43
39-43	22	17.46
44-48	32	25.39
49-53	15	11.90
54-58	6	4.76
Total	126	100.00

The average age for the individual liability microfinance group respondents was about 43 years (42.55 years); the average age for the joint liability clients was about 41 years (40.95 years), while the average age for respondents in the control (pipeline) group was about 37 years (36.96 years). In terms of the duration of their microenterprises (i.e. business duration), the respondents have been engaged in managing microenterprises for an average of nearly 10 years, with the longest being 27 years, and the shortest duration of only one year. In terms of liability structure, the average business duration for individual liability microfinance clients was about12 years, and for joint liability nearly 11 year. The average business duration for the control (pipeline) group was nearly six years. About three percent of individual liability and joint liability clients had managed their microenterprises for at least 26 years. There was no one in the control (pipeline) group members who had been in business for this length of time. About 26 percent of individual liability clients had managed their microenterprises for between one and five years compared to about 38 percent for joint liability clients. Majority of the individual liability clients (about 34 percent) had been managing their microenterprises for about 16-20 years. For joint liability clients, the majority (about 39 percent) had been managing their microenterprises for about one to five years. The majority of members of the control (pipeline) group (about 67 percent) had microenterprises that had been in existence for about one to five years. These are shown in Table 6 below.

Table 6: Percentage Distribution of Respondents by Business Duration and Liability Structure

Business Duration (in years)	Individual Liability	Joint Liability	Control(Pipeline)
1-5	25.70	38.71	66.67
6-10	22.86	27.42	20.00
11-15	14.29	11.29	10.00
16-20	34.29	8.06	3.33
21-25	0.00	11.29	0.00
26.0+	2.86	3.22	0.00
Total	100.00	100.00	100.00

The education levels of the respondents ranged from no formal education to post-senior high school education (i.e. an academic qualification beyond high school - junior college, polytechnic, college or post-graduate). The average respondent had an elementary education; the highest educated respondent had a post-senior high school education, while the least educated had no formal education. Figure 4 below shows the percentage distribution of the respondents by education and liability structure. Both the treatment (joint liability and individual liability microfinance programs) and the control (pipeline) groups had respondents who had had no formal education. The joint liability microfinance program had however the largest group of respondents within the treatment group who had no formal education; about 39 percent of joint liability clients had not been to formal school compared to about 26 percent of clients in the individual liability microfinance program. The individual liability microfinance program had the largest group of respondents who had post-senior high school education; about 20 percent compared to about four percent of joint liability respondents.

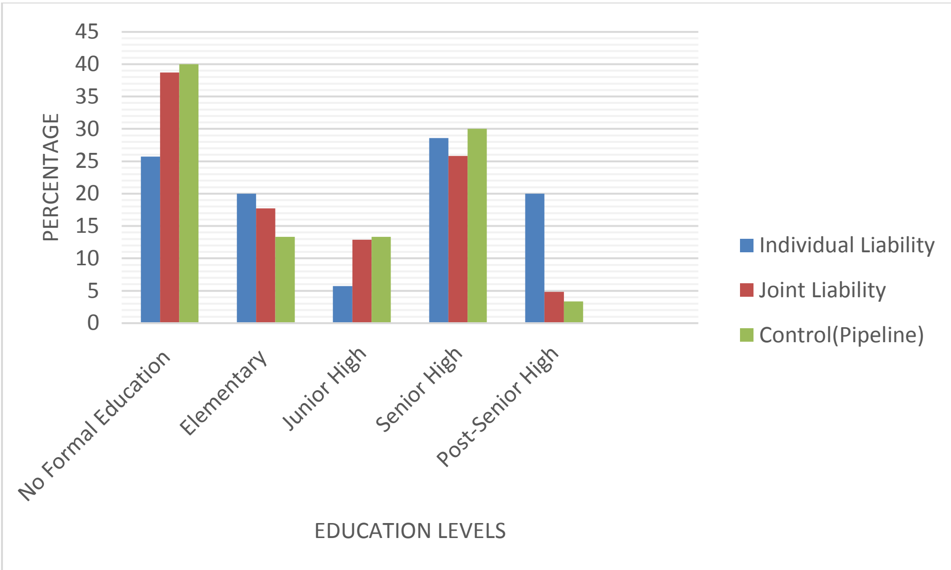

Figure 4: Percentage Distribution of Respondents by Education Levels and Liability Structure and Control(Pipeline) Group

6.3 Comparison of the Political Capital of the Treatment (Individual and Joint Liability Clients), and Control (Pipeline) Groups

Bivariate statistics were used to analyze the differences in the political capital measures of the two treatment groups and the control (pipeline) group in this section. I chose to use bivariate analyses first in order to establish any evidence about the difference in the volume of the political capital of the respondents, especially the joint liability and the individual liability groups, before proceeding to the multiple regression analysis. Significance tests are deemed appropriate for testing the significance of the differences in the proportion of the political capital of the joint liability, the individual liability, and the control (pipeline) groups. The significance test procedure enabled me to compare the measures of the political capital of the three groups in order to see whether there was sufficient statistical evidence to infer that the political capital of the three groups differ significantly. This comparison was performed for the joint liability, the individual liability, and the control (pipeline) groups against each other separately, with assignments to treatment and control (pipeline) groups, using the difference-of-proportion test on the political capital variables of the three groups.

The treatment group consisted of 62 joint liability clients and 35 individual liability clients; the control (pipeline) group consisted of 30 microentrepreneurs who were qualified for loans in either microfinance liability structure program but were not yet loan recipients. The following constituted the measures of political capital for this study: first, “Contacting legislator” (**contleg-** How often have you contacted her Representative to the National Legislature at least once or twice a year to give your views or to influence rules, laws or policies about some important problem facing your community); second, “Ascribing to a view that rejects the use of violence as a legitimate means for political change” (**violence –** How much do you agree with the following statement? “Violence is a legitimate means to pursue political change.”); and third, “Registering to vote in the December 2014 Liberian Senatorial Elections” (**vote** – Have you registered or updated her voter’s registration in order to vote in the forthcoming Liberian legislative elections).

It was expected that joint liability clients will exceed individual liability clients in a statistically significant way on all three measures of political capital in this study. But as shown in the results discussed in the section below, the political capital of the joint liability clients exceeded the political capital of the individual liability clients in a statistically significant manner only on the measure of **vote.** Table 7 below shows the results of the bivariate analysis of the differences in the political capital measures of the individual liability clients, and the joint liability clients.

Table 7: Comparison of the Measures of Political Capital of Joint Liability and Individual Liability Clients

Measures of Political Capital	Mean Proportions by Treatment Type		Difference	z-score	p-value
	Individual Liability	Joint Liability			
Contleg	0.2286	0.1774	0.0512	0.6096	0.5421
Violence	0.6061	0.6774	-0.0714	-0.6955	0.4867
Vote*	0.5143	0.7377	-0.2234	-2.2183	0.0265

* Statistically significant at the 0.05 level

Based on the results, there was no statistically significant difference in the proportions of the joint liability versus the individual liability clients who contacted their legislators at least once or twice a year. About 18 percent of the joint liability clients contacted their legislators at least once or twice a year, compared with about 23 percent of the individual liability clients. With a z=-0.6096, the p-value=0.5421 (i.e. p-value >0.05) indicates that there is no statistically significant difference between the proportion of joint liability clients and individual liability clients who contacted their legislator at least once or twice a year to give their views or to influence rules, laws or policies about some important problem facing their community. The five percent figure (i.e. the difference between the proportion of the joint liability and the individual liability clients who contacted their legislator at least once or twice a year to give their views or to influence rules, laws or policies about some important problem facing their community), however, was not in the direction expected; namely, a greater proportion of the joint liability clients would have contacted their legislator at least once or twice a year to give their views or to influence rules, laws, or policies about some important problem facing their community as compared with individual liability clients. The cause for this is not clear but it could be due to sample size of the participants from both the joint liability and individual liability microfinance programs.

There was no significant difference between the proportion of joint liability clients and individual liability clients who ascribed to a view that rejects violence as a legitimate means for political change. About 68 percent of the joint liability clients ascribed to a view that rejects violence as a legitimate means for political change, compared with about 61 percent of the individual liability loan clients. With $z=-0.6955$, the p-value=0.4867 (i.e. p-value>0.05) indicates there was no statistically significant difference between the proportion of joint liability clients and individual liability clients who ascribed to a view that rejects violence as a legitimate means for political change. The relative percentages, however, were in the direction expected; namely, that a greater proportion of the joint liability clients ascribed to a view that rejects violence as a legitimate means for political change. The lack of significance could be due to the size of the sample of the two groups of study participants.

Finally, in the last category, a significant difference was found between the two liability structure groups. There was a significant difference in the proportion of the joint liability and the individual liability clients who had registered or updated their voter's registration in order to vote. About 74 percent of the joint liability clients had registered or updated their voter's registration, compared with about 51 percent of the individual liability clients. Given that $z= -2.2183$, the p-value=0.0265 (p-value<0.05) indicates that there was a statistically significant difference between the proportion of joint liability clients and the individual liability clients who had registered or updated their voter's registration in order to vote in the December 2014 Liberian legislative election. The relatively greater proportion of the joint liability clients (about 22 percent) who had either registered or updated their voter's registration in order to vote in the elections was in the direction of the hypothesis.

Shown in Table 8 below are the results of the bivariate comparison of joint liability clients and the pipeline (control) group members on the three measures of political capital. There was no statistically significant difference between the proportion of the joint liability clients and the members of the control (pipeline) group who contacted their legislators at least once or twice a year to give their views or to influence rules, laws or policies about some important problems facing their communities. About 18 percent of the joint liability clients contacted their legislators at least once or twice a year, compared with about 13.3 percent of the control (pipeline) group members. With $z=-0.537$, the p-value= 0.5915 (i.e. p-value>0.05) indicates that there was no statistically significant difference between the proportions of joint liability clients and the members of the control (pipeline) group who contacted their legislator to give their views or to influence rules, laws or policies about some important problems facing their communities.

Table 8: Comparison of Measures of Political Capital of Joint Liability Clients and Control (Pipeline) Group Members

Measures of Political Capital	Mean Proportions by Treatment Type		Difference	z-score	p-value
	Control (Pipeline)	Joint Liability Clients (Treatment Group)			
Contleg	0.1333	0.1774	-0.0441	-0.5366	0.5915
Violence	0.6333	0.6774	-0.0441	-0.4194	0.6749
Vote	0.7667	0.7377	0.0289	0.2988	0.7651

There was a greater proportion of the joint liability clients than the control (pipeline) group members who contacted their legislators to give their views or to influence rules, laws or policies about some important problems facing their community, which was in the direction of the hypothesis.

As regards the **violence** measure, there was no significant difference between the proportion of the joint liability clients and the control (pipeline) group members who ascribed to a view that rejects the use of violence as a legitimate means for political change. About 68 percent of the joint liability clients ascribed to a view that rejects the use of violence as a legitimate means for political change, compared to about 63 percent of the members of the control (pipeline) group. With the z-score = - 0.4194, the p-value= 0.6749 (p-value>0.05) indicates that there was no statistically significant difference between the proportion of joint liability clients and the members of the control (pipeline) group who ascribed to a view that reject the use of violence as a legitimate means to pursue political change. Although there is no statistically significant difference in the proportion of the joint liability and the control (pipeline) group members who ascribed to a view that rejects the use of violence as a legitimate means for political change, the greater proportion of the joint liability clients who ascribed to a view that rejects violence as a legitimate means for political change was in the expected direction.

No statistically significant difference existed in the proportions of the joint liability clients, and the members of the control (pipeline) group who had either registered or updated their voter's registration card in order to vote in the December 2014 Liberian legislative elections. About 74 percent of the active joint liability clients had either registered or updated their voter's registration cards, compared with about 77 percent of the members of the control (pipeline) group. With z=0.2988, the p-value= 0.7651 (i.e. p-value>0.05) indicates that there is no statistically significant difference between the proportion of joint liability clients and the members of the control (pipeline) group who had either registered or updated their voter's registration in order to vote in the elections. Although there is no statistically significant difference in the proportion of the active joint liability and the control (pipeline), there was a greater proportion of the control (pipeline) group members than compared with the active clients who had either registered or updated their voter's registration in order to vote, which was not in the direction of the hypothesis. This could be due to the size of the joint liability group clients captured in the analysis and the assignment of the joint liability group as treatment group in this bivariate analysis.

