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Rethinking Collective Action: The Co-Evolution of the State and Institutional Entrepreneurs in Emerging Economies

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Abstract

Why do groups form to influence policy outcomes? Classic notions of collective action tell us that a small number of homogeneous individuals are more likely to organize and thus achieve their preferred policy outcomes. Yet, this is not always reflected in the empirical record as external factors, such as the state, influence the costs of organizing. Instead, the traditional collective action literature largely assumes a purely rational or passive state. While the institutional entrepreneurship literature highlights the key role these actors can play in shaping institutions and, at times, organizational fields, it does not seek to explain why change agents appear in some instances and not others. This article seeks to fill this theoretical gap by drawing on the co-evolution literature, which helps explain the variation in group formation by underscoring how the state and institutional entrepreneurs shape one another. Utilizing rich qualitative data from the microfinance industry in Brazil and Mexico, this research asserts that the formation of microfinance associations is a function of actors' ability to access the state, which results in distinct processes: co-evolution by isolation or co-optation. This process has subsequent implications for institutional change, policy outcomes, and, ultimately, the distribution of power and prospects of development within emerging economies.

Keywords

co-evolution, collective action, institutional entrepreneurship, microfinance

Microfinance, or loans to low-income individuals that aim to reduce poverty and spur development, has spread throughout the world. The Grameen Bank is famous for its provision of microfinance and high repayment rates.[1] Muhammad Yunus, the "father of microfinance" and founder of the Grameen Bank, began by loaning US$27 to a group of 42 women in a rural Bangladeshi village in 1976.[2] Since the Grameen Bank's inception in 1983, it has issued $9.54 billion to 8.29 million borrowers.[3]

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Though many are familiar with microfinance generally, the important role domestic interests and financial regulation play in this story—and microfinance around the globe—is less analyzed. Few know, for example, that the Bangladeshi state banks provided favorable loans and subsidies to the Grameen Bank. More importantly, the Grameen Bank benefits from the Grameen Bank Ordinance, passed in 1983, which allowed it to transform into a specialized bank. As such, the Grameen Bank is free to charge market interest rates and mobilize savings.[4] All other microfinance providers in Bangladesh are only allowed to accept deposits from their members and, more recently, must comply with interest rate ceilings.[5]

As illustrated by this example, regulation can influence the microfinance market in a number of ways. Given the role domestic interests or microfinance associations can play in shaping the regulation of the microfinance market, this article asks: what explains the variation in group formation to influence policy outcomes? Olson's (1965) canonical work theorized that only groups that overcome their collective action problem—generally, those that are small and homogeneous—will achieve the regulatory outcomes they prefer. This analysis requires that we unpack Olson's work by disentangling the question of "Why do actors organize?" from "Why do groups achieve their policy preferences?" This article revisits the first question as to when actors are able to organize.

Contrary to Olson's theory, there are instances in which a small, homogeneous set of actors does *not* overcome their collective action problem. The empirical record illustrates that Olson's explanation is incomplete due to his treatment of the state, which is largely passive and inactive. This article draws from the state and society and institutional entrepreneurship literature to develop the concept of "co-evolution" and explores how each actor—the state and domestic interests—shapes the other through action *and* inaction. Co-evolution better explains whether and when groups form. In turn, group formation directly affects the ability to achieve policy preferences, an important implication that is discussed in the conclusion.

A tale of two states—Brazil and Mexico—illustrates the limitations of extant theoretical explanations around group formation. Initial microfinance efforts began in Brazil before the renowned Grameen Bank got its start in Bangladesh. The Brazilian government was highly supportive of this initiative and a small group of homogeneous microfinance providers emerged. Existing explanations of collective action would predict these individuals would overcome their collective action problems (e.g., each member's personal gain from having the collective good exceeds the cost of obtaining it) and influence policy outcomes.[6] Instead, access to the state lowered incentives to organize. Later, when access to the state diminished and the state was perceived as threatening, microfinance associations formed. Yet even then, microfinance associations relied on individualistic ties and only achieved minor concessions; the associations, by their own admission, were unsuccessful in obtaining their policy preferences.

Meanwhile, a small community finance sector grew in Mexico under the auspices of the Catholic Church. Microfinance leaders coordinated to form a well-organized sector, despite the Mexican state's initial indifference toward the nascent microfinance providers. When the state finally directed its attention toward microfinance, it explicitly opposed the sector. During this time, a relatively large set of heterogeneous actors consolidated into various organized groups outside of the state's purview. Only in the late 1990s did the government become receptive to the demands of the microfinance associations, which were able to substantially influence the regulatory regime.

This research fills important theoretical gaps in the literature. Co-evolution, as developed here, engages with the dynamic, interactive, longitudinal process that explains how the state and institutional entrepreneurs shape one another. This process, in turn, has implications as to whether institutions—in this case, microfinance organizations—form and, ultimately, whether they are successful in achieving their policy outcomes. This research illustrates that access to the state lowers incentives for leaders from the microfinance sector to organize. Alternatively, when microfinance actors are unable to access the state, well-organized associations are more likely to form. Not all associations, however, are created equal. Co-evolution also allows for suboptimal outcomes, incorporating the diverse ways in which states and domestic interests evolve.[7]

Empirically, this research allows us to understand why microfinance associations or organizations form. And, their formation has important implications for institutions (i.e., regulatory outcomes) that shape the microfinance market. Using archival records and interview data, this research employs a controlled case comparison of microfinance in Brazil and Mexico. Within each case, I trace the processes and mechanisms that explain the variation and timing of group formation.

The remainder of the article proceeds in four parts. The following section identifies the gaps in the extant literature and develops the concept of co-evolution. The next section outlines why a co-evolutionary approach is necessary and how it fills current theoretical gaps. The third section provides a discussion of the case selection and data collection used. The fourth section explores rich, qualitative data from Mexico and Brazil that highlight how the formation of microfinance associations follows a dynamic, iterative process, which defies extant theoretical explanations. In Mexico, we see a process of co-evolution through isolation whereas Brazil exemplifies co-evolution through co-optation. In the penultimate section, I provide a comparison of these cases. The article concludes with a discussion of the implications of this research.

Extant Theory: Explaining Group Formation

Classic texts recognize the endogeneity of state and society. Weber (1978/1910) argued that state bureaucracy arose in response to a confluence of forces that ushered in the industrial age. Scholars in distinct disciplines have since sought to identify how states and non-state actors, including business, organize to influence one another. And yet, most scholarship explains group formation by focusing on the individual. Below, I explore the institutional entrepreneurship, collective action, and state and society scholarship to highlight the current gaps in our knowledge around group emergence. I illustrate the need for an approach that moves beyond the individual and incorporates the state. I draw on the concept of co-evolution to provide a new lens with which to better understand group formation.

"Institutional entrepreneurs" are defined as those agents or organizations seeking to create change within an institution. This literature acknowledges that individuals have agency and can mobilize resources to create (or transform) institutional structures (DiMaggio, 1988). This body of research highlights the individual-level characteristics that institutional entrepreneurs share, the institutions they target, and the strategies they adopt. Within the policy context, scholars have identified how these actors tend to utilize innovative strategies (e.g., obtain resources, attract supporters, frame issues strategically) to shape anything from environmental policy (Child, Lu, & Tsai, 2007; Wijen & Ansari, 2007) to property rights (Binswanger & Deininger, 1997; Schnellenbach, 2007).

