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Managing for organisational self-reliance and social impact in Indian microfinance: alternatives to the mainstream

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Managing for organisational self-reliance and social impact in Indian microfinance: alternatives to the mainstream

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Lists of Abbreviations

ARH	Action Rural Housing
MFI	Microfinance Institution
MFO	Microfinance organisation
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-governmental organisation
PPI	Pudhumai Pengal Iyakkam
RBI	Reserve Bank of India
SBLP	Self-help Bank Linkage Programme
SHG	Self-help group
SHPI	Self-help Promoting Institution
SJSK	Sarva Jana Seva Kosh
SMBT	Sarvodaya Mutual Benefit Trust
SNFL	Sarvodaya Nano Finance Limited
SPA	Social Performance Assessment
SPM	Social Performance Management
TNCDW	Tamil Nadu Corporation for the Development of Women
TNWDP	Tamil Nadu Women's Development Project

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Abstract

The thesis contributes to understanding of how the tension between social and financial performance in microfinance is assessed and managed. The dominant view at the global level favours prioritising financial performance and organizational self-reliance on the grounds that these are necessary if not sufficient for achieving sustained social impact over time. This has led to a focus in research on microfinance organizations (MFOs) that have sought transformation into registered financial institutions. In contrast, there has been less research into performance management of MFOs with strong NGO roots (referred to here as NGO-MFOs) who have prioritized social impact over growth and transformation. The thesis explores these issues for microfinance in India, starting with a systematic literature review of secondary evidence on its social impact. Two case studies of NGO-MFOs located in Tamil Nadu (ASSEFA and CRUSADE) then provide a more ethnographic perspective on social performance management and assessment. Case study data consists of participant observation, staff semi-structured interviews and organizational documents collected primarily during fieldwork conducted between 2012 and 2013.

These case studies document how NGO-MFOs view the ‘best practices’ of mainstream microfinance models (including financial performance) pragmatically while conceptualizing social performance according to their core values and social movement roots. They also illustrate how the mainstream view of social performance assessment (reflected by the review of impact evaluations) fails to capture the informal, flexible, and process-oriented approaches to social performance management pursued by some NGO-MFOs.

Chapter 1: Introduction

1.1 Introduction

The modern microfinance movement attracted the attention of institutional donors in an era favouring privatization and the market as the preeminent driver of development. The support of institutional donors contributed to microfinance's explosive growth in 1990s and into the 2000s and to its evolution from a movement primarily led by non-governmental organizations (NGOs) into one populated by a set of structurally and ideologically diverse organizations.[1] Throughout this evolution, the tension between microfinance's dual goals of social impact and organizational self-reliance has been a theme in the global discussion on microfinance management and performance assessment. The dominant view at the global level favours prioritizing financial performance and organizational self-reliance on the grounds that these are necessary if not sufficient for achieving sustained social impact over time.

The dominant view reinforced the trend towards rapid growth and transformation of microfinance organizations (MFOs) into registered financial institutions and has arguably led in a number of cases to the neglect of social impact or borrower self-reliance. These issues have been particularly pertinent in the last decade in South India, where NGO engagement in microfinance has ranged from headlong pursuit of for-profit status to patient voluntarism. Commercialization of microfinance has brought rapid growth and increased outreach, but also political conflict. This culminated in 2010 in Andhra Pradesh where MFOs were accused of unethical behaviour and as a result subjected to potentially crippling regulation by the state government.

The prioritization of organizational self-reliance has also led a focus in research on those MFOs that have sought transformation into registered financial institutions. In contrast, there has been less research into performance management of MFOs with strong NGO roots (referred to here as NGO-MFOs) who have prioritized social impact over growth and transformation.[2] The motivation for this research is to contribute to understanding how NGO-MFOs manage the tension between borrower self-reliance (social) and organizational self-reliance (financial performance) in practice, getting beyond any organizational rhetoric and externally-imposed prescriptives to understand the nature, quality and quantity of social performance management and assessment from the perspective of the NGO-MFO.

The thesis contributes to empirical literature through a two-stage research design. The first stage presents a systematic review of literature of impact assessments of microfinance in India. The second stage presents two case studies of Tamil Nadu based NGO-MFOs. The systematic review represents a body of evidence on the nature and process of performance assessment based on an approach to social performance assessment often preferred by donors and governments and used to guide policy-making. The case studies provide a broader and ethnographic

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[1] This research relies on (Vakil 1997) definition of NGOs as self-governing, private, not-for-profit organizations that are geared toward improving the quality of life of disadvantaged people. In any discussion of NGOs this dissertation further refers to the subset of NGOs whose pursuits include development strategies (as opposed to only advocacy or emergency relief).

[2] NGO-MFO is used to refer to NGO microfinance organizations (or NGOs for whom provision of microfinance services is central to their operation or strategy).

perspective on NGO-MFO social performance management and assessment. Comparisons between these empirical sources provide material for reflection on the nature, limitations and constraints on performance management and assessment and implications for development management more generally.
This chapter provides an overview of the thesis. Section 1.2 presents the thesis' conceptual framework and describes its key concepts. Section 1.3 then provides a brief introduction to the Indian context both in terms of the NGO and microfinance sectors. The following two sections detail the research questions (1.4) and briefly summarize research methodology (1.5). Finally, the last two sections address the scope and limitations of the research (1.6) and then provide an outline of the thesis (1.7).

1.2 Conceptual Framework

The conceptual framework presented in Figure 1.1 orients the discussion of the social/financial performance tension faced by NGO-MFOs within a set of larger debates. Each row highlights an ideological tension NGO-MFOs face as represented in a relevant body of literature. The figure should primarily be read across rows; unqualified relationships or correspondence down the columns should not be inferred from the figure. However, when viewed in its entirety the conceptual framework succinctly summarizes two views or models of microfinance provision, referred to here as the mainstream model(s) and the alternative (or NGO) model. This section briefly introduces the key issues and concepts in each sub-area (row) and the nature of their interrelationships.

Figure 1.1: Conceptual Framework

Field or sub-field	Mainstream view	Alternative view
[Management studies]	Scientific management	'Romantic' management (*emerging from criticisms of CDM*)
Development management	Management of and in development *(Implies the means (tasks) and ends (goals) of development are separate)*	Management for development *(Implies the means and ends of development are the same)*
NGOs in development	Service delivery	Empowerment
NGOs and microfinance	Financial performance first	Social performance first
Performance assessment of NGOs in microfinance	Positivist, evaluative, more quantitative	Interpretive, Formative, more qualitative

The first row of the framework juxtaposes scientific management with Romantic management. Early development administration theories (a precursor to development management) focus on reforming developing-country states to improve central planning for modernization and economic growth. A split or "deadlock" emerged in development management, however, between "reformers" and the "radicals" who questioned the relevance and effectiveness of these reforms, which transferred Western management principles and skills to poor-country contexts (Schaffer 1969). The current manifestation of the radical view is found in Critical Development Management (CDM). While reformers assert the desirability and feasibility of planning for development and focus on improving the means, tools, values, and processes of development management, CDM criticizes the very idea of management and its application in international development. CDM assumes all development management is "managerial". Managerialism is characterized by a faith in the science of management in which the principles of management are homogenous, abstract and neutral. In its application of technocratic 'fixes' it downplays complexity, local knowledge, and social and political context and fails to address the structural causes of underdevelopment (Gulrajani, 2010). However, Gulrajani (2010) argues that CDM unnecessarily characterizes all development management as inevitably managerial and neglects discussion within the critical management literature from which it draws of an alternate social ideology, understanding of modernity and set of values that serves as a source of non-managerialist development management. Referred to by Gulrajani (2010) as "Romantic" development management, it recognizes complexity and inter-connectedness.

Thomas' (2000) distinguishes between three types of development management—management *in* development, management *of* development, and management *for* development—that can be usefully applied to understanding the divide between the traditional (scientific) and alternate (Romantic) views. Each of Thomas' types implies a different view of development. The traditional view spans management *in* development, which sees development as an immanent and inevitable process that cannot be 'caused' and can only be indirectly managed, and management *of* development, the view that specific projects, programs or tasks can be undertaken to direct development and the management of these efforts constitutes the management *of* development. The alternative view reflects management *for* development—a view that development requires a particular (value-driven) orientation. Management *for* development denotes a particular style of management, which is applied not only to the management of tasks with development objectives, but also to all activities.

When development administration first emerged as a field of study, dominant theories of development focused on the state as the driver of development. By the 1980s aid orthodoxies shifted to a decidedly anti-state stance. The market rather than the state was the solution for development. Development management gradually replaced the term development administration. But while development management theory shifted away from the state to a more market-based orientation it was no less managerial (Brinkerhoff 2008). It was during this period and in this context that NGOs, including MFOs, became increasingly prominent as managers of development activities. NGOs faced cooption by a development ideology based on a view of development management that was arguably in conflict with the values-based identity of NGOs. The NGO and microfinance literature reflect tensions that can be understood within this wider debate over scientific development management versus development management based on alternative sets of values.

As representatives of civil society, NGOs are traditionally conceptualized as value-driven organizations whose purpose is to facilitate social change. Values, such as participation, capacity building and empowerment, drive NGOs and describe the nature and process of development. This means that the means and end of development activities can be the same or can, at least, be of equal importance. Hence, process becomes central. The centrality of process suggests a particular management style. NGO scholars criticize past development efforts and organizations for a management style that does not adequately reflect the unique nature of development (Fowler 1997, Rondinelli 1993). An alternative style of management is suggested that is characterized by a focus on process, flexibility, and participation. This style of management is often contrasted with a conventional style of management that is top down, hierarchical, linear and inflexible (Lewis 2007).

The NGO management literature generally identifies a lack of attention to NGO assessment (Lewis 2007). Critics trace the problem back to the risks and dynamics created by increasing dependence on official funds. They argue that as NGOs have become integrated into the aid chain, it has led to an incentive structure that undermines NGO values of accountability (particularly 'down' to program participants) and institutional learning. Integration into the aid system also contributes to a decline in NGO performance, particularly in terms of their mission to promote social change through the empowerment and self-reliance of program participants. A development strategy dominated by scientific management and a market-led approach sees NGOs largely as vehicles for the delivery of development products and services. As such accountability is upwards to donors. Efficient service delivery is prioritized (and managed for) at the expense of broader empowerment goals and values.

Not by coincidence, the microfinance movement also rose to prominence during the 1990s. The logic and operation of microfinance itself were consistent with neoliberal ideology. By providing small loans to poor households to support income-generating activities, microfinance supported the market as the primary development mechanism. The movement distinguished itself from many previous efforts to provide financial services to the poor through new organizational forms and contractual structures, including its use of joint liability groups to address the informational asymmetries that challenge financial service provision to poor households (Morduch 1999). By doing so, the microfinance movement hypothesized that it could simultaneously achieve social impact and the financial sustainability of its organizations—another feature contributing to its compatibility with neoliberal ideology.

Microfinance's joint goals fuel much of the debate around microfinance performance management and assessment. Hulme (2000) identifies two perspectives on which point in the impact chain performance indicators should be selected and monitoring and evaluation performed. The first perspective advocates assessing impact at the end of the impact chain—at the level of the intended beneficiaries. The second view measures impact at the beginning of the impact chain—at the level of the microfinance institution and its operation (specifically institutional outreach and sustainability). These two perspectives reflect divergent views on the role, relationship and relative priority of social versus financial performance. Measuring microfinance impact based on institutional outreach and sustainability represents a 'financial performance first' perspective, prioritizing the financial performance of microfinance organizations.[3] Measuring microfinance impact at the beneficiary level

[3] It does so based on both theoretical and practical grounds. Proponents argue that institutional performance is a necessary and sufficient metric on which to base social impact. First, building a sustainable model of microfinance provision is a prerequisite for significant growth. Creating a scalable and replicable model for increasing outreach is necessary if microfinance is to impact large numbers of poor households. Second, proponents argue that

prioritizes social impact and represents a 'social performance first' perspective. While not necessarily opposed to measuring institutional performance, the social performance first school warns that prioritization of financial performance ultimately contributes to mission drift and compromises the social impact of microfinance.

These two approaches toward performance assessment also represent divergent views on the primary outcomes through which microfinance contributes to development. Financial performance first emphasizes sustainable service delivery. It emphasizes management of and in development through its reliance on a contextually-neutral 'technical fix' (financial inclusion). Recent trends in microfinance management, including the push towards commercialization in India and elsewhere, largely reflect the favoured position of the financial performance first perspective (consistent with mainstream scientific development management) (Augsburg & Fouillet 2010). Social performance first has the capacity to incorporate management for development and prioritize the empowerment and self-reliance of clients through its focus on the changes in the lives of beneficiaries. However, it must be noted that the relationship between both financial and social performance and social performance and an alternative view of development management, which underlies empowerment of clients, is not straightforward. Social performance can be managed in a technocratic and scientific fashion. Additionally, social performance and financial performance have a mutually reinforcing relationship (Copestake et al. 2005). Trade-off exists, but the choice is not between financial or social performance but between social performance now and social performance capacity for the future to the extent that financial performance builds capacity for future social performance. These nuances add to the complexity of negotiating between the social performance and financial performance bottom lines.

The final row of the conceptual framework represents divergent approaches to social performance assessment. Early efforts towards assessing the social performance of NGO-MFOs were primarily donor-driven impact studies conducted by external experts. The impetus for an expanded discourse on assessment of social goals in microfinance emerged from concerns over the effect of rapid growth on the achievement of social goals. A number of initiatives responded to the lack of attention to social goals and attempted to refocus attention on both social goals and monitoring and evaluation activities, including the USAID-supported AIMS project and the Ford Foundation's Imp-Act initiative. Imp-Act broadened the assessment agenda by focusing on social performance, reflecting a larger shift away from impact assessment in the late 1990s.

Social performance assessment (SPA) "refers to any activity intended to clarify how far an organization is achieving social goals" (Copestake et al. 2005, p.178). It includes information on the breadth, depth, and quality of outreach. Imp-Act also argued the importance of a focus on the institutionalization of SPA as part a social performance management (SPM) system. SPM implies an organization recognizes the value of information about clients beyond loan repayment, collecting the data and learning and making changes based on the data collected. SPM means the activity becomes an integral, routine or normal activity of the organization driven by the practitioner, rather than a periodic exercise primarily driven (and often performed) by

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increasing outreach (financial inclusion) in a sustainable fashion is itself evidence of positive impact. This argument relies on the assumption that sustainable extension of financial services and improved choices ultimately leads to enhanced well-being as borrowers through a more efficient market are able to improve microenterprise performance (Hulme 2000). Social impact in effect is achieved through financial performance. This has also underpinned the trend toward commercialization of microfinance.

external parties. SPM also highlights the feedback mechanisms that facilitate learning and decision-making based on SPA results.

Perhaps the most distinct tension represented within the discussion on assessment of microfinance's social goals surrounds the possibility and necessity of overcoming methodological difficulties, in particular solving the problem of attribution. Hulme (2000) discusses three approaches for dealing with the issue of attribution. The first approach is the conventional scientific method based in the natural sciences (as represented by traditional views on impact assessment). The second approach has its roots in the humanities. Mixed methods are often used and attribution is inferred but not proven according to the standards of scientific inquiry. Much of the literature arguing for practitioner-based impact assessment and social performance management reflects this approach. This approach views development as a linear process, favours quantifiable metrics and short-term impacts and attempts to address attribution to some degree. The technocratic approach also favours accountability to funders and is primarily about control (Lewis 2007).

The third and newest approach described by Hulme (2000) features less prominently in the microfinance assessment literature. It is based on a participatory approach to development management and does not deal directly with attribution. The participatory approach does not accept one objective reality and sees the scientific approach as fundamentally flawed. Assessment is subjective and interpretative and in practice should prioritize the views of program beneficiaries consistent with development goals of empowerment. The second trend is reflected in arguments for a more interpretative approach to performance assessment. Lewis (2007) characterizes this trend as emerging from the wider participatory development approaches most associated with Robert Chambers. It incorporates the values of participation, negotiation, learning, and flexibility. Fowler (1997) suggests an interpretative approach to assessment that stresses participatory techniques, the importance of learning as an objective of assessment and incorporating the views of multiple stakeholders (particularly the views of local beneficiaries). The focus is on a judgment rather than an objective assessment of achievement or failure (Edwards & Fowler 2002, Fowler 1997, Lewis 2007).

The evolution of the discourse on NGO-MFO social performance assessment references the debate over the financial or social performance first approach. It also reflects a series of debates and tensions faced by NGO-MFOs within the assessment of social performance and between approaches and systems that strike different balances between their empowering mission (in means as well as ends) and sustainable service delivery, as well as the demands of the development system in which they are embedded. Positioning with regards to these tensions and debates reflect and reinforce the organization's position not only with respect to performance but also organizational identity and development management more generally.

1.3 India Context

NGOs have a long history in India. Under British rule Christian missionaries influenced the emergence of mostly welfare-oriented NGOs characterized by a concern for rural credit and self-help groups (SHGs). Over time NGOs increasingly concerned themselves with political rights and social reform. The Indian National Congress, which was at the forefront of the Indian nationalist movement, formed as an NGO in 1885. NGOs inspired by the Gandhian tradition in particular gained prominence as part of the nationalist movement. Their close ties with the nationalist movement translated into close ties with the post-independence Indian state and a period following independence characterized by close cooperation between NGOs and the state (Kilby 2010).

In the years following independence, NGOs' relationship with the state evolved—at times characterized by cooperation and partnership and at other times by distrust and even harassment by the state—but the nature and work of NGOs was consistently and significantly impacted by this relationship. Whether in periods of cooperation or antagonism, however, NGOs have been treated by the state primarily as a useful means of service delivery at the village level. The 1990s were an era of cooperation as the state continued to fund NGOs to deliver village-level services. Indian NGOs trended toward a service-orientation, local-level focus, promotion of non-violence, and a general avoidance of party political processes. Sen (1999) characterizes modern Indian NGOs as non-representative organizations that primarily play an intermediation role (as opposed to being grassroots organizations themselves) in which NGOs see their role as helping disadvantaged groups assert their own rights.

The microfinance movement in India stepped into a vacuum created in the 1990s by a state withdrawal from rural finance provision that was part of the broader set of economic reforms favouring liberalization. The liberalizing bank reforms led by the Narashimham Committee contributed to a decline in the number of rural bank branches and credit (Shah et al. 2007). For 20 years prior to the 1991 reforms, working with SHGs, groups of usually 10 to 20 women typically organized around savings and credit services, had been evolving into the dominant NGO strategy (Kilby 2010). NGOs, notably MYRADA, initiated the forming and promoting of SHGs and their linkage to formal microfinance services beginning in the 1980s (Fisher & Sriram 2002). The SHG model in theory is seen as an entry point for social change and "less about the delivery of services and more about the empowerment of group members to be able to make and act on expanded choices, and so advance their interests" (Kilby 2010, p. 25). The strategy was adopted by the government in the 1990s as a means for addressing the continuing need for poverty alleviation measures and the need for new and effective approaches to rural credit provision that would be consistent with the neoliberal reforms of the era. The SHG model of savings and credit provision is now widely supported by the government through the National Bank for Agricultural and Rural Development (NABARD) self-help bank linkage program (SBLP) and has become the primary model of microfinance delivery in India (Basu 2006).[4] An NGO typically acts as the self-help promoting institution (SHPI). The NGO assists in promotion, formation, and training of new SHGs. The NGO SHPI introduces the SHG to the bank after a qualifying period and acts as an intermediary between the financial institution and the SHG.

In the 2000s, microfinance expanded rapidly in India due primarily to NABARD's promotion of SBLP. In April 2001, 285,000 SHGs had taken loans from Indian commercial banks, regional rural banks and cooperative banks through SBLP. With an estimated average of 17 members per group, SBLP provided 4.5 million people access to formal credit and savings services through SHG group membership (Fisher & Sriram 2002). By 2009, Sa-Dhan estimated the number of people accessing formal credit and savings through SBLP had increased more than tenfold to 63.3 million with an outstanding loan portfolio of Rs. 23,400 crore (Sa-Dhan 2009).

[4] The National Bank for Agriculture and Rural Development (NABARD) was established as an apex bank in 1982.

In the last few years the dominant model of microfinance provision outside of India has been rapidly expanding within India as well—wherein MFIs work through joint liability groups. While the SBLP model is uniquely Indian, the MFI model is well established internationally (Shah et al. 2007). MFIs are often more commercially oriented than the SBLP and focused on financially sustainable (or even profitable) microfinance provision. Clients of both SBLP and MFIs are primarily women (over 90 percent for MFIs reporting to Sa-Dhan in 2009); however, only the SBLP model explicitly includes mechanisms intended to empower women (through the self-governing SHGs).

In 2009 MFIs served 22.6 million clients (based on data reported for 2008-2009 by over 200 MFIs) and reported an outstanding portfolio of nearly Rs. 12,000 crore. Together the MFI and SBLP models reported an estimated 86.2 million Indians in 2009 as clients (Sa-Dhan 2009). Despite an outreach of only one-third that of the SBLP program, the MFI model's growth eclipsed that of the SBLP model in recent years. MFI outreach grew by 60 percent and its outstanding portfolio by 97 percent as of 2009. For the same year, SBLP grew its outreach to clients by 25 percent and its portfolio by 38 percent.