Table 9 below displays the results of the bivariate analysis comparing the political capital of the individual liability clients with that of the members of the control (pipeline) group. As stated above, the political capital of the clients in the individual liability group was statistically significantly different from that of the members of the control (pipeline) group only on the measure of **vote**. The political capital of the two groups was not, however, statistically significantly different on the measures of **contleg**, and **violence**.

Table 9: Comparison of Political Capital Measures of Individual Liability Clients and Control (Pipeline) Group Members

Measures of Political Capital	Mean Proportions by Treatment Type		Difference	z-score	p-value
	Control (Pipeline) Group Members	Individual Liability Clients			
Contleg	0.1333	0.2286	-0.0952	-0.9866	0.3238
Violence	0.6333	0.6061	0.0273	0.2226	0.8238
Vote*	0.7667	0.5143	0.2524	2.1019	0.0356

*Statistically significant at the 0.05 level

There was no statistically significant difference between the proportion of the individual liability clients and that of the control (pipeline) group members who contacted their legislator at least once or twice a year to influence laws or policies or give their views on matters affecting their community. About 23 percent of the individual liability clients contacted their legislator at least once or twice a year, compared with about 13.33 percent of the control (pipeline) group members. With z = -0.9866, the p-value=0.3238 (p-value>0.05) indicated there was no statistically significant difference in the proportion of individual liability clients and control (pipeline) group members who contacted their legislator at least once or twice a year. The greater proportion of the liability clients who had contacted their legislators at least once or twice a year to influence laws or policies or give their views on matters affecting their communities was in the direction expected.

There was no significant difference in the proportion of individual liability clients and control (pipeline) group members who ascribed to a view that rejects violence as a legitimate means for political change. About 61 percent of percent of the individual liability loan clients ascribed to a view that rejects the use of violence is a legitimate means for political change, compared with about 63 percent of the control (pipeline) group members. With $z=0.2226$, the p-value=0.8238 (p-value>0.05) indicates there was no statistically significant difference in the proportion of individual liability clients and control (pipeline) group members who ascribed to a view that rejects the use of violence is a legitimate means for political change. The greater percentage was not in the direction expected; namely, that a greater proportion of the individual liability clients would ascribe to a view that rejects the use of violence is a legitimate means for political change**.** While the reason for this result is not actually known, the sample size of the individual liability group clients captured in the analysis and the assignment of the individual liability group as treatment group in this bivariate analysis could be the factors responsible.

There was a significant difference between the proportion of the individual liability clients and the members of the control (pipeline) group who had registered or updated their voter's registration card in order to vote in the December 2014 Liberian legislative election. About 51 percent of the individual liability clients had registered or updated their voter's registration, compared with about 77 percent of the control (pipeline) group members who had done so. With a z= 2.1019, the p-value=0.0356 (i.e. p-value<0.05) indicated that there was a statistically significant difference between the proportion of individual liability clients and control (pipeline) group members who had registered or updated their voter's registration in order to vote in the December 2014 Liberian legislative elections. The larger percentage was not in the direction expected; namely, that a greater proportion of the proportion of individual liability clients would have either registered or updated their voter's registration in order to vote in the elections. Although the cause for this seems to be unclear and needs further inquiry, it could be due also to the assignment of the individual liability group as treatment group in this bivariate analysis and the sample size of the individual liability group clients used in the analysis.

The significance tests showed statistical evidence that there was a difference between the political capital of microfinance clients belonging to the joint liability and those belonging to individual microfinance institutions. This difference was statistically significant on one measure of political capital, namely, voting or registering to vote in the 2015 Liberian senatorial election (**vote**). A greater proportion of the joint liability clients had either registered or updated their voter's registration in order to vote compared with individual liability clients. While there was no statistically significant evidence regarding the differences in the political capital of the two groups on the measures of **contleg** (contacting legislator at least once or twice a year to give views or to influence rules about some important matters affecting one's community), and **violence** (ascribing to the view that rejects the use of "violence is a legitimate means to pursue political change"), a greater proportion of the joint liability clients contacted their legislators at least once or twice a year to give their views or to influence rules as compared with the individual liability clients. A greater proportion of the joint liability clients ascribed to a view that rejects the use of violence as a legitimate means to pursue political change.

However, these findings from the bivariate analysis do not prove causality, so further analysis is required in order to identify the factors responsible for these differences before conclusions can be drawn regarding the effect of the liability structure on the political capital of clients. This investigation will be the focus of the next section using multivariate regressions.

6.4 Regression Analysis

A logistic regression analysis was conducted to test the effect of liability structures on political capital. As stated earlier, the political capital variables included: contacting one's legislative representative (**contleg**); ascribing to a view that rejects the use of violence as a legitimate means for political change (**violence**); and voting or registering to vote in the 2014 Liberian senatorial elections (**vote**). The variable for liability structure is coded as a dummy variable with 1 for both the individual and for the joint liability structure microfinance institution. Thus, the baseline in each case is the control (pipeline) group. To account for the effects of the three different measures of political capital used in this study, I estimated three logistic regression models of political capital. Each of the models had the following specification:

$$\text{Logit}Y_i = \alpha_0 + \alpha_1 X_{i1} + \alpha_2 X_{i2} + \alpha_3 X_{i3} + \alpha_4 X_{i4} + \alpha_5 X_{i5} + \alpha_6 X_{i6} + \alpha_7 X_{i7} + \mu$$

Where: Y_i equals to the probability of a successful outcome of the treatment group versus the control /pipeline group participants; X_{i1} refers to clients in a joint liability microfinance institution (**joint**), coded as a dummy variable, with 1=joint liability client, and 0=clients in either the individual liability or pipeline groups; X_{i2} refers to clients in the individual microfinance institution (**individual**) coded as a dummy variable, with 1= individual liability, and 0=clients in either joint liability or pipeline group; X_{i3} refers to microfinance membership duration of the respondent (**memduration**); X_{i4} refers to the respondent's age (**age**); X_{i5} refers to the education level of the respondent (**edulevel**); X_{i6} refers to the duration of the microenterprise owned by the respondent (**bizduration**); and X_{i7} refers to the overall living condition of the respondent compared to a year ago (**lifecon**); α_1, and α_2 are the effects of the joint liability, and the individual liability microfinance institutions, respectively. The results of the logistic regression models in Tables 10-12 show the effects of the independent variables including the liability structures on each of the three political capital measures of clients in the two types of microfinance institutions. The findings are presented as the regression coefficients for each of the independent variables and their 95% confidence intervals. Statistical significance ($p < 0.05$) is indicated when the confidence interval does not contain 0. The effects of the independent variables on the political capital are shown in the columns in each table respectively.

Table 10: Effects of Individual Liability and Joint Liability Microfinance Programs on the Measures of Political Capital: Coefficients and 95% Confidence Intervals from Logistic Regression Models with *Vote* as Dependent Variable

Variable	With membership Duration	Without membership Duration
Individual Liability	-2.964(-4.771 -1.158)*	-0.848(-2.025 0.329)
Joint Liability	-1.527(-2.927 -0.128)*	-0.070(-1.138 0.998)
Age (in years)	-0.028(-0.081 0.024)	-0.029(-0.079 0.022)
Membership Duration (years)	0.623(0.223 1.023)*	
Education Level	0.004(-0.903 0.911)	0.031(-0.831 0.893)
Business Duration (years)	0.032(-0.105 0.041)	0.007(-0.057 0.072)
Overall Living	0.250(-0.024 0.524)	0.159(-0.099 0.417)
	N = 126	N = 125
	Pseudo R^2 = 0.1239	Pseudo R^2 = 0.0543
	Prob > chi^2 = 0.0075	Prob > chi^2 = 0.208
	Log likelihood = -67.976609	Log likelihood = -73.373216
	LR $chi^2(7)$ = 19.22	LR $chi^2(6)$ = 8.43

*Statistically significant at the 0.05 level; **Statistically significant at the 0.1 level

Table 11: Effects of Individual Liability and Joint Liability Microfinance Programs on the Measures of Political Capital: Coefficients and 95% Confidence Intervals from Logistic Regression Models with *Contacting Legislator* as Dependent Variable

Variable	With membership Duration	Without membership Duration
Individual Liability	-1.459(-3.765 0.846)	0.667(-0.758 2.092)
Joint Liability	-1.329(-3.213 0.554)	0.272(-1.017 1.560)
Age (years)	0.039(-0.023 0.103)	0.036(-0.024 0.097)
Memduration (years)	0.605(0.129 1.080)**	
Education Level	0.417(-0.696 1.529)	0.441(-0.627 1.508)
Business Duration (years)	-0.049(-0.132 0.033)	-0.012(-0.085 0.061)
Overall Living Condition	0.299(-0.026 0.626)	0.186(-0.106 0.478)

With membership Duration		Without membership Duration	
N =	126	N =	126
Pseudo R^2 =	0.0990	Pseudo R^2 =	0.0393
Prob > chi^2 =	0.1053	Prob > chi^2 =	0.5822
Log likelihood =	-53.948992	Log likelihood =	-57.525808
LR $chi^2(7)$ =	11.86	LR $chi^2(6)$ =	4.70

*Statistically significant at the 0.05 level; **Statistically significant at the 0.1 level

Table 12: Effects of Individual Liability and Joint Liability Microfinance Programs on the Measures of Political Capital: Coefficients and 95% Confidence Intervals from Logistic Regression Models with *Rejection of Violence as a Legitimate Means for Political Change* as Dependent Variable

Variable	With membership Duration	Without membership Duration
Individual Liability	-1.345(-3.075 0.384)	-0.760(-1.965 0.445)
Joint Liability	-0.525(-1.836 0.786)	-0.112(-1.095 0.871)
Age (years)	-0.005(-0.053 0.043)	-0.005(-0.054 0.043)
Memduration (years)	0.172(-0.193 0.536)	
Education Level	0.752(-0.088 1.592)	0.761(-0.076 1.598)
Business Duration (years)	0.078(0.005 0.151)*	0.087(0.016 0.158)
Overall Living Condition	-0.109(-0.363 0.143)	-0.124(-0.376 0 .128)
N = 124		N = 124
Pseudo R^2 = 0.0758		Pseudo R^2 = 0.0704
Prob > chi^2 = 0.0963		Prob > chi^2 = 0.0803
Log likelihood = -73.967525		Log likelihood = -74.396678
LR $chi^2(7)$ = 12.13		LR $chi^2(6)$ = 8.43

*Statistically significant at the 0.05 level; **Statistically significant at the 0.1 level

The individual liability and joint liability microfinance programs have statistically significant but negative effects on the variable of **vote**. The effects of the two liability structures on the variables of **contleg**, and **violence** were negative and not significant. The effect of the individual liability microfinance on the variable of **vote** means that there was a slightly lower but statistically significant probability of respondents in the individual liability microfinance program voting or registering to vote compared to that of the control (pipeline) group members. In the case of the effect of the joint liability microfinance program, there was also a slightly lower but statistically significant probability of respondents in the joint liability microfinance program voting or registering to vote, as compared to the control (pipeline) group members. Comparatively, there was a higher probability of respondents in the joint liability microfinance institution voting or registering to vote than respondents in the individual liability microfinance institution. Membership duration has a positive and statistically significant effect on the variable of **vote**, indicating that older membership clients of both liability structures had a higher likelihood of voting or registering to vote than newer membership clients. There was also a positive but statistically insignificant effect of overall living condition on the variable **vote**. Both **age** and **business duration** have inverse relationships with **vote,** though statistically insignificant. Education has a positive but statistically insignificant effect on **vote.**

Except the variable membership duration, all of the other independent variables, including the variables for the two liability structures, have no statistically significant effect on the dependent variable contacting one’s legislative representative. Membership duration had a positive and statistically significant effect on the **contleg** variable, indicating a higher and statistically significant probability of older membership clients contacting their legislative representative than newer membership clients. In the case of the dependent variable ascribing to views that reject violence as a legitimate means for political change (**violence**), only business duration has a statistically significant effect, an effect that is positive. Respondents who had been engaged in the managing of microenterprises for a longer period had a higher probability of ascribing to views that reject violence as a legitimate means for political change.