One of the most developed streams of this literature uncovers how institutional entrepreneurs incite change. Scholars assess the extent to which "change agents" collaborate and use political tactics to shape the institutions around them. Leblebici, Salancik, Copay, and King (1991) describe how even fringe actors can use coalition building and incentivizing behavior to create new institutional norms. Others illustrate how institutional entrepreneurs employ strategic framing to create legitimacy and support for new institutions (Rao, 1998). King and Lenox (2002), for example, find that the US chemical industry garnered widespread support by framing self-regulatory institutions with conceptions of environmental protection and increased efficiency.

This literature makes an important contribution in our understanding of institutional change as it "highlight[s] the need to put human action and agency in the center of economic and social systems" (Lounsbury & Crumley, 2007, p. 978). Even so, the scholarship has suffered from a so-called "'hero' imagery" by primarily focusing on those institutional entrepreneurs who are successful in creating change (p. 978). As such, most scholarship begins with the institutional entrepreneur in place. It assumes that institutional entrepreneurs will arise if and when an opportunity presents itself. Yet, this literature does not adequately explain the emergence of institutional entrepreneurs.

Why do these actors appear in some contexts and not others? Classic notions of collective action tell us that a small number of homogeneous individuals are more likely to form a group. Olson's (1965) theorized that large groups are undesirable; as the group grows each individual will receive a smaller fraction of the total group benefit. Thus, it is unlikely that an individual will gain enough to bear the cost of contributing to the group.

Yet, the empirical record includes numerous cases that do not fit this description. We observe small groups that are unable to obtain their policy preferences (Baumgartner, Berry, Hojnacki, Leech, & Kimball, 2009; Klüver, 2013). Higgs (1996), for example, documents technological regression in salmon fisheries to more labor-intensive and less productive techniques, despite the fact that a well-formed group advocated adoption of more advanced methods. In addition, we also observe the emergence of large, heterogeneous groups when Olsonian logic would not predict their formation. Others have documented similar cases (Krueger, 1996; Marwell, Oliver, & Prahl, 1988; Molinas, 1998; Olsen & Sinha, 2013; Varughese & Ostrom, 2001). Ostrom's influential work illustrates that heterogeneous actors can, at times, achieve "better than rational" outcomes by moving beyond short-term incentives and seeking long-term solutions (Ostrom, 1998).

This article utilizes the case of microfinance to explore how external factors can influence the likelihood of organizing. In the case of microfinance associations, there are instances in which small, homogeneous groups do not organize. Moreover, there are also cases in which heterogeneous groups overcome their collective action problems, without offering selective incentives. Why do we observe group formation that does not follow the Olsonian logic?

The answer is two-fold. First, collective action rests on the premise that actors are rational. Historically, institutional economists did not assume rationality, as Olson does. Instead, key works by Veblen (1919), Commons (1934), and more recent work by Hodgson (1998) offer a different perspective on the nature of human agency. They demarcate their work from rationalists by noting that it is not a "matter of individual malleability per se, but the willingness … to consider this issue as an important or legitimate matter for … analysis" (Hodgson, 1998, pp. 176–7). That is, rationalist approaches can assume away changes in preferences as shifts in an individual's utility function; institutional economists, alternatively, view human agency as something to be explained.

Second, Olson assumes the state is passive or malleable. The collective action literature and, by extension, the literature on institutional entrepreneurship does not assess how the state can influence the costs or benefits associated with organizing, as outlined in some of the early state and society literature. Indeed, the state and society literature informs us of states' great strength and omnipotence. The state was depicted as an independent actor that governs through rules and institutions (Krasner et al., 1984; Linz & Stepan, 1978). In most studies, the state's autonomy and ability to shape (or reshape) non-state actors was of central concern. This approach led to an exploration of corporatist (Collier, 1979; Malloy, 1976) or bureaucratic authoritarian states (O'Donnell, 1988).

Studies from the developed and developing world document the state's ability to organize non-state groups to its benefit (Katzenstein, 1977). Evans (1995) highlights the importance of state linkages with specific industrial sectors in explaining development outcomes. Berger's (1983) account highlights how the French government sought to regulate behavior of the citizenry by creating "corporative organizations." The organizations, however, relied on the state for collective identification, which made them susceptible to changes in the state's political landscape. In Russia, Frye (2000) finds that specific state policies (taxation, subsidies) can affect the costs of sharing information in groups, thereby promoting or hindering the likelihood that individuals will join self-regulatory organizations. Schneider's (2004) research on business associations illustrates that incentives and resources offered by the state explain the organization of Latin American business associations in the region.[8] Extending this line of scholarship, Olsen (2017) develops a "political stakeholder theory" to better understand how state policies influence stakeholder legitimacy and in turn, affect an industry's ethical challenges. These studies represent a step forward in that they highlight how states engage with, or perhaps manage via "interest intermediation" (Berger, 1983), organizations. Yet, important gaps in the literature remain.

While the institutional entrepreneurship literature highlights the key role these actors can play in shaping institutions and, at times, organizational fields, it does not seek to explain why change agents appear in some instances and not others. The collective action literature does not provide adequate answers, either, as it does not explain group emergence and, when considering whether the state affects group formation, assumes a purely rational or a passive state. The disjuncture in levels of analysis—either the state or the institutional entrepreneur—largely limits current explanations about the variation in group emergence and subsequent institutional change.

The following section builds on a stream of the institutional economics scholarship on co-evolution to begin filling this theoretical lacuna. Co-evolution, as developed here, makes three explicit contributions. First, it embraces the dynamic, repeated interaction between state and non-state actors. Co-evolution provides a conceptual bridge across levels of analysis and avoids focusing on the linear effect of one actor's actions on another. Second, it assesses how non-state actors, in this case institutional entrepreneurs, are shaped during state action *and* inaction, or periods of isolation. Finally, it challenges our traditional notions of collective action and offers an alternative explanation for group formation; this research suggests that, paradoxically, access to the state can stymie collective action and decrease the likelihood of institutional entrepreneurship.

Co-evolution and collective action

Evolutionary ideas were foundational to classic scholarship that sought to understand economic transformation (Marx, 1977) or the economic system, in general (Veblen, 1919). These concepts fell out of fashion, however, only to reemerge in the 1980s (see Hodgson, Samuels, & Tool, 1994). Scholars have since used the concept of evolution to understand selection, or the foundation or mortality of institutions (Aldrich, 2008; Garud & Rappa, 1996); adaptation, or how organizations are shaped by the external environment (DiMaggio & Powell, 1983); and, by extension, the variation among institutions (Aldrich et al., 2008; Foster & Metcalfe, 2001; Olsen 2017).

The concept of co-evolution moves beyond a strict causal story and, instead, embraces the idea that both organizations and their environments can simultaneously transform (Porter, 2006). Baum and Singh (1994) recognize that co-evolution contributes to our understanding of organizations and their external environment by moving beyond the tendency of other theories in which "organizations tend to become isomorphic with their environments through processes of adaptation or selection" (Baum & Singh, 1994, p. 379). The external environment, in other words, is usually treated as exogenous to organizational change. Co-evolution, instead, facilitates a line of inquiry that seeks to understand "how the structure of direct interactions and feedback within organization-environment systems gives rise to dynamic behavior" (p. 381).

