

Associational Membership and Social Capital: The Case of Grameen Bank in Bangladesh

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Abstract

In the 1980s, social capital emerged as a key concept in the social science lexicon. Social capital is then both a contemporary and fresh focus of academic analysis. Many scholars now consider social capital is positively related to economic prosperity and development, collective action, civil society, and democratic governance. People's involvement in group or community is an imperative component of social capital. Membership in associations facilitates face-to-face interaction, a common set of norms, and creates an environment for the development of trust, norms of reciprocity, camaraderie, and collective identity. As a result, group-based micro-credit approach is considered as a major strategy of social capital formation. Scholars argue that group-based microcredit system facilitates social capital in the forms of solidarity group formation, weekly meetings, norms of reciprocity and a new level of trust to solve the collective action problems of poor. This study contributes to understanding if membership in group-based microcredit programme generates social capital in the forms social networks, norms, and camaraderie at the local level in Bangladesh. The findings of the study suggest that microcredit programme to some extent contributes in generating private capital, but fails in generating or modifying public capital (generalized capital) in the rural area of Bangladesh.

Keywords: Social Capital, Membership, Grameen Bank, Microcredit, Social Networks

Introduction

In recent years*, the concept of social capital has greatly been attracted by the social scientists and development practitioners. Many scholars now consider increased social capital formation as a noteworthy strategy for poverty reduction and community development in the global south.

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*The term social capital has been in use for a century. the first known use of term social capital was by Lyda J.Hanifan in a book published in 1916 in the United States that discussed how neighbours could work together to oversee schols. The same idea was reinvented in nthe1960s by Jane Jacobs in her classic 'the Death and life of Great American Cities'. Jacobs noticed the value of social capital in the vitality of cities.

virtue” (Putnam 2000, p.19). As indicated by Putnam, networks can be horizontal, connecting agents of the same status and power, and also vertical by connecting unequal agents in terms of uneven relations of hierarchy and dependence. Putnam (1993a) argued that social connections developed through regular gatherings mobilize social capital because they “facilitate gossip and other valuable ways of cultivating reputation...an essential foundation for trust within a complex society” (p. 37). Such community interaction encourages participants’ transition from the singular “I” to the plural “We,” while enhancing “participants’ tastes for collective benefits” (Putnam 1995a, p. 67). In sum, Putnam considers five principal components of social capital, namely: (1) Social networks; (2) civic engagement, participation, and use of civic networks; (3) local civic identity—sense of belonging, solidarity, and equality with other members; (4) norms of reciprocity, a sense of obligation to help others, and confidence in return of assistance; (5) trust in the community.

Social capital scholars see social capital as the capital of the poor: “historically, social capital has been the main weapon of the have-nots, who lacked other forms of capital” (Putnam 2000:359). In the same vein as Putnam, Woolcock (2001:14) writes: “living on the margins of existence, social capital of the poor is the one asset they can potentially draw upon to help negotiate their way through an unpredictable and unforgiving world”. Putnam asserts that the benefits of high levels of social capital are numerous: to specify a few, increased economic prosperity, (2000: 319-325) better mental health, (Ibid: 331) higher educational achievements (Ibid: 307-318) and lower levels of crime (Ibid: 307-318). Following Putnam, the UK Prime Minister’s strategy Unit has produced an eighty page paper, which states that social capital is important because it: “...may contribute to a range of beneficial economic and social outcomes including: high levels of growth in GDP: more efficiently functioning labour markets; higher educational attainment; lower levels of crime; and more effective institutions of government” (cited in Manning 2008).

Social capital is a glue, which facilitates cooperation and coordination within or among groups. The social capital school has proposed that one of the important ways to generate social capital is participation in networks of voluntary associations (e.g. Putnam 1993a, 1993b, 2000; Cote and Healy 2001:41). Networks of civic engagement are an essential form of social capital: the denser such networks in a community, the more likely its citizens will be able to cooperate for their mutual benefit (Putnam 2000).