Predicted probabilities were calculated in order to determine the probability of respondents in the two liability structures and the control (pipeline) voting or registering to vote (**vote)**, contacting their legislators (**contleg**), and ascribing to a view that rejects violence as a legitimate means for political change (**violence),** while holding every variable of the respondents at their observed values. Figure 5 below shows the predicted probabilities of respondents in the joint liability, the individual liability, and the control (pipeline) categories on the three measures of political capital.[22]

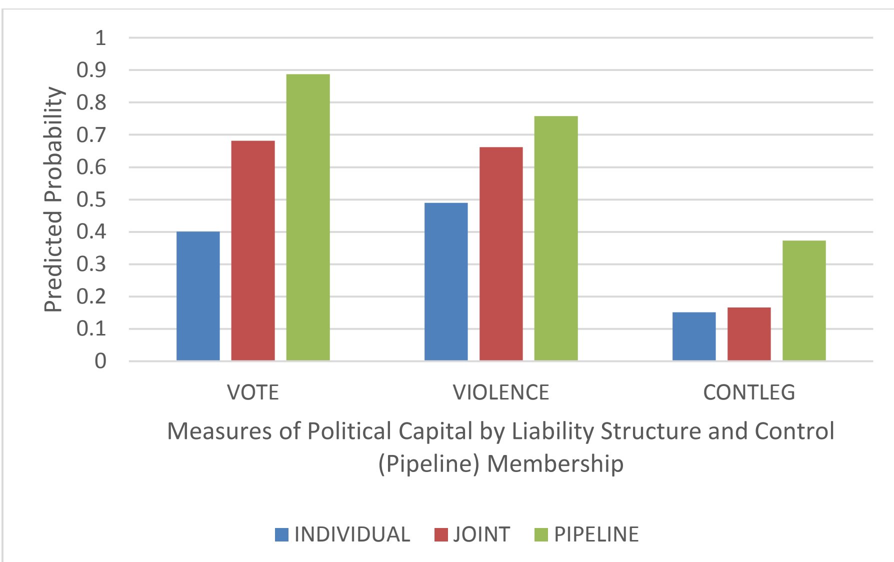

Figure 5: Predicted Probabilities of Political Capital Accumulation for the Individual, and the Joint Liability Clients, and the Control (Pipeline) Group Members: Control Variable Set at their Observed Values

[22] See Appendix C for the results of the predicted probabilities.

The most striking feature of these predicted probabilities is the extremely low probabilities of the political capital (based on all three measures) for the two liability type of clients compared to the control (pipeline) group members.

To be specific, the predicted probability of an individual liability client voting or registering to vote is less than about half the probability of a control (pipeline) group member and nearly 20 percentage points lower than a joint liability client. Additionally, the predicted probability of an individual liability client voting or registering to vote is about 40 percent while the probability of a joint liability client and a control (pipeline) group member voting or registering to vote is about 68 percent and 89 percent respectively. Moreover, an individual liability client has a predicted probability of about 49 percent of ascribing to a view that rejects violence as a legitimate means for political change, compared to the 66 percent and 76 percent predicted probabilities of a joint liability client, and a control/pipeline group member. The predicted probability of a control (pipeline) group member ascribing to a view that rejects violence as a legitimate means for political change, in contrast, is almost 1.5 times as high that of both a joint liability and individual liability client rejecting violence as a legitimate means for political change. The predicted probability of a control (pipeline) group member contacting her legislator is more than twice that of both a joint liability and individual liability client contacting her legislative representative. The predicted probability of an individual liability client contacting her legislative representative is about 15 percent, compared to the 17 percent predicted probability of a joint liability client. A control (pipeline) group member has a predicted probability of 37 percent of contacting her legislative representative. According to these findings, the control (pipeline) group members have higher predicted probabilities of voting or registering to vote, contacting their legislative representatives, and ascribing to a view that rejects violence as a legitimate means for political change when compared with either the joint liability or the individual liability clients. These results compared with the bivariate analysis findings in which the proportion of control pipeline group members who registered or updated their voter's registration to vote in the 2014 Liberian senatorial election, and rejected the view that violence is a legitimate means for political change is higher than that of the individual liability.

The low predicted probabilities of the potential magnitude of political capital accumulated by the control (pipeline) group than either the joint liability or the individual liability clients are the more surprising findings, though not inconsistent with the hypothesis of this dissertation that clients in joint liability microfinance program will accumulate a higher political capital than clients in individual liability microfinance program. The assumption of the hypothesis is that clients in joint liability microfinance program would begin the process of political capital accumulation immediately upon group formation or credit approval, increasing their rate of political capital formation at a rate higher than that of clients in the individual liability and the members in the control (pipeline) group. These findings have suggested the opposite, however, for the joint liability clients compared to the control (pipeline) group. The immediate focus of clients, irrespective of their liability structure type, compared to the control (pipeline) group members, is on strengthening their businesses and developing a favorable credit history with the microfinance institution and fellow group members through the timely repayment of their loans. Thus, the initial focus of clients, especially joint liability clients compared to control (pipeline) group members is less on political capital accumulation, but higher on the development of a favorable credit rating. The individuals in the control (pipeline) group do not have to go through this, and therefore, seem to have a higher probability of developing their political capital as they explore each other through means of knowledge-sharing and socialization. This suggests why individuals in the control (pipeline) group have a higher probability of developing their political capital than the clients in the joint liability group.

The control (pipeline) group comprises individuals of the average of age of 37 years. About 43 percent of those in the control (pipeline) group are between the ages of 19 and 37, a population segment that is greatly involved with symbolic politics in Liberia. Data about the age structure of the voting population in the December 2014 Liberian senatorial elections were not available at the time of this study. However, more than 40 percent of those who voted in the 2005 presidential and general elections, Liberia's first post-war elections, were within this age group (*New York Times*, 2005). Besides voting, this population is active in most public protests or demonstrations in Liberia calling for improved governance. These could explain why the control (pipeline) group members have a higher predicted probability of accumulating political capital than both the clients of individual liability and joint liability microfinance programs.

As shown in Tables 11-13, membership duration is statistically significant on the measure of vote. When the models were estimated without membership duration, the statistically significant effect of the liability structures on the measures of political capital disappear. The relationship between the two liability structures and the contleg variable becomes positive, though not statistically significant. These are shown in the third column in Tables 11-13. When the model is estimated *with* membership duration, however, as seen in column two of Tables 11-13, the effects of the two liability structures on vote become statistically significant. This indicates that membership duration is an important factor to consider.

The negative effect of the liability structures in all three of the models (though with statistical significance only on vote) is surprising. In the single case where both liability structures have a statistically significant effect on the political capital measure (i.e vote), the coefficient for the joint liability microfinance institution is larger than the coefficient for individual liability microfinance institutions. The same is true for the cases where the coefficients for both liability structures do not have a statistically significant effect on the political capital measures.

These results from the logistic regressions showed evidence about the effect of both the individual liability and the joint liability microfinace programs only on the probability of respondents or clients voting or registering to vote compared to the pipeline (control) group members. These effects of the individual liability and the joint liability microfinace programs were present only when the models were estimated with the membership duration variable. When the membership duration variable was removed from the models, the effects of the individual and the joint liability microfinance programs disappeared. Apart from self-selection bias, this suggests an influence of membership duration on the effect of the liability structure of the microfinance program. The models were therefore re-estimated with the interaction term of membership duration and liability structure variables in order to examine this relationship. As was done earlier, the variable for liability structure was coded as a dummy variable with 1 for both the individual and for the joint liability structure microfinance insitution, respectively and the the control(pipeline) group as the baseline in each case. Tables 13-15 show the efects of the interaction term on the three measures of political capital.

Table 13: Effects of Individual Liability and Joint Liability Microfinance Programs on the Measures of Political Capital: Coefficients and 95% Confidence Intervals from Logistic Regression Models with *Vote* as Dependent Variable and the Interaction Term of Membership Duration and Liability Structure

Variable	Coefficient (95% Confident Interval)
Individual Liability	-1.871 (-3.964 0.222)
Joint Liability	-2.381 (-4.079 -0.684)
Age (in years)	-0.034 (-0.089 0.021)
Education Level	0.079 (-0.841 1.00)
Business Duration (in years)	0.034 (-0.109 0.040)
Overall Living	0.196 (-0.086 0.479)
Individual Liability*Membership Duration	0.336 (-0.146 0.819)
Joint Liability*Membership Duration	0.999 (0.392 1.605)*

N = 125
Pseudo R^2 = 0.1441
Prob > chi^2 = 0.0043
Log likelihood = -66.402962
LR $chi^2(8)$ = 22.37

*Statistically significant at the 0.05 level; **Statistically significant at the 0.1 level

Table 14: Effects of Individual Liability and Joint Liability Microfinance Programs on the Measures of Political Capital: Coefficients and 95% Confidence Intervals from Logistic Regression Models with *Contacting Legislator* as Dependent Variable and the Interaction Term of Membership Duration and Liability Structure

Variable	Coefficient (95% Confidence Interval)
Individual Liability	-0.858 (-3.486 1.771)
Joint Liability	-2.06 (-4.792 0.671)
Age (in years)	-0.039 (-0.024 0.102)
Education Level	0.443 (-0.673 1.559)
Business Duration (in years)	-0.051 (-0.133 0.031)
Overall Living	0.266 (-0.069 0.601)
Individual Liability*Membership Duration	0.457 (-0.124 1.038)
Joint Liability*Membership Duration	0.836 (0.074 1.598)*

N	=	126
Pseudo R^2	=	0.1048
Prob > chi^2	=	0.1282
Log likelihood	=	-53.602378
LR $chi^2(8)$	=	12.55

*Statistically significant at the 0.05 level; **Statistically significant at the 0.1 level

Table 15: Effects of Individual Liability and Joint Liability Microfinance Programs on the Measures of Political Capital: Coefficients and 95% Confidence Intervals from Logistic Regression Models with *Rejection of Violence as a Legitimate Means for Political Change* as Dependent Variable and the Interaction Term of Membership Duration and Liability Structure

Variable	Coefficient (95% Confident Interval)
Individual Liability	-1.676 (-3.991 0.639)
Joint Liability	-0.352 (-1.889 1.184)
Age (in years)	-0.003 (-0.052 0.044)
Education Level	0.739 (-0.103 1.580)
Business Duration (in years)	0.077 (0.005 0.151)*
Overall Living	0.099 (-0.357 0.158)
Individual Liability*Membership Duration	0.262 (-0.297 0.821)
Joint Liability*Membership Duration	0.102 (-0.379 0.585)

N	=	124
Pseudo R^2	=	0.0769
Prob > chi^2	=	0.1377
Log likelihood	=	-73875477
LR $chi^2(8)$	=	12.31

*Statistically significant at the 0.05 level; **Statistically significant at the 0.1 level

The results of the effects of interaction term of membership duration and individual liability structure microfinance are positive on all three political capital variables. So too are the results of the effects of the interaction term of membership duration and joint liability microfinance. The results of the effects of the interaction term of the individual iability microfinance and membership duration are not significant on any of the political capital variables, however. The results of the effects of the interaction term of the joint liability microfinance and membership duration , on the other hand, are statistically significant on only the dependent variables of voting or registering to vote, and contating one's legislative representatives at the five percent level. There is no statistically significant effect of the interaction term of the joint liability microfinance and membership duration on a client's ascribing to a view that rejects violence as a legitimate means for political change.

The significantly positive coefficient of the joint liability and membership duration interaction term indicates that older members of the joint liability microfinance program were more likely to vote or register to vote than the members of the control(pipeline) group. Specifically, each aditional year of membership increases the likelihood of a joint liability microfinance voting or registering to vote than a member of the control(pipeline) group. The significantly positive effect of the joint liability and membership duration interaction on the dependent variable contacting one's legislative representative term indicates that older members of the joint liability microfinance program were more likely to contact their legislative representative than a member of the control(pipeline) group. Specifically, each aditional year of membership increases the likelihood of a joint liability microfinance contacting her legilslative representative than a member of the control(pipeline) group.