Existing research on co-evolution maps out positive or negative feedback loops to understand the processes at play (Baum & Singh, 1994; Volberda & Lewin, 2003). While this approach is descriptively powerful, the theoretical contribution is somewhat limited. The use of co-evolution in this article extends the existing literature by first, clearly specifying the evolutionary mechanisms at play—isolation and co-optation—and second, illustrating how such processes help explain variation of group emergence.

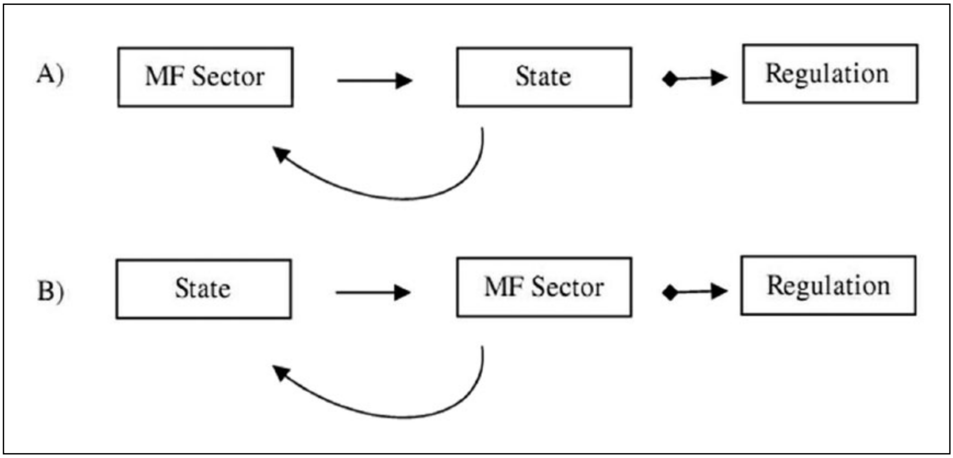

Figure 1. Schema of the Argument.

The mechanisms of co-evolution developed in this article build on our understanding of the natural world. The first is co-evolution by isolation. In the natural world, new species can form because they are isolated due to changes in their external environment; Darwin's finches, for example, were unique to the Galapagos Islands because of their geographic isolation. In the case at hand, co-evolution by isolation indicates that individuals with a particular interest are not isolated geographically, but isolated from the policy space. They are unable to gain access to the state and, at times, face a threatening state. Domestic interests may abscond and, while isolated, transform their organizational structure.

The second mechanism explored here is co-evolution by co-optation. Traditionally, co-optation is understood as the process by which one group subsumes a smaller group. Paradoxically, access to the state can stymie collective action on the part of microfinance leaders. Inaction by microfinance leaders can facilitate the formation of a strong state. This co-evolutionary process, then, requires domestic interests to incite change from within. The extent to which change can happen under co-optation, however, is limited. Future research, as discussed in the concluding section, is needed to identify other mechanisms through which co-evolution is at play. The argument, in its most basic form, is displayed in Figure 1.

In sum, the concept of co-evolution provides a more solid theoretical foundation for understanding the shape and development of state–market relations. First, this approach illustrates how evolutionary processes can occur through contestation or acquiescence. It incorporates the notion that actors can influence the costs associated with a given action of the other party.[9] Second, the term co-evolution is also appropriate because it allows for suboptimal outcomes; that is, actors might evolve in imperfect ways. Finally, co-evolution accounts for group formation as well as change. This article extends the existing work on co-evolution and places a greater emphasis on the mechanisms that help explain why groups form in some contexts and not others. This research has important implications as the presence of domestic interests is necessary to reshape the political arena; co-evolution ultimately helps us better understand the distribution of power and the potential of development initiatives, like microfinance.

Case Selection and Methodology

Methodologically, the analysis presented here adopts a controlled comparison which, as discussed by Bennett and George (2005), has clear methodological advantages for theory development.

The key distinction of the case study method is its capacity for "analytic generalization, in which a previously developed theory is used as a template with which to compare the empirical results of the case study" (Yin, 2009, p. 38).

Given that one cannot easily conduct experiments in the social world, the controlled case comparison employs a most-similar design (or Mill's method of difference; see also Przeworski & Teune, 1970). This research design compares cases—Brazil and Mexico—that are similar in theoretically important ways, but different in key attributes. This study also takes advantage of temporal variation and is, thus, a so-called "cross-case and within-case" comparison, which adopts a logic of control and employs purposive case selection to explore social phenomenon (Gerring, 2001). This approach "greatly reduces the risks of inferential errors that can arise from [single-case studies]" (p. 234).

Brazil and Mexico were chosen, in part, because they facilitate controlling for other potentially relevant causal variables, as they share a relatively common economic and political trajectory. Today, both countries are considered emerging economies, but began the century as primary product exporters rich with natural resources. During the Great Depression, they both implemented horizontal import substitution industrialization (ISI) and subsequently, vertical ISI. Since the 1970s, both countries have worked to expand local production of capital goods and diversify their exports. In addition, both countries faced substantial disruption from the 1982 debt crisis and the "Tequila effect" of the mid-1990s. Today, leaders are improving their research and development sectors, working to attract foreign direct investment, and continuing to maintain close ties with international financial institutions. Both countries have several political similarities, as well; they are federalist systems and for a time endured non-democratic rule (military rule in Brazil; single-party rule in Mexico). Clientelism and corruption taint party politics in each country, despite the fact that Mexican political parties are more disciplined and less fragmented than their Brazilian counterparts. Choosing cases within a single region also facilitates holding geographic and, to an extent, cultural considerations constant.

The cross-case and within-case comparison, it should be noted, is used to understand the sequencing of processes and mechanisms occurring over time. The process-tracing analysis, in this case, is used to highlight causal mechanisms that illustrate that access to the state affects collective action. A focus on causal mechanisms is in contrast to a focus on causal effects, which would be estimated in large-N studies (Gerring, 2001, p. 348). The analysis in each case begins with the earliest documented instance of informal lending practices (1950s in Mexico; 1970s in Brazil). I gathered archival records from microfinance associations' archives, newspapers, and the Mexican and Brazilian congressional record. I also conducted over 100 interviews with various actors (microfinance lenders, borrowers, politicians, bureaucrats, and international organizations). The appendix includes a descriptive table of the number of individuals interviewed, by country.[10] This information is triangulated to improve external validity (Yin, 2009).