Growth in MFI outreach was driven by the transformation of NGO-MFOs to for-profit legal forms (specifically non-banking finance companies or NBFCs) and the greater access to financing the transformation facilitates (Sa-Dhan 2009, Srinivasan 2010). Only 15 percent of MFIs are for-profit but those MFIs represent 62 percent of MFI clients and 75 percent of the MFI outstanding portfolio. Not-for-profit MFOs (85 percent) hold the remaining 38 percent of clients and only 25 percent of the outstanding loan portfolio (Sa-Dhan 2009). The overall trend toward microfinance provision through for-profit MFIs is reflected in the large number of NGO-MFOs planning to transform to NBFCs. The trend toward a more commercial focus also impacts NGO-SHPIs (who are not MFOs). There was a trend among NGO SHPIs toward transformation to NGO-MFOs as more funding had become available for MFI operations than SHG-NGO arrangements (Srinivasan 2010).[5]

1.4 Research Questions

The overarching research question is how do NGO-MFOs manage the tension between promoting the self-reliance of clients (social performance) and of their own organization (financial performance)? The research takes a particular focus on social performance management systems based on assertion that an adequate flow of information on performance is a necessary input for any effective management of either social or financial goals. The sub-questions are therefore both descriptive and explanatory. They intend to first describe social performance assessment and management systems. They then aim to explain those systems or understand the underlying drivers and constraints influencing the design of those systems.

The research sub-questions include the following:

1. How are social goals translated into performance assessment and management systems?
2. What are the tools and systems for information collection and the feedback mechanisms to decision makers?

[5] The 2010 crisis in Andhra Pradesh ended or slowed many of these trends and will be discussed further in detail in Section 3.4.

3. What internal and external factors drive or constrain social performance management?
4. How and to what extent do decision makers retain and enhance room for manoeuvre?
5. To what extent did approaches to social performance management play a role in protecting MFOs in Tamil Nadu from experiencing the level of crisis recently experienced in Andhra Pradesh?

1.5 Methodology

The research design involves two stages, incorporating a systematic review and case studies. In the first stage, the systematic review provides a broad survey of impact studies of microfinance in India. The review examines what studies conclude about the impact of rural microfinance in India on its users and provides a means of evaluating the nature, quantity and quality of information supplied through this approach including the types of indicators used and how they are assessed.

The question guiding the systematic review is: What is the evidence of the impact of rural finance in India on socio-economic indicators?[6] The objectives of the review are to 1) examine what available literature suggests about the nature of social and economic impacts of rural microfinance in India on its users and 2) what the studies' design and implementation suggest about the practice of performance assessment through impact studies (including the nature, quantity and quality of information supplied).

The methodology of the systematic review was adapted from the EPPI-Centre guidelines. Stages of a systematic review include setting the research question, establishing the review protocols (including scope and methods for the review), and conducting the review (searching for studies, screening studies, and synthesizing studies) (EPPI Centre 2009). The majority of the systematic review was undertaken between May and December 2010. The review's question and protocols were developed during May and June 2010; searching and screening of studies was conducted during July and August 2010; the majority of study synthesis was completed between September and December 2010. The review limited itself to studies available in English and only considered studies from 1991 to 2010, when the review was conducted. The 1991 cut-off limits the review to studies of rural financial services since the financial sector reforms of the Narasimham Committee.

The second stage of the research includes case studies of two NGO-MFOs operating in Tamil Nadu, India. In this research, the case studies are used to provide an in-depth and more ethnographic perspective into NGO-MFO performance management and assessment systems.

Case study organizations were selected from NGO-MFOs operating and headquartered in the state of Tamil Nadu. Tamil Nadu was chosen for three reasons. It has a well-established microfinance sector. The state is second only to Andhra Pradesh in terms of the outreach of the SBLP and the number of operating MFIs. A state with a sizable and mature microfinance sector was appropriate for the research. A sufficient number of existing NGO-MFOs was necessary to find organizations that both met the criteria (discussed below) for case selection and were willing to be the subject of a case study. Second, Tamil Nadu provides an opportunity to examine the

[6] The broader term "rural finance" is chosen over "microfinance" in recognition that not all studies will self-identify with the term microfinance.

potential role of social performance assessment and management in avoiding or mitigating the crises seen recently in a number of locales, including in Andhra Pradesh in 2010 (Marr & Tubaro 2011). Finally, Tamil Nadu was also chosen based on contacts available to the researcher in the state, which also facilitate the identification of appropriate and accessible NGO-MFOs.

Case study selection focused on "potential for learning" rather than representativeness (Stake 2000, p. 446). At the outset of the systematic review my intent was to look at formal impact evaluation within the wider performance management literature. The systematic review would be used to identify interesting case studies. It was clear from the systematic review however that available impact assessment literature represented a very small minority of MFOs. Thus rather than selecting case study organizations from those represented by set-piece impact evaluation, consistent with the potential for learning selection criteria it became more appropriate to select case study organizations from those that had not featured prominently in the literature. This would also represent a shift in focus from the influence of externally motivated impact evaluations (to which the case study organizations may not have subjected themselves) to internal systems of social performance management and assessment.

Data collection methods for the case study include semi-structured interviews (both individuals and in groups), document review and observation. The case study data collection methods and types of evidence are largely qualitative. Data collection involved spending substantial time on site with each NGO-MFO to facilitate contact with the personnel, activities and operations (Stake 2000). Data was primarily collected during fieldwork in India between November 2012 and April 2013. Raw data included interview recordings, field notes (from informal interviews, discussions, observations and notes on some documents available for review only) and documents (organizational and sectorial) including some very limited tabular data. The broad analytic strategy was to use a descriptive framework to organize the collected case study data.

1.6 Scope and Limitations

My case study research intends to provide insight into how NGO-MFOs negotiate between managing for client and organizational self-reliance. However, the focus of the research was developing an in-depth understanding of the issues from the point of view of the NGO-MFOs. As such the research focuses on depth rather than breadth, an approach that necessitated a case study approach. I was only able to include two case studies and therefore cannot assert that the case studies are representative of NGO-MFOs generally or in Tamil Nadu specifically. The case study organizations provide interesting examples of NGO-MFOs who have strong social orientations and do not conform to the dominant microfinance model.

There are also limitations to the systematic review. The process of defining inclusion and exclusion criteria is critical to creating a clear and manageable scope for a systematic review that explicitly surveys a broad range of studies, but the process of a systematic review also reduces the review's flexibility to include potentially high-quality, insightful studies that do not meet all criteria established in the protocol.

1.7 Thesis Outline

Chapter 2 is the literature review. It elaborates on the conceptual framework and reviews three relevant bodies of literature with reference to the tensions described in the conceptual framework: development management (2.2), NGO (2.3) and microfinance (2.4). Chapter 3 is a contextual chapter. It provides background on development models and policies in India (3.1) and then describes the NGO (3.2) and microfinance (3.3) sectors in India and Tamil Nadu (3.4). Chapter 4 presents the research methodology for the systematic review (4.2) and case study research (4.3), including a discussion of how the research design evolved through negotiation between myself and case study organizations. The chapter also includes a discussion of ethical issues presented by the fieldwork and my reflections on how my own preferences and social identities impacted the work (4.4).

Chapters 5 through 7 present my empirical findings. Chapter 5 focuses on the findings of the systematic review. The findings of the case studies are presented in two chapters. Chapter 6 focuses on the internal characteristics of the organizations while Chapter 7 focuses on external relations and social performance assessment. Finally Chapter 8 is a discussion of some key findings from the research. It also discusses limitations and areas for further research.

Chapter 2: Literature Review and Conceptual Framework

After briefly reintroducing the conceptual framework, the relevant literature is discussed in three sections. Section 2.2 discusses literature on development management, which provides the backdrop for some of the fundamental debates around social performance management and assessment for NGO-MFOs. The following two sections look more narrowly, first at management of NGOs in development (Section 2.3) and then the microfinance management literature (Section 2.4). Both sections emphasize issues related to social performance management and assessment.

2.1 Conceptual Framework

The conceptual framework is used to frame the research questions, understand performance assessment systems, and discuss implications for development management As described in Chapter 1, the conceptual framework contextualizes tensions found in the literature on NGO and microfinance performance management and assessment within contrasting views of development management (see Section 1.2). This chapter presents the conceptual framework below for reference and then discusses the key issues and concepts represented in each sub-area (row) and the nature of their interrelationships in three sections.

Figure 2.1: Conceptual Framework

Field or sub-field	Mainstream view	Alternative view
[Management studies]	Scientific management	'Romantic' management (*emerging from criticisms of CDM*)
Development management	Management of and in development *(Implies the means (tasks) and ends (goals) of development are separate)*	Management for development *(Implies the means and ends of development are the same)*
NGOs in development	Service delivery first	Empowerment first
NGOs and microfinance	Financial performance first	Social performance first
Performance assessment of NGOs in microfinance	Positivist, evaluative, more quantitative	Interpretive, Formative, more qualitative

2.2 Development Management

In an early discussion of development administration, Bernard Schaffer (1969) described the development administration movement (a precursor to development management) as motivated by the idea that administration in the context of a poor country is significantly and sufficiently different from administration in a rich country as to warrant a separate sub-field or focus of study. According to Schaffer (1969, p. 184) the context, comprised of "extensive needs, low capacities, and severe obstacles" requires substantially different decisions and behaviours from administrators and therefore requires a dedicated field of inquiry. Thirty years later, Brinkerhoff also identified context as central to the identity and justification of development management as an area of study. He defines the term development management as encompassing "the set of ICA [international and comparative public administration] theory and practice that concentrates on organizational and managerial problems, issues, and practices in the developing countries of Africa, Asia, and Latin America, and in the transitional economies of Eastern Europe and the former Soviet Union" (Brinkerhoff & Coston 1999, p. 346). Implicit in both Brinkerhoff's and Schaffer's definitions is a focus on the public sector as the manager of development. This reflects the place and time of development management's origin. Development management originated as a sub-field of public administration in a period (during the late 1950s and early 1960s) when prominent development theories and aid orthodoxies focused on the state as the driver of development.

Both in theory and practice development management has continued to be closely linked to the prominent development theories and aid orthodoxies of the day (Hirschmann 1999). Like public administration, development management has also been an applied discipline, largely concerned with action and reform (Brinkerhoff & Coston 1999, Schaffer 1969). Its history is reflected in two of the four "facets" of the field as identified by Brinkerhoff and Coston (1999, p. 349). In its first facet, development management has an "explicitly interventionist orientation that derives from its instrumental affiliation with international assistance agencies and programs" (ibid.). Development management is a means of improving the efficiency and effectiveness of aid programs and furthering the policy agendas of the agencies promoting them. The second facet suggests how it does so: portraying development management as a set of management and analytical tools derived from a range of social science disciplines.

As described by its first two facets, development management is instrumental and applies a set of tools to further an externally-defined notion of development, its nature and objectives. The third facet of the field contemplates a value dimension to development management. It acknowledges the value-laden nature of interventions and takes a normative stance in support of participation and empowerment of the poor through development interventions. The final facet of development management is closely related to the third. It focuses on development management as a process, arguing development management requires an explicit focus on process such that it acts on and reflects its values. The third and fourth facets of development management can also be instrumental to the extent they are seen as a means to the effective and efficient achievement of externally-defined development objectives. However, the final two facets in particular relate to a central tension within development management theory in which an emphasis on context and politics in development are set against an instrumentalist view of development management maintained in large part by the aid system. The following two sections (Sections 2.2.1 and 2.2.2) elaborate on this tension by discussing mainstream views of development management (as formed and represented by its relationship with aid orthodoxies) and the emergence and evolution of alternative views of development management.

2.2.1 Mainstream view of development management

When development administration first emerged as a field of study, dominant theories of development focused on state-led macroeconomic growth. Development strategies focused on building modern states with strong central planning for economic growth. During this period, development administration literature concentrated on reforms to the public sector to facilitate central planning activities, technology transfer around core administrative functions and planning and management of the project cycle (Brinkerhoff 2008). Development strategies and goals shifted in the 1970s as evidence grew that a focus on macroeconomic growth had not effectively reduced poverty in most poor countries. Development strategies focused more explicitly on poverty alleviation through promotion of rural development, greater economic participation and social development projects (Rondinelli 1993).

By the 1980s aid orthodoxies shifted to a decidedly anti-state stance. The market rather than the state was the solution for development. Liberalization, stabilization and privatization characterized the structural adjustment era of the 1980s and 1990s. The public sector contracted as institutional donors leveraged poor countries' large debt loads to elicit agreement on a range of reforms. Changes in development administration literature reflected broader transitions in development theory and aid orthodoxy. As the state fell out of favour so to did the term development administration, which was gradually replaced by the term development management. New Public Management encouraged applying principles of the private sector to the management of the public sector. In the context of development management literature, this translated into calls for decentralization, results-based management, performance metrics and structural changes to facilitate contracting out or privatization of previously public sector-led activities or functions (Brinkerhoff 2008). It was during this period and in this context that NGOs, including microfinance organizations, became increasingly prominent as managers of development activities.

Brinkerhoff (2008) argues that since the late 1990s, aid orthodoxy has rethought the role of the state again in light of the failure of many structural adjustment efforts. The state is now part of the answer to development, Brinkerhoff argues, illustrated by a recent focus on good governance. Private sector principles and skills are still seen as critical for the public (and non-profit) sector, demonstrated by the continued influence of New Public Management, but the focus is on a well-managed, effective, accountable, transparent and responsive state, rather than primarily on a small state.

While the focus of mainstream development management theory and practice evolved alongside aid orthodoxies it consistently promoted reform in developing countries through the transfer and application of Western principles of development and management. A split or "deadlock" emerged in development management literature, however, between "reformers" and "radicals" who questioned the relevance and effectiveness of these reforms and principles in poor-country contexts (Schaffer 1969). Doubt surrounding the appropriateness of technical assistance divided the field and contributed to calls for a new development management. Some scholars questioning aspects of technical assistance called for reforms. Others, notably Fred Riggs, argued a more radical position. Riggs argued that before offering advice, scholars needed to better understand developing societies and cultures. He warned that technical assistance would create an over-powerful bureaucracy without an equally well-developed political structure to hold its power in check, resulting in "negative development" (Hirschmann 1981).

Since identified by Schaffer (1969), the split between reformers and radicals has continued and deepened in development management. According to Hirschman (1981), during the 1970s the "Underdevelopment-Dependency Movement" represented a school of thought with important implications for development administration. Adherents argue that the state simply represents the interests of a political and economic elite within poor countries. The civil service has a preferential position in society because members receive a regular salary and have access to additional resources by virtue of their position. Underdevelopment-Dependency arguments further suggest bureaucratic interests determine organizational structure, rather than the structure influencing bureaucratic behaviour. Aid agencies' efforts to strengthen the capacity of poor-country bureaucracies, therefore, simply reinforce the bureaucracy's position of power and prosperity relative to the majority of people rather than improving its ability to serve the interests of the majority through bureaucratic reform.

In more recent literature on development management, Critical Development Management (CDM) takes the radical view on the role of development management. CDM extends the criticisms of the Underdevelopment-Dependency Movement in a way that more explicitly bears relevance to Northern NGOs in addition to the public sector as development managers. It also challenges the very idea of development management. CDM argues all attempts by rich countries to manage development are essentially a means of defining and ultimately creating the developing world and thereby suggesting the reforms necessary. Reforms still focus on modernizing and industrializing poor countries or replicating the developmental path of rich countries. Therefore, proponents of CDM see development management as a tool of class oppression. But, unlike the Underdevelopment-Dependency Movement, the focus of CDM is not on class oppression within poor countries, but by the developed world (in partnership with developing world elites) over the developing world generally. CDM calls for no development management, but rather a "post-development era" in which new ways of thinking can be entertained (Escobar 2005).

While reformers assert the desirability and feasibility of planning for development and focus on improving the means, tools, values and processes of development management, CDM criticizes the very idea of management and its application in international development. CDM assumes all development management is "managerial." Managerialism is characterized by a faith in the science of management in which the principles (and tools) of management are homogenous, abstract and neutral. In its application of technocratic fixes it downplays complexity, local knowledge and social and political context and fails to address the structural causes of underdevelopment.

2.2.2 Alternative view of development management
CDM is primarily deconstructionist. It calls for no development management, but rather a "post-development era" (Escobar 2005). However, Gulrajani (2010) argues that CDM unnecessarily characterizes all development management as inevitably managerial and neglects discussion within the critical management studies literature from which it draws of an alternative social ideology, understanding of modernity and set of values that can serve as a source of non-managerialist development management. While Enlightenment understandings of rational science and modernity, she argues, are the basis of managerial (or scientific) development management, a Romantic social ideology provides an alternative foundation for development management theory and practice. An alternative development management moves beyond the nihilist position of CDM, ending the deadlock between reformist and radical positions and providing a basis for moving forward.

A Romantic social ideology is characterized by an understanding of the social world focused on "social wholes" rather than "atomistic individual units." Social wholes are "not mere collections of atomistic individual units but the result of local conditions and contexts that cannot be aggregated" (Gulrajani 2010, p. 142). As such a Romantic social ideology privileges contextually-based local variation of responses. Underlying this construction of the social world is a fragmented social reality that requires in-depth understandings of facts “informed by pluralistic values and subjective descriptions” (Ibid.). Modernity then becomes a contested goal that cannot be achieved through linear processes and universalist solutions.

Managerialism, constructed on the principles of Enlightment social ideology and a model of scientific management, relies on discovering, refining and applying “abstract and universalist tools and techniques” (Gulrajani 2010, p. 143). Romantic management moves away from managerialism by rejecting such fidelity to abstract principles and instruments and rather acts on a practical reason. Practical reason means resolving problems and working towards goals in the context of uncertainties, contextualities and conflict and doing so requires “judgment, experience, intuition and common sense” (Townley 2008, p. 215 cited in Gulrajani 2010, p. 143). Put another way, practical reason combines working theories and goals with embedded knowledge and experience creating what Gulranjani calls a “practical science of muddling through” (ibid.). Romantic social ideology also moves away from managerialism through an acknowledgement that management is inherently political. Its understanding of the political nature of management extends beyond an understanding of the local political contexts influencing the implementation and success of interventions. Rather it sees the structures, systems and tools of the “modernisation project” as themselves political products that can sustain the status quo and contribute to failures of reform (ibid.).

Gulrajani (2010) discusses three characteristics required from development management informed by Romantic social ideology. First, Romanticism requires a development management that prioritizes experienced realities. Planning cannot be a technical task left in the hands of professionals and experts but must involve multiple stakeholders. This suggests reducing the “physical and psychological space” between development managers and those whom they are seeking to develop and creating organisations that are “deconcentrated, decentralised, smaller, democratic, more responsible and less bureaucratic” (Gulrajani 2010, p. 143). Second, Romanticism recognizes complexity, uncertainty and ambiguity. As such development management becomes an “act of improvised political steering rather than planned social engineering.” (Ibid.). In practical terms then development management is an “improvised, flexible, contingent, intuitive and sensitive practice” (Escobar 2008 as cited in Gulrajani 2010, p. 143). Finally, a Romantic construction of development management requires the reflexivity of development managers. It requires managers acknowledge the limitations of their own technologies and organisations and the ways in which even they can reinforce or reproduce the structural conditions underlying underdevelopment.

Thomas (2000) distinguishes between three types of development management: management *in* development, management *of* development and management *for* development. The mainstream (Enlightenment/scientific) view of development management concentrates on management *in* development and management *of* development. The former sees development as an immanent and inevitable process that cannot be caused and can only be indirectly managed; management *of* development equates development management with the management of specific projects, programs or tasks undertaken to direct development. By contrast, management *for* development requires a particular type of management that prioritizes values and process that is applied not only to the management of tasks with development objectives but to all activities. Management *for* development can describe value-driven and primarily reformist views of development management but also is consistent with the more radical and pluralist view articulated by Gulrajani. Gulranjani’s alternative development management is not fully described by the idea of management *for* development, but the typology usefully highlights key differences between the mainstream (Enlightenment/scientific) and alternative (Romantic) views while illustrating how the latter bridges reformist with radical criticisms of development management.

The debate between mainstream and alternative development management provides context in which to understand tensions found in the NGO and microfinance literature, particularly with regard to social performance management and assessment. When development administration first emerged as a field of study, dominant theories of development focused on the state as the driver of development. By the 1980s aid orthodoxies shifted to a decidedly anti-state stance. The market rather than the state was the solution for development. But while development management shifted away from the state to a more market-based orientation it was no less managerial. It was during this period and in this context that NGOs, including microfinance organizations, became increasingly prominent as managers of development activities. NGOs faced cooption by a development strategy with an orientation towards development management that was arguably in conflict with NGOs' values-based identity. The following section will elaborate on these dynamics as discussed in the literature on NGOs in development.

2.3 NGOs in Development

More recent development management literature explicitly discusses development management with reference to development organizations generally and NGOs in particular. Part of the newer discourse around development management emphasizes the role and impact of values and process in development management (two of the four facets identified by Brinkerhoff and Coston (1999)). The emphasis on values and process in the literature reflects in part the increased influence and role of NGOs as development managers (Lewis 2007). NGOs are part of a diverse group of organizations identified primarily by what they are not: not part of the market or for-profit sector and not part of the government or public sector.[7] Beginning in the 1980s official donors increasingly favoured NGOs as providers of development services and conduits of official development aid and as a result NGOs increased in quantity and influence within the development sector. The broader development ideology of the time fuelled this trend. Neoliberalism took a relatively anti-state stance toward development. It favoured a smaller state through structural adjustment policies including privatization and an increased emphasis on the market as the best engine for socio-economic growth (Hirschmann 1999, Brinkeroff 2008).

Organizations designated as NGOs vary in size, level of formalization, function, level of operation, structure, goals and membership (Fisher 1997). A common approach to categorizing the wide range of organizations falling under the NGO nomenclature is to distinguish them based on underlying development philosophy. NGOs are distinguished based on their relative emphasis on criticizing or petitioning the state for reforms (or revolution). Clark (1991, p. 37) calls NGOs to action along these lines, referring to NGOs that behave thus as "radical" NGOs. Others refer to "independent-thinking" NGOs or "alternative" NGOs (Townsend et al. 2004, p. 873). These NGOs contend that development is political, that technical fixes can only address poverty and equality in limited ways and that altering power structures is necessary to

[7] This research relies on Vakil's (1997) definition of NGOs as self-governing, private, not-for-profit organizations that are geared toward improving the quality of life of disadvantaged people. In any discussion of NGOs this dissertation further refers to the subset of NGOs whose pursuits include development strategies (as opposed to only advocacy or emergency/relief).

achieve lasting and substantive change for the poor. Townsend et al. (ibid.) calls the contrasting category “compliant” and describes compliant NGOs as not having interest in questioning development agendas or advocating radical or reformist alternative visions.