Table 16 below shows the marginal effects of membership duration on the probability of clients of the individual liability microfinance, and the joint liability microfinance institutions voting or registering to vote in 2014, contacting their legislative representatives, and ascribing to a view that rejects violence as a legitimate means for political change.[23]

Table 16: Marginal Effects of Membership Duration

Equation	Variable	dy/dx	Std. Err.	Z	P>|z|	[95% C. I]	
Contleg01	**Individual Liability**	0.057	0.028	2.07	0.039	0.003	0.111
	Joint liability	0.094	0.036	2.62	0.009	0.024	0.165
Marginal effects after logit y = Pr(contleg01), predict							
Violence01	**Individual liability**	0.054	0.051	1.06	0.288	-0.045	0.153
	Joint liability	0.021	0.049	0.42	0.674	-0.075	0.116
Marginal effects after logit y = Pr(violence01), predict							
Vote01	**Individual liability**	0.076	0.049	1.54	0.124	-0.021	0.174
	Joint liability	0.149	0.021	6.99	0.000	0.107	0.191
Marginal effects after logit y = Pr(vote01), predict							

A marginal one-year change in membership duration is associated with a 5.7 percent increase in the probability of a client in the individual liability microfinance institution contacting her legislative representative or councilor. In addition, a marginal

[23] See Appendix C for the results of the predictive margins

one-year change in membership duration is associated with a 9.4 percent increase in the probability of a client in the joint liability microfinance institution contacting her legislative representative. These effects on both individual and joint liability clients are statistically significant. A marginal one-year change in membership duration is associated with a 5.4 percent increase in the probability of a client in the individual liability microfinance institution will reject support for violence as the legitimate means for political change. These marginal effects of membership duration on the probability of both the individual liability and the joint liability clients contacting their legislative representative are statistically significant. A marginal one-year change in membership duration is associated with a 2.1 percent increase in the probability of a client in the joint liability microfinance institution will reject support for violence as the legitimate means for political change. This result is not statistically significant, however.[24] A marginal one-year change in membership duration is associated with a 0.77 percent increase in the probability of a client in the individual liability microfinance institution registering to vote or voting in the 2014 election. This effect is also not statistically significant. But, a marginal one-year change in membership duration is associated with a 14.91 percent increase in the probability of a client in the joint liability microfinance institution registering to vote or voting in the 2014 election, which is statistically significant.

In spite of these marginal effects, there are differences however in the likelihoods of clients in the individual liability and the joint liability microfinance programs

[24] Appendix B shows the marginal effects of membership duration at various periods of membership.

contacting their legislators, voting or registering to vote, and ascribing to a view that rejects violence as a legitimate means for political change. These differences vary with the duration of their membership for the specific microfinance program. These differences are shown Figures 6-8 below.[25]

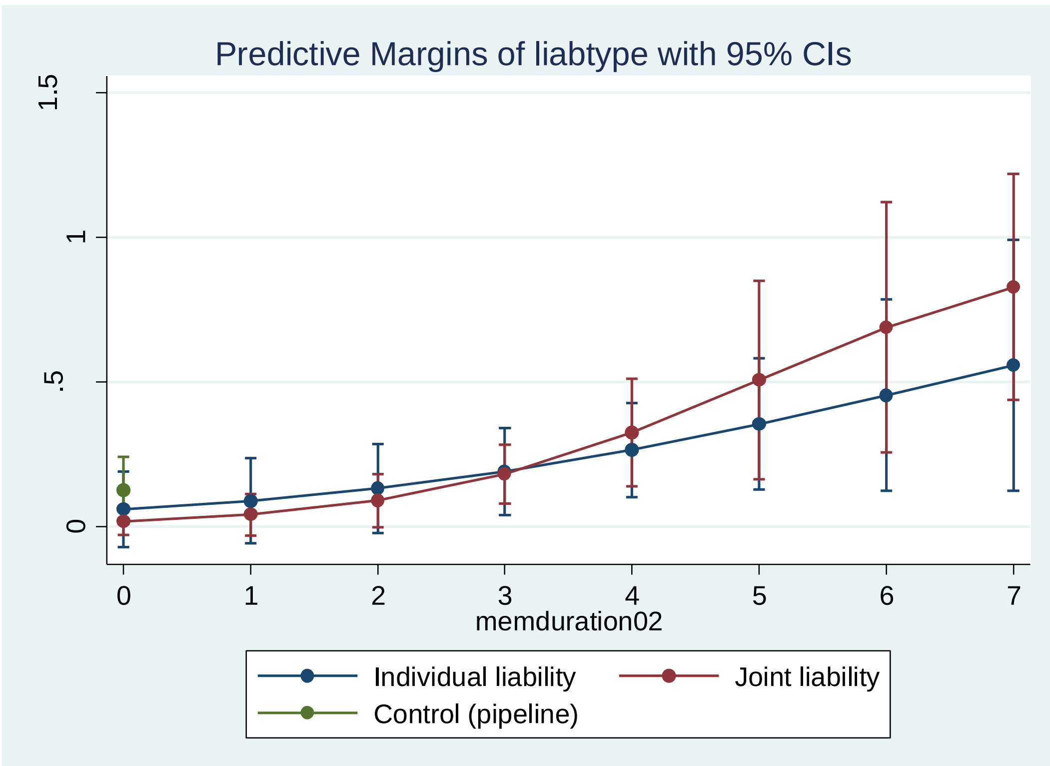

Figure 6: Graph of the Predictive Margins of Clients in the Joint Liability and the Individual Liability Microfinance Contacting their Legislators

[25] See Appendix C for the results of the predictive margins

The differences between the clients of the individual liability and the joint liability microfinance programs in their likelihoods of contacting their legislators are very small in the first three years of membership but increases greatly as the duration of membership gets older. At later years of membership, clients in the joint liability microfinance program are more likely to contact their legislator than clients in the individual liability microfinance program.

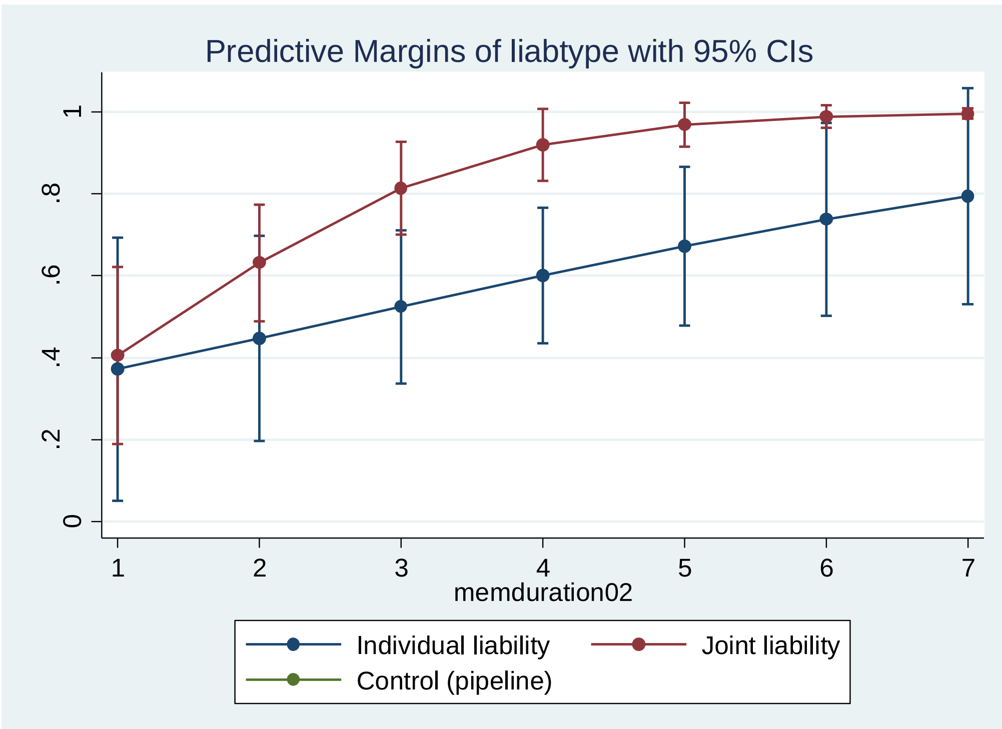

Figure 7: Graph of the Predictive Probabilities of Clients in the Joint Liability and the Individual Liability Microfinance Voting or Registering to Vote

Unlike the case of contacting legislators, the difference between clients of the individual liability and the joint liability microfinance programs in the likelihood of voting or registering to vote increases immediately in the first year of membership. This difference appears however to narrow as the duration of membership approaches the seventh year, with a slight decrease in the likelihood of joint liability clients voting or registering to vote.

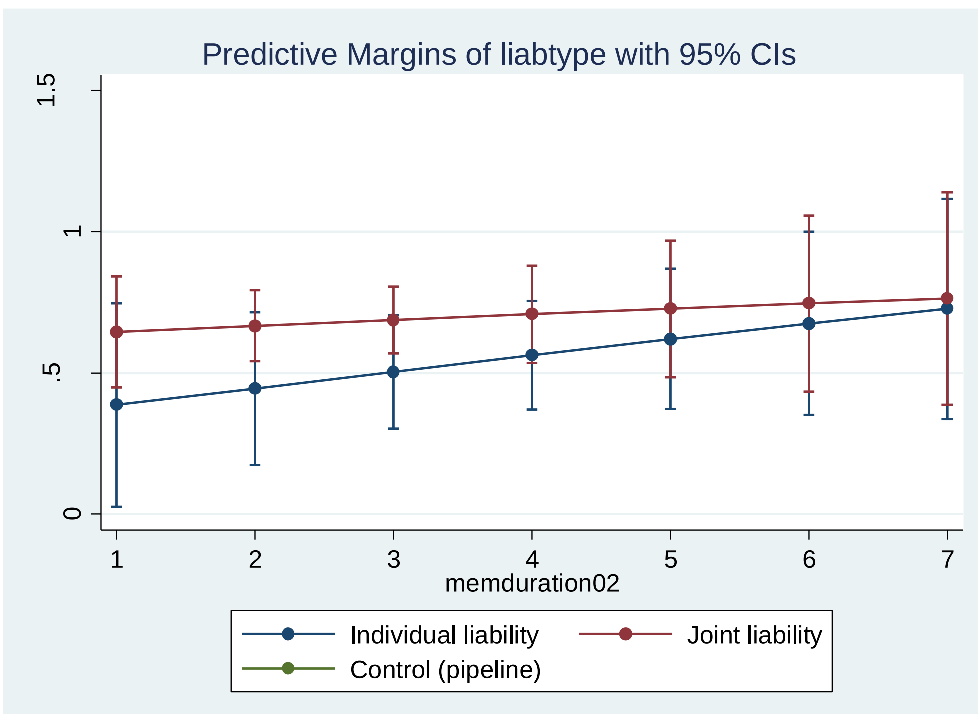

Figure 8: Graph of the Predictive Probabilities of Clients in the Joint Liability and the Individual Liability Microfinance Rejecting Violence As A Legitimate Means for Political Change

The differences in the likelihood of the clients of the two microfinance programs ascribing to a view that rejects violence as a legitimate means for political change seem to be unique. The difference in the likelihood of the individual liability and the joint liability clients ascribing to a view that rejects violence as a legitimate means for political change increases immediately in the first year of membership, but reduces significantly as duration of membership gets older. Beginning in the sixth year, the difference in the between the groups of microfinance clients is very small, as the likelihood of ascribing to a view that rejects violence as a legitimate means for political change by individual liability clients increases more than that of joint liability clients.

The difference between the groups of clients in the likelihood of voting or registering to vote could be the effect of the liability structures based on the results from the logistic regressions. However, what remains unclear and deserves further study is the mechanism through which these liability structures impact the voting variable. On the other hand, the qualitative results suggest evidence that the difference in the likelihood between the two groups of clients contacting their legislator is the effect of the liability structure Joint liability microfinance has a higher effect on the ability of clients contacting their legislators than individual liability microfinance.

6.5 Results from the Participant-Observation: A Qualitative Inquiry

The findings from the regression analysis show that the two liability types, joint and individual, have effects on the political capital of their clients based on the measure of **vote**. Besides, they show a greater effect for the joint liability over the individual liability microfinance. These findings, however, left unanswered two questions: first, how does each of the liability structures contribute to political capital? Second, what explains the difference between the two effects? On the other measures of political capital – **contleg**, and **violence** – for which there is no statistical evidence about the effect of the liability structures, what is the qualitative evidence? The participant observation explores these issues in detail. The participant observation included my observation of the meetings of the joint liability group members, and the daily operations of the individual and the joint liability institutions. At the joint liability clients meetings, I sought to identify the structure of the meetings and the issues that were discussed at these meetings and to explore in more detail some of the issues that could not be captured in the survey questionnaire. These included how clients reached a decision to **vote**; how they contacted their legislators (**contleg**), and how they ascribed to the view that rejects the use of violence as a legitimate means for political change (**violence**).