Evidence from Case Studies

Microfinance in Mexico: Co-evolution by isolation

The development of the Mexican microfinance sector began with an era of community finance followed by a period in which the state played a prominent role in creating its own "community finance" institutions and regulating the industry.[11] The microfinance sector perceived the state, in large part, as a threat to its work. This period culminates with an era of isolation—and group formation—as microfinance institutions consolidated into eight different microfinance associations. Microfinance associations evolved during periods of state action *and* inaction; isolation from the policy space was instrumental in the formation of microfinance associations. The sector gained

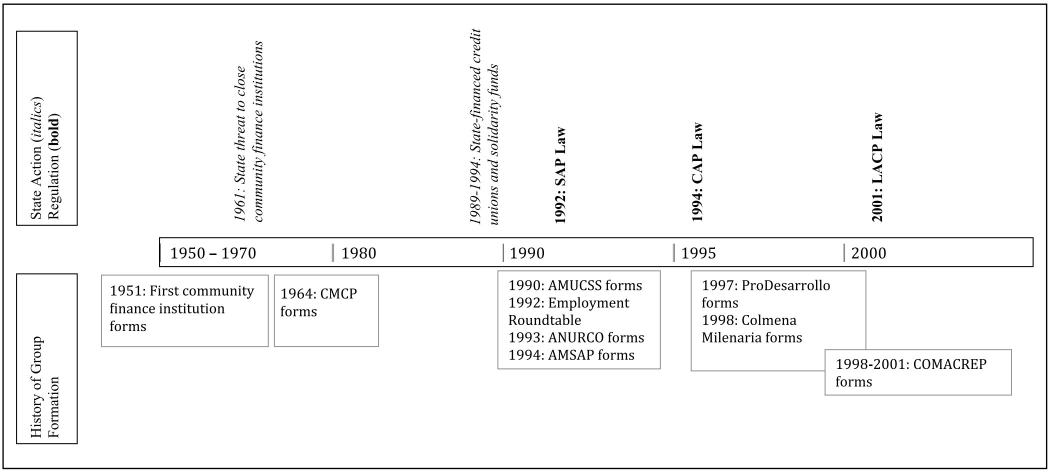

Figure 2. Mexico, Timeline of Events.

motivation to work together, precisely because perceived threats from the state lowered the relative cost of overcoming their collective action problem. The process of co-evolution illustrates that, ultimately, microfinance associations were able to influence the state—either in contestation or collaboration—to shape the microfinance regulatory framework.

State threats and the formation of microfinance associations. Mexican microfinance had humble beginnings. Early experiments in microfinance, *cajas populares* or "community finance," began under the guidance of the Catholic Church in the 1950s (Figure 2). Community funds, in general, were small, informal institutions that offered financial services to the poor and, in particular, the rural poor. Mirroring their Canadian counterparts, each community fund belonged to a regional federation, which provided a self-regulatory structure, aimed at monitoring the stability and strengthening the quality of the sector. Between the early 1950s and the mid-1960s, community funds continued to grow, unregulated and outside the purview of the state.

The expansion of the community funds did not go unnoticed by the state for long, however, as these institutions came to represent the power of the Church. Some speculate that the state felt threatened, as this was the first time that credit to low-income populations was provided from sources other than the state (Soto & González-Vega, 2006, p. 27). In the early 1960s, authorities alleged the community funds were operating illegally. The Cooperative Law of 1932 (Ley de Cooperativa), state officials noted, did not include financial cooperatives, only producer and consumer cooperatives. These threats subsided when a community finance leader, Father Velázquez, enlisted the support of the Credit Union National Association (CUNA), a well-known international organization that encourages the provision of financial services around the world. CUNA submitted a letter, on behalf of the community funds, noting that if the Mexican state moved forward, it would be the only country in the world to embark on shutting down such institutions (Romero & Albino, 2006).

The microfinance sector took note of the threat. Throughout the 1960s and 1970s, the state continued to look the other way, which facilitated a period of co-evolution by isolation. Reflecting on this period, one interviewee noted that "it is a heterogeneous sector and we worked at the margins" (MFA2). Six federations came together to create Mexico's first microfinance association: the Mexican Confederation of Community Funds (CMCP, Confederación Mexicana de Cajas Populares) in 1964. This organization was formed, in large part, because of a broad concern about the security and future of the sector (Romero & Albino, 2006). In particular, one interviewee bluntly stated: "It's not easy to have clandestine operations; we decided to enter the process" (MFI1).

In addition, CMCP members wanted to distance themselves from the Church to avoid future threats from the state; they assumed responsibility for supervision and control of all community funds. The momentum of the CMCP also prompted the community funds to strengthen and professionalize their administrative capacity. During this time "several community funds went from relying on volunteers to a process of professional recruitment for its management, which in short time resulted in an accelerated growth" (Soto & González-Vega, 2006, p. 27). By the early 1970s, there were hundreds of community funds, serving nearly 30,000 members. Over the next 20 years, the number of clients grew almost 2000 percent, even though the movement itself remained at the fringes of the law (O'Keefe, 2007).

In the 1980s and 1990s, state actors once again turned their attention to this sector; the state sought to provide credit directly to Mexico's low-income population and, as outlined below, to regulate the sector. During the Salinas administration, the state created 362 new credit unions, more than doubling the number established during the previous 35-year period (Muñoz, Santoyo, & Altamirano, 2002). Unsupervised lending resulted in other forms of patronage; one employee openly confirmed that such institutions "are often considered a window through which you can ask for something that comes from above" (Gentil & Doligez, 1994, p. 50). Mexican credit unions were not able to accept deposits from the public or their members and, instead, relied entirely on funding from the state. Such dependence meant that they were subject to the state's political agenda, as well. "The ban on accepting deposits from the public … resulted in institutions' access to easy money; it meant that the majority of the funding for credit unions came from first- and second-tier lenders [of the state]" (Soto & González-Vega, 2006, p. 18).[12]

In addition to the increased provision of finance from the state, the 1990s saw new regulation, as well (Figure 2). First, the state began studying the industry and was alarmed by the size and depth of the sector and quickly sought to regulate it (MFI1). In 1989, the National Banking and Securities Commission (CNBV, Comisión Nacional Bancaria y de Valores) published a study that highlighted the sector's expansive reach (MFA2). In the early 1990s, there were 234 community funds with approximately 550,000 members (Carstens, 1995, p. 122).

Many from within the microfinance sector saw the CNBV's study as a window of opportunity. This was a moment in which the community finance sector could demonstrate their professionalization, increased administrative capacity, and self-regulatory structure, and perhaps influence the state's regulatory decisions. The CMCP wanted to partner with the state so that together they might create a regulatory framework that complemented the structure the sector had already established. Namely, the CMCP wanted to ensure that the already-existing federations would regulate community funds and that they could legally accept deposits (MFA2; MFI1). In preparation, the CMCP began researching legislation in other countries and drafted a bill of their own.

Unfortunately for the CMCP, the state wanted to regulate on its terms. "Despite the lobbying efforts of the CMCP, the authorities were reluctant to regulate the community fund as a legal entity" (Carstens, 1995, p. 130). Instead, the state passed a regulation that attempted to formalize the community finance sector by creating a new type of financial institution—the Savings and Loan Society (SAP, Sociedad de Ahorro y Préstamo), which came into effect in 1992.

This legislation resulted in a major shift in power and was perceived as a blow to the traditional microfinance sector. The CMCP, the first microfinance association and self-regulatory organization that was established in 1960s, was deemed illegal (Zúñiga & Guerra, 2001, p. 230). All community funds, instead, were required to become SAPs and would be regulated by the state's CNBV. Moreover, while community funds had (informally) accepted deposits, SAPs were unable to do so under the new regulation (p. 230). Politicians and regulatory leaders imposed high capital requirements, which few institutions were able to meet. SAPs also incurred the associated costs of CNBV supervision (Soto & González-Vega, 2006, p. 33). These and other regulatory asymmetries were created by the legislation and, ultimately, spawned another phase of co-evolution between the state and the microfinance sector.