Indeed, people's involvement in group or community is an imperative component of social capital. Membership in associations facilitates face-to-face interaction, a common set of norms, and creates an environment for the development of trust and collective identity. As a result, NGOs seem to be delighted that their investment (i.e., group-based micro-credit) in community work and participatory approaches can be legitimated through the strategy of social capital formation.

Microfinance and Social Capital

Microfinance intervention has been widely employed for the past decades, both in the discourse of main stream development interventions and by development practitioners and actors in the field. Group-based microcredit interventions are credited with many virtues in fight against poverty, women empowerment and building social capital. This is because they provide small amounts (few thousand Taka) of credit to poor women with limited or no access to formal credit markets by forming small, self-selected and homogenous group of borrowers from the same locality to serve as a collective source of collateral to compensate for any individual borrower's lack of physical capital (Uddin 2014; Uddin 2015). The most well known model of micro-credit is group-based micro-lending, which is an innovation of the Grameen Bank (GB) of Bangladesh. Stimulated by the success of the Grameen Bank in Bangladesh, thousands of non-governmental organizations (NGOs) now all over the world have adopted GB model micro-credit to promote social and economic opportunities of the rural poor from a vicious circle to a virtuous cycle. It is argued that the success of group-based microfinance programs is largely relied on their capability to overcome the significant information drawbacks inherent in dealing with poor borrowers with little or no banking experience and unknown creditworthiness. Credit delivery systems are not only based on the horizontal networks of borrowers, these also rely heavily on vertical and/or hierarchical relationships between lenders and borrowers (Bastelaer, 2000). Scholars argue that GB group-based microcredit system and "Sixteen Decisions" (a combination of socio-economic civic messages) facilitate social capital in the forms of solidarity group formation, weekly meetings, norms of reciprocity and a new level of trust to solve the collective action problems of poor (Dowla 2006; Bastelaer 1999). As Ostrom (1994: 532) also indicated that routine meetings, frequent interaction, and collective credit goals could expedite communication, understanding about fellow members and trust as a precondition to collective action.

Table 1: The Striking Features and Decisions of Grameen Bank

Program Feature		16 Decisions
Membership Criteria	Maximum landholding of half an acre of land. Only one member allowed per household. From the beginning largest part of members are female	1. We shall follow and advance the four principles of Grameen Bank – Discipline, Unity, Courage and Hard Work - in all walks of our lives. 2. We shall bring prosperity to our families. 3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses. 4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus. 5. During the plantation seasons, we shall plant as many seedlings as possible. 6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health. 7. We shall educate our children and ensure that we can earn to pay for their education. 8. We shall always keep our children and the environment clean. 9. We shall build and use pit-latrines. 10. We shall drink water from the tube-wells. If it is not available, we shall boil water or use alum. 11. We shall not take any dowry at our sons' wedding, neither shall we give any dowry at our daughters' wedding. We shall keep the centre free from the curse of dowry. We shall not practice child marriage. 12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so. 13. We shall collectively undertake bigger investments for higher incomes. 14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her. 15. If we come to know of any breach of discipline in any centre, we shall all go there and help to restore discipline. 16. We shall introduce physical exercise in our Centres. We shall take part in all social activities collectively.
Goals	Combating poverty and emancipating the poor	
Group Features	Five members form a group. Five to eight groups form a centre. Separate groups and centres for men and women. Weekly meetings of groups.	
Savings mobilization	TK 1 per week. 5% of each loan (non-refundable) goes to group fund. .5 % of each loan used for group insurance. Option to buy shares worth TK 100 per member.	
Credit delivery mechanism	No collateral but group liability. 50- week installment of loan. Interest at the end of loan cycle. 20% interest rate for general loan. 8% for housing loan. Maximum loan TK 10,000. Repayment above 90% for female members	
Social Development	Training duration 15-30 days. Review of code of conduct at centre meetings. Minimal skills-based training.	