6.5.1 Joint Liability

The meetings of the joint liability clients were held once a week on a day chosen by the group. The discussions at the joint liability groups meetings were not only microfinance-focused. The discussions covered a wide range of issues that were both personal and community related. The meeting was not a completely structured activity. Though the head of the group would come with a matter for discussion, usually microfinance-related, there was no guarantee that that single item would be discussed. It was subject to replacement with another matter that may have been considered more important, sometimes coming in just before the start or in the middle of the meeting. In one joint liability group meeting, for instance, at the start of the meeting, word broke that the daughter of one of the group members had been raped at a boarding school. The news of this incident became the agenda of the meeting, although the member whose daughter had been raped had left the meeting for her daughter's school. During their discussion, the women mapped out strategies for how they could assist their fellow group member. These included ways to contact the Liberian anti-rape organization, the Association of Female Lawyers of Liberia (AFEELL) in order to pursue legal actions. In the words of one of the women,

"We need to see to it that this boy is sent to jail. It should not stay like that."

To which the others responded, as if singing a refrain of a song,

"No, it will not stay like that. We have to do something about it. That boy should not go free."

At another meeting, the women learned that a son of one of their fellow members had satisfactorily completed all of the requirements for graduation from high school. The graduation was set to take place about two weeks later. After discussing their weekly loan obligations, the discussion switched immediately to a planning session for the celebration of the graduation of their member's son.

> Ma[26] we thank God for our son. So we need to decide how that graduation would look like. And it should not be small. It should be big for all to see. This boy has done well. We need to make him happy on his big day.

Matters of community development were also discussed at these meetings. These meetings also provided a forum for members to interact with and ensure the

[26] A local expression used to refer affectionately to a respectable lady.

accountability of community leaders and other elected officers, such as the legislators. The survey data shows that about 18 percent of the active joint liability clients contacted their legislators at least once or twice a year. In one of the group's meetings, I asked the women to explain to me how they contacted their legislator over the past year. They mentioned that they contacted their legislators at either community meetings or during visitations around the community by the legislators. Matters for which the legislators were contacted included the deteriorating state of the community's infrastructure, especially the roads, and general community sanitation. During the course of the year, the joint liability group members had established contact with their legislator during a community visitation. During his visitation, the liability group members confronted the legislators about the poor sanitary situation of their market and the general community. The legislator acknowledged the concerns with a promise to contact the appropriate agency of government. He also promised to assist the women with a consignment of aluminum roofing sheets to help repair the leaking roof of their market building. At the time of the research for this study, the legislator had not fulfilled his promise.

"That man is a liar. He lies like hell. As for me, I will not vote for him," said the head of the group. This decision was met with agreement by the rest of the women:

"Yes oh. We should not vote for him. Ever since that visit we have not been able to see him. He thinks we are no longer important. But we need to show him our power. In the next elections, if he comes to us we will not vote for him."

The challenge with ensuring the effectiveness of political capital is the participation or attitude of an individual towards voting in an election, irrespective of political leanings. About 74 percent of the joint liability clients had registered or updated their voter's registration, compared with about 51 percent of the individual liability clients. In the case of Liberia, a citizen of voting age needs a voter's identification card, known locally as the Voter's Registration Card, to be able to vote on the day of election. This raises the question about how the women decided to register to vote. There were three categories of women under this question: one included those who had already registered to vote; two, those who had registered but lost their Voter's Registration Card and therefore needed an updated Voter's Registration Card; and three, those who had changed their place of residence and needed an updated registration card. The question in this direction was: "With regard to the forthcoming Legislative elections, have you registered or updated your voter's registration in order to vote?" Some responses included the following statements:

> "I had registered and decided not to vote. But my friends in our [liability] group have been encouraging me. They say it is my voice so I have changed my mind. I will vote in the forthcoming elections."
>
> "Voting is my right. I have to vote to express how I feel about the way certain people are running this country," said a respondent who had already registered to vote.
>
> "For me, I have already updated my voter's ID, so I am going to vote. Yes, I planned to vote along with friends [in the joint liability group] and I will vote on Election Day. We will have to teach him a lesson for lying."

With regards to how they view violence as a means of political change, nearly every member of the joint liability groups who were all women registered their strong opposition to the use of violence for political change. Their view is informed to a great extent by their experiences during the Liberian civil war from 1989-2003.

> In 1990[27], we didn't know [what war looks like]. But with what we've see[n], we don't want any war in this country again, my son. We are begging those planning to bring war to not even think about it because me I will not support them. We are always talking to our members [in the joint liability group] not to even allow their children to take arms behind anybody.

Another responded:

> The war cost us a lot; I don't even want to think about it. Now that we have a way to get money in order to do business, I don't think anyone should think about war. That is why when we come together [in our meetings] we can be talking about how we will send our children to school so no one will fool them again to fight war. War is not good. We will not support war.

6.5.2 Individual Liability

Members of the individual liability groups do not hold meetings as is done by the members of the joint liability groups. However, the individual liability clients are members of various horizontal social groups that exist in the markets. The members of these organizations are not necessarily members of any microfinance group. Most of

[27] Most Liberians considered 1990 as the starting date of the Liberian civil war. This is largely due to the fact that the first time they heard of the civil war was in January 1990.

them are, in fact, just micro-entrepreneurs in the same market. These groups hold meetings periodically as well, with meeting days ranging from once a week to once a month. The matters discussed at these meetings are focused mostly on business strategies – available financial products and business opportunities. While I wasn't able to observe any of these meetings, I elicited the women's views about the meetings. When asked about the nature of their meetings, one of individual liability clients said to me:

> Some of the people who take the loan can come to the meeting. But it is not a meeting about the [Access] Bank loan. It is our social club. We meet the first Sunday of every month to discuss how we can improve our businesses and help each other.
>
> At these meetings, we also talk about our living conditions. So if one of our members is sick or has lost a relative, family member or a loved one, we put small thing[28] together to help that our member.

According to the survey data, about 51 percent of the individual liability clients had registered or updated their voter's registration, compared with 74 percent of the active joint liability clients. As with the joint liability clients, there were three categories of respondents under this question: one included those who had already registered to vote, and two, those who had registered but lost their Voter's Registration Card and therefore needed an updated Voter's Registration Card; and three, those who had changed their place of residence and needed an updated registration card. These three groups of

[28] "Small thing" is a Liberian expression for voluntary monetary contribution.

individual liability clients were asked, “With regard to the forthcoming Legislative elections, have you registered or updated your voter’s registration in order to vote?” Below are responses that represented the general feelings of the individual liability clients:

> It is my right. It’s not a bad thing for someone to encourage me to vote, but I don’t need someone to tell me to vote.
>
> Voting is my right. I have to vote to express how I feel about the way certain people are running this country.
>
> For me, I have already updated my voter’s registration card, so I am going to vote.”
>
> Yes I planned to vote and I will vote on Election Day.

About 18 percent of the active individual liability clients contacted their legislators at least once or twice a year, compared with about 23 percent of the active joint liability clients. This contact seemed to be associated with the personal and group interactions among the individual liability clients and these legislators. Most of those who reported to have contacted their legislators spoke only of seeing them along the streets in their communities or at the legislators’ offices at Liberia’s capitol building, but not at formal meetings. For others it was due largely to the party affinity they shared with the legislator. For instance, one of the individual liability clients is the local leader of the party of her legislator. This position privileges her with easy access, an added incentive for contacting her legislator.

"Yes, I have spoken to him about issues affecting our community. I am the local party leader so I meet him every week. I had just come from his office before you arrived. We are even planning a meeting for this weekend in our community," she said.

Like the joint liability clients, the individual liability clients are strongly opposed to the use of violence as a means of political change. Below is a statement that represents the general feeling of the individual liability microfinance respondents:

> The war pushed me and my family way back. I don't even want to hear about war. Don't even ask me that question. Because if you were in this country from 1990 until the war ended you would know the kind of suffering we went through and would not even dare ask me about how I feel about war. Anybody who tries to bring war again, we will pray for him [or her] to die!

6.6 Discussion

These findings (both quantitative and qualitative) seem to be in conflict with each other when it comes to comparing the effect of the liability structure of a microfinance institution on the political capital of clients. The quantitative results suggest a statistically significant effect of the two liability structures on political capital of clients, but only on the measure of voting or registering to vote in the 2014 election, while the qualitative results provide evidence about the effect of joint liability microfinance on only contacting one's legislator. Unlike clients' decision to register to vote in an election (**vote**), there is no statistical evidence regarding the effect of both liability structures on clients' ability to contact their legislator (**contleg**), and client's ascribing to a view that rejects violence as a legitimate means for political change (**violence**). Comparatively, the joint liability microfinance has a greater and statistically significant effect on clients' decision to vote than the individual liability microfinance program. The qualitative results, on the other hand, suggest a greater effect of the joint liability structure on the ability of clients contacting their legislator, albeit anecdotal.

The quantitative effect of the two liability structures on the three political capital measures is negative, but statistically significant for **vote**, but not for **contleg**, and **violence**. This means that there is a lower but statistically significant probability of clients in both liability structure microfinance programs voting or registering to vote when compared to members of the control (pipeline) group. This effect of the liability structures of the two microfinance programs on clients' voting decisions is the most distinctive political capital-forming effect of the liability structures. Clients in both joint and individual liability microfinance programs manifest a deep understanding of their civic responsibilities, especially voting. This is supported by the qualitative evidence. Clients in the joint liability microfinance program have a higher predicted probability of exercising their voting responsibility than the clients in the individual liability program. There is a 68 percent predicted probability of joint liability microfinance clients voting or registering to vote, which is 28 percentage points higher than that of individual liability microfinance clients. In their groups, joint liability microfinance clients learned the value of exercising these civic responsibilities. This is consistent with the finding by Booth and Richard (1998) about the effect of horizontal social organizations on members' voting behavior. It is not clear how the two liability structures affect the voting behavior of the clients. The qualitative evidence seems to suggest that the decision by the clients to vote or registered to vote was more of their private motivations with no clear linkage their being in a microfinance program. This, therefore, requires further study.

The low predicted probabilities of the potential magnitude of political capital accumulated by the control (pipeline) group than either the joint liability or the individual liability clients are the more surprising findings, though not inconsistent with the hypothesis of this dissertation that clients in joint liability microfinance program will accumulate a higher political capital than clients in individual liability microfinance program. The assumption of the hypothesis is that clients in joint liability microfinance program would begin the process of political capital accumulation immediately upon group formation or credit approval, increasing their rate of political capital formation at a rate higher than that of clients in the individual liability program and the members in the control (pipeline) group. These findings have suggested the opposite, however, for the joint liability clients compared to the control (pipeline) group.

While political capital is vital for livelihood (Jackson, 2005), being a borrower that is less likely to default in loan repayment seems to be more fundamental to the livelihood and economic security for members of joint liability loan groups. This means the ability of individual members to repay their loans in a timely fashion is a social obligation as an individual's delinquency in loan repayment endangers the credit-worthiness of the entire group and could spell potential social consequences for the delinquent group member. The preliminary field work for this dissertation in 2012 found that some members of two joint liability groups had to repay the loans of their fellow group members who had defaulted and absconded from the group. The decision by these members to repay the defaulted loan was to guarantee their access to future loans. When asked about the yard stick used in admitting these now absconding members, the women said they had admitted these members because they all have kiosks in the same market building. Knowing a potential fellow group member, establishing a history of credit-worthiness and demonstrating a strong business presence by group members are therefore fundamental to the admission of an individual to a microfinance loan group than trusting. Thus, building or increasing political capital bears less directly on the actions of joint liability clients in the earliest stages of their microfinance membership. On the other hand, apart from claiming that they are borrowers with low risk of default, members of the control (pipeline) group do not have to demonstrate credit history to their fellow members since they are yet to receive their first loan. As such, the focus of their interactions seems to be more on increasing their political capital as they explore each other through means of knowledge-sharing and socialization. This could be a factor as to why they have higher predicted probabilities of voting or registering to vote, contacting their legislators, and ascribing to views that reject violence as a legitimate means for political change than joint liability clients.