The proliferation of microfinance associations. The influx of state-led institutions and the state's attempt to regulate the sector spurred the community finance sector into action. While the CMCP began in the 1960s, additional microfinance associations formed in the early 1990s in response to the state's entry, both as financiers and regulators, into the sector. The regulation outlined above—by default or by design—created schisms within the community finance sector associated with the CMCP and, as noted earlier, significantly weakened the power of the CMCP. This resulted in the creation of one association—Mexican Association of SAPs (AMSAP, Asociación Mexicana de Sociedades de Ahorro y Préstamo)—that represented those institutions that had successfully transformed into SAPs. The remaining 61 smaller organizations merged to form the Caja Popular Mexicana and continued to be represented by the CMCP (Soto & González-Vega, 2006, p. 30).

Non-state credit unions formed another association in 1990, with the specific purpose of distinguishing itself—and maintaining distance—from the state. The Mexican Association of Social Sector Credit Unions (AMUCSS, Asociación Mexicana de Uniones de Crédito del Sector Social) represents the non-state rural credit unions, primarily serving rural and indigenous populations (Bouquet & Cruz, 2002). These institutions, distinct from Salinas' state credit unions, reacted strongly to the state's launch of the solidarity funds and the "Credit on Your Word" program: AMUCSS characterized the latter as "an outlay of resources directly from the state" (Bouquet & Cruz, 2002, p. 58). Without an alternative voice, the leaders of these institutions were concerned that the state could potentially dilute and ultimately devastate the rural microfinance market.

Another group of community finance leaders gathered to form the Employment Roundtable (Mesa de Empleo) in 1992 to study the obstacles to making credit accessible and promoting savings among low-income populations. The participants represented 21 distinct microfinance institutions (O'Keefe, 2007). The objective of this event was to create changes in public policy that would enable microfinance institutions to become formally regulated—they wanted to become legal (MFI1; MFA4). The informal status of many in the sector prevented them from advertising savings accounts, applying for commercial finance, or accepting grants from international development agencies. One interviewee noted the importance of this regulation and reflected that accepting deposits "gives you absolute liberty. It gives you a capacity to create your own criteria, your own decisions, no one tells us what type of loans or who to give them to" (MFA2).

A key consequence of the roundtable group is that it provided a forum where these institutions could organize. The National Association of Regional Cooperative Unions (ANURCO, Asociación Nacional de Uniones Regionales de Cooperativas) was created in 1993 to encompass organizations that were previously part of the CMCP. In addition, ProDesarrollo formed in 1997; this association consisted primarily of urban-based NGOs that were not part of the original community funds sector. As of 2000, there were seven established, active microfinance associations (see Table 1). All associations had some type of revenue generation and employed staff to facilitate their work.

In sum, the Mexican case illustrates a departure from traditional collective action explanations. The state's involvement (as financier or regulator) created tensions with the sector, which inadvertently gave the sector space to transform and organize. While the implications of this case are discussed later in the article, it illustrates the co-evolutionary process of the microfinance sector and the state and, in particular, identifies the specific process of co-evolution by isolation.

Table 1. Proliferation of Microfinance Associations in Mexico (December, 2000).

MF Association	Year Formed	# of Institutions	Members/ Clients	Loans Granted	Branches	Employees
CMCP	1964	n/a	726,027	661,626	575	3,406
AMUCSS	1990	32	75,000	n/a	n/a	n/a
ANURCO (from CMCP)	1993	57	243,864	171,762	55	720
AMSAP (from CMCP)	1994	12	153,549	89,958	62	675
ProDesarrollo*	1997	n/a	263,056	n/a	136	1,346
La Colmena Milenaria	1998	8	n/a	n/a	n/a	n/a
CCACEUM	n/a	n/a	436,229	220,115	132	1,350

Source: Adapted from O'Keefe, 2007. *Not all members contributed to the data presented here.

Microfinance in Brazil: Co-evolution by co-optation

In stark contrast to the Mexico case, the microfinance sector in Brazil began with relatively easy access to the state via policy circles and state funding. Thus, during the formative years of policy-making and the sector's development, microfinance leaders never sought to organize. Incentives to do so were low, given that many industry leaders were invited to participate in discussions about the microfinance regulatory framework. Instead, Brazil represents a case of co-evolution by co-optation: the sector evolved, but its inaction ultimately resulted in a strong state presence in the microfinance sector. Microfinance leaders were only partially effective in obtaining the regulatory changes deemed necessary for the sector's success. Industry leaders formed two associations, but only after Congress passed legislation that the sector deemed unsatisfactory. Distinct from the Mexican case, the co-optation process led microfinance leaders to rely on individualistic ties with the state to achieve relatively minor concessions. The authors of one report reflect that "the story of microfinance in Brazil has mostly been one of unfulfilled promise" (Meagher et al., 2006, p. 15).

State access and low incentives to organize. Numerous microfinance institutions opened their doors in Brazil in the mid-1980s—all of which relied heavily on state funding.[13] Despite the earnest efforts of local, state, and international actors, many of these microfinance initiatives only achieved moderate growth. Scholars conclude, "one of the most oft-cited reasons for this delay is a tradition of government-directed and subsidized credit and an unfriendly regulatory environment" (Barone & Zouain, 2004, p. 9). Indeed, these challenges still persist today. Microfinance institutions are still unable to accept deposits from the public and, as a result, are heavily reliant upon the state for financing.

The Fernando Henrique Cardoso administration (1995–2002) (Figure 3) launched specific initiatives to facilitate the growth of the microfinance sector. In 1996, the BNDES, Brazil's development bank, launched a program to support microfinance activities, the Productive Community Credit Program (PCPP, Programa de Crédito Produtivo Popular). The federal government allotted US$150 million for the implementation of this program, as BNDES worked to "spread microcredit and promote the formation … of institutions capable of providing credit to both formal and informal microentrepreneurs" (Bercovich, 2006, p. 97). According to BNDES, it supplied between 50 and 80 percent of funding for most of the microfinance institutions with which it worked (Kumar, 2005, p. 94). This credit line had a repayment period of up to eight years and interest rates pegged to the TJLP (long-term interest rates), which were then estimated to be 0.5 percent per month (Goldmark, 2000). Institutions were heavily reliant upon this funding and "the below-market

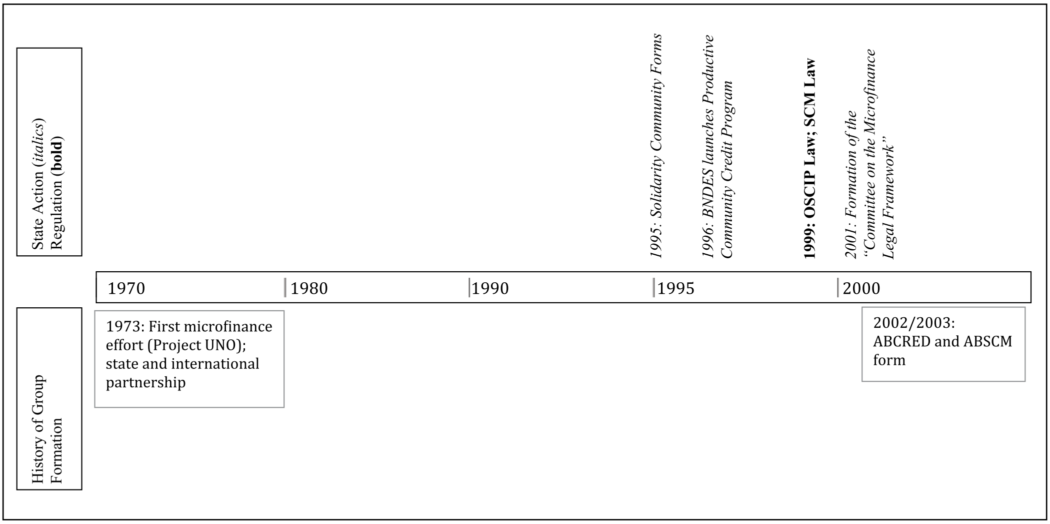

Figure 3. Brazil, Timeline of Events.