The contrast between alternative versus compliant NGOs is nearly always discussed in the context of the rising numbers and prominence of NGOs since the 1970s due to the increased support they received through official channels of development aid. The argument positions compliant NGOs as evidence of NGO mission drift as increased official support creates new incentives (discussed further below) and spawns a new generation of NGOs with varying degrees of commitment to authentic (and alternative) “NGO values.”[8] Thus the range of NGOs, in terms of missions and roles, represents the degree of cooption by managerialism and neoliberal values resulting from integration into the aid system.

Microfinance provides an example of this process of cooption. Microfinance was first promoted by NGOs for purposes of self-help and empowerment. It began as a “small idea” and was transformed into a “big idea” by official aid agencies (Townsend et al. 2004, p. 873). Official aid agencies were drawn by microfinance’s potential for financial sustainability and ability to integrate poor households more effectively into the market. Support for microfinance resulted in many new NGO entrants specifically created for the purpose of microfinance provision. Consequently microfinance is provided by the full spectrum of NGOs, from alternative to compliant. As such, aspects of microfinance such as women’s groups can be viewed instrumentally to serve the delivery of microfinance (and hegemonic development agendas) or to serve broader goals of empowerment and social change.

As the previous discussion implies NGO identity cannot be separated from origin. Townsend et al. (2004, p. 873) argues that alternative NGOs often emerged from earlier social groups based on contesting state power or social inequality (that is they may have emerged from social movements). Fowler (1997) likewise argues identity cannot be separated from NGO history and context. He further argues NGOs suffer an identity crisis when trying to integrate different sets of principles, such as market-based principles with the principles of the voluntary sector. “Beliefs, values, and development philosophy” are the foundation of retaining voluntary sector identity (Fowler 1997, p. 33-34).

A second and related way NGOs are distinguished is by the role they play. Broadly speaking NGOs prioritize service delivery (associated with compliant NGOs) or empowerment (associated with alternative NGOs) although the roles overlap, as will be discussed further below. Lewis (2014) describes three overlapping roles played by NGOs: implementer, partners and catalysts. The implementer is the service provider, mobilizing resources to provide goods and services. The partner NGO is associated with the growing integration of NGOs in the aid chain. Partner NGOs work with aid agencies, governments or with other NGOs in capacity building or intermediary roles. As a catalyst, an NGO engages in empowerment but also innovation, campaigning and advocacy.[9] The alternative NGO operating in a catalytic role is associated with ‘authentic’ NGO values and is the primary focus of the

[8] Compliant NGOs are often contractors in the aid system and too closely tied to the state to take to effectively advocate for reform.

[9] Lewis (2014) describes empowerment as the process of becoming aware of power dynamics and developing skills for greater control. A further discussion of definitions of empowerment is found in Section 5.2.3.

remainder of this discussion, although Lewis (2014) argues many catalytic NGOs are moving toward a less radical, more market-based version of empowerment, that is empowerment through economic activity and personal improvement. By contrast alternative development promotes empowerment of households or individuals by impacting social, political and psychological power (Lewis 2014, p. 115).

Mainstream management focuses on top-down control, results, hierarchy and instrumentality. This is contrasted with an alternative NGO management style that is more process-oriented, flexible and participatory. This latter set of guiding management principles reflects NGO values and the argument that the means and ends should not be separated in the management of development (Fowler 1997, Rondinelli 1993). Not all agree however that NGO management requires a distinctive management style (Ditcher 1989). Lewis (2014) identifies three basic schools of thought on NGO management and ultimately argues for a composite model of management based on all three. The generic view sees management as a set of technocratic tools and not sector-specific. In this view appropriate management style depends on the task, thus separating the means of development from the ends. Top-down management is not always inappropriate to NGOs in this view (Ditcher 1989). The other two views assert the distinctiveness of NGO management and necessity of an alternative management style to varying degrees. The adaptive view advocates adopting and adapting mainstream management ideas in light of the distinctiveness of NGO work (Fowler 1997, Korten 1990). A slightly more radical view, the distinctive view, sees NGO management as unique, requiring the innovation of new management tools and concepts based on NGO manager experiences (Billis & MacKeith 1992, Harris 1996). Chambers (1997) proposes such alternative management practices, emphasizing self-assessment and self-correction rather than control and more inclusive decision-making and planning. His approach rejects the abstractions and prescriptions (of scientific management) in favour of a more blended and contextually-sensitive articulation of values and facts as suggested by a more Romantic development management (Gulrajani 2010).

A key question for NGOs in the context of growing prominence is how to increase impact (or scale up impact). Edwards and Hulme (1992, p. 14) pose this question and discuss the particular challenges of doing so without losing their "traditional flexibility, value-base and effectiveness at the local level". Four strategies are elaborated upon including working with the government, linking grassroots with lobbying and advocacy, advocacy in the North and organization growth. The latter is an additive strategy while the remainder are multiplicative strategies in which impact is increased through influence, networking, policy or legal reform or training rather than directly increasing the size of the NGO's programs and projects. Organizational growth can involve adding horizontal functions (additional sectorial activities) or vertical functions (upstream or downstream activities) but in either case organizational growth presents challenges to the value orientation of NGOs. Growth often requires expanded hierarchies and increased functional specialization. The increased need to raise resources may require official funds encouraging upward accountability. The professionalism required to manage a larger organization can also subordinate mission values and commitment (Edwards & Hulme 1992).

By contrast, NGOs that facilitate grassroots organizations strengthen, link (horizontally or vertically) and expand grassroots organizations. By doing so the NGO promotes the proliferation of networks that can impact the local situation and build a broad people's movement that collectively can impact policies and political processes on a national level. Such NGOs focus on process, including conscientistation, formation and training rather than program implementation as groups are meant to identify the content of action. Their work engages with and scales impact by extending into and influencing informal groups also a part of civil society. However, given pressing short-term needs some NGOs bundle facilitating activities with other activities, such as credit provision, to address needs and aid in mobilizing communities. Such multiplicative strategies for scaling impact also have inherent tension. In the above example, a focus on building grassroots networks may avoid some of the complications of organizational expansion and strengthen downward rather than upward accountability, but the bundling strategy can dilute ideas of group autonomy and empowerment, highlighting how some NGOs experience mission drift (Edwards & Hulme 1992).

The second multiplicative strategy involves work directly with (or from within) the government to influence policies and programs in a way that will benefit the poor and disadvantaged. The difficulties of working within the constraints of government systems and personalities are compounded by the cultural differences between the state and NGOs. Whereas governments are often rigid, hierarchical and autocratic, NGO values are non-hierarchical, flexibility, and innovation (Edwards & Hulme 1992). Difficulties are compounded by divergent interests and power, conflict of interest and new incentives created by collaboration with government, as will be discussed further in Section 2.3.1. Through the third multiplicative strategy, lobbying governments, particularly northern governments and aid agencies, NGOs seek to scale impact by influencing key players. The strategy can take an “incrementalist reform” or “abolitionist” approach (Edwards & Hulme 1992, p. 21). The above multiplicative strategies all seek to scale up impact through an explicit acknowledgement of the co-production of development outcomes with the state. Regardless of chosen strategy, however, the key point is growth strategies have implications for and can impact NGO identity, mission and values.

Leadership and governance structure play a major role in avoiding fragmentation of NGO identity. A leader/founder plays a pivotal role (Schein 2010). Leaders set missions, values and long-term strategies and influence organizational culture. Leaders also choose who to bring into the organization (ibid.). Identity resilience depends how consistently beliefs, values and philosophy are held between different groups within an organization. If not held widely, the balance of power, personal influence, communication and governing structure impact whether fracturing occurs (Fowler 1997).

The NGO literature’s discussion on mission, identity, values and management identifies a similar dichotomy between a mainstream and alternative view as found in the broader development management literature. The tension between the two views is present in the literature particularly in the discussion of the risk and extent of cooption NGOs face as they became incorporated into an aid system dominated by a mainstream (and hegemonic) development ideology grounded in scientific management. The following sections discuss the tension as evident in criticisms of NGO (and their cooption) (Section 2.3.1) and performance assessment (Section 2.3.2).

2.3.1 Criticism of NGOs

The NGO management literature generally identifies a lack of attention to NGO assessment as well as a lack of evidence of NGO effectiveness and impact (Lewis 2007, Edwards & Hulme 2002).[10] The lack of evaluation and accountability was the

[10] Critics note the uneven scope and quality (Sogge et al. 1996) and unflattering conclusions of the few evaluations of NGO impact that have been completed (Riddell 1997 cited in Roche 1999, Lewis 2007). Riddell (1997 cited in Roche 1999) conducted an evaluation on behalf of the DAC/OECD Expert Group on Evaluation. Riddell reviewed 50 reports covering 240

source of significant criticism of NGOs, particularly in the mid- and late-1990s. De Waal (1997) examines and criticizes the poor performance of 'humanitarian international' in Africa, a designation that in large part consists of relief NGOs. He asserts that a lack of accountability in the form of enforceable professional standards of behaviour and an absence of formal barriers to entry led to a collapse in standards and poor performance by NGOs.

De Waal (1997) suggests that lack of regulation allowed manipulation and cooption of the sector by donors and produced evaluations of NGO programs that were donor-led, subjective and primarily a tool for donors to exercise power over NGOs. Carlsson et al. (1994) further analyses the political economy of evaluation within aid agencies and argue the lack of knowledge about impact (in this case the economic impact of aid generally) is a symptom of aid agency organizational processes and dynamics rather than a lack of intention and systems for assessing impact. Aid agency evaluations are used in the political games, power struggles, negotiations and compromises that result from this reality. What is evaluated, the method of evaluation and the conclusions of evaluation are all a result of this complex organizational process. Evaluations are ultimately treated as management tools and focus on intermediate outcomes and delivering and receiving aid better.

Critics of NGO performance and performance assessment often trace the problem back to the incentives created by increasing dependence on official funds. They argue that as NGOs have become integrated into the aid system, it has led to an incentive structure that undermines NGO values of downward accountability and institutional learning. Accountability is upwards to donors and performance assessment focuses on ensuring continued funding or the survival of the NGO. Sogge et al. (1996) argues that it has long been acknowledged inside agencies that evaluations are primarily used to obtain and maintain funding and agencies are rewarded for spending money and completing activities rather than performance. Evaluations are viewed as imposed by donors and done to account to funders for the completion of activities (Lewis 2007).[11] Roche (1999) repeats and expands on this analysis describing a vicious circle that emerged beginning in the 1980s wherein NGOs (referring primarily to NGOs headquartered in developed countries) faced increasing pressure to demonstrate results to donors at the same time competition among NGOs for official funds was intensifying. NGOs sought the high profile press coverage necessary for fund raising and neglected institutional learning, becoming characterized by weak accountability mechanisms and a lack of professional standards. Sogge et al. (1996) cites exaggerated claims of impact and more business-like structures and cultures as symptoms of this trend. De Waal (1997) also cites the rapid development of the "charitable market" in the 1980s, as NGOs became increasingly popular channels for official funds, and argues that the demands of fundraising and institutional survival discouraged NGOs from acknowledging failures.

Integration into the aid system thus contributes to a decline in NGO performance, particularly in terms of their mission to promote social change through empowerment. The increased focus on fundraising, institutional survival and growth takes priority over the interests of NGO beneficiaries and staff (Maren 1997). Further, as a result of the aid system's focus on scientific management and a market-led approach, NGOs

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projects in 26 countries and 13 case studies and found the efforts of the NGO sector to promote institutional learning, impact assessment and accountability lacking.

[11] De Waal (1997) does note attempts by relief NGOs in the 1980s to improve performance by instituting codes of conduct but asserts they met with limited success in part because codes of conduct were insufficiently specific to be actionable and not enforceable.

are seen largely as vehicles for the delivery of development products and services. Efficient service delivery is prioritized (and managed for) at the expense of the broader goals and values of participation, empowerment and the self-reliance of beneficiaries.

Critics of NGO performance attribute poor performance to the structures and incentives of the aid system, perceived to compete with the essential (values-driven) nature and mission (empowerment of beneficiaries) of NGOs. The criticism proved to be one source of pressure for improved NGO performance assessment that emerged in recent years (Lindenberg & Bryant 2001, Lewis 2007). The NGO management literature reflects the revived interest in NGO-driven performance assessment. The discussion of performance assessment asserts the importance of process and values (particularly empowerment through participation) in its characterization of NGO performance assessment (and its challenges) and contrasts it with the style of performance assessment promoted by the aid system.

2.3.2 NGO performance assessment
The NGO management literature includes overlapping discussions around NGO accountability, monitoring, evaluation, and impact assessment. Lindenberg and Bryant (2001) define NGO accountability as answering to stakeholders for the use of resources and the impact of performance. Evaluation is defined by Lewis (2007) as the assessment of NGO performance against its objectives; Fowler (1997) further defines evaluation as including an assessment of what caused the change identified. Roche (1999, p. 27) describes the relationship between monitoring, evaluation, and impact assessment based on what he refers to as the “classical view.” The three activities are distinguished based on timing, analytical level and specificity. Impact assessment is a specific type of evaluation focused primarily on outcomes and impacts that occurs in the appraisal stage and/or near the end of after a project is completed. Roche elaborates on the distinctions based on his own experiences as summarized in Table 2.1 below.

Table 2.1: Performance Assessment Activities*

	Timing	Analytical Level	Specificity
Monitoring	Frequently	Inputs, outputs, activities	Compares objectives and results
Evaluation	Periodically	Inputs, outputs, activities, and processes	Compares objectives and results and examines processes
Impact Assessment	Infrequently, usually towards the end of interventions	Less specific and considers outcomes/impacts; considers external influences and events	Less specific and considers external influences and events

*Adapted from Roche (1999, p. 27)

The NGO literature addresses the challenges NGOs face, as organizations with third sector or civil society characteristics, assessing performance. The most commonly discussed challenges include the lack of a clear bottom line, the lack of a single established stakeholder to whom NGOs are accountable and the lack of an intrinsic feedback mechanism providing information as to success or failure of activities (Fowler 1997, Lindenberg & Bryant 2001). Private and public sector organizations (in democracies) have clear accountability to shareholders and voters respectively as well as clear mechanisms and indicators for assessing their success relative to objectives: through financial performance metrics and electoral results. Third sector organizations, including NGOs, in contrast have more abstract bottom lines and are accountable to multiple stakeholders (ibid.).

Edwards and Fowler (2002) argue that the bottom line of development NGOs or the impact sought is generally qualitative. Social development generally implies a qualitative change for which there are few standards or benchmarks against which to measure NGO effectiveness.[12] A degree of subjectivity always exists in performance assessment because judgments must be made about what is important (Roche 1999); however, the qualitative nature of social development bottom lines contributes to the complexity of defining, constructing and conducting assessments of NGO performance. Edwards and Fowler (2002) further argue that since the bottom line sought by development NGOs is a qualitative change, the bottom line is not actually produced by the NGO but by poor people themselves. NGOs, therefore, do not control all of the factors that determine performance against objectives, suggesting practical as well as theoretical problems with pursuing performance assessment. The difficulty of finding outcomes and impacts to which NGOs can reasonably be held accountable is increased by two additional factors: the complexity of the change being sought by development NGOs (Sogge et al. 1996, Roche 1999) and the way in which development NGOs work in conjunction with not just program beneficiaries but within an aid chain that often includes multiple partner organizations.

Roche (1999, p. 25) further suggests, "…development and change are never solely the product of a managed process undertaken by the development agencies and NGOs. Rather they are the result of wider processes that are the product of many social, economic, political, historical and environmental factors—including power struggles between different interest groups." However, NGOs, as with other types of organizations, do not always make this transparent but have a tendency to blame others or the external environment when something goes wrong but do not always acknowledge other factors or actors when positive outcomes are observed. Additionally, traditional impact assessment focuses on linear change, but inputs and outputs can affect each other, outcomes can be different across time and place and change can be unpredictable (Roche 1999).

A number of scholars discuss the additional complexity presented by multiple stakeholders. Edwards and Fowler (2002) suggest NGOs have accountability downwards to beneficiaries, partners, staff and supporters and upwards to donors, trustees and host governments. The bottom line as well as what constitutes accountability may be different for different stakeholders. Edwards and Fowler (ibid.) further point to the variable capacity among stakeholders to demand, appraise and respond to performance evaluation and its results. Donors have the highest capacity to demand accountability while NGO beneficiaries or members have the weakest capacity to do so. Additionally, even among donors there is greater capacity to demand and respond to functional accountability, that is accountability in regards to the use of resources and short-term impacts, than strategic accountability, which addresses wider and longer-term impacts.

[12] Lindenberg and Bryant (2001) argue that NGOs actually have a double bottom line. Development NGOs are responsible to achieve their mission objectives as well as financial sustainability, creating potential for tension and contradiction in evaluation of performance.

The NGO management literature generally identifies two trends or perspectives on performance assessment, each responding differently to the conceptual and practical challenges of performance assessment for NGOs. In the literature the second perspective is more broadly favoured by NGO scholars and is presented as a more appropriate approach compared to the first perspective, which is more prevalent in practice.

The first perspective on NGO performance assessment can be characterized as technocratic performance assessment. This approach views development as a linear process, favours quantifiable metrics and short-term impacts and attempts to address attribution to some degree. The technocratic approach is also hierarchical in its prioritization of accountability to funders (Lewis 2007). Fowler (1997) argues the technocratic approach is the approach supported by the aid system but is inconsistent with the realities of development. He elaborates on some of the specifics of the culture, instruments and assumptions of the aid system as evidence of this. Official donors favour a project cycle and therefore emphasize short-term impacts, whereas, he argues, development is a long-term process. At the same time, the instruments of the aid system, such as the logical framework analysis, conceptualize development as occurring linearly which Fowler argues it does not. The instruments of the aid system also focus on quantifiable metrics and establishing attribution, ideally through the construction of control groups, which Fowler argues can be expensive, time consuming and possibly unethical. Such approaches can also be practically and conceptually problematic given the qualitative nature of development NGO bottom lines and the factors external to NGOs that may impact the achievement of the development bottom lines as previously discussed.

The second trend or perspective on NGO performance assessment argues for a more interpretative approach. Lewis (2007) characterizes this trend as emerging from the wider participatory development approaches most associated with Robert Chambers. Fowler (1997) suggests an interpretative approach to assessment that stresses participatory techniques, the importance of learning as an objective of assessment and incorporating the views of multiple stakeholders (particularly the views of local beneficiaries). Assessment is primarily a formative rather than evaluative activity. It is ultimately a judgment based on the perspectives of multiple stakeholders (with beneficiaries as the key stakeholder), rather than an objective assessment of achievement or failure (Edwards & Fowler 2002, Fowler 1997, Lewis 2007). These represent fundamental differences from the principles of technocratic assessment.

The discussion of NGO performance assessment reflects the tension between an approach to NGO (and development) management based on the principles and tools of scientific management and NGO (and development) management based on an alternative set of values. The tension is linked in the literature to NGO participation in the aid system. The aid system is associated with scientific management and presents the risk of cooption and mission drift by altering the means and ends of NGO action away from empowerment and social change and towards service delivery. Microfinance presents a specialized case of this broader tension within development management and NGO operation.

2.4 NGOs and Microfinance

The microfinance movement rose to prominence during the 1990s. Microfinance was an NGO-initiated and led movement in an era favouring NGOs over the state as a more efficient provider of development products and services. Microfinance grew rapidly in the 1990s and into the 2000s.[13] At the end of 1997, 618 institutions reporting to the Microcredit Summit provided microcredit to approximately 13.5 million clients. By the end of 2007, 3,552 institutions reported providing microcredit to over 150 million clients.[14] Approximately 84 percent of the clients were women and nearly 107 million were reported by the lending institutions to live on less than $1 per day (Daley-Harris 2009, p. 3). The rapid growth of microfinance can in part be attributed to the institutional support it has received from aid agencies. During the late 1990s a consortium of supporters including practitioners, policymakers and donors began an effort to raise $20 billion for microfinance start-ups over the next 10 years (Microcredit Summit Report 1997 cited in Morduch 1999, p.1569). New funds and existing funds were directed towards the support of microfinance; new organizations emerged and existing organizations adapted poverty alleviation programming to include microfinance services.

Muhammad Yunus articulated microfinance's theory of change (or more precisely microcredit at the time) as "low income, credit, investment, more income, more credit, more investment, more income" (International Development Support Services 1994, p.6 cited in Hulme & Moseley 1996, p.108). The virtuous spiral initiated by small income-generating or promotional loans frees small entrepreneurs from dependence on usurious moneylenders, providing the capital needed to grow small enterprises on better terms. Microcredit, and subsequently microfinance, is not the first movement to recognize how limited access to financial services perpetuated poverty. It joins many previous efforts to provide financial services to the poor. Microfinance distinguishes itself from previous efforts in its use of an innovative combination of features intended to address the informational asymmetries challenging the viability of financial service provision to poor households (Morduch 1999).

Microfinance's promise is providing benefit to poor households normally excluded from formal financial institutions (notably poverty alleviation) through financially sustainable organizations. The key to achieving the second half of this promise is reducing costs. Costs are reduced by specializing in credit provision (and later financial services more broadly) and leaving aside costly social development strategies. Rather the focus is on achieving efficiencies of scale. The high and frequent repayment of a large number of small loans reduces transaction costs and provides the basis for financial sustainability.