Membership duration has a positive effect on all the measures of political capital but statistically significant on the measures of vote or registering to vote, and contacting one's legislators. Apart from this direct effect, membership duration seems to have an indirect effect on voting or registering to vote through the two liability structures. This can be seen from the estimation of the models with and without the membership duration variable. The effects of the two liability structures on vote or registering to vote are present only when the models are estimated with the membership duration variable. Without the membership duration variable, the statistically significant effects of the joint liability and the individual liability structures microfinance disappeared, suggesting the presence of an interaction between the membership duration and the two liability structures in the effects of the two structures on the vote or registering to vote variable. There was however no statistically significant effect of the interaction term of the individual liability microfinance and membership duration on any of the political capital measures when the models where estimated with the interaction terms of membership duration and the two liability structures. The interaction term of the joint liability microfinance and membership duration were on the other hand positive and statistically significant on voting, or registering to vote, and contacting one's legislators. Thus, clients who stayed longer with the joint liability microfinance have a higher likelihood than the control (pipeline) group members of voting or registering to vote, and contacting their legislators.

For joint liability clients, the marginal effects of membership duration are statistically significant on the variables of voting or registering to vote, and contacting one's legislator. The marginal effects of membership duration on these measures are positive and statistically significant for joint liability clients. This could explain the differences in the likelihoods of the clients of the two liability structures contacting their legislative representatives, voting or registering to vote, and ascribing to views that reject violence as the legitimate means for political change as the tenure of membership (i.e. membership duration) increases. In the case of contacting one's legislative representative, there are very small differences between the individual liability and the joint liability microfinance clients in their likelihoods of contacting their legislators during the earlier stages of their membership with their respective microfinance programs. These differences increase greatly however as the duration of membership increases beyond the first three years. Beyond the first three years of membership, clients in the joint liability microfinance program are more likely to contact their legislator than clients in the individual liability microfinance program.

The difference between clients of the individual liability and the joint liability microfinance programs in the likelihoods of voting or registering to vote increases immediately in the first year of membership. This difference appears however to narrow as the duration of membership approaches the seventh year, with a slight decrease in the likelihood of joint liability clients voting or registering to vote. This trend seems to suggest the possibility of a decline in the difference in the likelihoods of voting or registering to vote between clients of the two liability structures in the period beyond seven years of membership, assuming they remain with the microfinance program. As this study is unable to examine this possibility and its causes, it therefore begs further research.

The differences in the likelihood of the clients of the two microfinance programs ascribing to views that reject violence as a legitimate means for political change seem to be unique. Like the case of voting or registering to vote, the difference in the likelihoods of the individual liability and the joint liability clients ascribing to views that reject violence as a legitimate means for political change increases immediately in the first year of membership. This difference reduces significantly, however, as the duration of membership increases. Beginning in the sixth year, the difference in the likelihood of ascribing to the view that rejects violence as a legitimate means for political change between the two groups of microfinance clients is very small. This decrease is due to the increase in the likelihood of individual liability clients ascribing to views that reject violence as a legitimate means for political change.

This effect may due be in part to selection bias because, as noted earlier, individual members who are relatively more empowered are more likely to subscribe to a particular type of microfinance program than others. Apart from selection bias, this finding suggests that clients could be more focused on strengthening their businesses in the case of contacting one's legislators and developing a favorable credit history with both their fellow group members (i.e. for joint liability clients) and the microfinance organization at the earliest stages of their membership in the group in order to guarantee their eligibility for future loans. This could be the cause for the negative effects of the two liability structures on the political capital measures of clients. The immediate focus of clients upon their admission to a microfinance program is on strengthening their credit histories and growing their businesses. Thus, the probability of accumulating political capital will be smaller at the earliest stages of membership, but greater at the latter stages, which is highlighted by the results from the predictive margins. Longer membership tenure or duration does not only build the clients' financial asset, but their credit collateral as well, which is the primary motive for joining a liability group that is established through an assortative matching process.[29] This accumulation of credit-worthiness will seem to continue until a satisfactory point will eventually be reached, at which time the group will begin to consider the development of their political capital along with their financial capital. During this period, in the case of contacting one's legislator, the joint liability clients seem to be focused on developing networks and appropriate skills for undertaking collective actions. What remains unanswered, however, is whether at this satisfactory point, the incorporation of political capital development into financial development is done focusing simultaneously on all three measures.

The measure of inter-personal trust among group members, the theoretical requirement for loan guarantee, does not seem absolute among group members. Members in the joint liability group trust each other on a range of issues, ranging from being able to supervise a child in the absence of a parent to ability to repay loan. About 19 percent of joint liability clients did not trust their fellow loan group members very much, while about 37 percent of those in the pipeline (control) group had the same view about their fellow pipeline (control) group members if they were to be placed in joint liability loan groups. This measure of trust was determined largely by the respondent's perception of the ability of her fellow loan group members to repay their loan in a timely fashion. In the qualitative interviews for the participant observation, most of the respondents said to me

[29] Assortative matching is a process through which clients self-select themselves into loan groups based on their information and perceived measure of risk of repayment default of each other (Armendariz & Morduch, 2010). Through assortative matching potential low risk clients band together, segregating themselves from potential high risk borrowers. This aids the screening function of the microfinance institution significantly and reduces adverse selection.

that they were primarily in their groups to get financial capital needed to improve their businesses, but that they did not trust all of the other group members when it came to "money business." This suggests that, while trust among joint liability clients is crucial to attaining loan, trust alone is not the key determinant for membership to a loan group. Instead, knowing an individual who will be a low risk borrower and is willing to help the group meet the numerical requirement for loan access seems to be a critical intervening factor for membership to joint liability group. Establishing a business presence and a history of credit-worthiness in the initial stages is, therefore, crucial for future loan guarantee. Besides, the degree of risk associated with a particular borrower or potential borrower affects the cost of a loan for the group. This raises some questions about the absolute manner in which trust is constructed in surveys such as the one used for this research and seems to suggest the need for a re-evaluation of the measurement of trust in future studies.

While there is no statistical evidence from the regression models about the effect of the two liability structures on clients' ability to contact their legislator, the qualitative data do suggest an effect for joint liability microfinance. This finding compares with the predicted probabilities that show that there is about a 17 percent probability of a joint liability client contacting her legislator, or about two percentage points more than her individual liability counterpart. Based on the qualitative data, clients in joint liability microfinance demonstrated a strong inclination to convey their demands to their legislators. Joint liability microfinance creates a platform through which the women collectively attract the attention of their legislators and are able to convey their demands.

In contrast, the qualitative data suggests that clients in individual liability microfinance program who contacted their legislator did so because of the political affinity they shared with these public officials, and not on account of their membership in the microfinance program. Although qualitative, this finding about the political-capital-forming effect of joint liability on the clients' ability to contact their legislators or public officials is consistent with the quantitative finding by Booth and Richard (1998) about the increased likelihood of people belonging to a horizontal social organization contacting their public official.

The qualitative finding, despite its conflict with the quantitative finding, suggests that changes could be taking place in the dynamics and practices of community politics and governance in general in Liberia. While the decision by the microfinance clients could have arguably been tied to securing the benefits of their loan group, it is clear that their decisions have inescapable effects on their community nonetheless. Women seem to be using their collective influence to strengthen the institutional practices that govern community politics as well as the behavior of community leaders and private individuals, irrespective of the measure. Through the microfinance platform, women are devising means to fight against such social excesses as rape, and increasingly using their collective power to hold public officials and private individuals accountable through non-violent means, though largely at the micro level.

Collective action for social change by women in general seems nothing new in Liberia. Mary Moran (2006) showed how women in southeastern Liberia organized various social networks that would hold accountable the male-dominated political structure prior to the civil conflict. The civil conflict (1989-2003) appears to have had a positive effect on the political capital of women across Liberia, particularly in their ability to organize their social networks in order to campaign collectively for, and influence, a mutually acceptable end of the conflict. The women refused to be seen as victims, actively playing various campaign activism and mediatory roles that led to the end of the violence– opening contacts among the various warring parties, suggesting a formula for the end of the violence, and using soft power to get conflict parties to commit to an agreement (Fuest, 2008; Gizelis, 2011; Moran and Pitcher, 2004). The activism and successes by the women in the peace negotiations not only helped enhance their political capital but also increased their voice in the peacebuilding process, a gain that they were not prepared to allow to dissipate following the end of the violence. They therefore got involved with the disarmament, demobilization, rehabilitation, and reintegration of the combatants of the warring factions in 2003-2004, and in the general elections in 2005. More than half of the 1.35 million registered voters in the first post-conflict general elections of Liberia were women (The National Democratic Institute, 2005 & The Carter Center, 2005). Political engendering and the desire by women to see a transformation in Liberia's governance were central to the election of Madam Sirleaf in 2005.

The results from the regression analysis also show that there is a slightly higher but insignificant probability of joint clients rather than individual liability clients ascribing to a view that rejects violence as a legitimate means for political change, all compared with control (pipeline) respondents. Clients from both liability structures are opposed to violence as a legitimate means for political change; however, the predicted probabilities show a higher probability of joint liability clients rejecting violence as a legitimate means for political change than individual liability clients. Generally, this could be due primarily to the effect of the Liberian civil conflict on the population. About a quarter million of the population in Liberia lost their lives, while thousands were uprooted from their homes and dumped into displaced people's and refugee camps, and nearly every social infrastructure was destroyed by the Liberian civil war. It seems that, "war is not economics by other means" (Keen, 2000) for the general population of microfinance clients or potential clients. The pursuit of opportunities that lead to economic advancement and wealth generation is among the fundamental reasons for an individual to support or participate in war or violent conflict as an enterprise for political change (Stewart, 2008; Collier et al, 2003). The greater the marginal private benefit that an individual perceives that he/she would generate from violent conflict the greater the likelihood of his/her support for violent conflict. This means that perceived marginal benefit from violence as an enterprise for political change reduces the opportunity cost for an individual's support for violence as a legitimate means for political change. Conversely, the marginal effect of violent conflict on the economic status of an individual determines his/her support for violent conflict. If the marginal effect from violent conflict accrues more private benefits than losses to the individual, the more likely that he/she would support violent conflict in a period after such conflict. If, on the other hand, the marginal effect of violent conflict accrues more private losses than benefits to the individual, the less likely that he/she would support violent conflict in a period after such conflict.

Justino (2010) shows that violent conflict has the following effects on individuals and households: the loss of income and livelihoods, the disruption of local economic activities, and the ability of the population to cope with and recover from the socio-economic shocks created by the conflict. All of these affect the living standard of the post-conflict population measured by their ability to securely the goods and services that they need for their own economic advancement. Individuals in societies that are still licking the wounds of a violent conflict, for whom these effects were marginally greater on their economic status, are less likely to support violence as a means for political change, especially so if they already have access to an economic means for social advancements and improving their living standard. This could be the case of these microfinance clients. The Liberian conflict affected their living standard severely while ruining their assets. The period of stability since 2003 has provided a climate for them to be productive, improve their living standard, rebuild their ruined assets, and pursue their private economic advancement goals. Their ability to engage in income-generating microenterprises and have access to financial capital that enhances their ability to expand their microenterprise has increased their opportunity cost for supporting violence as a means for political change. Del Castillo (2008) has shown that socio-economic opportunities are a form of social insurance against a conflict relapse in a post-conflict society. These socioeconomic opportunities, which include microenterprises, reduce the effect of the conflict on individuals and households and revive their socioeconomic fortunes (Del Castillo, 2008; Mac Ginty, 2010), reducing their interest in supporting conflict. The significance of this in a post-conflict setting is explained by the ability of the income and other benefits accrued from the employment to strengthen household's capability or capacity to cope with and recover from the socioeconomic shocks associated with the conflict (Del Castillo, 2008).