funding of the client microfinance institutions of BNDES, even if justifiable in a start-up phase, lacked an articulated 'exit' strategy" (Kumar, 2005, p. 100). Given the lack of commercial finance and the inability of microfinance institutions to collect deposits, the funds received from BNDES represented the primary lifeline for the vast majority of microfinance institutions in Brazil.

It was Cardoso's wife, First Lady Ruth Cardoso, who put microfinance regulation on the national agenda through the "Solidarity Community," which was intended to be a public–private partnership that would foster an improved state–society dialogue surrounding Brazil's most pressing social issues.[14] The Solidarity Community served as the primary forum through which the microfinance sector made their interests known. Even so, the regulation that resulted was a far cry from what the microfinance sector desired.

The first law created a new institutional figure, the Civil Society Organizations of Public Interest (OSCIP, Organizações da Sociedade Civil de Interesse Público).[15] This regulation was primarily created to address problems within the non-profit sector and only tangentially addressed the microfinance sector. As such, the sector was unsatisfied with the new OSCIP institution. In particular, OSCIPs were non-profit and were prohibited from borrowing money from commercial creditors.[16] OSCIPs could not accept deposits from the public and were still required to comply with interest rate ceilings. Later that year, in August 1999, a subsequent piece of legislation created another institution, the Society of Credit to the Microentrepreneur (SCM, Sociedade de Crédito ao Microempreendedor).[17] SCMs are for-profit institutions that can engage in microlending. Unlike OSCIPs, SCMs can borrow from commercial sources. As such, they are part of the broader financial system and are regulated by the Central Bank of Brazil. OSCIPs are only required to register with the Ministry of Justice. In practice, while SCMs can borrow from national and foreign financial institutions, they must also comply with the regulatory requirements of formal financial institutions. Moreover, they are subject to the same tax and reporting requirements of other financial institutions. These costs, however, are not offset by the ability to accept deposits. These requirements are clear disincentives for NGOs or OSCIPs considering converting to an SCM. Kumar (2005) notes that "most controversial, in terms of measures to aid SCMs, is the question of whether they should be allowed to mobilize deposits and offer savings products" (Kumar, 2005, p. 89).

At this time, no microfinance associations were formed. Even so, industry leaders made their dissatisfaction known. In response, the Solidarity Community organized a roundtable in 2001 (Figure 3) to address the lingering concerns about the potential growth of the microfinance sector, entitled "Expansion of Microcredit in Brazil" (Comunidade Solidária, 2002b, p. 88). As was customary with the Solidarity Community, a wide range of participants was present at the roundtable. Eight representatives from the international community were present, including individuals from Acción International, the United Nations Development Program, the World Bank, and the International Finance Corporation. In addition, seven representatives from the microfinance sector were present. The more than 45 representatives of the state, however, dwarfed the international representatives and members of the microfinance sector (Comunidade Solidária, 2002b, p. 88).

A subset of representatives gathered to join a Committee on the Legal Framework for microfinance, at which they examined the issue of accepting savings. The Committee held five meetings to discuss how the current framework could be improved. Of the members on this committee, two were from research-oriented institutions, four were international actors, and five were from the microfinance sector; again, the state dominated the committee with 31 representatives. In an internal memo of the Solidarity Community, it is noted that one of the key proposals of the subcommittee was to "allow microcredit institutions to offer a diverse set of financial services that could be utilized by their clients—beyond microcredit, including the capture of savings" (Comunidade Solidária, 2002a). Under "Progress," the memo simply stated: "This proposal will be addressed later, as it would require the alteration of the Law" (Comunidade Solidária, 2002a). Though "there existed a very important involvement on the part of the microfinance institutions" during the workshops and roundtables of the Solidarity Community, the sector was not organized and thus, unable to obtain its preferred policy outcomes (MFI2; MFA1; MFA2). Even with substantial state funding, estimates suggest that at the end of Cardoso's administration, the penetration of microfinance—the percentage of the demand served—was only two percent (Christen, 2000).

With the acknowledgment on behalf of state and industry leaders that more could be done to develop the microfinance industry, why was the sector unable to push for a more favorable regulatory framework? Despite being a small group of relatively homogeneous actors, leaders of these microfinance institutions had low incentives to organize because they already had access to the state—both in terms of political access through the Solidarity Community and, in general, financial access via local or federal funds. Interestingly, when the state willingly provides outlets for microfinance lenders to discuss regulation, it thwarts the organization of domestic actors. A co-evolutionary approach moves beyond questions of intentionality and, instead, acknowledges that this formulation may have been an unintended consequence. Without an organized opposition, the state assumed a dominant role in the promotion of microfinance and adopted a regulatory structure, despite the protest of the microfinance sector. Lack of organization meant that the sector was unable to check state power.

Weak microfinance associations fail to influence policy. Optimism spread across the microfinance sector with the election of the leftist Worker's Party candidate, Luiz Inácio "Lula" da Silva, in 2003. One interviewee described the pure elation they felt with Lula's election: "Oh, how we celebrated. We thought this was going to be the golden era of microfinance!" (I7). Lula often spoke of microfinance and access to financial services during his campaign.[18] Instead, Lula's administration (2003–2010) advanced an even greater position for the government—increasing its role as a first- and second-tier lender, directly providing credit and other financial services through government banks while also increasing financing to existing microfinance institutions. Those working in microfinance reported feeling surprised and caught off guard by Lula's approach to the sector, given his strong support for the overall concept. The leader of one microfinance institution put it this way: “When the Lula government began, that’s when the persecution of the [microfinance] institutions began” (MFI5).

The state’s unexpected approach to microfinance spurred the sector into action. Leaders created one microfinance association for SCMs, the Brazilian Association of SCMs (ABSCM, Associação Brasileira das Sociedades de Crédito). In 2007, five individuals—leaders of SCMs—assumed the leadership of ABSCM to “try to make some progress in the regulatory framework [for SCMs], which were not doing well, even after a decade since their creation” (MFA2). ABSCM has had little luck. Their humble infrastructure mirrors its weak position relative to the state. ABSCM does not have an office nor does it collect dues (and thus have its own budget) from member institutions. Thus, there are no employees dedicated specifically to its work. Any effort to reach out to state actors is a cost that rests on the shoulders of the five individuals that share the leadership of ABSCM (MFA2).