Microfinance's most visible 'innovation,' group lending, further intends to reduce costs by addressing risks of adverse selection, moral hazard and enforcement.[15] Group lending overcomes the poor's lack of collateral. Loans are generally made individually to group members but with some degree of joint liability in the event of repayment difficulties to leverage the knowledge of group members to the lender's

[13] Microfinance refers to the provision of financial services to poor individuals and households. Microfinance organizations initially focused on providing small loans or microcredit to support the small enterprises of poor individuals. Microcredit later expanded to include the provision of additional financial services including savings, microinsurance, and money transfer and was thereafter commonly referred to as microfinance.
[14] The number of individuals receiving microfinance services was arguably higher, however, when microfinance programs promoted by national governments, such as India's SHG-bank linkage program, are considered in their entirety.
[15] Prior to the microfinance movement, group lending methodology was prevelant in informal financial systems, such as in rotating savings and credit associations (ROSCAs) and chit funds, found in India and elsewhere in the world (Harper 2002).

advantage.[16] Group members act in their own interest in group member selection and monitoring, reducing lender transaction costs and mitigating the lender's problems of adverse selection, moral hazard, and enforcement to maintain high repayment rates (Armendáriz de Aghion & Morduch 2005). Empirical evidence is mixed, however, on the importance of group methodology for maintaining high repayment rates. Hulme and Mosley (1996) found other microfinance innovations contributed more significantly to high repayment rates including positive real interest rates, frequent (monthly or more) repayment, incentives to repay (including progressive lending) and provisions for voluntary savings or insurance. Robinson (2001) concluded borrowers repay mainly to secure future borrowing, although repayment incentives, collection activities by staff, loan methodology and social or peer pressure are also factors.

The first half of the microfinance promise is serving poor households. Hulme and Mosley (1996) found examples of financially successful programs (as measured by high repayment rates) serving the poor (that is the average beneficiary income was below the given country's poverty line). However, they additionally found the most financially successful MFIs did not have the depth of outreach of less financially successful MFIs. The most financially successful providers tend to concentrate on the upper and middle poor rather than the "core poor" (ibid., p. 132).

The apparent trade-off between the dual goals of financial sustainability and depth of outreach generated an extended discussion over the reality, nature and implications of the trade-off. A relatively early point of discussion was around the differentiated needs of the poor and whether the poorest's needs were met by a 'credit-only' model. The 'credit plus' approach resulted and led to the transition to the term microfinance rather than microcredit. The credit plus approach advocates for a "broader financial services" agenda which promotes a more complex set of financial services including insurance, savings and protectional (rather than promotional) credit (Wood & Sharif 1997, p. 31). By addressing the narrowly construed credit only model microfinance can better meet the varied needs of the poor. Protectional credit and savings programs in particular are better suited to the needs of the poorest. This broader set of financial services could be offered within a particular organization or through a set of specialized institutions, although the latter strategy sacrifices some opportunities for cross-subsidizing and mobilization of savings for financing loan portfolios, important strategies for many organizations working toward financial sustainability. Thus in the 1990s the term microfinance replaced microcredit in acknowledgement of the expanded financial services needed to meet the needs of all poor households.

The financial sustainability/depth of outreach trade-off divided the mainstream microfinance model into two camps based on relative priorization of each goal. Although broad agreement on the need for credit plus exists between the two camps, proponents take different lessons from the problem of dual maximization. The dominant microfinance model prioritizes financial sustainability over depth of outreach. It refers to itself as the financial systems approach (Robinson 2001) but

[16] This section's general characterization of group lending methodology applies most accurately to the group lending model that dominates globally—Grameen-style lending to solidarity groups. Tha larger village banks and SHGs (the prevalent model in India) offer a variation on the Grameen model. For instance, lenders loan funds in the name of the SHG, which then on-lends to individual group members while in Grameen-style groups the lender loans directly to the individual. In both cases the loan is utlized by an individual group member and a form of joint liability is employed although the mechanisms differ. Further distinctions will be explored in Section 3.3 in the discussion of the Indian microfinance sector.

has also been referred to as the sustainability camp (Rhyne 1998) and the finance school (Fisher & Sriram 2002). The financial systems approach focuses on deepening financial markets through the mainstreaming of microfinance or building sustainable (commercial) financial institutions. Proponents contend that only commercially-oriented institutions can access commercial finance required to scale sufficiently to meet the large unmet demand for financial services among poor households (Robinson 2001). Thus growth to expand the breadth of outreach and thereby the assumed benefits of financial inclusion is the central justification of the approach.

Reaching poor households is central to the mainstream microfinance model generally, including the financial systems approach, but questions of how poor, in what numbers (relative to the overall set of clients) and with what services are at the heart of the disagreement between the financial systems and an opposing poverty–oriented approach. On the question of how poor, the financial systems approach questions the relevance of credit for the poorest or very poor. Robinson (2001) asserts credit is suitable for the “economically active poor” but not the very poor (Robinson 2001, p. 20). Credit will only add to the debt burden of the very poor who require food, employment, shelter and other basic requirements most suitably provided by subsidies and charity from donors and government. This assertion fits conveniently with the financial systems approach’s overall prioritization of financial sustainability as the poorest households are the most costly to reach. “The poorest of the poor,” she asserts “should not be the responsibility of the financial sector” (Ibid.).

The poverty-oriented camp agrees the very poor need more than credit but reject the idea that the very poor do not also require credit or do not have the ability to use it to their benefit and questions the idea of the economically active poor (Simanowitz & Walker 2002). The poverty-oriented approach asserts that a depth of outreach focus is essential to retaining the integrity and social benefit of microfinance. It assigns more “weight” to depth of outreach on moral and political grounds (Rhyne 1998, p. 8). It asserts a moral imperative to address the needs of the very poor but also points to the likelihood that unless the focus is on the poorest, benefits will be diverted toward those slightly better off who are easier to serve (Rhyne 1998). Evidence supports the notion that the focus on financial sustainability pushes microfinance providers upmarket to larger average loan sizes. Additionally, unless explicitly targeted, the very poor may be screened out through group lending methodology (Hulme & Mosley 1996).

The poverty-oriented approach asserts that the very poor can be served sustainably by microfinance. To do so is a question of the design and delivery of microfinance. Advocates of the poverty-oriented approach further promote the possibility of achieving financial sustainability while bundling financial services with other services (credit plus plus). Dunford (2001) asserts that the very poor can and should be served by microfinance organizations. He goes further to say that the very poor require an integrated and coordinated set of microfinance and other development services. Acknowledging the concerns of practitioners about bundling microfinance with other services based on the additional cost, he asserts that bundling can be achieved by financially sustainable organizations. He presents three models of bundling: linking, parallel and unified. Unified is the most limited in terms of services offered but also the model with the most potential to absorb the costs of additional activities while still achieving sustainability. He further argues that offering microfinance and other development services together can by synergistic. The additional development services may enhance the performance of microcredit clients by strengthening their loyalty to the organization as well as ability to productively use credit. At the same time, group-based microfinance presents an opportunity and favourable atmosphere to offer low-cost educational activities in a supportive environment that may increase the effectiveness of those educational activities.

Despite the insistence by the poverty-oriented approach that the very poor can be served sustainably, the debate between the two camps often resolves to position on subsidies (Robinson 2001, Rhyne 1998). The financial systems approach points to the high level of subsidy dependence among poverty-oriented microfinance organizations to assert the approach requires subsidies. At the heart of the question is whether the (very) poor can pay the full cost of their borrowing and whether interest rates should be subsidized. Although the microfinance movement overall has been characterized by high levels of subsidy dependence (Armendáriz de Aghion & Morduch 2005, Hulme & Mosley 1996), the financial systems' position stands in principle against subsidies for microfinance and points to BancoSol, BRI, and Compartamos as evidence of the potential for commericially-based microfinance.[17] Some allowance is made for subsidies to cover start-up of microfinance organizations before they reach the benefits of scale, arguments akin to the infant industries arguments found in international trade (Helms 2006, Armendáriz de Aghion & Morduch 2005, Hulme & Mosley 1996). Generally however the financial systems approach eschews the idea of subsidy based on their association with inefficiency, mistargeting, low repayment rates and ultimately institutional failure.[18] Long-term financing for microfinance should be based on locally mobilized deposits, commercial credit and for-profit investment.

The poverty-oriented approach however allows for the possibility of "smart subsidies" or carefully designed subsidies that maximize social benefit (in particular deepening outreach) while minimizing inefficiencies, distortions and mistargeting (Armendáriz de Aghion & Morduch 2005, p. 245). Smart subsidy arguments include subsidizing technical assistance such as building capacity that might not otherwise be funded (for instance MIS systems) or may result in positive externalities (such as impact studies) (Armendáriz de Aghion & Morduch 2005, p. 247). BRAC's collaboration with the World Food Programme in the Income Generation for Vulnerable Group Development (IGVGD) program suggests subsidies for outreach to very poor households not yet able to borrow at market rates. It provides them with food and training with the intent of 'graduating' them to BRAC's credit program (Armendáriz de Aghion & Morduch 2005, p. 247-248). Subsidies may also be used to equalize interest rates on very small loans with slightly larger loans, an approach with both an equity and social benefit argument. Very small loans may require the same level of intermediation and therefore require higher interest rates than larger loans to cover costs, interest rates that may be prohibitively and unfairly high for the very poor borrowers demanding the small loan size.

The logic and operation of the mainstream microfinance model (both the financial systems and poverty-oriented variants) is largely consistent with neoliberal ideology.

[17] The public listing of MFIs such as Compartamos in 2002 appeared to validate microfinance's potential not only for financial sustainability but financial profitability.

[18] The position grew from criticism made by the "Ohio school" of the performance of state-promoted subsidized credit programs. It expressed hostility towards any type of targeting and subsidy of rural finance citing the failure of these previous efforts (Hulme & Mosley 1996,139-142).Criticism pointed to the tendancy for diversion of cheap credit, its perception as grant-like by borrowers (reinforced by precedent of loan forgiveness by the state) and the little incentive for managers to improve efficiency. The dynamics of cheap credit mean poor repayment, erosion of capital base and institutional failure. The Ohio school came to dominate in the early 1980s. A primarily economistic theory it advocated deregulation and letting the market govern, coinciding well with the neoliberal philosophy dominating institutional donors at the time.

By providing small loans to poor households to support income-generating activities, microfinance supports the market as the primary development mechanism.
The focus on doing so through financially sustainable (and possibly even commercially-oriented) organizations also maps to neoliberal ideology. Microfinance rose to prominence as neoliberalism came to dominate development theories following the election of conservative governments in both the United States and the United Kingdom. The shift in thinking was reflected in the policy of donors, such as USAID, DFID and the World Bank.

Critiques of the mainstream model of microfinance extend beyond performance on its two-fold promise to the construction of the model itself. Critics suggest the mainstream model operates under a limited and "under-ambitious" set of objectives with regards to poverty alleviation (Wood & Sharif 1997, p. 32). Its intensive focus on lender sustainability reduces borrower sustainability (benefit) to "ability to repay" as measured by repayment rates. Further it relies on a narrow construction of poverty as an issue of income or financial liquidity and ignores the structural and political causes of poverty. Wood and Sharif (1997) argue even the broader set of financial services "over-fantasises the structural position and capacities of the poor to resolve their poverty through a more complex portfolio of financial services, while ignoring the realities of the political economy and culture" (ibid., p. 32). Such critiques of the mainstream microfinance model highlight its neoliberal underpinnings. Ultimately the mainstream view of microfinance (in both of its variants) generally reflects an individualistic, depoliticized view of poverty with its elimination focused on technical fixes. Groups are more often viewed instrumentally as efficient means for delivery of credit and perhaps other services rather than primarily for mobilization towards social change. Borrowers are more often viewed primarily as customers in a transactional relationship with microfinance providers. Such critiques also highlight mainstream microfinance's managerialist culture and tendencies as evidenced by a proliferation of handbooks instructing microfinance organizations on corporate governance, professionalizing staff, improving administrative efficiency and measuring performance.

Critics of mainstream microfinance argue from a different or alternative view of development and set of values (see Section 2.3). An alternative view calls for credit with social development (Fisher & Sriram 2002). Credit with social development focuses attention on how microfinance can be applied within a broader set of development goals, including livelihood promotion, developing the local economy, empowerment, building people's organizations and social change (ibid.). The mainstream microfinance model constrains NGOs from pursuing broader development goals or "more challenging social development" including "protection of the structural value of poor people's financial assets" which requires "wider forms of mobilisation and intervention" (Wood & Sharif 1997, p. 32-33). Wider forms of mobilization require people to be more than customers and NGOs to be more than microfinance organizations.

The debate over the proper prioritization of dual goals expectedly extends to discussions over how to understand and evaluate the social performance of microfinance. The tensions between managing for institutional self-reliance and client self-reliance is expressed in models of microfinance provision as discussed above but also reflected in theories of microfinance management and assessment. The following sections discuss relevant theories of microfinance management (Section 2.4.1) and social performance management and assessment (Section 2.4.2).

2.4.1 Theories of microfinance management: financial or social performance first

The impact chain refers to the theory of change at the heart of an intervention. It relates inputs and activities of an intervention to outputs, outcomes, and ultimately impacts through a series of assumed cause and effect linkages. Most impact assessments of microcredit rely on a relatively simple theory of impact in which financial services are linked to indicators of well-being through effects on household livelihoods and inter-personal relations (Duvendack et al. 2011, p.10). The most common measures of well-being involve income.[19] Credit can also have impacts beyond material gains, including behaviour and intra-household relations (Copestake et al. 2005). Hulme (2000) identifies two perspectives on which point in the impact chain performance indicators should be selected and monitoring and evaluation performed. The first perspective advocates assessing impact at the end of the impact chain: at the level of the intended beneficiaries. The second view measures impact at the beginning of the impact chain: at the level of the microfinance institution and its operation (specifically institutional outreach and sustainability).

These two perspectives reflect divergent views on the role, relationship and relative priority of social versus financial performance. Measuring microfinance impact based on institutional outreach and sustainability represents a 'financial performance first' perspective, prioritizing the financial performance of microfinance organizations (and consistent with the financial systems approach discussed above). It does so based on both theoretical and practical grounds. Proponents argue that institutional performance is a necessary and sufficient metric on which to base social impact. First, building a sustainable model of microfinance provision is a prerequisite for significant growth. Creating a scalable and replicable model for increasing outreach is necessary if microfinance is to impact large numbers of poor households. Second, proponents argue that increasing breadth of outreach (financial inclusion) in a sustainable fashion is itself evidence of positive impact. This argument relies on the assumption that sustainable extension of financial services, high repayment rates and improved choices ultimately leads to enhanced well-being as borrowers through a more efficient market are able to improve microenterprise performance (Hulme 2000). Social impact in effect is achieved through financial performance.

Measuring microfinance impact at the beneficiary level prioritizes social impact and represents a 'social performance first' perspective (and is more consistent with the poverty-oriented approach discussed above). While not necessarily opposed to measuring institutional performance, the social performance first school points to evidence demonstrating that social impact does not inevitably accompany high repayment rates and sustainable provision of financial services and therefore social impact must be explicitly managed and measured. It warns that prioritization of financial performance ultimately contributes to mission drift and compromises the social impact of microfinance.

The types of impacts to be assessed are various in a social performance first perspective. Hulme (2000) distinguishes between conventional economic impacts and social impacts, which have more recently gained prominence. The most common economic indicator is income. Other indicators include expenditures, consumption and assets. Social impacts and their indicators, which became popular beginning in the early 1980s, include educational status, access to health services,

[19] Microfinance is conceived as an intervention into livelihoods; however, credit is fungible. Additionally, money is instrumental. The actual impact of microfinance depends on how borrower households decide to use the additional resources. As such, it is difficult to anticipate all the potential impacts and income measures can be useful proxies.

nutritional levels, anthropometric measures and contraceptive use. More recently social impacts have been extended to include the concept of empowerment (specifically the empowerment of women). Empowerment impact is inferred through more direct impacts of household control over resources, involvement in household and community decision-making, levels of participation in community activities and social networks and electoral participation. Hashemi et al. (1996) created a composite empowerment indicator based on eight components: mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness and involvement in political campaigning and protests.

The financial performance first and social performance first approaches toward assessment represent divergent views on the primary outcomes through which microfinance contributes to development. Financial performance first emphasizes sustainable service delivery. It emphasizes management of and in development through its reliance on a contextually-neutral technical fix: financial inclusion. Recent trends in microfinance management, including the push towards commercialization in India and elsewhere, largely reflect the favoured position of the financial performance first perspective (and the financial systems approach).

Social performance first has the capacity to incorporate management for development and prioritize the empowerment and self-reliance of clients through its focus on the changes in the lives of beneficiaries. However, it must be noted that the relationship between both financial and social performance and social performance and an alternative view of development management is not straightforward. Social performance can be prioritized and managed in a technocratic and scientific fashion. Additionally, social performance and financial performance have a mutually reinforcing relationship (Copestake et al. 2005). Trade-offs exist, but the choice is not simply between financial or social performance but often between social performance now and social performance capacity for the future to the extent that financial performance builds capacity for future social performance. These nuances add to the complexity of negotiating between the social and financial performance.

2.4.2 Social performance assessment of NGOs in microfinance: from impact assessment to social performance management

Early efforts towards assessing the social performance of NGO-MFOs were primarily donor-driven impact studies conducted by external experts. [20] Cohen et al. (1996), in their review of microfinance impact studies, concluded donor agendas were reflected in the purpose, questions and methods of existing studies. Early studies (before 1990) were generally case studies and before-after studies of borrowers, but as development agencies devoted more funds to microfinance programs impact studies trended toward more rigorous quasi-experimental designs. While the earlier studies were helpful for identifying ways programs could be improved, they were "considered insufficient by donors and policy makers concerned with impacts on broader development objectives and whether or not microfinance programs are good investments" (Cohen et al. 1996, p. 4).

A frequently referenced dichotomy contrasts impact assessments with a 'proving' approach and those with an 'improving' approach (Hulme, 2000, Goldberg 2005). Donor agendas emphasized 'proving' impact assessments, which are primarily evaluative and seek to establish positive impact to validate the value of donor

[20] NGO-MFOs is used through this thesis to refer to NGO microfinance organizations or NGOs for whom provision of microfinance services is central to their operation or strategy.

investments and guide future policy-making. In addition to different objectives and audiences, the two approaches are often associated with specific methods of assessment. The donors, policy makers, academics and researchers who are the primary audience for proving impact assessments focus on scientifically rigorous methodologies to prove the impacts of microfinance interventions. Rigorous impact assessments involve experimental (randomized treatment and control groups) and quasi-experimental (carefully selected control groups) research designs. Improving impact assessments are rather formative and designed for organizational learning. The primary goal is to understand the processes of impact so that products and services (and impact) can be enhanced. The primary audience for improving assessments includes donor and practitioner field staff and program beneficiaries. Improving assessments are often characterized as less concerned with large sample surveys and control groups, and as using more qualitative, interpretative methods that sometimes resemble market research done in the private sector. The distinction between motivations for assessment may be useful, but can also be overly simplistic particularly in its association of each objective with specific methods (Wright & Copestake 2004). As greater attention became directed toward assessment of social performance, approaches emerged that sought middle ground between the needs of external and internal audiences, combined proving and improving goals and balanced practical and methodological issues by drawing from the full spectrum of methodological tools.

The impetus for an expanded discourse on assessment of social goals in microfinance emerged from concerns over the effect of rapid growth on the achievement of social goals. Rapid growth was accompanied by a preoccupation with improving institutional performance, increasing outreach and accessing the capital necessary to do so. This, in conjunction with a lack of attention to social goals within NGO-MFOs, created potential for mission drift. The financial performance first approach to NGO-MFO management contributed to, provided justification for and was reinforced by the focus on growth and institutional performance. A number of initiatives responded to the lack of attention to social goals and attempted to refocus attention on both social goals and monitoring and evaluation activities, including the USAID-supported AIMS project and the Ford Foundation's Imp-Act initiative. Practitioners also joined the call for renewed focus on measuring impact (Cheston & Reed 1999). The resulting literature focuses on practitioner-driven rather than donor-driven impact assessment; calls into question the necessity, desirability, and feasibility of addressing attribution solely through rigorous scientifically-based impact assessment design; promotes approaches to impact assessment that combine proving and improving objectives and characteristics; and broadens the conception of social performance assessment from impact assessment to social performance management.

The USAID-supported AIMS project sought to defend impact assessment and a renewed focus on clients (versus institutions) through assessment activities. The project is notable for its promotion of practitioner-driven impact assessment. Practitioners, it argues, have proving as well as improving objectives. They need and want to understand impact (proving)—benefits received and when and where they are received—and their clients (improving)—who their clients are and the extent to which products and services meet clients' needs. This requires utilization of a conceptually broadened toolset spanning the tools of impact assessment to market research.[21] AIMS also questioned the primacy of scientifically-rigorous impact

[21] The set of tools developed by SEEP under the AIMS program demonstrate the directions in which data relevant to achievement of social goals was extended in conjunction with the movement from a strictly impact assessment to social performance management approach.

assessment. Traditional impact assessment requires too much time, cost and expertise to be routinely used by practitioners. Therefore, a practitioner-focused approach to assessment requires an approach using mid-range tools. This represents a third school (between the proving and improving schools) based on balancing practical and methodological trade-offs and often using mixed methods (Wright & Copestake, 2004). AIMS accepted differences between scientific assessment and assessment that is practitioners-driven at least in part based on the assertion that proving is never entirely possible. Practitioner impact assessment asserts credible association, consistency and coherence and simple approaches in contrast to scientific assessment standards of attribution, rigor and complexity.