CHAPTER SEVEN

CONCLUSION AND IMPLICATIONS FOR PEACEBUILDING AND ECONOMIC DEVELOPMENT

7.1 Conclusion

The purpose of this study was to empirically examine and compare the effects of the types of microfinance liability structures on political capital of microfinance clients based on a quasi-experiment among 127 microfinance clients in post-conflict Liberia in the summer of 2014. The two types of microfinance liability structures are joint liability and individual liability. For this study, political capital refers to actions undertaken by an individual to produce a favorable political outcome that protects the interest of the individual, and includes contacting one's legislative representative, ascribing to the view that rejects the use of violence as a legitimate means for political change, and voting or registering to vote in an election. Under joint liability, small groups of borrowers are responsible for the repayment of each other's loans, while under individual liability, the individual borrowers are liable for their loan repayments. Understanding this relationship between the liability structure of a microfinance institution and the political capital of clients should provide a deeper insight into how microfinance contributes to peacebuilding at the micro, the meso, and the macro levels. This study hypothesizes that the liability structure of a microfinance institution does have an effect on the political capital of its clients; however the effects are not the same for the two liability structures.

The study used a combination of quantitative and qualitative methods of data collection and analysis to fulfill its objective. The quantitative method was a carefully designed quasi-experiment with a treatment group of two microfinance institutions in Liberia – Access Bank and the BRAC Microfinance Company (BRAC) – who award loans under the two different liability structures, and a non-equivalent control (pipeline) group comprising microentrepreneurs who were eligible for loans from both organizations but had membership in neither organization. The members of this non-equivalent control (pipeline) were resident within the same cluster of the joint liability group clients

This quantitative data was supplemented by the qualitative data that was collected through participant observation and informal interviews with loan officers and clients of the two microfinance organizations. This method of analysis - a combination of quantitative and qualitative methods - provided me two modes of understanding the social reality of microfinance in Liberia: experience (participant-observation), and inquiry (survey interview). All of the respondents in this study were women between the ages of 19 and 58 years who were demarcated into the treatment group (joint liability or individual liability microfinance) and the control (pipeline) group. Nearly 49 percent of the respondents in the treatment group were clients of the joint liability microfinance organization; about 28 percent were clients of the individual liability microfinance organization and the remaining nearly 24 percent belonged to the control (pipeline) group. The average age for all of the respondents, including members of the control (pipeline) group, was about 40 years; the oldest respondent was 58 years old while the youngest was 19. The oldest respondents (58 years old) belonged to both treatment groups (joint liability and individual liability), while the youngest (19 years old) belonged to the control (pipeline) group. In terms of the duration of their microenterprises, the respondents have been engaged in managing a microenterprise for an average of nearly 10 years, with the longest being 27 years, and the shortest duration being one year. The average respondent had completed elementary education; the highest educated respondent has a post high school education, while the least educated had no formal education. By liability structure, the highest educated respondent (a post-graduate education) belonged to the individual liability group. Both the individual liability and the joint liability groups had clients who had had no formal education (the least level of education). The control (pipeline) group also had a respondent who had had no formal education (the least level of education).

The data were analyzed and the findings interpreted within the context of this study's research question and the hypotheses. The analysis was conducted in three stages: descriptive, bivariate, and multivariate. The descriptive analysis stage analyzed the aggregate data for the study participants, using frequency tables and graphs to describe the background characteristics of the research participants. The bivariate analysis evaluated and compared statistical differences between the political capital measures of the respondents belonging to the two liability structures and the control (pipeline) group. A significance test was used to compare the measures of the political capital of the control (pipeline) group with the treatment group. An observed statistically significant difference in the average proportion of political capital measures between the treatment and the pipeline (control) group demanded the next step to establish whether this difference was due to the liability structure by answering the question: What is the effect of the liability structure on the political capital of the treatment and control groups? Answering this question was the preoccupation of the third stage of the analysis – multivariate regression.

A multiple logistic regression framework was used to investigate the effect of the liability structures, the major independent variables, on clients' political capital, based on the measures of contacting one's legislator, ascribing to the view that rejects violence as a legitimate means for political change, and voting or registering to vote in an election. The logistic regression framework helped to strengthen the analysis by controlling for the effects of the liability structures and the other independent variables on the political capital measures, while eliminating or at least explaining factors other than the liability structures that could account for the differences in the political capital of the clients. The marginal effects of the individual liability structure microfinance program and the joint liability structure microfinance program on the political capital measures were then estimated. The differences in the marginal effects gave the effect of the liability structure on the political capital.

The analysis of the data from the participant observation was iterative and simultaneous. The data from the participant observation were woven into the survey data. The iterative process allowed for the identification of recurring themes, patterns, similarities and contradictions that were found across the both the survey and participant observation data. The results from the participant observation showed joint liability microfinance clients had a larger political capital than the individual liability clients on the measure of contacting one's legislator, while the bivariate analysis showed that the political capital of joint liability clients exceeded that of the individual liability clients in a statistically significant manner only on the measure of **vote**. There is no statistically significant difference in political capital of the clients in the joint liability group and the members of the control (pipeline) group on the three measures of political capital used in this study, **vote**, **contleg,** and **violence**. There is, on the other hand, a statistically significant difference in the political capital of the clients in the individual liability group from that of the members of the control (pipeline) group on the measure of **vote**. The political capital of the two groups was not statistically significantly different on the measures of **contleg**, and **violence**, however.

The logistic regression shows negative effects for both individual and joint liability microfinance on only the ability of clients to vote or registering to vote. This is in conflict with the results of the qualitative analysis which shows a positive effect for the joint liability microfinance but on only clients' contacting their legislators. The quantitative effects of the two liability structures are associated with the membership duration of clients as these effects were presently only when the models were estimated with the membership duration variable. The statistically significant effects of the liability structures disappear when the models were estimated without membership duration. This suggest that the effect of the liability structures are entangled with membership duration. This is supported by the results from the effects of the interaction terms of the individual liability structure and membership duration, and the joint liability structure and membership duration variable on the political capital measures. While the interaction term of individual liability structure and membership duration had no statistically significant effect, the interaction term of the joint liability structure and membership duration had a statistically significant effect on voting, or registering to vote, and contacting one's legislators. Thus, longer membership tenure clients of the joint liability microfinance have a higher likelihood than the control (pipeline) group members of voting or registering to vote, and contacting their legislators. The likelihoods of the clients of the two liability structures contacting their legislative representatives, voting or registering to vote, and ascribing to views that reject violence as the legitimate means for political change differ as the tenure of membership (i.e. membership duration) with their respective microfinance program increases. This effect is attributable to selection bias because, as noted earlier, individual members who are relatively more motivated and empowered are more likely to seek admission to a particular type of microfinance program than others.

7.2 Implications for Post-Conflict Peacebuilding and Economic Development

Through its liability structures, microfinance contributes to the creation of institutions of social cohesion. Social cohesion is used here to refer to the inclusive interactions across groups, between groups, and the institutions of governance. Institutions that ensure both horizontal and vertical interactions are inclusive in construct and functioning. Microfinance's contributions are through the incentive structures that it helps to create through its liability structures which motivate the clients to engage in, and form horizontal and vertical relationships. Horizontal relationships refer to social relationships among people and groups, while vertical relationships refer to interactions between people and political institutions or politicians at the level of the community and state. Through its liability structure, especially joint liability, microfinance institutions create a platform that facilitates interpersonal interactions (horizontal) among community dwellers and between community members and their political leaders (vertical).

These help to develop or rebuild political relationships (vertical interactions) which may have been ruined among post-conflict populations. These institutions generate the incentive structures for networks, or groups to serve as the avenues for the social virtues that are supportive of peaceful nation building and the transmission of a democratic culture. This process of cultural transmission, especially through MFIs political-capital-effect on voting behavior, and engagement with one's legislative representative helps shape the attitudes and behaviors of microfinance clients towards democratic norms and the ways to engage national institutions civilly. Whether through joint or individual liability lending, MFIs provide the incentive for their clients' behavior, politically, economically and socially. Through its effect on political capital, microfinance helps to generate resources that enable individuals and groups to influence governance in their communities and influence policy outcomes at the national or macro level. Through these connections, post-conflict microfinance inspires human agency in peaceful coexistence and post-conflict peacebuilding.

Leveraging their group membership, joint liability clients develop their skills to engage the attention of their legislators collectively in order to convey their demands. In the case of Liberia, this contribution is changing the dynamics and practices of community politics and governance in general with inescapable effects on the communities. Through the microfinance platform, women are devising ways to fight against such social excesses as rape in their communities. Through the microfinance platform, women are also building networks, developing the confidence and gaining the power to collectively challenge what may have been considered the norm in community politics by elected officials (i.e. no accountability) and private individuals (i.e. the respect for an individual's privacy). Thus, microfinance is facilitating greater participation and indigenous stake in the peacebuilding process and contributes to social cohesion especially at the micro and the meso levels. Apart from increasing their livelihood opportunities (Jackson, 2005), these increase the incentive for individuals subscribing to microfinance program to gainfully support peacebuilding over violence at the micro-, meso-, and micro-levels.

Enhancing the assets of individual clients, microfinance in general creates entrepreneurial opportunities for post-conflict clients, a vital ingredient for individual social and economic advancement. Through these opportunities, microfinance services reduce the chances for micro- and meso-level elite predation or conflict entrepreneurship and the possibilities for a conflict relapse. Entrepreneurial opportunities expand the economic freedom of post-conflict microfinance clients, and increase the opportunity cost for them to support or participate in violent conflict. The economic freedom created by microfinance widens the range of economic and social resources available to the post-conflict population, reducing the degree of the clients' socio-economic vulnerability, and increasing the probability of their economic and political participation in peacebuilding activities. Social interaction also enhances clients' ability to participate in community development. Social interaction nurtures their development of positive behavior while enhancing their social credentials.

In terms of economic development, this suggests that post-conflict populations or microentrepreneurs are not handwringers. Post-conflict individuals are able to optimize their potential under the appropriate constraints and opportunities. Thus, developing appropriate mechanisms for the implementation of such programs as microfinance that prods the population towards the development of institutions of social, economic or political inclusion is just as important as satisfying their needs for financial services and financial inclusion. Post-conflict interventions tagged as humanitarian interventions, when properly tailored, can therefore become centers of growth, economic development, and social cohesion.

These findings do not intend to suggest that microfinance programs hold the ultimate resolution to the issues of political participation or the attitudes and behavior of post-conflict households towards democratic governance, nor is it intended to discount the need for a proactive approach to address the simmering tensions over Liberia's long-standing problem of the exclusion and marginalization of the majority population from the governance and economic wealth of the country. These findings are also not intended to suggest lesser attention to the tensions between various social groups as a result of the conflict. Microfinance programs are, however, effective avenues for the transfer of resources to households for the production of peace-sustaining outcomes. Though it facilitates social interactions among individuals at the micro- and meso- levels for community-engagement and political participation, microfinance programs may not seem to constitute a sustained avenue for engaging households and local communities in political and economic governance in the long term in the case of joint liability microfinance. This is due primarily to the organization's objective of financial viability and the control of its operations by Central Banking licensing procedures, and the general construct of the financial ecosystem of the country, which are subject to changes over time.

7.3 Limitations and Recommendation for Future Research

This study is not a definitive answer to the question about the effect of the liability structure of microfinance on the political capital of clients. It presents rather an important piece of evidence about this relationship. As with any quasi-experiment, this study is not free of limitations. One limitation is the nature of the samples. The samples of the treatment and the control (pipeline) groups were not made of randomly assigned respondents. The samples consisted of individuals who were already in the microfinance programs (joint and individual liability), and individuals who have elected to participate in a microfinance program, though were not yet admitted to either. Because of this, the samples may not be representative of the populations of the active and the potential microfinance clients in the two programs. Moreover, the data were not adequate to allow me to control for self-selection bias. Apart from the problem of self-selection bias, the data also suffer a lack of an additional control (pipeline) group for the individual liability microfinance program that could enable a better comparison of the effects of the two liability structures. An ideal experiment would have been comprised of randomly assigned individuals to the treatment groups (joint and individual liability microfinance programs), and the control groups for both liability structures.

The findings also present a caution for microfinance institutions about the use of "trust" as a major ingredient for the establishment of joint liability groups. These findings highlight the importance of joint liability in the development of clients' political capital. On the other hand, they suggest that admission to joint liability groups is not based on absolute trust as seems to be the general belief in policy circles. They, therefore, suggest a need for further research to identify the precise measure of how individuals become members of a loan group. The findings show statistical effects for both individual liability and joint liability microfinance programs on the voting behavior of clients compared to the pipeline (control) group members. This finding has no evidence in the qualitative data, leaving unanswered the question of how does the liability structure of a microfinance program affect the voting behavior of clients. This unanswered question deserves further research. Also needing further examination is the conflict between the quantitative and qualitative findings in effect of the individual liability and the joint liability microfinance on the ability of clients contacting their legislators. The quantitative finding shows no effect for either liability structure, while the qualitative finding shows a positive effect for the joint liability microfinance. The reason for this conflict in findings could not be answered by this study and therefore deserves future exploration.