Shortly after the creation of ABSCM, another association formed to represent the OSCIPs, the Brazilian Association of Microcredit Entities (ABCRED, Asociación Brasileña de Entidades de Microcrédito). This association is loosely organized and has not been particularly influential in affecting state policy. Similar to ABSCM, ABCRED does not have a strong institutional framework nor does it have any employees. It does not gather dues from its member institutions. One interviewee from the sector reported that “ABCRED does not have a proper working infrastructure—it doesn’t have any money. Everyone who belongs has another full-time job; they have other things to do” (MFI9).

Brazilian microfinance, in sum, illustrates the way in which access to the state can lower incentives to organize and thus, result in a relatively weak sector that is unable to achieve its desired policy outcomes. Though microfinance leaders were a small, homogeneous group, they co-evolved into weak and ineffective organizations. As a result, they were unable to achieve their policy preferences.

Case Comparison: Co-evolution by Isolation and Co-optation

The theoretical literature around co-evolution explored above highlighted the importance of three key factors in explaining variation in group formation: the size of the group, the extent to which the group is homogenous or heterogeneous, and the external environment—or, in this case, state action or inaction. This section summarizes these factors for both cases and ends by highlighting how the co-evolutionary process has important implications for the development of the sector, overall.

In Mexico, a large group of heterogeneous actors were effectively isolated from the policy space. Contrary to what the traditional collective action literature would suggest, these actors organized into microfinance associations due to the perceived threat from the state and its oscillation between action and inaction. The external environment—or the behavior of the state—lowered the relative cost of collective action for microfinance leaders because the stakes were sufficiently high if the group did not organize. Microfinance associations in Mexico, as such, played a leading role in influencing the regulatory regime. This research illustrates that state inaction, characterized by periods in which the microfinance sector was isolated from policy spaces, is just as crucial as state action in explaining the emergence of organized groups.

Their formation, of course, meant that they were able to confront the state. When microfinance regulation was on the national agenda, President Vicente Fox tried to launch a state-led approach to microfinance—similar to that of Brazil. The sector was adamantly opposed. One interviewee recalled their dismay at the heavily subsidized plan the President put forward; during one meeting, she responded to the President directly: “We are tired of giving money away in this country” (MFI3). The microfinance associations adopted three key strategies: they pulled together a

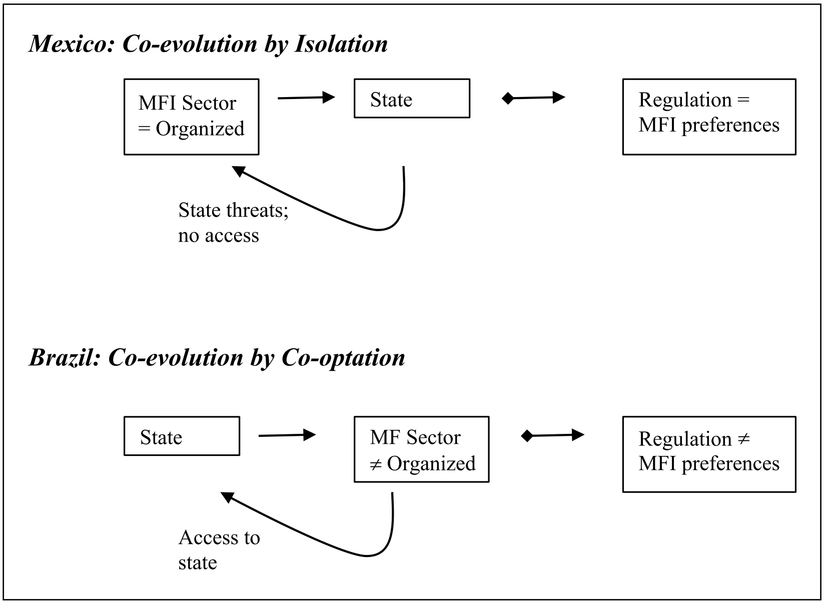

Figure 4. Co-evolutionary Mechanisms in Mexico and Brazil.

heterogeneous set of actors, reached out to mid-level bureaucrats, and utilized a research-based approach to the regulatory question. One interviewee recalled: "It was a titanic task" (MFI4). President Fox ultimately backed down, due to their unified front. This strategy led to the passage of the 2001 Law of Community Savings and Credit (LACP, Ley de Ahorro y Crédito Popular), which institutionalized a regulatory approach that met the preferences of the microfinance sector. The LACP established a tiered framework that would work with and complement the heterogeneity of the sector and allowed microfinance institutions to accept deposits. Microfinance associations, in other words, were able to check state power (Figure 4).

In Brazil, on the other hand, the state took an early interest in promoting the microfinance sector. When the state initiated discussions about microfinance regulation, microfinance leaders were invited to participate. The relatively small, homogeneous set of microfinance leaders, unlike their Mexican counterparts, had relatively open access to the state and, thus the state lowered incentives to organize. This state-led process meant microfinance providers were co-opted; state access resulted in the evolution of a weak microfinance sector. The inaction of the sector also shaped the state; the microfinance sector was a frail counterpart, which facilitated the co-evolution of a strong state within the microfinance sector (Figure 4).

Though Brazilian microfinance leaders worked to influence regulatory outcomes under diverse political leadership—Presidents Cardoso and Lula—they were unable to check state power. Given that the microfinance associations were relatively weak, the state did not need to negotiate with microfinance associations. The only regulatory concession that was granted under the Lula administration was due entirely to individual connections to the Worker's Party, in general, and President Lula, in particular. The president of ABCRED explained that the sector was crumbling under the de facto interest rate and needed to charge higher interest rates to make ends meet. After two years of trying to address this issue, Lavorato learned that Lula would be traveling to Beijing for three days. Lavorato followed him there. In the hallway of a Beijing hotel, Lula called to Lavorato and said "I see you are here. What can I do?" Lavorato, having just a brief moment, recalled saying, "You have to do something about these interest rates," to which Lula replied, "I'll put my top guy on it" (personal communication, February 11, 2009). Shortly thereafter, the limit on interest rates was raised to 4 percent per month for loans above R$1,000 and below R$10,000. Loans below R$1,000—that are more costly and are likely to go to low-income individuals—still carry a 2 percent interest cap (Kumar 2005; Meagher et al., 2006).

Why were microfinance leaders in Brazil unable to organize at the outset and, ultimately, once they were unable to access the state, only formed weak associations? And, why did Mexican microfinance institutions organize into associations? What facilitated microfinance leaders' ability to overcome their collective action problem?

The co-evolution of microfinance in Brazil illustrates how the state can lower the likelihood, perhaps inadvertently, that a relatively small, homogeneous group will organize. Co-evolution via co-optation led to a relatively weak sector. Once access to the state was limited, the sector's incentives to organize increased. Even so, the microfinance associations relied on individualistic ties to try to change state policy. The regulatory changes, as outlined above, were quite minimal and certainly did not lead to significant progress for the microfinance sector. One microfinance leader noted, "if we could access savings, offer that product to people, we would be less dependent on the government and could expand" (MFI3). Another director of a microfinance institution echoed this sentiment: "We don't want subsidized funding, we want real funding, with normal interest rates," expressing his disappointment at the prospects for microfinance in Brazil (MFI1).