The Imp-Act project echoed and usefully extended some of the AIMS themes and arguments. Imp-Act also prioritizes practitioner-led assessment, argues the value of both proving and improving goals, and promotes a renewed emphasis on assessment of social goals through monitoring and evaluation activities. Imp-Act, however, broadens the assessment agenda further by focusing on social performance assessment, reflecting a larger shift away from impact assessment in the late 1990s. Social performance assessment (SPA) "refers to any activity intended to clarify how far an organization is achieving social goals" (Copestake et al. 2005, p.178). It includes information on the breadth, depth, and quality of outreach. Imp-Act also argues the importance of a focus on the institutionalization of SPA as part a social performance management (SPM) system. SPM implies an organization recognizes the value of information about clients beyond loan repayment, collecting the data and learning and making changes based on the data collected. SPM means the activity becomes an integral, routine or normal activity of the organization driven by the practitioner, rather than a periodic exercise primarily driven (and often performed) by external parties. SPM also highlights the feedback mechanisms that facilitate learning and decision-making based on SPA results.

The discussion around measuring microfinance's performance on social goals has evolved and expanded from a narrow focus on impact assessment to social performance assessment and management. But perhaps the most distinct tension still represented within the discussion surrounds the possibility and necessity of overcoming methodological difficulties, in particular solving the problem of attribution. Establishing attribution means NGO-MFOs can attribute whatever impacts or changes are observed through assessment to their intervention. It establishes that the changes did not occur due to other factors and would not have occurred in the absence of the intervention. Establishing attribution is central to the concept of impact assessment but in practice is very difficult to accomplish due to technical and ethical issues. Hulme (2000) discusses three approaches for dealing with the issue of attribution. The first approach is the conventional scientific method based in the natural sciences. This approach uses experimental design (in which the intervention is randomly assigned and the outcomes of those with the intervention are compared with a randomly assigned control group of individuals without the intervention) and quasi-experimental design (in which the intervention is not randomly assigned but those with the intervention are compared against a comparison group, carefully selected to control for differences). This approach is currently championed by the Financial Access Initiative, the Abdul Latif Jameel Poverty Action Lab (J-Pal), and the newly formed 3IE.

The second approach has its roots in the humanities. Mixed methods are often used

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Only one of the five tools explicitly addresses impact, covering individual, enterprise, and household level impacts. The other tools gather data on client exit, the use of loans, profits and savings over time, client satisfaction and empowerment (SEEP 2001).

and attribution is inferred but not proven according to the standards of scientific inquiry. Much of the literature arguing for practitioner-based impact assessment and social performance management reflects this approach. The third and newest approach features less prominently in the microfinance literature. It does not deal directly with attribution and most closely reflects the values of an alternative development management. Referred to by Hulme (2000) as the participatory approach, it does not accept one objective reality and sees the scientific approach as fundamentally flawed. Assessment is subjective and interpretative and in practice should prioritize the views of program beneficiaries consistent with development goals of empowerment. Few impact assessments implement a purely participatory approach.

As described in this chapter, the debates around the methodology, timing and purpose of performance assessment in microfinance are embedded in a set of larger and more theoretical debates, including over the reality, nature and implications of the trade-offs between social and financial performance. Two camps—distinguished as social performance first and financial performance first—take different lessons from problems of dual maximization and come to divergent understandings of the meaning and pathway for social impact through microfinance. More fundamentally, the social and financial performance first debate reflect tensions faced by NGO-MFOs as they balance their empowering missions with service delivery as well as NGO identity and values with the demands of the development industry and ideology within which they increasingly operate and interact. Avoiding the mission drift and diminishing social impact often associated with these tensions suggests an alternative approach to management in microfinance and development generally that is consistent with NGO values, referencing another tension with important implications for the social/financial performance debate: between a mainstream and alternative development management. Positioning with regards to these questions are in part a function of a particular NGO-MFO's ideological and geographical origin. Chapter 3 will explore some aspects of the environmental context by discussing the Indian development models, NGO sector and microfinance sector.

Chapter 3: Indian Context

The Indian state's development model and the forces that shape it constitute one aspect of NGOs' operating environment and shape NGOs in two ways. First, NGOs are embedded in and products of this operational environment. Second, their scope for manoeuvre is bounded by the norms and rules of their operational environment. The following section (Section 3.1) touches on models of development in India over time and some of the underlying dynamics that impact its policy and outcomes. Section 3.2 discusses the NGO sector in India. The final two sections discuss the microfinance sector in India (Section 3.3) and Tamil Nadu (Section 3.4). A theme throughout is the dynamics between NGO and NGO-MFOs and the state.

3.1 India and Development

In the immediate post-independence period India pursued a policy of state-led development. Later the Indian state's approach to development evolved and ultimately radically shifted towards an approach focused on the market rather than the state as the driver of development. This transition represented a rethinking and realigning of the roles of the state, market and civil society in development and produced contrasting development policies. However there is continuity in the underlying social processes that produced the diverging development models and policies. The sharp divisions and inequalities which characterize Indian society and the struggles they produce have consistently and significantly impacted development policy and outcomes. The following section first discusses the evolution and nature of the Indian state's model of development (Section 3.1.1) and then some of the key underlying dynamics that impact its policy and outcomes (Section 3.1.2).

3.1.1 Development models and policies

As India's first Prime Minister, Nehru conceptualized an Indian state grounded on the ideals of democracy, socialism, secularism, and federalism. Corbridge and Harriss (2000, p. 22) refer to these ideals as "mythologies of rule" that have consistently affected India's political and economic landscape since independence. Consistent with these ideals, Nehru charted a "third way" toward development between capitalism and communism. His model embraced modernization through state-led development. The National Planning Committee (NPC), established in 1938, and its five-year plans became central to a strategy of planned growth and industrialization (Corbridge & Harriss 2000).

Addressing inequality and poverty was integral to Nehru's vision for a democratic India and a critical goal of development policy. This goal was sought through pursuit of growth supplemented with fiscal redistribution, better regional balance and encouraging small-scale manufacturing. The 1950s and early 1960s saw average annual growth rates of 7 percent. Thereafter, however, growth fell and stagnated. The period following Nehru's death in 1964 is portrayed as one of declining state effectiveness and increasing authoritarianism. Partially in response to reduced growth rates, in the mid-1960s growth promotion was supplemented by increased allocations towards programs directly targeting poor households' minimum needs, such as employment and income generation (Guhan 2001).[22] Policies for rural

[22] Guhan (2001) attributes the transition to programs targeting the poor directly to the reduced growth rate, as well as: growing disagreements within the Congress party, widening regional and class disparities resulting from the Green Revolution, confidence that higher growth would support greater allocation to poverty alleviation and international agencies' policies emphasizing direct anti-poverty programs.

development also shifted in this period from a focus on community development to the Green Revolution (Corbridge & Harriss 2000).

Explanations for stalling economic growth in the late 1960s through the 1980s blame the inefficiencies of state intervention, demand-side constraints and a downturn in public sector investments (Corbridge & Harriss 2000). By the late 1980s India was near bankruptcy.[23] Some attempts were made during the 1980s to address the growing crisis through liberalizing reforms but reform attempts were limited by lack of political support followed by a return to increasing public expenditure. In response to the failures of state-led development and the escalating economic dysfunction, India initiated wide-spread economic reform through liberalization from 1989 to 1991. The reforms revived growth rates but arguably have favoured the business, agricultural and financial elite (ibid.).

3.1.2 Role of identities in production of development policies and outcomes
Bardhan (1988 as cited in Corbridge & Harriss 2000) suggests that underlying explanations for stalling economic growth beginning in the 1960s is an Indian political economy in which class structure (principally conflicts and compromises between the three dominant propertied classes) influences economic outcomes.[24] He argues the Indian "public economy" has become "an elaborate network of patronage and subsidies" in which the "heterogeneous proprietary classes fight and bargain for their share of the spoils of the system…" (Bardhan 1988, p. 219 as cited in Corbridge & Harriss 2000, p. 80).

Class, religious, regional and caste-based divisions are long-standing and have shaped Indian development policy and outcomes, both the liberalizing reforms of the 1990s as well as reforms in previous decades. Sharp divisions in social relations are legacies of the pre-colonial and colonial period. Dharmic norms and values focus on the centrality of duty within village life as defined through a social and economic hierarchy of caste relations (Heginbotham 1975, Harriss-White & Janakarajan 2004). The British reinforced and hardened caste and religious differences during the colonial period through policies reinforcing distinctions between groups, such as providing for separate electorates and reservations (Corbridge & Harriss 2000). The British sought to disrupt the independence movement by providing new incentives to participate in local politics while controlling the terms by which different groups could participate, antagonizing tensions between Hindus and Muslims.

The leadership of the newly independent Indian state was dominated by elites, despite its democratic rhetoric and aspirations. At independence the Congress Party won power based on a franchise representing less than 30 percent of India's adult population (Corbridge & Harriss 2000). Some scholars argue the Indian state is essentially a means by which social and economic elites protect and further their interests. Bardhan (1984) by contrast characterizes the Indian state as autonomous, dominated by a "state elite," which pursues "self-aggrandizement" as well as its own distinct vision of national interest, rather than dominated by social and economic elites. The state does however provide the material basis for new classes and is constrained by the agendas of dominant classes (ibid., p. 34). He argues that in the

[23] India's credit rating had been downgraded. It suffered from problems caused by deficit spending, an unfavorable balance of payments and diminishing foreign reserves. At one point the state only held enough reserves to cover two weeks worth of imports. The fiscal deficit rose to 9 percent of GDP in 1990 from 6.4 in 1980 and inflation reached above 10 percent (Corbridge & Harriss 2000)
[24] The three dominant classes are defined as : 1) industrial capitalists, 2) rich farmers and 3) white-collar workers and public sector professionals (Bardhan 1984).

post-independence period, India's state elite leveraged their prestige to pursue their vision of development, using state intervention in a process that exerted pressure on dominant classes rather than simply acting on behalf of those classes. However, as time passed the state elite found itself more constrained by the interests of social and economic elites and autonomy was reflected more in its regulatory than development role.

The perceived failures of state-led development by the mid-1960s contributed to the weakening of the Congress Party, which created a vacuum into which new political parties moved and through which the tensions and struggles between Indian's social groups have become more visible. New political parties represented regional interests and relied on the mobilization of lower castes. Corbridge and Harriss (2000) argue this has deepened a regionalism, which has long been a feature of Indian politics. It also marked a drift of power from the centre (national government) to state governments and from dominant classes and castes to lower castes. The latter trend may be taken as a sign of democratic progress (perhaps more fully realizing Nehru's vision of a democratic India) however Bardhan (1998, p. 132-133 as cited in Corbridge & Harriss 2000, p.138) argues the trend has been accompanied by an erosion of the "institutional insulation" of the decision-making process in public administration and economic management. The more impactful outcome of increased political participation by lower castes has been worsening corruption, nepotism and patronage. Guhan (2001) echoes the concern that divisions between regions, castes and classes worsened beginning in the 1970s and through the 1980s and 1990s as competition between groups for scarce resources has intensified in an environment of rising expectations.

The resurgence of Hindu nationalism during the 1990s, most notably represented by the Bharatiya Janata Party (BJP), gained momentum from the fracturing of Indian political power, forming alliances with regional political parties in its rise to prominence on a national level. Corbridge and Harriss (2000) refer to the rise of Hindu nationalism as one of the "elite revolts" occurring in the 1990s. The BJP first came to power on the national stage in 1999. Its base of support included a growing middle class and middle and higher caste groups that responded to BJP's message of Hindu nationalism, specifically its promise of building India's status in the world but in a distinctively Indian way (rather than through Westernization). The support of middle class and middle and higher caste groups for the BJP and Hindu nationalism was also motivated by their discomfort with the greater role lower caste and class groups were playing in political processes since the 1960s through participation in elections, social movements and party politics (Corbridge & Harriss 2000).[25]
A second elite revolt occurred in the 1990s, which illustrates the impact of class and caste struggles on development policy (Corbridge & Harriss 2000). The Liberalizing reforms of the 1990s were not an inevitable response to the financial crisis. India's financial problems provided an opportunity for dominant classes objecting to the earlier model of state-directed development to push for reforms based on their own

[25]Hindu movements emerged from both above—upper caste efforts to purify/uplift lower castes—and below—the anti-Brahmin movement. They continue to draw support from both middle class and upper/middle caste groups as well as lower castes. By drawing attention toward establishing a unifying Hindu national identity and threats from the outside (initially British, but now Christians and particulalry Muslims) the Hindu movements deflect the attention away from anti-elite or anti-Brahmin aspects of their movement and support. However, the diversity of support for the Hindu nationalist movement remains problematic. Upper/middle caste and middle class interests are in authority, stability, order and affirmation of Indian nationalism. These conflict with demands of other supporters of Hindu nationalism who are in some senses anti-nationalist and cause disorder.

interests. The liberalizing agenda primarily benefited dominant classes as it prioritized “business and trading regimes” over a “social investment regime” more likely to benefit the majority. The argument is demonstrated by the partiality with which liberalizing reforms were applied in favour of elite interests. For instance, the failure to liberalize the Indian agricultural sector in the 1990s reflects the power of the elite to adapt and shape the agenda of liberalization (Corbridge & Harriss 2000).

Despite the perceived failures of state-led development, poverty rates fell significantly beginning late 1970s and throughout 1980s, particularly rural poverty rates, although absolute numbers of those in poverty continue to rise (Corbridge & Harriss 2000). Gupta (1995) attributes poverty reduction to the transition in government spending in the mid-1960s to initiatives of the Green Revolution as well as some benefit from government spending on rural credit or employment guarantee schemes (which were 80 percent funded by the national government). More often, however, scholars note the failure of government schemes in this period to significantly or effectively address inequality and poverty. Guhan (2001) cites three sets of problems that plagued programs directed at the poor: 1) benefits were appropriated immediately or eventually to more well off, 2) resources allocated to programs were significant but not adequate and 3) programs depended on bureaucracies prone to inefficiencies, corruption and waste for implementation. These issues (particularly the first and third) illustrate how pathways of patronage and corruption reinforced by divisions in Indian society impact development outcomes.

The impact of growth through liberalization on poverty rates has been widely debated. Over 300 million Indians are still classified as living in poverty. While there is no consensus the most frequent conclusion is that poverty fell during the 1990s, but official estimates are overly optimistic, particularly for rural areas (Deaton & Kozel 2005). Critics of recent economic reforms also point to evidence of increasing inequality (in income and gender) (Dreze & Sen 2002, Sengupta et al. 2008, Kilby 2010). Persistent poverty and growing inequality highlight the limitations of recent macroeconomic development policies and the persistence of underlying problems of social division and discrimination (based on gender, caste, and religion) in India. The Indian state has long looked to Indian NGOs and more recently microfinance as tools for addressing issues of social development and this trend intensified in the era of liberalized economic reforms. The following section discusses the role of NGOs (Section 3.2) with a focus on how they have interacted with and responded to the state and its development model.

3.2 NGO Sector in India

NGOs have a long history in India. Principles rooted in tradition and scripture, including dharma (personal obligation or duty), jeev daya (humanitarian concern for all living things), voluntarism and philanthropy underlie this long history (Sen 1999). During British rule Christian missionaries influenced the emergence of mostly welfare-oriented NGOs characterized by a concern for rural credit and SHGs. Over time NGOs increasingly concerned themselves with political rights and social reform. The Indian National Congress, which was at the forefront of the Indian nationalist movement, formed as an NGO in 1885. NGOs inspired by the Gandhian movement and Marxist NGOs (focused primarily on organizing trade unions) also populated the set of Indian NGOs focused on social action and political mobilization. NGOs’ relationship with the Indian state has evolved: at times characterized by cooperation and partnership and at other times by distrust and even harassment by the state. But at all stages NGOs have been significantly impacted by the state. The relationship between the NGO sector and the state in India is a key element of the NGO operating environment and as such shapes to large degree the characteristics, missions, roles and outcomes of NGOs collectively and individually. The following sections review the changing state-NGO relationship by discussing: conceptualizations of civil society of which NGOs are a part (Section 3.2.1), processes of state coercion (Section 3.2.2), processes of state cooption and consent building (Section 3.2.3) through which the state asserts and inserts itself in the NGO sector, and finally, NGO responses to state influence (Section 3.2.4).

3.2.1 Civil society and the state

Civil society is generally conceptualized as a space in which social, economic and political justice is enhanced. It is an associational space separate from family, state and market (Ghosh 2009) or a "third sphere" distinct from the state and market (Chandhoke 2001, p. 3). Civil society organizations provide a counterbalance to state power by bringing people together in "meshes of solidarity" rather than through relationships of power as in the case of the state (Chandhoke 2001, p. 4). Kothari (1988 as cited in Ghosh 2009, p. 230) describes civil society organizations as mediators between citizens and the state. Other characterizations cast civil society organizations in a more radical mould as a space of resistance to the state (Kamat 2002). More recently, civil society is seen as including organizations that mediate, resist and compensate for the failures of the market as well (Bebbington & Farrington 1993). NGOs are one component of civil society and also sometimes characterized as collectively challenging to dominant political and economic models (Kothari 1998, p. 185 cited in Ghosh 2009, p. 233).

The variety of organizations and formations that constitute civil society perhaps provide room for the full range of roles attributed to civil society. A common theme in discussions of civil society's nature however is the reality and necessity of its independence from the state. A subset of the literature questions the autonomy of civil society from the state and discusses at length the implications of the state-civil society relationship on the theorized roles of civil society as described above. Chandhoke (2001, p. 4), for instance, argues that civil society does not possess a "distinct logic" from the state and argues in particular for the "collective existence" of state and civil society. She, along with others, points to a number of processes by which this collective existence is forged in India and elsewhere and the nature, role and practices of civil society shaped through and by the state. They can usefully be thought of as processes of coercion, consent, and cooption.

3.2.2 Processes of coercion

The state utilizes its coercive powers to control NGOs through regulation, repression and harassment. In the case of regulation, the state provides the legal framework defining the types of activities NGOs may legally engage in and the processes through which objectives may be pursued (Chandhoke 2001). Regulation of NGOs began in India before independence. The first act to regulate Indian NGOs was established in 1860. In his study of social action groups in India, Kamat (2002) asserts the most fundamental implications of the Indian state's regulatory power arises from the state's defining of development as non-political. This excludes political activities (and radical or militant action) from development and simultaneously defines economic activities as both developmental and non-political. The economy is seen as fixed in nature; the state can mediate but not fundamentally alter or control the economy. The state constructs itself as separate from NGOs and civil society and concerned with promoting the general public interest. With this construction the state defines and contains development to economic programs that address the individual needs and deficiencies of the poor and do not challenge (or even admit to) the social relations represented by state or market configurations.

The Indian state also uses its regulatory powers to monitor and control NGOs on a more micro level through legislation such as the Foreign Contribution Regulation Act (FRCA). In the era of globalization, international actors are gaining power to define development and NGOs' role in development; however, the FRCA demonstrates the Indian state's continued ability to control the activities of NGOs as well as the influence of foreign and international actors on NGOs (Jalali 2008). The original FRCA was passed in 1976 and directed toward political parties. The law's stated objective was to ensure foreign funds did not influence elections by barring organizations it defined as political from receiving foreign funds. A 1984 amendment of the FRCA broadened the scope of organizations barred from receipt of foreign funds by expanding the definition of political organizations.

The FRCA emerged from a period of "estrangement" and conflict between NGOs and the state that existed during the 1960s and 1970s (Kilby 2010). During this period mainly middle class youths, dissatisfied with the centralized state-led model of development, established alternative and more radical NGOs favouring village-level development. The sarvodaya movement (led by Jayaprakash Narayan and Vinova Bhave), calling for radical revolution and voluntary redistribution of land based on Gandhian principles epitomized the period. Under the FRCA, NGOs that would like to be eligible to receive foreign assistance must register and receive approval through the Ministry of Home Affairs, the same ministry dealing with internal law and order and security issues, a fact indicative of the adversarial posture of the FRCA and the state toward NGOs.

The trend toward more state control and regulation of Indian NGOs that began in the 1960s extended through the 1990s. (However, somewhat paradoxically, at the same time the 1990s were seen as an era of cooperation as the state continued to fund NGOs to deliver village-level services.) The FRCA continues to provide the state with substantial means to monitor, coerce and repress NGO activity it considers undesirable. Through the FRCA's eligibility criteria the state can deny foreign funds to NGOs engaged in activity it deems political. The state can order searches, inspections and seizures of NGO property and can revoke registration of NGOs it considers in violation of FRCA rules. The FRCA also requires verification of the NGO and its activities by local authorities, suggesting that NGOs with a problematic relationship with local government may be unlikely to receive approval for receipt of foreign funds. The FRCA has allowed the Indian state to essentially set funding priorities and direct funds away from sensitive areas and towards geographic and topical arenas it deems non-threatening. Some groups (women for instance) dominate those receiving approval for foreign funds while others are poorly represented (Muslims and dalits).

3.2.3 Processes of cooption and consent

Despite NGOs' vulnerability to close control and scrutiny by the state, apart from the antagonism of the1960s and 1970s, NGO-state relations have also been characterized by close cooperation. NGOs inspired by the Gandhian tradition in particular gained prominence as part of the nationalist movement. Their close ties with the nationalist movement translated into close cooperation post-independence. NGOs in this period have been characterized as a "shadow state" (with Gandhian organizations as the primary players), offering little opposition to the state and valued for their competency in service delivery at the village level (Kilby 2010, p. 9). In the absence of an openly adversarial relationship, the state influences the nature and practice of NGOs through more subtle processes of cooption and consent (Kamat 2002).