Expressing the mission of microcredit programme, Noble laureate Professor Yunus (the founder of the Grameen Bank Bangladesh) also argued that the mission ought to help poor help themselves to conquer poverty, that it should particularly target poor women, and that it must not be based on collateral but on trust (Woodworth 2008). Therefore, group-based microcredit programmes provide an ideal real-world laboratory to analyze the emergence, maintenance and effects of social capital at the local level in Bangladesh. However, I would like to make it clear that I have no intention of demonstrating the supposed effects of social capital. At an empirical level, indeed, the aim of this paper is to

examine if third-party (i.e. group-based micro-lending programme of Grameen Bank in Bangladesh) can promote social capital in the rural area of Bangladesh. My ambition is thus to explore if associational membership, in accordance with the theory, generates social capital in the forms social networks and norms at the local level in Bangladesh. In this paper, social capital refers to networks, norms and collective identity formed and maintained within microcredit borrowers, between borrowers and NGOs officials, and between borrowers and villagers that facilitate cooperation and coordination to the benefit of both microcredit borrowers and villagers who are not affiliated with microcredit NGOs.



Research Site, Data and Methods

The empirical data of this study were collected during the period of May 2015 to mid July 2015 from 55 married women microcredit borrowers of a microcredit project area of GB in the district of Sylhet, Bangladesh. The project area was purposively selected and information of this study was collected only from those women borrowers who had been involved in microcredit programmes for one or more years. The research involved a variety of research methods: survey, observation, qualitative in-depth interviews and case studies. Indeed, most important research material is qualitative and the analytical approach is interpretative. Fieldwork was conducted in *Bangla* which is the researcher's native tongue.

The main ethical questions raised by ethnographic research deals with the rights of the information's privacy. I took this question into consideration by informing the object communities of my research about the purpose of the work so that people involved were equipped to decide whether their voices will be presented under real names, or whether their identities will be concealed. I started my fieldwork by observation and informal discussions with the respondents to familiarize with the villagers and the social issues in their communities. These discussions and observation helped to develop a guiding questionnaire for collecting qualitative data. Qualitative research can information in a particular but meaningful context (Tedlock 2000) and this method is appropriate to policy contexts as well. However, due to time limitation I could not collect and write the empirical part of the research vividly which I planned at the very beginning of this project. I do not equate this scholarship with the existing quantitative studies based on large data and statistical analysis. The findings of this research may not be extended to

wider population or be generalized with the same degree of certainty that quantitative studies did. In spite of all these limitations, I consider this paper is an important scholarship on microcredit and social capital.

(a) Social Networks/ connectedness

As it is specified before, membership or participation in organization works as a school in cooperation. Although civic association is very important to the formation of social capital, it is to a large extent irrelevant when it comes to rural women in Bangladesh. Because men from different religious and social group can have social interactions within and among themselves at workplaces, market places, and social, political, and religious gatherings (Larance 2001:9). But systems of patrilineal descent, patrilocal residence, and purdah interact to isolate women and subordinate women (Uddin 2014; Uddin 2015; Hashemi et al.1990). In this circumstance, rural women's social space by and large is limited to family, kinship and close neighborhood. However, microcredit mainly due to its group-based lending approach is supposed to create an opportunity to further consolidate the existing social networks (bonding social capital) as well as foster new social capital (bridging/linking capital) of rural women.

GB started its credit programme in the studied village almost two decades before. When GB started up microcredit in the studied village, the bank worker and the group leader persuaded the borrowers to participate in group meetings. Many respondents and the branch manager of GB informed me that women's joining in the credit programme and movement outside home in the initial years sparked criticism from all quarters. As the years went by and many households took credit, credit programme and women's mobility in a socially sanctioned gathering place have gained reasonable acceptance. Following Hafiza's statement exemplifies women's view:

People used to talk about a lot. They wanted to prevent us. Village people often said that it is not a good choice to join a microcredit group and take a loan with interest. Many argued that we would be forced to go out of homes and would thereby loose religion. When we will pass away a piece of black cloth would be wrapped around our body. We did not listen to them. The GB staff came to every house and talked to us. His behaviour was so polite and nice. He persuaded us to attend the meeting and see the activities of others.... We were in dire poverty. We could not even manage two

meals a day, so we decided to join the programme. Now who do not take credit? People from all walks of life in this area are taking credit from the microcredit bank.