The history of microfinance in Mexico highlights an alternative path to overcoming collective action problems—one that emphasizes the co-evolution of the sector and the state. The sector's distance from the state facilitated the formation and transformation of numerous microfinance associations. The state-as-financier created its own institutions; the state-as-regulator created schisms within the sector—the microfinance sector perceived both as a threat to its own work. The state's actions toward the microfinance sector were perceived as ineffective at best and aggressive at worst. One interviewee recalled that, when the state engaged in microfinance, "it was well-known that 'state loans' were gifts" (MFA5) and when the state suggested that MFIs were operating illegally, many philanthropically oriented individuals were suddenly forced to "work at the margins of the economy" (MFA2). The microfinance associations emerged and transformed, in large part, because they had limited opportunities to engage with the state.

Conclusion

The co-evolution of the microfinance sector and the state has important implications for the microfinance market, policy outcomes, and prospects for development more generally. The conventional wisdom among collective action scholars has attributed group formation to individual characteristics. But this explanation does not suffice. The institutional entrepreneurship literature highlights the key role these actors can play in shaping institutions and, at times, organizational fields, yet it does not seek to explain why change agents appear in some instances and not others. The question of differences in group formation is left unanswered.

This article extends the work on co-evolution by more clearly outlining the processes at play and, in turn, how that influences group formation. The mechanisms—co-evolution by isolation or co-optation—illustrate how both sets of actors shape the other through action *and* inaction. State access increases the costs of organizing and lowers incentives to do so. When the state is perceived to be threatening or inaccessible, costs of organizing are low. When the state is inactive, microfinance actors are incentivized to organize. When the microfinance sector is not organized, the state begins to fill this gap and adopts a more prominent role in the sector. The process of co-evolution influences whether and how groups form, which of course, has implications on the distribution of power and the ability—or lack thereof—of organizing to obtain policy preferences.

This research extends traditional notions of collective action. It moves beyond the individual and recognizes the importance of how access to the state can increase or decrease the costs associated with organizing. The concept of co-evolution is an important one because it acknowledges that each actor shapes the other. In parallel with biological evolution, it also acknowledges that actors may evolve in imperfect ways. This concept also encompasses change that can occur through contestation or acquiescence, as discussed in the case studies above. Co-evolution—through isolation or co-optation—embraces the dynamic, repeated interaction between these two groups. Access to the state can shape the organization of institutional entrepreneurs, or domestic interest groups, just as the organization of domestic interests can shape access to the state. Indeed, this study illustrates how access to the state lowers incentives to organize. Alternatively, the presence of well-organized domestic interests can secure access to the state for those that were previously unable to directly engage.

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Notes

1. Others report more historic origins of the microfinance movement (Banerjee, Besley, & Guinnane, 1994).
2. Yunus faced some controversy as the Bangladeshi Central Bank ordered him to step down as the Managing Director of the Grameen Bank, noting that he has passed the age of mandatory retirement (Kazmin, 2011). Some speculate that this move is largely political, given Yunus's recent derogatory comments about politicians in Bangladesh (Kristof, 2011). As of May 5, 2011, the appellate division of the Bangladesh Supreme Court agreed that the Central Bank was justified in removing Yunus from his post (Kazmin, 2011).
3. See the Grameen Bank website, "At a Glance," http://www.grameen-info.org/index.php?option=com_content&task=view&id=26&Itemid=175 (September 12, 2010).
4. See Morduch (1999) for an extensive discussion of the Grameen Bank's use of state subsidies.
5. The Microcredit Regulatory Authority (established in 2007) issued an interim ruling capping interest rates for NGO-MFIs under its purview to a flat 15 or 30 percent on a declining balance basis (Economist Intelligence Unit, 2009, p. 35).
6. The basis of Olson's argument is the observation that small groups and large groups attract their members for different reasons (Olson, 1965, pp.20–2). In particular, "small groups can provide themselves with collective goods without relying on coercion or any positive inducements apart from the collective good itself" (1965, p. 34).
7. Note that this article does not directly engage with the literature that aims to explain social movement emergence because microfinance associations are not social movements. "Contentious politics," of which social movements are part, must have claims that are both episodic and public, as defined by McAdam, Tarrow, and Tilly (2001). Microfinance associations have neither of these characteristics.
8. Empirical examples of collective interest and regulatory capture have been well-documented in the literature on the formal financial sector (see Haber, 2004; Kroszner, 2001; Kroszner & Strahan, 1999).

9. This conceptualization of state–society relations resonates with Migdal's (2001) "state-in-society" research. Indeed, he states: "Countries' stories do not end with the original sin or the critical juncture where there is the imposition of a powerful normative force; they only begin, for those forces call into being resistance and struggle, cooperation and coalitions, that transform the original impulse" (Migdal, 2001, p. 25).
10. To maintain anonymity of the interviewees, the codes used to cite interviews throughout this article are described in this appendix.
11. "Community finance" is used in this section only to denote that these efforts pre-date contemporary microfinance as we know it.
12. NAFIN (Nacional Financiera) is a state development bank; BanRural is the National Bank of Rural Credit (Banco Nacional de Crédito Rural); and the Trust Funds for Rural Development (FIRA, Fideicomisos Instituidos en Relación con la Agricultura) is also a development bank dedicated to rural finance.
13. CEAPE (Centro de Apoio aos Pequeos Empreendedores) was launched in Porto Alegre as a collaborative effort between local actors, the Brazilian state, and international financial institutions. One well-known effort was the Banco da Mulher, created in 1984 under the auspices of the INGO Women's World Banking.
14. This organization was established to "recognize the strategic role of society in the development process, as an autonomous place of self-generation of public policies, extending the public space, as is necessary to strengthen democracy" (Comunidade Solidária, 2002a, p. 11).Between June 1996 and June 2002, the Solidarity Community Council held "fourteen Roundtables (Rodadas de Interlocução Políticia) on many diverse themes: agrarian reform, minimum wage, primary education, school failures, legal framework of the non-profit sector, microcredit, sustainable and integrated local development, etc." (Comunidade Solidária, 2002a, p. 7).
15. The Law of the Non-Profit Sector (Lei do Terceiro Setor) was passed in March 1999. OSCIPs are organizations that provide a range of social activities, including the "promotion of economic and social development and the fight against poverty [and] non-profit experimentation with new models of socio-productive systems and alternatives to production, trade, employment and credit" (Chapter I, Article 3, Law 9.790).
16. OSCIPs also wanted to be exempt from paying the employer's share of social security (Ferrarezi, 2001, p. 9).
17. This resolution establishes the formation and operation of SCMs, legal entities under private law, with for-profit status, whose sole objective is to grant loans to individuals, to accommodate the development of legal entities classified as professional, commercial, or industrial small and microenterprises (Zouain & Barone, 2007, p. 376).
18. Perhaps the most extreme example, during the campaign for his re-election, Lula reportedly ran a television announcement in which he boasted about providing microfinance to a start-up bikini factory (Halliday, 2006).

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Appendix: Interviews Conducted

Table A1. Interviews Conducted (Mexico).

	Reference code	Interviews conducted
Microfinance sector	MFI	15
Microfinance association	MFA	7
International community	I	15
Formal financial sector	F	2
State	S	13
Academic	A	5
Total interviews		***57***

Table A2. Interviews Conducted (Brazil).

	Reference code	Interviews conducted
Microfinance sector	MFI	12
Microfinance association	MFA	3
International community	I	7
Formal financial sector	F	5
State	S	14
Academic	A	3
Total interviews		***44***