APPENDICES

Appendix A: Data Dictionary

VARIABLE	MEANING	DUMMY
Measures of Political capital		
i. Vote	Respondent's decision to vote in the recently held Liberian Legislative elections through registering or updating her voter's registration card	1= Respondent has registered or updated her voter's registration card to vote in the recently held Liberian Legislative elections; 0 = Respondent did not plan, register, or update her voter's registration card to vote in the recently held Liberian Legislative elections.
ii. Contact Legislator (Contleg)	Respondent's action to influence rules, laws or policies by contacting her Legislator or Local Government Councilor to give her views about some important problem facing her community	1= Respondent has contacted her legislator to influence rules, laws or policies by contacting her Legislator or Local Government Councilor to by giving her views about some important problem facing her community 0= Respondent has not contacted her legislator to influence rules, laws or policies by contacting her Legislator or Local Government Councilor to by giving her views about some important problem facing her community
iii. Violence	Respondent's perception about the view that violence is a legitimate means to pursue political change	

		1= Respondent agrees with the view that "of violence as a legitimate means to pursue political change" 0= Respondent disagrees with the view that "of violence as a legitimate means to pursue political change"
Liabtype - Type of liability structure	Type of liability structure under which respondent is receiving loan– individual liability versus joint liability	1= Joint liability lending 0 = otherwise
Education (Edulevel)	Respondent's education level ranging from informal education such as Quranic readings to post graduate schooling	Not applicable
Age	How old is the respondent at the time of the survey	Not applicable
Overall Living Condition (Lifecon)	Respondent's rating of her current overall living condition compared to one year prior	1= Respondent believes overall living condition is improving compared to one year ago 0 = Respondent does not believe that overall living condition is improving compared to one year ago
Membership Duration (Memduration)	The length of time that a respondent has been with a particular microfinance organization.	Not applicable

Appendix B: Marginal Effects of Membership Duration

. margins, at(liabtype=(2 3) memduration02=(1 2 3 4 5 6 7))

```
Predictive margins                          Number of obs   =        126
Model VCE    : OIM

Expression   : Pr(contleg01), predict()
1._at        : liabtype          =           2
               memdurati~02      =           1

2._at        : liabtype          =           2
               memdurati~02      =           2

3._at        : liabtype          =           2
               memdurati~02      =           3

4._at        : liabtype          =           2
               memdurati~02      =           4

5._at        : liabtype          =           2
               memdurati~02      =           5
6._at        : liabtype          =           2
               memdurati~02      =           6

7._at        : liabtype          =           2
               memdurati~02      =           7
8._at        : liabtype          =           3
               memdurati~02      =           1
9._at        : liabtype          =           3
               memdurati~02      =           2

10._at       : liabtype          =           3
               memdurati~02      =           3
11._at       : liabtype          =           3
               memdurati~02      =           4
12._at       : liabtype          =           3
               memdurati~02      =           5
13._at       : liabtype          =           3
               memdurati~02      =           6

14._at       : liabtype          =           3
               memdurati~02      =           7


------------------------------------------------------------------------------
             |            Delta-method
             |     Margin   Std. Err.      z    P>|z|     [95% Conf. Interval]
```

-------------+--

_at						
1	.0895581	.0754348	1.19	0.235	-.0582913	.2374075
2	.1324054	.0785497	1.69	0.092	-.0215492	.28636
3	.19052	.0766839	2.48	0.013	.0402224	.3408176
4	.2650864	.0829636	3.20	0.001	.1024807	.4276921
5	.3547029	.1157457	3.06	0.002	.1278455	.5815604
6	.4548467	.1685567	2.70	0.007	.1244816	.7852118
7	.558468	.2211152	2.53	0.012	.1250902	.9918457
8	.0421775	.036724	1.15	0.251	-.0298003	.1141552
9	.0904904	.0469549	1.93	0.054	-.0015396	.1825204
10	.1810179	.0520586	3.48	0.001	.0789849	.2830508
11	.32482	.0949266	3.42	0.001	.1387673	.5108728
12	.5078307	.1751124	2.90	0.004	.1646166	.8510447
13	.6889676	.22098	3.12	0.002	.2558547	1.12208
14	.8285763	.1994922	4.15	0.000	.4375787	1.219574

----

margins, at(liabtype=(2 3) memduration02=(1 2 3 4 5 6 7))

Predictive margins   Number of obs   =   124

```
Model VCE    : OIM

Expression   : Pr(violence01), predict()
1._at        : liabtype          =          2
               memdurati~02      =          1

2._at        : liabtype          =          2
               memdurati~02      =          2

3._at        : liabtype          =          2
               memdurati~02      =          3

4._at        : liabtype          =          2
               memdurati~02      =          4

5._at        : liabtype          =          2
               memdurati~02      =          5

6._at        : liabtype          =          2
               memdurati~02      =          6

7._at        : liabtype          =          2
               memdurati~02      =          7

8._at        : liabtype          =          3
               memdurati~02      =          1

9._at        : liabtype          =          3
               memdurati~02      =          2

10._at       : liabtype          =          3
               memdurati~02      =          3

11._at       : liabtype          =          3
               memdurati~02      =          4

12._at       : liabtype          =          3
               memdurati~02      =          5

13._at       : liabtype          =          3
               memdurati~02      =          6

14._at       : liabtype          =          3
               memdurati~02      =          7
```

_at	Margin	Delta-method Std. Err.	z	P>|z|	[95% Conf.	Interval]
1	.3863776	.1835515	2.11	0.035	.0266233	.7461318
2	.4440112	.1383695	3.21	0.001	.1728118	.7152105
3	.5032566	.1022489	4.92	0.000	.3028524	.7036607
4	.5626021	.0978824	5.75	0.000	.3707561	.754448
5	.6204981	.1267649	4.89	0.000	.3720435	.8689528
6	.6755056	.1651239	4.09	0.000	.3518688	.9991424
7	.72643	.1985583	3.66	0.000	.3372629	1.115597
8	.6451886	.100138	6.44	0.000	.4489217	.8414554
9	.6665508	.0643165	10.36	0.000	.5404928	.7926089
10	.6873108	.0605024	11.36	0.000	.5687282	.8058933
11	.7074064	.0877472	8.06	0.000	.535425	.8793878
12	.7267844	.1235478	5.88	0.000	.4846352	.9689336
13	.7454001	.1591807	4.68	0.000	.4334116	1.057389
14	.7632179	.1921969	3.97	0.000	.386519	1.139917

. margins, at(liabtype=(2 3) memduration02=(1 2 3 4 5 6 7))

Predictive margins Number of obs = 125

Model VCE : OIM

Expression : Pr(vote01), predict()

1._at	: liabtype	=	2
	memdurati~02	=	1
2._at	: liabtype	=	2
	memdurati~02	=	2
3._at	: liabtype	=	2
	memdurati~02	=	3
4._at	: liabtype	=	2
	memdurati~02	=	4
5._at	: liabtype	=	2
	memdurati~02	=	5
6._at	: liabtype	=	2
	memdurati~02	=	6
7._at	: liabtype	=	2
	memdurati~02	=	7
8._at	: liabtype	=	3
	memdurati~02	=	1
9._at	: liabtype	=	3
	memdurati~02	=	2
10._at	: liabtype	=	3
	memdurati~02	=	3
11._at	: liabtype	=	3
	memdurati~02	=	4
12._at	: liabtype	=	3
	memdurati~02	=	5
13._at	: liabtype	=	3
	memdurati~02	=	6
14._at	: liabtype	=	3
	memdurati~02	=	7

_at	Margin	Delta-method Std. Err.	z	P>|z|	[95% Conf.	Interval]
1	.3722472	.1636547	2.27	0.023	.0514898	.6930046
2	.4472216	.1277651	3.50	0.000	.1968066	.6976366
3	.5244229	.0953608	5.50	0.000	.3375191	.7113267
4	.6004876	.084506	7.11	0.000	.4348589	.7661164
5	.6722439	.0988507	6.80	0.000	.4785	.8659877
6	.73716	.1197941	6.15	0.000	.5023678	.9719522
7	.7936212	.1344697	5.90	0.000	.5300655	1.057177
8	.4056651	.110306	3.68	0.000	.1894692	.6218609
9	.6314312	.0726108	8.70	0.000	.4891167	.7737457
10	.8132322	.0575372	14.13	0.000	.7004613	.9260032
11	.9190817	.0448885	20.47	0.000	.8311018	1.007062
12	.9680096	.0272959	35.46	0.000	.9145106	1.021509
13	.987882	.0140785	70.17	0.000	.9602887	1.015475
14	.9954891	.0066304	150.14	0.000	.9824937	1.008485

Appendix C: Predictive Probabilities of Political Capital Measures by Liability Structure and Control (Pipeline) Group

margins, predict(pr) at(liabtype=(2 3 4))

```
Predictive margins                        Number of obs   =        126
Model VCE    : OIM

Expression   : Pr(contleg01), predict(pr)

1._at        : liabtype       =          2

2._at        : liabtype       =          3

3._at        : liabtype       =          4
------------------------------------------------------------------------------
             |            Delta-method
             |     Margin   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         _at |
          1  |   .1510299   .0537182     2.81   0.005     .0457442    .2563156
          2  |   .1659887    .042209     3.93   0.000     .0832606    .2487167
          3  |   .3726735   .1497705     2.49   0.013     .0791287    .6662183
------------------------------------------------------------------------------
```

```
margins, predict(pr) at(liabtype=(2 3 4))
Predictive margins                        Number of obs   =        125
```

Model VCE : OIM

Expression : Pr(vote01), predict(pr)

1._at : liabtype = 2

2._at : liabtype = 3

3._at : liabtype = 4

_at	Margin (Delta-method)	Std. Err.	z	P>|z|	[95% Conf.	Interval]
1	.400244	.0851176	4.70	0.000	.2334166	.5670714
2	.6811968	.058347	11.67	0.000	.5668387	.7955548
3	.8875593	.0453279	19.58	0.000	.7987182	.9764004

. margins, predict(pr) at(liabtype=(2 3 4))

Predictive margins Number of obs = 124
Model VCE : OIM

Expression : Pr(violence01), predict(pr)

1._at : liabtype = 2

2._at : liabtype = 3

3._at : liabtype = 4

_at	Margin (Delta-method)	Std. Err.	z	P>|z|	[95% Conf.	Interval]
1	.4897842	.1025384	4.78	0.000	.2888125	.6907558
2	.6622508	.0593646	11.16	0.000	.5458984	.7786032
3	.7582852	.0860292	8.81	0.000	.589671	.9268994

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Samuel Wai Johnson, Jr. a native of Liberia, holds Master of Arts degrees in International Development and Economics from Ohio University in Athens, Ohio and a Bachelor of Science degree in Economics from the University of Liberia. In addition to academic training, Sam has experience in the areas of economic development, policy communications, strategic planning, survey research, and post-conflict peacebuilding, having worked with the United Nations Children's Fund (UNICEF), and a host of Liberian non-governmental organizations. Prior to joining S-CAR, Sam taught at the University of Liberia Department of Economics, and the Ohio University Global Leadership Center, where he co-directed a collaborative microfinance research project between the Ohio University Global Leadership Center and the University of Liberia Microfinance Training Program. As a PhD Candidate, Sam held positions of Visiting Scholar at Eastern Mennonite University Department of Economics and Department of Applied Social Sciences in the 2015/2016 academic year and the spring 2014 semester respectively. During these periods, Samuel taught undergraduate courses in Development Economics, and a Microfinance and Sustainable Development, and Globalization, and a graduate course in International Development. Samuel also advised the Department for Applied Social Sciences about the content and structure of the International Development disciplinary concentration for its programs in Peacebuilding and Development, and Conflict Transformation. At S-CAR Sam held positions of the President of the Africa Working Group (AWG) from September 2009-September 2011, and Drucie Cumbie Fellow for Conflict Analysis and Resolution from August 2009- August 2012.