Confirming the above statement another woman said,

In the beginning we met every week in group meetings. We walked across the village to attend the center meeting. We sit together on the ground and talked about different issues at the meetings. Sir (NGO's official) often advised us to work together. He told us important things about cooperation, growing vegetables, health, nutrition, education of our children, dowry etc. Many people did not support our movement at that time.

The above statements show how microcredit program at the formative stage strengthened women's collective solidarity or strengthening existing relationships which not only challenged the traditional norms and values, but also fought against social injustices. Because of microcredit involvement borrowers become aware of the disadvantages of *purdah*, superstition, as well as the benefits of group cooperation.

The five to eight member group is the central unit of GB which is formed by women selecting from among their like-minded group. In rhetoric, members have similar economic background and residing in the same village. Borrowers are dependent on one another for their own access to loans. It is clearly understood by every borrower that being member of a group will ensure getting credit, which must be paid on due dates otherwise it will impact further credit requests. These preconditions, on the one hand, enable women to further strengthen their bonds of gender, socio-cultural ties, and neighbourhood but on the other hand these also create, to a degree, conflict and tension among the members. According to one respondent:

If anybody wants loan s/he has to be a member of a group. It is true that GB loaning system brings us together...Some of us get loans too easily. They are monetarily fortunate (*borolok*) or in a better position to pay back loan installments....When the loan is given, the borrower or her family designs the way to pay the instalments. Sometimes group members may help me to pay back installments but as long as I make my instalments on schedules. Loan is always a liability. If anybody gets access to loan, she has to be always

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aware about loan instalments. The credit system makes us more responsible.

In the rural area, the most obvious manifestation of social networks is actual face-to-face communication. Socializing, conversation or gossiping is constituted informal networks that can serve as valuable bases for building and strengthen social networks. It is recognized that through credit programme, some women strengthen their networks and also become aware in their families as well in the community. Socializing appears to be high among the microcredit group members. The microcredit group usually consists of individuals from a very small geographical area, often with family and kinship ties. They belong to the same lineage (*gushti*) or homestead (*bari*) area. But it does not mean that the group members are highly homogenous with high degree of norms of reciprocity, solidarity as well as intra-group collective identity. Most of the women microcredit borrowers report that they know each other before joining to the credit programme (Uddin 2015; Uddin 2014). The respondents meet also on other occasions (such as religious festivals, *millad*, marriage ceremony) than credit installment-meetings, just to chat or gossiping:

We know each other before joining to the bank (microcredit programme). We are from the same area (neighborhood). We could see each other in our day-to-day lives. Nothing is hidden in the village life. We chat with each other and in some cases we may squabble with each other.... We are not equivalent in terms of economic condition and lineage; some are normally economically better-off than the other members....I do not see here any joint-liability. We seldom help each other for paying loans.

Some evidence of bonding capital is explored by Larance in her study on GB. She shows that while 36% women reported direct relationship with another fellow member of the centre prior to becoming a part of a borrowing group, 68% reported close friendship with one to three fellow members following microcredit membership. The respondents of this study argue that it is difficult to say to what degree the high connectedness is a result of participating in the microcredit group. A few women nonetheless claimed to have noticed a steady increase in dealings among group-members:

Now we keep more information and can talk different issues with

each other. Some of us involve in politics and one competed for local union council membership. This type of movement was less noticeable among the village women prior to credit programme.

Another woman added,

I used to remain behind the veil before joining the credit program. In the yearly years, we could hardly speak in the group meetings. We feared to talk. Now many women talk about their problems. I have changed a lot as well. Presently I don't feel shy any longer to talk anyone out home. I can even go to market easily and can work in the field, if required.