Kamat (2002) conceptualizes the state's primary rationality as legitimation. The state and elite classes exercise hegemony through processes of consent creation in which the interests of the elites are consented to by the broader population as representing the interests of all. These processes work through the institutions of civil society. Thus the primary function of the state is therefore legitimation of the interests of elite classes and the state is "immanent" in civil society rather than exterior to it. Kamat (ibid.) further argues that the state's construction of development is reproduced in the discourses and practices of NGOs through "universalizing discourses" such as nationalism and secularism that are not challenged even in critiques of development. Hence the state exercises hegemony and builds consent for the state's view of development through ideas of modernity (the free individual) and the liberal state (the citizen) (Kamat 2002, Chandhoke 2001). Through this process "subversion itself get[s] subverted" (Kamat 2002).

Another body of literature looks critically at the processes and degree of cooption and consent building by the state of NGOs through another set of processes. This analysis is based on a fundamental realignment in the roles of civil society (specifically NGOs), the state, and market that have occurred in the era of the Washington Consensus and neoliberal reforms. This realignment is characterized by the withdrawal of the state from direct implementation in many areas of welfare provision, the assertion of the market as the primary mechanism for economic growth and development and the increased partnership between state and NGOs in service delivery. Multilateral, bilateral and national governments have increasingly looked towards NGOs for the implementation of development activities targeting the poor. NGOs have proliferated as official funding (both international and domestic in origin) has been increasingly routed to NGOs for this purpose.

NGO dependence on official funds provides another basis for compromised autonomy. The trend toward increased official funds for NGOs generally has been discussed in previous sections (see Section 2.3.1). In India this trend has been followed by reductions in foreign funds to NGOs, which have primarily been replaced by national and state funds. In the early 2000s, the larger Indian NGOs were primarily supported with foreign funds. Ninety percent of formal funding for Indian development NGOs came from foreign sources, $1.85 billion in 2006 (Kilby 2010, p. 5). Beginning around 2005 Indian government funding started to replace international funding (ibid.). Dependence on state dollars comes with new types of state supervision. NGOs are transformed from organizations designed to promote the interests of poor individuals and into instruments of the state. In the context of increasing regulation and increasing state funding, NGOs become more dependent on the state and more vulnerable to state scrutiny.

Bebbington and Farrington (1993) suggest that cooption occurs in NGO—state partnerships as a result of their divergent objectives. NGOs may see value in collaborative relationships as a means of making development processes more participatory and transparent by gaining a role in the design and monitoring of development activities, while government agencies' primary goal is to reduce the public sector's role in these activities by using private sector (NGO) partners in program implementation. Government agencies may argue for the use of NGOs as implementers by citing their grassroots connection, but projects crowd out participation in favour of service delivery and program implementation. Any participation is strictly on terms dictated by the state (Sundar 2000).

Randeria (2007) argues that though the Indian state is sometimes portrayed as weak (when compared with international actors) it actually plays a prominent role in setting the NGO operating environment. She characterizes the Indian state as a "cunning" state (ibid., p. 4). Despite growing relevance of norms, rules and regulations established at the international level, cunning states (unlike weak states) retain the capacity to address the needs of citizens but play on perceived weakness to evade responsibility, justify the partial or selective implementation of policies and other devices. More particularly, the state uses not only funds but the terms of collaboration or partnership with NGOs to shift the responsibility for development (and its failures) onto NGOs. Therefore, it is not only through what the state does to gain greater supervision and control of NGOs but also through what it does not do (in the context of partnerships or contractual relationships) that the state coopts and redefines NGO activity.

3.2.4 NGO responses to the state

In their analysis of NGO-state collaboration in Latin America, Bebbington and Farrington (1993) assert the NGO responses to state—NGO collaboration is split between those that accept grants and contracts (and may even be organizations created for this purpose) and those that argue that through such partnerships NGOs become essentially consultancies and participate in privatization of services that should be the government responsibility. Hence partnerships represent cooption and undermine NGO identity. Sen (1999) observes a similar dichotomy in India. NGOs have responded to the tension between their identity and history as agents of social change and their new role as service provider for the state primarily in one of two ways. More radical NGOs respond to increasing regulation and instrumentalism by abandoning the NGO legal form in favour of informal networks. Remaining NGOs move toward a service-orientation, local-level focus, promotion of non-violence and a general avoidance of party political processes. [26] Sen (ibid.) characterizes modern Indian NGOs as primarily non-representative organizations that play an intermediation role (as opposed to being grassroots organizations themselves). As such NGOs see their role as helping disadvantaged groups assert their own rights. Ghosh (2009, p. 243) argues increased state funds has also contributed to a new generation of NGOs more concerned with program implementation than social change. New "Project NGOs" do not work to enhance space for civil society (ibid.).

Bebbington (1997) argues divergent responses to new state-NGO relationships are indicative of a crisis of NGO legitimacy, identity and sustainability. The increased prominence of the NGO sector in recent decades has been driven to a large extent by the external political and economic shifts that made donors willing to channel funds through NGOs, and hence to a degree modern are an NGOs institutional forms induced by external relationships. As external relationships continue to evolve, Bebbington (ibid.) argues, rather than rethinking politics NGOs should rethink the roles of the state, civil society and market and experiment with new institutional structures and forms. He describes three emerging institutional forms with relevance to the Indian NGO sector: NGO transitioning to consulting groups, becoming social enterprises and returning to NGO 'roots' through building stronger relationships with grassroots organizations. He characterizes microfinance as a special case of the second alternative. Such institutional transformations may fundamentally change individual NGOs. New institutional configurations may no longer be NGOs in a traditional senses as they combine a social and commercial logic and derive their legitimacy from the efficacy with which they deliver services.

[26] The trend away from national-level political advocacy was reinforced by the emergence of fundamentalist movements such as the Hindutva, from whom NGOs are cautious about drawing any hostile attention. The Raj Act of 1992, which gave local Panchayats larger budgets and broader responsibilities and increased opportunities to combine local-level activism with service delivery also reinforced the trend towards localization (Kilby 2010).

A potentially important factor to understanding how NGOs respond to state processes of coercion and cooption is their cultural and ideological origins. Heginbotham (1975, p. 10) discusses four cultural traditions relevant to bureaucratic behaviour in India. The traditions have relevance (though perhaps in different degrees and combinations) for NGO behaviour as cultural frameworks shaping orientations toward goals, motivations and relationships with communities. Heginbotham (ibid.) identifies three primary sources for organizational cognitive models: historical experience with formal organizations, ideological movements and the “broad nexus” of social institutions, values and attitudes that define cultural tradition. The four cultural traditions are described as dharmic, Gandhian, British colonial model and the community development model. The dharmic and Gandhian traditions are Indian in origin. The Gandhian model emerged from an ideological movement that attempted to modernize dharmic tradition. A similar relationship exists between the two cultural models of Western origin, the British colonial and community development models. The community development model applied modern values and behaviours to a bureaucratic model originating in the dynamics of British colonialism.

The dharmic tradition derives from traditional village life in which fulfilment of duty (as defined particularly by caste) is central. In an organizational context some implications for work attitudes include a focus on completing assigned tasks rather than working for results. The dharmic tradition does not account for setting priorities, assessing cost versus benefit or weighing results whether good or bad. The Gandhian movement accepts the dharmic view of an ordered universe and the centrality of duty, but rejects the social and economic hierarchy of caste relations. It further places pursuit of truth (and hence a result) at the centre of duty fulfilment. Each individual has the responsibility and ability to pursue and discover truth sought through the performance of duty. But while fulfilment of duty is internally motivated and toward a particular end, it is not followed for personal gain but as an exercise of selfless service. The Gandhian tradition emphasizes self-restraint in material gain and maintaining a social order that keeps competitiveness and greed in check.

Whereas the Gandhian model is built on engaging in selfless duty, the British colonial model is built on distrust and control. The model constructs a two-tiered system in which the lower tier is subject to elaborate controls, given limited responsibility, and completed routine tasks. The upper administrative tier (from which Indians were largely excluded) is self-regulating and holds most of the authority. The community development model in contrast gets people at all levels of bureaucracy psychologically, ideologically and intellectually involved through participation in planning, implementation and design of programs. Through participation that is both wide and deep, motivation is meant to be internalized and to empower.

The Gandhian tradition in particular motivated the creation and action of a generation of Indian NGOs. The sarvodaya movement led by Jayaprakash Narayan and Vinova Bhave called for a radical and voluntary redistribution of land based on Gandhian principles (Kilby 2010). Mathiot (1998 as cited in Kamat 2002) identifies Gandhian ideology as one of three ideological bases for grassroots action in Southern India (the other two being secular and Christian). The values of the Gandhian tradition continue to have implications for the organizational behaviour and performance of NGOs, both positive and negative (Copestake 1996). In the case of one NGO-MFO, Copestake (1996) found Gandhian values appear important to staff recruitment and altruistic behaviour but undermine a more commercial orientation that may be necessary to reduce dependency on subsidies and improve financial sustainability.

3.3 NGOs and Microfinance in India

The liberalising reforms of the 1990s contributed to a realignment of relationships between civil society, the state and the market in India and expanded the space for NGO action and state-NGO collaboration. Liberalizing bank reforms led by the Narashimham Committee contributed to a decline in the number of rural bank branches and credit (Shah et al. 2007). The NGO-led microfinance movement stepped into the vacuum created by state withdrawal from rural finance provision that was part of the broader set of economic reforms favouring liberalization.

The Narashimham Committee reforms followed a long history of state action to support rural credit provision. The government encouraged cooperatives in the late colonial and post-independence period beginning with the Cooperative Credit Societies Act in India 1904. The state recognized the dominance of rural moneylenders—who often combined roles of banker, employer (of labour), land lessor and crop buyer—and supported cooperatives as an alternative source of credit and means of liberating the poor from these exploitative relationships. Cooperatives remained central to the state's efforts to promote rural credit through the 1960s despite early and persistent problems. Often dominated by rural elites and characterized by conflicts of interest and poor financial performance, cooperatives failed to achieve significant outreach (Shah et al. 2007). According to the 1951 All India Rural Credit Survey (AIRCS), cooperatives and commercial banks combined held only 5.7 percent of rural household debt while moneylenders, traders and wealthy landlords accounted for approximately 75 percent (Shah et al. 2007, p. 14). By 1971 cooperatives and commercial banks combined held just under 25 percent of rural household debt (31.7 percent was held by all formal agencies), while informal agencies together still held nearly 70 percent (ibid.). In response to the failure of existing systems to meet rural credit needs, the Banking Companies Act of 1969 privatized 14 of India's largest commercial banks. The primary argument for commercialization conceived rural credit as a public good that profit-seeking banks would not provide and which was critical to the economic development of the country as a whole.

Nationalization was followed by a number of measures to encourage rural credit provision by banks. Measures included interest rate caps, requirements for expansion into unbanked areas to increase the number of bank branches in rural areas (including creation of regional rural banks) and the formalization of priority sector lending in which (by 1979) 40 percent of bank lending must be lent to the priority sectors.[27] In the 20 years following nationalization of banks, bank branches increased in rural areas and the share of rural debt held by moneylenders decreased to less than 20 percent (Shah et al. 2007, p. 14). By the end of the 1980s, however, the poor financial performance reported by public sector banks was a source of growing concern. The failed Integrated Rural Development Programme (IRDP) contributed to the banks' poor performance. IRDP was at the centre of the state's anti-poverty efforts during the 1980s. It provided cheap credit through banks to the rural poor for the purchase of income-generating assets, but made bad loans and suffered from low repayment.[28] It was in this context that the Narasimham Committee

[27] The definition of certain "priority" sectors was set in 1972. Priority sectors included agricultural and allied activities and small-scale and cottage industries. Sub-targets set in 1980 specify 16 percent of lending to agriculture and 10 percent to "weaker sections", which includes small farmers, landless laborers, tenants, and borrowers with credit limits of less than Rs. 10,000 (Shah et al. 2007, p. 13).

[28] Only 50 to 60 percent of IRDP loans owed were collected throughout the 1980s and early 1990s. The IRDP accounted for 40 percent of losses to commercial banks in rural lending

convened. The Committee's reforms improved the performance of public sector banks but also contributed to withdrawal of banks from rural areas and the vacuum in rural credit provision into which microfinance would step (led by NGOs and later supported by national and state government).

Meanwhile, for the 20 years prior to the Narasimham reforms, working with SHGs, typically organized around savings and credit services, had become a dominant NGO strategy (Kilby 2010). NGOs saw SHGs as an entry point for social change and "less about the delivery of services and more about the empowerment of group members to be able to make and act on expanded choices, and so advance their interests" (Kilby 2010, p. 25). The strategy was adopted by the government in the 1990s to address the continuing need for poverty alleviation measures and for new and effective approaches to rural credit provision that would be consistent with the neo-liberal reforms of the era. The SHG model of savings and credit provision is now widely supported by the national government through SBLP and has become the largest model of microfinance delivery in India. In recent years the dominant model of microfinance provision outside of India, MFIs working through smaller joint liability groups has been rapidly expanding within India. Section 3.3.1 will discuss provision of microfinance through SHGs and Section 3.3.2 will elaborate on MFIs in India.

3.3.1 SHG-bank linkage programme

As noted above, the main model of NGO operation in India that has evolved and expanded in the last 40 years is working through village-level SHGs. SHGs are groups of 10 to 20 people, usually women, organized for savings and credit purposes. NGOs in India, notably MYRADA, initiated the formation and promotion of SHGs and their linkage to formal credit services in the 1980s (Fisher & Sriram 2002). In the 2000s microfinance delivery through SHGs expanded rapidly and became the dominant model of NGO operation and microfinance provision in India due in large part to its promotion by the National Bank for Agricultural and Rural Development (NABARD) through its SHG-bank linkage program (SBLP) (Basu 2006).[29] An NGO typically acts as the self-help promoting institution (SHPI), assisting in promotion, formation, and training of new SHGs. The NGO-SHPI introduces the SHG to the bank after a qualifying period (generally approximately six months) during which group members save and rotate their own funds. Bank linkage offers the group access to larger sums through bank loans for which they the group is liable. After bank linkage the SHPI acts as an intermediary between the financial institution and the SHG. Roughly three fourths of all SHGs in the SBLP program operate with an NGO as the SHPI. As the SBLP expanded government agencies and officials have also become SHPIs. In some cases banks form and directly finance SHGs. According to NABARD (2006) 20 percent of SHGs are linked directly to banks without the social or financial intermediation of an SHPI. In a third and least common linkage model an NGO-SHPI forms and then also directly finances the SHG. Direct financing occurs in approximately 5 percent of SHGs (Swain & Varghese 2009a). The push for rapid expansion of SBLP has included a push for additional SHG-linkage models.

In April 2001, 285,000 SHGs had taken loans from Indian commercial banks, regional rural banks and cooperative banks through SBLP. With an estimated average of 17 members per group, SBLP provided 4.5 million women access to formal credit and savings services through SHG group membership (Fisher & Sriram 2002). By 2009 the number of women accessing formal credit and savings through

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during 1988 and ultimately an official loan waiver was granted in 1989 (Shah et al. 2007, p. 16).

[29] NABARD was established as an apex bank in 1982.

SBLP had increased more than tenfold to 63.3 million with an outstanding loan portfolio of Rs. 23,400 crore (Sa-Dhan 2009).

3.3.2 MFIs

The second avenue of microfinance provision in India is through MFIs. While the SBLP model is uniquely Indian, the MFI model is well-established internationally (Shah et al. 2007).[30] The MFI model most often delivers credit directly to individual women organized into joint liability groups of approximately five to seven members. Members save and borrow individually through the MFI. The function of the groups is primarily financial intermediation. Five to seven joint liability groups are organized into centres that meet regularly for the purpose of depositing savings and making repayment with the MFI worker. The group members are also jointly liable for repayment of each others' loans (Harper 2002). MFIs are often more commercially-oriented than the SBLP and focused on financially sustainable (or even profitable) microfinance provision. As with SBLP, MFI clients are primarily women (over 90 percent for MFIs reporting to Sa-Dhan in 2009); however, only the SBLP model explicitly includes mechanisms intended to empower women, through members' self-governing of SHGs.

In 2009 MFIs served 22.6 million clients (based on data reported for 2008-2009 by over 200 MFIs) and reported an outstanding portfolio of nearly Rs. 12,000 crore. Together the MFI and SBLP models reported an estimated 86.2 million Indians in 2009 as clients (Sa-Dhan 2009). Despite an outreach of only one-third that of the SBLP program, the MFI model's growth has eclipsed that of the SBLP model in recent years. MFI outreach grew by 60 percent and its outstanding portfolio by 97 percent in 2009. For the same year, SBLP grew its outreach to clients by 25 percent and its portfolio by 38 percent (ibid.).

Growth in MFI outreach was driven by the transformation of NGO-MFIs to for-profit legal forms (specifically for-profit non-banking finance companies or NBFCs) for the greater access to financing the transformation facilitates (Sa-Dhan 2009, Srinivasan 2010). Only 15 percent of MFIs were for-profit in 2009 but those MFIs represented 62 percent of MFI clients and 75 percent of the MFI outstanding portfolio. Not-for-profit MFIs (85 percent of MFIs) held the remaining 38 percent of clients and only 25 percent of the outstanding loan portfolio (Sa-Dhan 2009). The overall trend toward microfinance provision through for-profit MFIs was reflected in a large number of NGO-MFIs planning to transform to NBFCs. The trend toward a more commercial focus also influenced NGO-SHPIs. There was a trend among NGO-SHPIs toward transformation to NGO-MFIs as more funding became available for MFI operations than through NGO-SHPI arrangements (Srinivasan 2010).

3.4 Microfinance in Tamil Nadu

Southern India has consistently accounted for over 50 percent of bank-linked SHGs and between 45 and 55 percent of MFI clients. Within the region, Andhra Pradesh was the stand-out leader with an estimated 27.64 million microfinance clients in 2011 (comprising both bank-linked SHG members and MFI clients). Tamil Nadu's estimated number of microfinance clients in 2011 ranked a distant second at just

[30] Although the SHG model is uniquely Indian in bears similarities with the village banking model prevalent in Latin America, which is also, for instance, based on a larger group size (compared with the Grameen style solidarity or joint liability groups). Like SHGs, village banks receive and manage loans as a group rather than sharing liability on loans borrowed on an individual basis (Westley 2004).

under 12 million. The number of microfinance clients in Tamil Nadu was not only high in proportion to client totals in most other states but also in proportion to the number of poor households within the state. There were 3.85 microfinance clients for every poor household (Srinivasan 2012). Tamil Nadu's microfinance sector is characterized by high levels of penetration contributing to areas of saturation and significant competition. Tamil Nadu ranks among the top five states in terms of outreach through both avenues of microfinance provision. Consistent with trends in India overall, bank-linked SHGs contribute a greater proportion of the state's microfinance clients (7.56 million in 2011 compared with 4.25 million MFI clients); however, MFI client outreach and loan portfolio have increased at a faster rate than bank-linked SHGs in the most recent years (Srinivasan 2012).

As of 2011 the average loan size per SHG member was approximately 20 percent higher than the average MFI loan size (as indicated in Table 3.1 below). The bank-linked SHGs are promoted by government agencies and offered low-interest (subsidized) loans for the purpose of reaching and improving the socio-economic status of vulnerable women. In contrast, the largest MFIs operating in the state, while maintaining a social aspect to their missions, are operated on a for-profit basis. The apparent disconnect is explored further below. Section 3.4.1 will discuss SHG-bank linkage in Tamil Nadu and Section 3.4.2 will discuss MFI operations in the state. The chapter's final two sections describe growth and competition in Tamil Nadu's microfinance sector (Section 3.4.3) and the Andhra Pradesh crisis that began in 2010 with an emphasis on its impact in Tamil Nadu (Section 3.4.4).

Table 3.1: Microfinance outreach 2011

	MFIs	SHGs*
Client Outreach	4,250,000	7,563,114
O/S Loans (Rs. Lakh)	211700	462054
Average Loan Size (Rs.)	4981	6109

*SHG outreach and average loan size per individual is calculated based on an estimated 13 members per SHG (consistent with the 2011 State of the Sector Report (Srinivasan 2012))

3.4.1 SHG-bank linkage programme

Tamil Nadu has been a leader in the SHG movement in India. Two of the NGOs participating in NABARD's pilot of SBLP—PRADAN and ASSEFA—operate out of Tamil Nadu (Satish 2005). In addition to early and sustained support from NABARD through SBLP, the success of bank-linked SHGs in Tamil Nadu can be attributed to strong promotion by the state government (Sriram & Kumar 2007). The organization at the centre of state-sponsored SHG promotion is the Tamil Nadu Corporation for Development of Women (TNCDW), a quasi-government organization formed in 1983. Its objective is "promoting socio-economic development and empowerment of women" (TNCDW n.d.). The organization was under the administrative control of the Tamil Nadu Social Welfare Department until 2006 when it moved under the Rural Development and Panchayat Raj Department.

The major thrust for state SHG promotion began in partnership with the International Fund for Agricultural Development (IFAD). IFAD initiated and supported the Tamil

Nadu Women's Development Project (TNWDP) beginning in 1990 and until 1998. TNWDP focused on improving the welfare and status of women through formation of supported SHGs, mobilization of institutional and informal credit (through group savings) and promotion of income-generating activities. In 1996 the government of Tamil Nadu decided to use its own funds to maintain existing TNWDP groups and scale up SHG promotion efforts through its own project: Mahalir Thittam (IFAD n.d.). The TNCDW was the executing agency for TNWDP and provides leadership in the Mahalir Thittam project. NGOs are identified and trained to act as facilitators in the forming, training and supervising of SHGs. TNCDW works in partnership with the NGOs, providing financial and technical assistance. Mahalir Thittam has promoted the formation of over 440,000 SHGs and 12,000 Panchayat-level federations (Srinivasan 2010, p. 24). Estimates suggest that 70 percent of all SHGs in Tamil Nadu function within this state-NGO partnership (Kalpana 2008).[31]

3.4.2 MFIs

According to Sa-Dhan (2011), there are 39 MFIs operating in Tamil Nadu, 24 of which are headquartered in the state. MFIs operate in all 32 districts of the state. Out of the 10 largest MFIs in India (by outreach), 6 provide microfinance services in Tamil Nadu. Two of those are headquartered in the state—Equitas and Grama Vidiyal (Srinivasan 2011). In addition to the 39 MFIs known to operate within Tamil Nadu, other MFOs providing financial services on a smaller scale have been catalogued by a GTZ-commissioned study. This category of organization generally is NGOs that built a client base through earlier development projects and continue to interact with clients. Ninety-five percent operate in only one state and sixty-eight percent operate in just one district. More than half are less than five years old and the majority are registered as independent cooperatives. The most common mode of microfinance delivery was through SHGs with 432 of the 786 organizations documented operating in this fashion. The GTZ study found 102 such organizations operating within Tamil Nadu (Srinivasan 2010).

