



# The Political Effects of Group Lending in Nicaragua

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## Background

We went to Teustepe, Nicaragua in January 2011 to study the political effects of microfinance on Nicaraguan individuals. While the economic ramifications of microfinance are often studied, the political effects tend to be overlooked and undervalued.

## Methodology

In Teustepe we worked with PRESTANIC, a microlending organization that gives small (averaging US\$120), short term loans to groups of individuals. Collecting both quantitative and qualitative research, we interviewed individuals who received microloans and observed how they used their loan to start or develop a business.

## Findings

Group lending helps expand women's spheres of influence by encouraging community participation through the formation of groups and small businesses. Group lending teaches skills, such as group governance and organization, that enable individuals to organize politically if they so choose. Moreover, small loans coupled with financial education not only increases trust and knowledge of financial institutions, but they also prepare women for potential leadership roles in their communities.



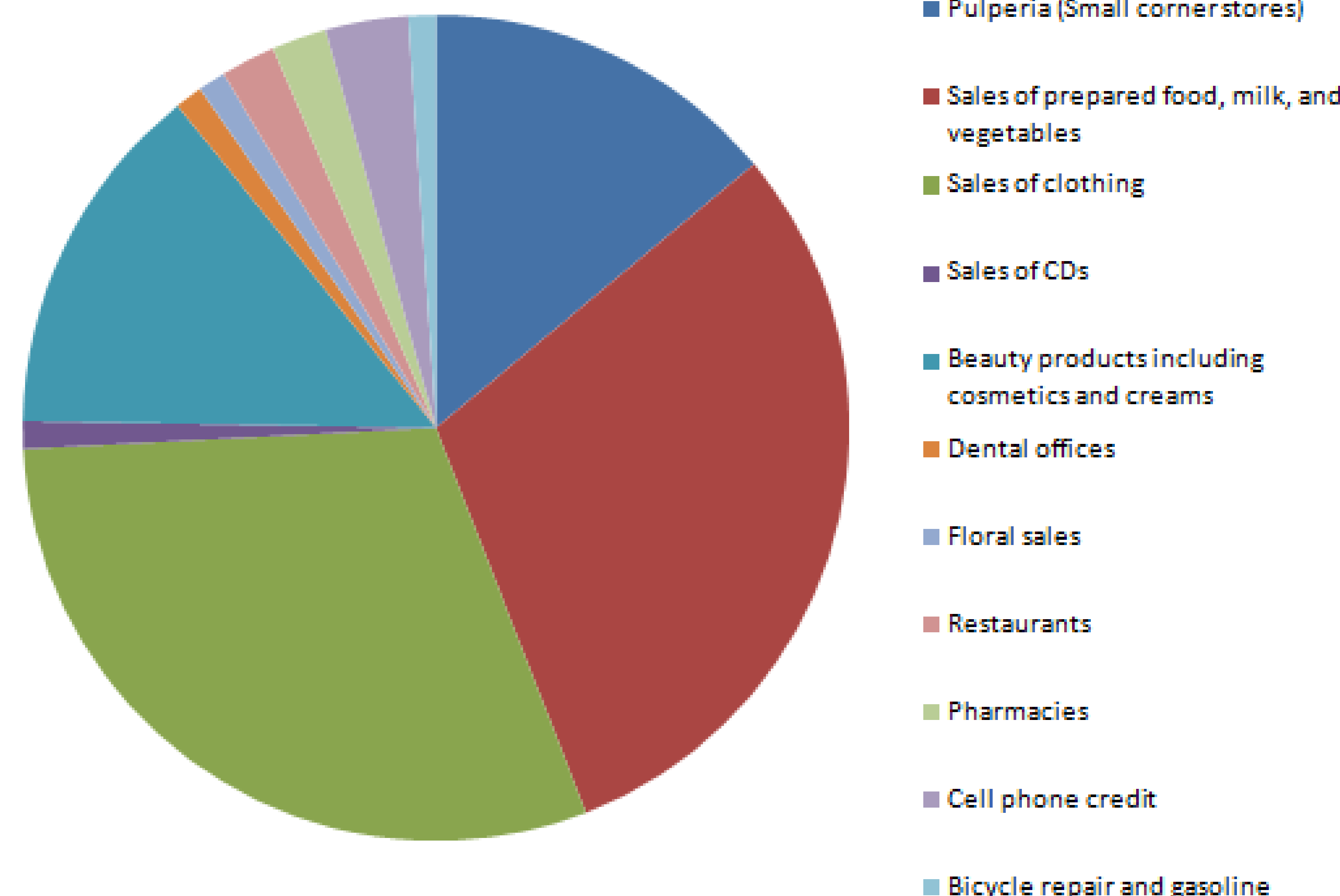
## Conclusions

We did not find anything that implies that receiving a microloan increases formal political participation within political parties, nor does there appear to be any direct correlation between microloan groups and political activism; however, group lending teaches organizational and financial skills that are essential to political activity. As these skills continue to be developed in traditionally neglected populations, further research should be done to see if this methodology creates a new generation of political leaders.

## Door-to-door sales financed by microloans



## Businesses Financed by Microloans



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