However, primordial ties, traditional norms of accepted behavior are still sustained by many women like Hosna who says,

Women can travel from one *para* to another *para* or around the neighborhood but should not go to local bazaar. It is not matched with our religion and culture.

Lending group does not always take into consideration women's solidarity (Uddin 2014; Uddin, 2015). All women did not felt confident that group-members would help them out but instead the majority was persuaded that the neighbours would. The same pattern of expectations, though somewhat weaker, appears also if it is a question of borrowing money. It is fascinating to note that among those in the group who expect assistance from the group-members, the expectations are also higher on the neighbours.

One of the conclusions can be drawn from the findings of the study is that albeit close ties with kin and neighbours are crucial for local livelihoods in many ways; solidarity in such ties did not always become visible. The social relations between the members of the microcredit groups depend on equivocal types of co-operation and strife around assorted interests and multifaceted social relations (Uddin 2015). Worries over credit reimbursements and liabilities have fostered various kinds of tensions among the women engaged in microcredit programme, thus confounding the women's solidarity/social capital towards each other.

(b) Norms and Collective resistance

Group-based microcredit programme and its some particular activities are considered as a favoured approach to advance a specific sort of social norms and social capital at the local level. The center meetings have an important social meaning because members involve a ritual of saluting, sitting in rows and chanting slogans (see 16 decisions of GB) which tie the women into the group and develop a real sense of we-feeling or determination to 'stand on their own feet'. In the words of Schular and Hashemi:

Grameen Bank's weekly meetings, the chanting, saluting and other rituals are important in creating an identity for women outside of their families... The program gives women socially legitimate reasons to move about and to associate with one another in public spaces... Ironically, Grameen Bank's more regimented approach appears to be more effective than BRAC's in strengthening women's autonomy (1994:73).

It is true that at the initial stage of GB microcredit programme, as also mentioned in earlier studies (Uddin 2014; Uddin 2015), the GB official highly emphasized borrowers' presence in group meetings. When I visited first time in the studied village, the official organized such a meeting to show their organized activities. I was really fascinated when discovered the borrowers in a custom of saluting and sitting pleasantly in rows. But latter I did not see such type of group meetings. A large portion of the respondents disclosed to me that right now GB does not give any significance to group meetings. Women borrowers' attendance in meetings these days isn't mandatory. As voiced by one borrower:

Group members' attendance in weekly instalment meetings in the beginning is made imperative but gradually there is a laxity. At present many women members often send their instalments through their husbands, sons or other members of their inability to attend for some reasons.

All the respondents mentioned economic objectives as their main reason to join the credit programme. Their main commitment is improve their own household's economic condition. When they could overcome their economic constraint they will discontinue their membership of course. Intra-group solidarity (e.g. the willingness to assist fellow members who temporarily can't do their loan repayments) is not visible among the borrowers. Whenever we talked about the possibility of working untidily it

was discarded. Women considered their debt as their own debt. Several women casually said that they could not pay back on due dates so they have to pay back with fine:

We somehow manage money to pay instalments at the due time. When anybody could not pay back instalments the group leader and the officer exert pressure to recover loans. GB staff occasionally tells us to help each other but now-a-days all are busy with their individual interests.

Collective resistance is rare; when asking about domestic violence, we found that wife beating and abusing is common at the local level, but more so some years before. Women in the microcredit group are very much aware that domestic violence is a crime for which one can be punished in court or by the union chairman. Some respondents claimed they would temporarily shelter a group-member battered by her husband, but as soon as possible encourage her to return to her husband. Taking any action in order to prevent further domestic violence, however, seemed to be unimaginable. Another interesting finding uncovered by these questions is the attitude towards the ability of the group to tackle domestic problems. More specifically, the members held the group to be powerless in solving domestic problems. GB is a source of financial capital. It does not help to solve family problem. One woman's statement sums up the majority's attitude:

The husband could scold his wife because he is the one who feeds her.