3.4.3 Growth and competition

The growth of bank-linked SHGs in Tamil Nadu has slowed in the most recent years. There is some indication this is due to bank fatigue, but SHGs also faced increased competition from the often younger and rapidly expanding MFIs (Srinivasan 2011). MFI growth was robust in Tamil Nadu until the aftermath of the Andhra Pradesh microfinance crisis that began in 2010. (The crisis will be discussed in further detail in the following section). The fall-out from the crisis contributed to a sharp contraction of growth in 2011.[32] Tamil Nadu MFIs experienced setbacks in client outreach and loan portfolio. They recorded one of the steepest declines in client outreach (along with Orissa and Andhra Pradesh) and one of the most pronounced declines in loan portfolios of any state (Orissa experienced the steepest, followed by Tamil Nadu and Delhi) (Srinivasan 2011). Tables 3.2 and 3.3 provide detail on the growth of the microfinance sector in Tamil Nadu between 2008 and 2011.

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[31] The remaining SHGs are generally facilitated by NGOs and other agencies not affiliated with Mahalir Thittam. Other agencies sponsoring SHGs include banks and other state government divisions. Groups promoted by earlier efforts of the Panchayati Raj still operate and SHG promotion is also a part of specific projects implemented by government agencies such as the Department of Agriculture and Department of Forests (Kalpana 2008).

[32] The Andhra Pradesh crisis also contributed to the sharp decline in MFIs reporting data to Sa-Dhan, the contributor of MFI data for the state of the sector reports.

Table 3.2 Bank-linked SHGs in Tamil Nadu & UTP[33]

Year	No. of SHGs	% Change	Loans outstanding (Rs. Lakh)	% Change
2008	480,307		271,576	
2009	576,350	20	344,542	27
2010	552,330	-4	421,274	22
2011	581,778	5	462,054	10

Table 3.3 MFIs in Tamil Nadu & UTP[34]

Year	Client Outreach	% Change	Loan Portfolio (Rs Lakh)	% Change	MFIs Reporting (for all states)
2008	1,705,721		57,829		NA
2009	2,370,257	39	119,410	106	233
2010	4,572,806	93	238,709	100	264
2011	4,250,000	-7	211,700	-11	170

Competition between the more established, state-sponsored program and the often younger and more commercially-oriented MFIs in Tamil Nadu is intensified by the dynamics between the two models. Competition from MFIs potentially threatens the viability of the state-sponsored program. There are also political and ideological reasons for stakeholders in the state-sponsored program to resist growing competition from MFIs. Evidence suggests that state-sponsored SHG promotion is perceived as a pro-poor, pro-women policy and SHG members a constituency that cannot be ignored. Both of Tamil Nadu's main political parties (DMK and AIADMK) have claimed credit for instigating state support for SHG formation (Kalpana 2008). There is therefore incentive for the state to protect the SHG-bank linkage program from competition by MFIs. There is also incentive to respond to (and perhaps encourage) accusations of misdeeds by MFIs such as those leading up to the crisis in Andhra Pradesh. As in other states where MFI outreach has been grew quickly, the government of Tamil Nadu has acted to temper the expansion and influence of MFIs (Srinivasan 2010). In Tamil Nadu the state has attempted to exclude "MFIs from the mainstream financing space" (Srinivasan 2010, p. 87).

The state-sponsored model centres on SHGs. SHGs are the vehicles for microfinance provision as well as for delivery of other state-sponsored efforts aimed at the broader goal of socio-economic improvement of vulnerable populations. Strong and stable SHGs are a means and end of this model. MFIs have been accused of breaking up SHGs into smaller groups to facilitate their preferred mode of lending

[33] Data on bank-linked SHGs and used in Table 3.3, Table 3.5, Chart 3.1 and Chart 3.2 are from NARBARD 2008, 2009, 2010 and 2011, the Status of Micro Finance reports published by NABARD annually. Data are as of March 31 of the year indicated.
[34] MFI data used in Table 3.4, Table 3.5, Chart 3.1 and Chart 3.2 are from the 2008, 2009, 2010, and 2011 Microfinance India State of the Sector Reports published by ACCESS Development Services and are as of March 31 of the year indicated. (Srinivasan 2009, 2010, 2011 and 2012) Data are self-reported by MFIs and as such are not time series data as all the same MFIs do not report in each year. However, they provide some indication of trends in MFI outreach and growth.

through individuals formed into joint liability groups (Fernandez 2006). This and other perceived interferences by MFIs with existing SHGs thus exacerbate tensions between the state and MFIs for reasons that extend beyond the viability of state-sponsored microfinance.

Finally complaints of usurious interest rates by MFIs in part reflect ideological discord regarding the interest rate the poor can and should pay for access to financial services. State-promoted SHGs offer low-interest subsidized loans while MFIs charge relatively higher commercially-based interest rates. Although membership in state-promoted SHGs is not restricted to the poor, small loan sizes are meant to target poor borrowers and the low interest rates reflect the rates deemed appropriate for poor borrowers.

More commercially-based MFIs in contrast may not target the poorest borrowers. It would seem such MFIs could co-exist well with a subsidized program effectively targeting poor borrowers. Research suggests however that when new competitors enter a microfinance market dominated by a socially-orientated lender, they can adversely impact depth of outreach as well as the financial performance of the incumbent lender. The new lender can do so in several ways. The new lender competes for and wins better off clients away from the incumbent undermining the incumbent's ability to cross-subsidize lending to poorer less productive clients. Credit contracts then become too expensive for poor borrowers reducing financial inclusion unless the incumbent can offer new products to retain better off clients. In another potential scenario, increasing competition allows "impatient borrowers" to take multiple loans, leading to declining repayment rates for the incumbent lender and worsening credit contracts that ultimately exclude the poor (McIntosh & Wydick 2005, McIntosh et al. 2005).

An estimate of the changing number of poor borrowers is not available but changes in average loan sizes provide some indication of the effect of increased competition on financial inclusion in Tamil Nadu. In recent years average loan sizes have increased for both MFI clients and SHGs members. Average MFI loan size increased in 2009 and then leveled off while the average loan per SHG member appears to have spiked in 2010. This may suggest a move upmarket by the state program, perhaps decreasing financial inclusion. Given the subsidized nature of state program, however, an alternate scenario could be conceived wherein larger subsidized loans are being offered to SHGs to compete with MFIs. Such a scenario suggests the possibility of increasing over indebtedness and eroding repayment rates.

Table 3.4 Average loan size Tamil Nadu

Year	Ave Loan/ MF Client	% Change	Ave Loan/SHG	Ave Loan/ SHG Member	% Change
2008	3,390	-	56,542	4,349	-
2009	5,038	49	59,780	4,598	6
2010	5,220	4	76,272	5,867	28
2011	4,981	-5	79,421	6,109	4

3.4.4 Andhra Pradesh crisis

The data and analysis of the microfinance sector discussed in the previous sections span the years immediately preceding and following the microfinance crisis that began in Andhra Pradesh in 2010. The years leading up to the 2010 crisis in Andhra Pradesh were years of rapid growth in microfinance outreach both by government backed and privately-support microfinance organizations. Immediately prior to the crisis, growth was driven by private equity investment in MFIs that principally operate as NBFCs. Private equity investors demanded high and rapid returns on their investments, which further drove rapid growth by MFIs and ultimately contributed to the degradation of the relationship between MFIs and their clients and the recent crisis.

The crisis began when the Task Force Committee began receiving complaints of unethical behaviour by microfinance institutions in Andhra Pradesh. Concerns were simultaneously being raised by other regulatory agencies leading to demands for tougher oversight of microfinance institutions. Concerns covered the use of coercive collection techniques, misleading and usurious interest rates and multiple lending by microfinance institutions, leading to the over indebtedness of poor clients. Such behaviour was reported to have contributed to a series of suicides in Andhra Pradesh. In response to the growing concerns, the government of Andhra Pradesh passed the Microfinance Institutions Ordinance in October of 2010, which essentially prevented MFIs from collecting loan payments. The immediate effects of the ordinance were a dramatic decline in repayment (recoveries dropped to approximately 40 percent on average) and a credit crunch for microfinance organizations in Andhra Pradesh and beyond (MicroSave 2010). The Andhra Pradesh crisis motivated action on a national level. The Reserve Bank of India (RBI) issued new regulations for NBFCs in 2011 and additional legislation and/or regulation is pending.

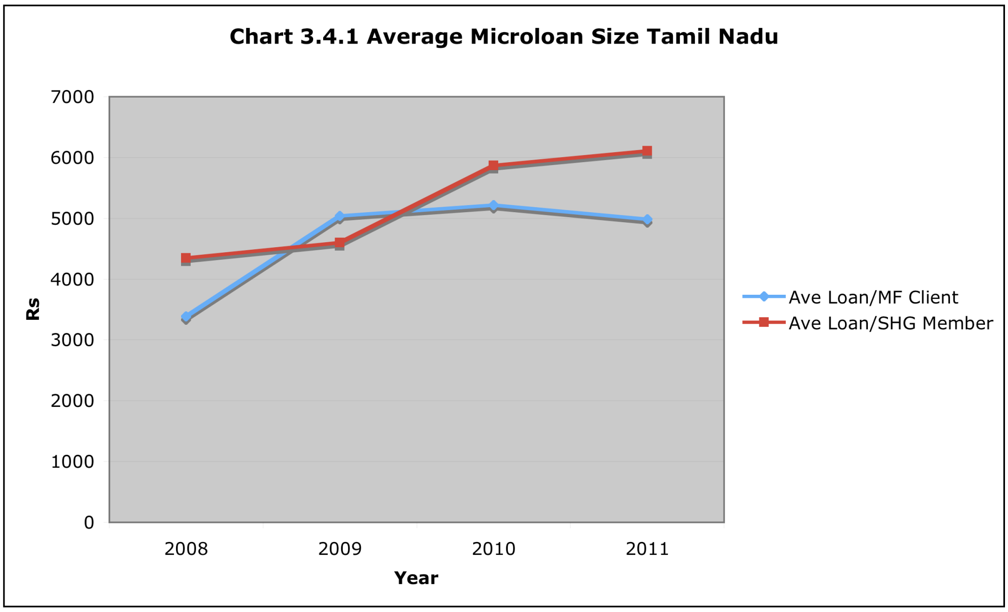
State action to curb MFIs in Andhra Pradesh also gained momentum from some of the same tensions that exist in Tamil Nadu between its state-supported program and MFIs. The similarities in circumstances and dynamics between Tamil Nadu and Andhra Pradesh beg the question why Tamil Nadu has thus far avoided a similar crisis. The fall-out from the crisis contributed to a sharp contraction of growth for MFIs in Tamil Nadu by 2011. MFIs rely heavily on domestic banks for lending, as demonstrated by a study of wholesale lenders that found MFIs in Tamil Nadu primarily borrow from domestic banks due to priority sector lending guidelines and regulations restricting lending from foreign financial organizations. MFIs diversify lending sources by borrowing from a number of banks but do not have diverse types of lenders (Marr & Tubaro 2011).[35] In the aftermath of the crisis banks became more reluctant to lend to MFIs generally thus contributing to a contraction in growth in Tamil Nadu.

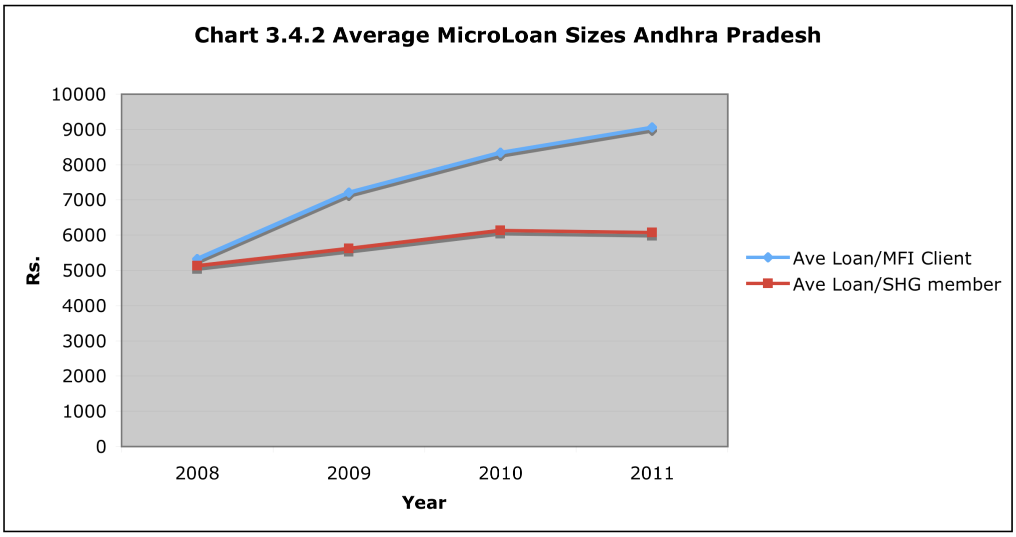
Marr & Tubaro (2011) suggest the Andhra Pradesh crisis did not spread more significantly to Tamil Nadu because MFIs in the state operate using a model that balances dual social and financial goals and discourages mission drift, citing Equitas as an example of this model wherein a for-profit NBFC provides microfinance services alongside an affiliated NGO providing social services. (Equitas contributes 5 percent of its profits to an affiliated NGO.) The implication is this model prevented the most egregious behaviour (for example coercive collection techniques) that accompanied rapid growth and undergirded state action in Andhra Pradesh.

[35] Only a few key non-bank lenders factored significantly into the wholesale lender market. Key non-bank lenders in the state include the Small Industries Development Bank of India (SIDBI), Oikocredit, and FWWB (Marr & Tubaro 2011).

Growth rates may also have contributed to limiting the degree of crisis in Tamil Nadu. During 2008-2009 SHG formation and linkage in Andhra Pradesh grew at 2.5 times the rate of Tamil Nadu. Given Andhra Pradesh's already higher numbers of bank-linked SHGs this meant that in 2008-2009 more than 400,000 new SHGs were formed and linked with banks compared with just fewer than 100,000 in Tamil Nadu. Growth slackened in Andhra Pradesh but was still strong in 2009-2010 with the formation of approximately 250,000 new SHGs. Meanwhile in Tamil Nadu the number of bank-linked SHGs actually dropped by 4 percent in 2009-2010. This may imply lower levels of competition, saturation, multiple lending and over-indebtedness in Tamil Nadu. It may also mean MFIs had fewer opportunities in Tamil Nadu to capitalize on existing SHGs for recruitment of new clients, a key source of escalating tension between the state and MFIs.

A comparison of average loan sizes between Andhra Pradesh and Tamil Nadu provide another basis to infer tension between the state and MFIs in Tamil Nadu may have avoided the degree of escalation found in Andhra Pradesh. Average loan sizes were lower in 2008 in Tamil Nadu than Andhra Pradesh and growth in loan size more moderate over the next few years. Also the gap between SHG and MFI average loan size in Andhra Pradesh became pronounced between 2008 and 2011. MFIs increased average loan sizes by more than 60 percent while average loan sizes in the state-sponsored program increased by just less than 20 percent. In Tamil Nadu the state-sponsored program appears to respond to a sharp increase in MFI average loan sizes. Although it is unclear exactly why this occurred, it may mean the state program responded to MFI competition by adapting its strategy and offering larger loans to SHGs.





Microfinance faces a number of challenges and constraints in Tamil Nadu many of which derive from the institutional context. The aggressive promotion of microfinance by the state government through SHGs together with its wariness of MFI expansion and competition intensify the competitive and dynamic operating environment. The tension between the two arms of the microfinance sector may not have reached the intensity of Andhra Pradesh, but suggest a number of potentially adverse social impacts including increases in multiple lending and over indebtedness. On the other hand, partnership with the state (such as through bank-linkage programs) presents risk of cooption and mission drift given divergent objectives and visions for NGO action.

A theme in Chapter 3 has been the role of the state in creating the operational environment for NGOs generally and NGO-MFOs more specifically. The Narashimham Committee reforms created a vacuum in rural finance provision into which NGOs and MFIs stepped and the SHG-bank linkage program provided additional momentum to NGO participation in microfinance through direct collaboration with the state. The state's strong presence in 'development management' as well as its use of regulation sets important limits on NGO-MFOs' room for manoeuvre with regard to social and financial performance. Put another way, the state in many ways shapes the landscape of NGO-MFO operation, dictating the available pathways to mission fulfilment and to an extent the nature and scope of missions that can be pursued. NGO-MFOs' negotiation between social and financial performance is in part then a choice about how to respond to the state. Organizational identity and origin, including those particular to the Indian context, factor into NGO-MFO responses.

The following chapter (4) shifts the discussion to the research methodology that informed the empirical work, which will be discussed in Chapters 5, 6, and 7. Chapter 8 will then return and discuss the literature in light of the findings of the empirical work.

Chapter 4: Methodology

4.1 Introduction

The motivation for my research was to understand how socially-oriented NGO-MFOs manage the tension between borrower self-reliance (social) and organizational self-reliance (financial performance) in practice, getting beyond organizational rhetoric and externally-imposed prescriptives to understand the nature, quality and quantity of social performance management and assessment from the perspective of the NGO-MFO. This chapter describes the research methodology. After presenting the research questions, I describe how the research evolved and make the case for moving towards a mainly qualitative approach. Sections 4.2 and 4.3 then describe the two stages of the research, starting with the systematic review (Section 4.2) and followed by the case studies (Section 4.3). These sections address scope and case selection respectively, data collection sources, methods and analysis. A theme throughout the chapter is the evolution of the research design, particularly through negotiation between case study organizations and myself. The final section, Section 4.4, reflects further on this negotiation, first discussing ethics, in particular the ethical issues around establishing and maintaining access, and finally reflecting on how my own social identities impacted the research.

4.1.1 Research questions

The overarching research question is how do NGO-MFOs manage the tension between promoting the self-reliance of clients (social performance) and of their own organization (financial performance)? The research takes a particular focus on social performance management systems based on assertion that an adequate flow of information on performance is a necessary input for any effective management of either social or financial goals.

The research sub-questions include the following:

1. How are social goals translated into performance assessment and management systems?
2. What are the tools and systems for information collection and the feedback mechanisms to decision makers?
3. What internal and external factors drive or constrain social performance management?
4. How and to what extent do decision makers retain and enhance room for manoeuvre?
5. To what extent did approaches to social performance management play a role in protecting MFOs in Tamil Nadu from experiencing the level of crisis recently experienced in Andhra Pradesh?

The research sub-questions are both descriptive and explanatory. They are concerned with describing social performance assessment and management systems but also understanding underlying drivers and constraints on these. I adopted a two-stage research design. The first stage involves a systematic review of the published impact assessments of Indian microfinance. The second stage involves case studies of two Indian NGO-MFOs.

4.1.2 Research approach

This thesis began from a positivist view and evolved towards a more interpretivist view over the course of the research. At the outset my research approach was based on a mainstream and managerialist view of the performance assessment and management challenge facing NGO-MFOs (that is to manage performance in light of information systems focused on social and financial performance indicators). I intended to describe and discuss the nature, quality and quantity of performance assessment and management by NGO-MFOs, to tell what was or was not happening and why. Despite a positivist view I chose data collection methods and types of evidence that were primarily qualitative. Qualitative methods were chosen pragmatically based on suitability for addressing the research questions. Holland and Campbell (2005) describe the relative strengths of qualitative (versus quantitative) research as its descriptive (rather than predictive) power, analytical depth (rather than breadth) and explanatory power. A qualitative approach thus suited the central research goal of describing and explaining social performance management and assessment systems, requiring a focus on textual and narrative data and analysis. I expected to also gather quantitative data on social and financial indicators, but textual data would be central to the thesis and viewed as adding factual depth.

Denzin and Lincoln (1998) challenge the legitimacy of characterizing research as qualitative in terms of methods and types of evidence only and separated from epistemological debates between positivist and constructivist paradigms. However others assert alternative epistemological and ontological positions justify a pragmatic separating of these larger debates from methods and argue for the usefulness of mixed method approaches (Patton 2002, Holland & Campbell 2005). I established the research design on the basis of the latter argument. The choice of systematic review rather than a more traditional literature review reflected this orientation. Although the review involved a textual analysis (rather than a meta-analysis of correlations between key variables) it was chosen to avoid, through systematic procedures, bias towards impact studies published in more prestigious journals or about larger organizations. A review of a broad body of literature is consistent with the goals of the review.