Several women have tried to make a distinction between just and unjust violence. They considered it unfair if a wife was beaten without reason, but accepted if there is certain cause. However, a few women think that microcredit NGOs could be as a useful resource to give a lesson to the brutal husband at local level.

With regard to girl education, all women agreed that education is important also for girls. Mothers thought it would make their daughters more attractive wives while others argued it increased their possibilities of finding a job. Their answers revealed that their own illiteracy caused them deep sorrow and that this was a faith they didn't want their daughters to have to share with them.

The tradition to pay dowry is strong among the members (Uddin 2015).

Twenty out of 55 women said they would at least try to avoid paying dowry for their daughters. The remaining either didn't seem to have considered the possibility of not paying or saw it as a disagreeable but inevitable practice. Several women, visibly ashamed, admitted that they either had already paid dowry or were convinced they would in the future.

Collective identity and particular type of norms could gain strength only through common activities. Cooperation or common social norms may emerge and exist naturally, but organizational practices with material supports can make it stronger. We would like to say that the provision of credit is still the main attraction. But groups meetings, trainings, collective activities and mobilization on social issues can play a pivotal role in building common social norms and collective identity.

Concluding Remarks

The group lending model included in many microfinance schemes is based on the idea of social capital as a “valuable asset” that the poor can turn to even when financial resources and incomes are insufficient. Belief in the capacity of trust relations, solidarity networks, and associational life to fuel sustainable economic and social development under conditions of poverty has inspired the World Bank, the International Monetary Fund (IMF), and other development agencies to allocate an increasing amount of resources from traditional poverty reduction strategies to microfinance programmes (Molyneux 2002). However, the present study contributes to the understanding of how group-based microcredit programme relates to the formation of social capital at the local level in Bangladesh. First we have endeavoured to briefly scrutinize the concept of social capital, which I consider as an important scholarship to understand the multifaceted aspects of social capital. The concept social capital is neither new nor a monolithic concept. Or maybe, it is a flexible idea. Consequently it is to some degree hard to develop a monolithic definition of the concept. Apart from this, the ongoing debate on social capital has mainly been occupied with conditions in Western industrialized societies; Italy, the US, Germany, Sweden etc. As a result, scholars could have surely had such conditions in mind and could be questioned the relevance of the theory for the Bangladesh setting. Some modifications may undoubtedly be important to make it appropriate for this setting.

The conclusion to be drawn from this study that participation in group-based microcredit programme, in accordance with the theory, fosters to some extent personal social capital but, contrary to the theory, little favours to the creation of public social capital. Face-to-face interaction and bonding capital are generally high in Bangladesh villages and only slightly increases with microcredit membership. Participation in the microcredit group clearly increases social connectedness within the group members. The change in attitude towards the utility of the group can hardly be seen as an expression of social connectedness but is nevertheless an interesting observation. The respondents have low obligations and expectations of the feasibility of cooperation among themselves. Solidarity appeared only as a rule of the programme: “we must help each other”, as some clients articulated the issue.

The physical mobility of the poor women has increased considerably. This development may be related to the intervention of credit programme. This change however applies to other women who have no engagement in credit activities. There did not seem to be much improvement in poor women’s position in terms of the general treatment. Wife beating or abusing is normal yet clear example of collective resistance is rare in the contemplated area.

The 16 decisions of GB can be considered as a progressive document for the poor to stand together, to move together and to form common social norms. We got an obvious impression that in the initial years when the Bank started to operate in the studied village it worked by strict principles (such as discipline, collective action, mutual support, courage, hard work, not to give or take dowry, abolishing child marriage etc.), emphasizing regularity of meetings and repayments. Each village is visited weekly by the bank employees. These awareness raising elements are now completely lapsed from the programme. Weekly installment meeting, once very strong, has turned out to be non-operational. Therefore, GB credit programme has failed to educate the borrowers and to make an organizational platform for the poor at the local level. More specifically, the findings of the study suggest that microcredit programme to some extent contributes in generating private capital, but fails in generating and modifying public capital (generalized capital) in the rural area of Bangladesh.

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(Footnotes)

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