The systematic review looks to secondary literature as a source of evidence about the nature, quality and quantity of social performance assessment. It provides evidence from published impact assessment studies on types of indicators and how they are assessed. The case studies are a second source of evidence on social performance assessment, but drawn from a broader organizational context rather than discrete, formal impact assessments. The two bodies of evidence correspond to two different approaches to assessing microfinance. The first restricts assessment to independent and externally-driven impact assessment conducted at the sector level and primarily to inform policy and draw conclusions about the impact of microfinance broadly. The second represents the broader notion of social performance assessment and management wherein microfinance assessment is integrated and driven at the organizational level, addressing impact but other learning objectives as well. As such the two bodies of evidence present a point of comparison on the nature, quality and quantity of social performance assessment and management. I also considered the systematic review as potentially informing case study selection and did not finalize case study selection until completing the systematic review. Ultimately, however, I found the available impact assessment literature represented a very small minority of NGO-MFOs (see Section 5.4) and applied other methods to case study selection as will be described in Section 4.3.2.

I began the case study fieldwork still with a normative framework about what constituted a good social performance management system and still with the intent to collect any available quantitative data for comparison with qualitative data collected. I arrived with a general data collection plan, interview guides and data checklist. Once in the field I found my case study organizations did not primarily identify as MFOs (or even necessarily as NGOs), creating push-back against my data collection plan and tools, based as they were on mainstream frameworks of social performance management and assessment emerging from microfinance and NGO literature. I also found my case study organizations did not have significant quantitative data on social performance indicators nor a particular interest in collecting such data. The implication was this thesis moved from a positivist orientation and methodology to one that is more interpretivist. The process and means of data collection become more naturalistic, ethnographic, emergent and negotiated.

Section 4.2 elaborates on the methodology of the systematic literature review including its scope, data collection and analysis. Section 4.3 elaborates on case study site and case selection, data collection sources, methods and analysis. In the latter section in particular I will describe the methodological shift that occurred through the case study fieldwork, in response to learning in the field as well as practical realities. The final section, Section 4.4, discusses ethical issues, in particular the ethical issues around establishing and maintaining access, and finally reflects on how my own social identities impacted the research.

4.2 Research Design: Systematic Literature Review

4.2.1 Introduction

The systematic review provides a broad survey of impact evaluations of microfinance in India. The review examines what studies conclude about the impact of rural microfinance in India on its users and provides a means of evaluating the nature, quantity and quality of information supplied through this approach. This approach to social performance assessment represents the approach typically favoured by donors and government and as such constitutes an important framework and point of comparison against which NGO-MFOs' own social performance management and assessment systems can be viewed and analysed.

The Campbell Collaboration and the EPPI Centre provide guidance specifically on systematic reviews related to social policy. The EPPI Centre distinguishes a systematic review from a traditional literature review based on four key features: 1) methods are explicit and transparent, 2) follows a standard set of stages, 3) is accountable, replicable, and updateable, and 4) involves users to ensure its conclusions are relevant and useful (EPPI Centre 2009). The Campbell Collaboration likewise emphasizes explicit procedures that are defined in advance and allow the review to be repeated (Campbell Collaboration n.d.). By explicitly defining scope and methods prior to the review, systematic reviews intend to reduce bias, survey a broader body of literature or evidence and enhance the credibility of conclusions (EPPI Centre 2009).

The methodology of the systematic review has been adapted from the EPPI Centre guidelines. Stages of a systematic review include setting the research question, establishing the review protocols (including scope and methods for the review), and conducting the review (searching for studies, screening studies, and synthesizing studies) (EPPI Centre 2009). The majority of the systematic review was undertaken between May and December 2010. The review's question and protocols were developed during May and June 2010; searching and screening of studies was conducted during July and August 2010; the majority of study synthesis was completed between September and December 2010. The following two sections will summarize: 1) the review question and scope and 2) protocols used for searching, screening and synthesizing studies.

4.2.2 Scope[36]

The question guiding the systematic review was: What is the evidence of the impact of rural finance in India on socio-economic indicators?[37] The objectives of the review were to 1) examine what available literature suggests about the nature of social and economic impacts of rural microfinance in India on its users and 2) what the studies' design and implementation suggest about the practice of social performance assessment through impact studies (including the nature, quantity and quality of information supplied).

The review included studies of impact from retail financial services on their users or potential users.[38] Any institutional provider may offer the financial services. Possible institutional providers include commercial banks (including regional rural banks (RRBs)), commercial or NGO-MFIs, and cooperative societies.[39] NGOs and public institutions that support user-controlled financial services or facilitate linkage between users and financial institutions (such as through SHG linkage programs) were included. While they may not directly provide the financial services, NGO-MFOs are often integral to the provision of microfinance in user-controlled models. Studies of unregulated or entirely self-managed financial services, such as ROSCAs, ASCAs etc., were excluded.

While subjects receiving financial services do so individually, impacts may be assessed on the individual, household, enterprise, self-help group or local community level. The review considered a range of socio-economic impacts on users of financial services including economic or money metrics and social metrics. Social metrics included measures of health and nutritional status, education, social and cultural resources and empowerment measures.

The review included quantitative and qualitative studies representing a wide range of methodologies. Included studies explicitly intend to make some inferences regarding impact and in the case of quantitative studies use some form of comparison. Studies may be formally published, unpublished or web-based. They may be reported in academic journals, working paper series, conference proceedings, organizational reports or PhD thesis/dissertations. The review limited itself to studies available in English and only considered studies from 1991 to 2010 when the review was completed. The 1991 cut-off limits the review to studies of rural financial services since the financial sector reforms of the Narasimham Committee (see Section 3.3).

[36] For a more detailed description of scoping criteria see Section 5.1.2

[37] The broader term rural finance is chosen over microfinance in recognition that not all studies will self-identify with the term microfinance.

[38] Financial services are understood to include credit, savings, insurance and other financial services. The review included studies focused on the impact of non-financial services when the intervention also explicitly includes financial services. Financial services may be offered as a platform for pursuing wider goals of social mobilization and empowerment. The review included studies of interventions in which financial services are integral but viewed as subordinate to a wider social mission.

[39] While commercial banks, cooperatives and some MFIs are not NGO-MFOs, they may provide financial services as part of the SBLP.

4.2.3 Data collection and analysis[40]

I created a list of proposed search terms based on the scope of the review described above. The search terms provided a starting point for each database search. The databases were primarily academic and organizational websites (for NGOs, research organizations, and funders) and provided coverage of major academic journals, conference proceedings, working paper series, organizational reports and other unpublished research.[41] I used a search log to record the date of each search and the number of results by database and search terms used.

For each search result I reviewed study titles and abstracts when available to determine whether the study met the inclusion criteria of the review as established by the review's scope. Based on this initial review, search results were categorized as included, not included, or inconclusive. Full documents were then obtained and used to verify inclusion of all results categorized as included or inconclusive. Studies included based on searching and screening protocols were compiled along with a set of studies that were known to me prior to the review to create a full list of the included studies.[42] I used an Excel spreedsheet to record the key characteristics and findings from each study and to facilitate comparison between the included studies and constructed a narrative synthesis of studies using the extracted data. The findings of the systematic review are discussed in Chapter 5.

4.3 Research Design: Case Study

4.3.1 Introduction

The second stage of my research design includes two NGO-MFO case studies. I chose a case study design based on appropriateness to the research questions and goals. According to Yin (2003), case studies are useful when relevant behaviours cannot be manipulated (as through experimental designs) and when examining current events. Fitzgerald and Dopson (2009) further argue case studies are particularly suited to the complex contexts in which organizations are embedded. Thus a case study usefully facilitates observing an organization's internal workings (in this case existing social performance assessment and management systems) and building understanding of them in relation to context and environment, consistent with the goals of this research.

4.3.2 Case study selection

The case studies were chosen from NGO-MFOs operating in the state of Tamil Nadu. Tamil Nadu was chosen based on three factors. First, a mature microfinance sector was appropriate for the fieldwork as a sufficient number of microfinance organizations was necessary to find organizations that met the criteria for case selection and were willing to be the subject of a case study. Tamil Nadu has a well-established microfinance sector. Outreach through MFIs and SBLP is the second largest in India, only behind Andhra Pradesh (Sa-Dhan 2011, Srinivasan 2011). Second, Tamil Nadu provided an opportunity to examine the potential role of social performance assessment and management in avoiding or mitigating the crises seen

[40] For a more detailed description of search strategy see Section 5.1.3 (including Chapter 5 Table 1: List of proposed search terms and Chapter 5 Table 2: Databases). Also see Sections 5.1.4 and 5.1.5 respectively for more detailed descriptions of screening procedures and data extraction and analysis. Section 5.1.6 addresses limitations of the systematic review.

[41] The review did not generally include checking study references as an additional search strategy.

[42] All but one of the known studies would have been found following the review's search and screening protocols. Searching generated over 2,000 results; after screening 54 studies met criteria and were included in the systematic review.

recently in a number of locales, including in Andhra Pradesh in 2010 (Marr & Tubaro 2011). Finally, Tamil Nadu was chosen based on contacts available to me in the state, which ultimately were critical in identifying appropriate and accessible NGO-MFOs.

Case study selection focused on “potential for learning” rather than representativeness (Stake 2000, p. 446). The case study selection strategy evolved over several stages. The first stage was a two-step process. In the first step of the process, I compiled lists of MFOs operating in Tamil Nadu using Microfinance India: State of the Sector Report 2009 and The Bharat Micro Finance Report Quick Data 2011 (Srinivasan 2010, Sa-Dhan 2011). I included MFOs as case study candidates if they had a socially-oriented mission and were headquartered in Tamil Nadu. A socially-oriented mission statement was seen as indicative of an organization’s intent to pursue and manage social outcomes. Application of these two criteria left 25 of the 40 MFOs operating in Tamil Nadu as potential case studies.[43]

To enhance potential for learning I initially intended to select four case studies representing the variety of ways NGOs participate in microfinance provision in India.[44] Three would operate MFOs of different types and one would operate as a SHPI. The Status of Micro Finance in India 2010-2011 (NABARD 2011) provides a list organizations receiving funding at act as SHPIs in Tamil Nadu. However, detailed information on SHPIs, including contact information, was not available so the decision was made to focus on the population of MFOs identified through The Bharat Micro Finance and State of the Sector reports, still with the goal of reflecting diversity in the case selection but focusing on two predominant categories of MFOs in Tamil Nadu. The two categories are defined by legal form and delivery method. Table 4.1 describes the distribution of MFOs in Tamil Nadu based on those two characteristics. The first category includes NGO-MFOs registered as societies, trusts, and section 25 companies and working nearly exclusively with SHGs (whether through SBLP or independently). The second category includes NBFCs, working through a more diverse set of delivery mechanisms including SHGs but also JLGs or Grameen-style groups and individual lending.

[43] Microfinance India: State of the Sector Report 2009 (Srinivasan 2010), lists 230 Indian MFOs by state and was used to compile the list of the 40 operating in Tamil Nadu. The report includes data on the headquarters, legal form, delivery model and size (outreach and outstanding loan portfolio) of each MFO. Additional data was gathered on the MFOs from The Bharat Micro Finance Report - Quick Data 2011 (Sa-Dhan 2011) for the purpose of screening potential cases based on the criteria. (The Bharat Micro Finance Report only lists 39 MFOs operating in Tamil Nadu with 24 headquartered in the state. The set of organizations on the two lists almost entirely overlapped and I chose the more inclusive list as my primary source.)

[44] NGO-MFO participation in microfinance provision in India includes: 1) NGO-MFOs working as SHPIs in the SBLP, but not directly providing microfinance services, 2) NGO-MFOs that provide microfinance services primarily through SBLP SHGs and are registered as societies, trusts and section 25 companies, 3) NGO-MFOs working primarily through a diverse set of delivery mechanisms but independently of SBLP and registered as societies, trusts, and section 25 companies and 4) NGO-MFOs operating as NBFCs and through a diverse set of delivery mechanisms.

Table 4.1 Distribution of MFOs by Legal Form and Delivery Method

Legal Form	Society or Trust	Section 25 Company	NBFC	Multiple	NA	TOTAL	Percentage
Delivery Method							
SHG	14	1	1	0	1	17	**68%**
Grameen and/or JLG	0	2	2	2	0	6	**24%**
Individual Lending	0	0	1	0	0	1	**4%**
Hybrid	0	1	0	0	0	1	**4%**
TOTAL	14	4	4	2	1	**25**	**100%**
Percentage	**56%**	**16%**	**16%**	**8%**	**4%**	**100%**	

In the second step of case selection process I considered access and potential for learning. As a first step towards evaluating MFOs on these parameters, I planned to send an introductory email to each potential case study organization with an attached set of open-ended questions. (The 10 questions designed for this purpose are attached in Appendix 9.) To test the efficaciousness of this strategy, the introductory email and questions were pilot tested with MFOs fitting the selection criteria but headquartered in the state of Karnataka. Approximately 17 MFOs were contacted in April 2012 with follow-on reminders sent over the next month but only one response was received.

The selection process was adapted based on the very limited success of 'cold contacts.' Rather than independently attempting to assess potential for learning and negotiate access, discussions with Sa-Dhan (an association of MFOs) and Action Village India (a UK-based private donor) were initiated to identify organizations from those meeting the primary criteria (socially-oriented mission and headquartered in the state) that would provide solid potential for learning and with whom Sa-Dhan or Action Village India could facilitate initial contact. Both accessibility and potential for learning led to the selection of CRUSADE and ASSEFA as case studies. They represent the two categories of NGO-MFOs identified in the selection process. CRUSADE formerly formed SHGs and facilitated bank linkage as a partner in Mahalir Thittam but currently works with SHGs independently. It also has two small affiliated NGO-MFOs (a non-profit company registered under Section 25 and a second non-profit MFO registered as a trust). ASSEFA also delivers microfinance primarily through SHGs and currently operates independently of the SBLP. It has two affiliated MFOs. They are both NBFCs, the primary one being Sarvodaya Nano Finance Limited (SNFL). ASSEFA and CRUSADE, also met the basic criteria: socially-oriented missions and headquartered in Tamil Nadu. The opportunistic sampling does not interfere with the potential for learning criterion but I cannot claim that the selected case studies are representative of NGO-MFOs in Tamil Nadu.

There is some question as to whether the fieldwork ultimately produced one or two case studies. CRUSADE has operated independently of ASSEFA since its founding 20 years ago (see Section 6.2.1); however, a former ASSEFA manager founded it and the two are discussed in relation to each other repeatedly in the empirical chapters and discussion (see Chapters 6, 7 and 8). CRUSADE and ASSEFA in a sense become nested case studies, with CRUSADE embedded in the larger ASSEFA case study (Patton 2002, Yin 2008, Bevan 2009). However I argue the close relationship ultimately enhances learning potential from the case studies. Findings regarding CRUSADE also enhance understanding of ASSEFA not only through comparison but more directly to the extent CRUSADE is an extension of ASSEFA.

4.3.3 Data collection sources and methods

Rather than a method itself, the case study comprises multiple methods with the case as the unit of analysis or object of study (Fitzgerald & Dopson 2009, Stake 2000). Data collection for case studies involves spending substantial time on site (Stake 2000). Case studies triangulate from multiple sources of information to establish the reliability of findings (Yin 2003). Neither of the case study organizations shares information widely or with any detail through websites or external reporting to professional (microfinance or NGO) associations and therefore access to organizational documents on both the case study organizations was limited prior to the fieldwork. The majority of data collection therefore happened during a six-month fieldwork in Tamil Nadu, India between November 2012 and April 2013. The pre-fieldwork data collection plan focused on semi-structured interviews, document (and ideally data) review, and observation. I also decided on two phases of data collection. During the first phase the primary focus would be on relationship building, negotiating the parameters of the case study and increasing familiarity with the organization. The second phase would build on that familiarity to explore research questions in more depth. Table 4.2 describes the pre-fieldwork data collection plan.

Table 4.2: Pre-fieldwork Data Collection Plan

Data Collection Method	Phase 1 Data Collection
Document Review	• Reviewing external documents of potential relevance may include annual reports, rating reports, websites and any other marketing material, impact or other research reports, and MIX Market data. Internal documents (including strategic plans and policy documents) and archival data (possibly including social performance data) will be reviewed as available and relevant. • Focused on questions 1-3
Observation	• Observe any activities or processes relevant to SPM systems (e.g. data collection (possible connected to client recruitment or regular meetings), committee meetings, staff meetings) • Focused on questions 1-2
Semi-Structured Interviews	• Beginning with a key informant in upper management and snowballing to other appropriate interviewees. • Using an interview guide based on the 10-question survey previously developed for pre-fieldwork use. • Focused on filling in gaps in organizational background and questions 1-3
	Phase 2 Data Collection
Semi-Structured Interviews (group)	• Participants selected from managers and field staff; two separate groups if adequate numbers • Using management dilemmas outline (adapted from Money with a Mission) as starting point for group discussion on what organizational characteristics drive or constrain successful SPM and why and strategies for balancing tensions; (involves group members individually rating their organization and then compare assessments of and discuss top issues) • Focused on questions 3-4
Follow-up semi-structured interviews	• Semi-structured interviews: largely using events/issues uncovered in previous interviews to elicit stories about actions/behaviours used to balance tensions and using external events/issues within the sector (e.g. AP crisis, recent RBI regulations, pending MF bill) to elicit stories on the same topic • Conceived as a follow-up interview with contact in upper management - again snowballing to alternate or additional key informants in management as needed • Focused on questions 3-5

Data collection was much less linear than the proposed data collection plan. As with the case selection process the data collection plan evolved in response to learning in the field and practical realities (particularly issues with access). Data collection methods did include semi-structured interviews (both individuals and in groups), document review and observation but the circumstances of fieldwork required flexible and opportunistic data collection with respect to time, place and to a more limited extent interview respondents. Access and its impact on the availability of information (quantity of data, documents, who and how many managers I was able to interview) will be discussed further in Section 4.4 but below I will discuss more broadly the way the methods and tools of data collection evolved in response to learning in the field.

Most significantly, in the initial interviews I found the interview guides and tools I prepared were too narrowly construed to capture the respondents' own sense of organizational identity within which social performance was managed and assessed. The majority of managers worked with a range of organizational programs and did not compartmentalize their programs, goals or performance. In an awkward first interview with an ASSEFA zonal manager I asked the manager for input on 14 management dilemmas (using a tool I adapted based on the 14 management dilemmas identified in Money with a Mission (Copestake et al. 2005)). I asked where on a continuum between two extremes he felt ASSEFA's microfinance operations fell on each dilemma currently (and should ideally). The senior manager present (and acting as the interview translator) pre-empted most of the questions. He repeatedly emphasized the integrated nature of ASSEFA's work and either asserted the irrelevance of each management dilemma or indicated ASSEFA fell exactly in the middle of the continuum. The tool thus failed to elicit the desired discussion of challenges in balancing specific aspects of the social and financial performance tension. After a follow-up discussion regarding the interview with the senior manager, I adapted my interview tool to discuss organizational goals broadly (through a discussion of mission and a SWOT analysis) as a starting point for identifying broader tensions between goals and between goals and context (internal and external), rather than focusing discretely on tensions within microfinance performance management. I then followed up with questions specifically around respondents' views on the meaning and nature of social performance assessment. As such, data collection was emergent not only during the fieldwork but often during interviews themselves. The extended period of fieldwork with intermittent visits provided the opportunity to reflect and learn from responses and iterate data collection tools between discussions with respondents.

Less of the data collection occurred in discrete and formal ways than in the fieldwork plan as well. There were many opportunities for informal discussions: while driving to project sites, sharing meals and attending activities. With one key informant, for instance, all interactions occurred (by necessity) in unpredictable and informal settings. Recording these informal and often spontaneous 'interviews' was not generally practical. These interactions occurred in addition to more formal semi-structured interviews but were sometimes more informative, complicating the task and value of precisely identifying the number of 'interviews' completed during the case study fieldwork. Tables 4.3. and 4.4 summarizes fieldwork for each case study by listing month by month the types of data collection activities that occurred, with whom and in what location. I have divided interviews into three categories based on the level of structure or formality: informal discussions, background or follow-up interviews and semi-structured interviews. Informal discussions and background/follow-up interviews were relatively unstructured, but I always had topics of interest in mind so no interaction can be said to have been completely unstructured. The distinction between informal discussions and interviews is simply the former's informal and spontaneous nature. It should be noted that these distinctions are somewhat arbitrary and do not imply any kind of ranking of the relative value or relevance of the interactions. It should also be noted that project site visits also naturally involved informal discussions with staff and members who were not key informants.

Table 4.3 Fieldwork Data Collection: CRUSADE

CRUSADE			
Mo/Yr	**Location**	**Data Collection Activity**	**Respondents Present**
Nov-12	Chennai	Introductory meeting	Founder (primary contact with CRUSADE)
	Karanodai (HQ)	Background & Semi-structured interview	Founder
		Introductory meeting & Background interview (group)	4 cluster coordinators (fieldworkers) & 3 program associates/managers
Dec-12	Karanodai (HQ)	Follow-up & Semi-structured interview	Founder
	Sholavaram block	Participant observation	Village-level SHG meeting
		Project site visit	Disability group; Training centre
Jan-13	Sholavaram & Minjur blocks	Participant observation	SHG meetings (village and panchayat level)
		Follow-up interviews	2 cluster coordinators (one from each block)
	Karanodai (HQ)	Background interview	ARH board member & administrator
Feb-13	Karanodai (HQ)	Background interview	PPI administrator
		Participant observation	Staff meeting (all 8 cluster coordinators & 3 program associates/managers & founder)
Apr-13	Karanodai (HQ)	Participant observation	PPI Trustee meeting
		Informal discussions	Founder
		Semi-structured interview	3 program associates/managers & founder

Table 4.4 Fieldwork Data Collection: ASSEFA

ASSEFA			
Mo/ Yr	**Location**	**Data Collection Activity**	**Respondents Present**
Nov-12	Chennai	Introductory meeting & Background interview	SARC CEO (primary contact with ASSEFA)
		Introductory meeting & Background interview	SNFL/SJSK CEO
Dec-12	Chennai	Semi-structured interview	SNFL/SJSK CEO
Feb-13	Madurai area	Project site visits	Nattam dairy unit, SHG member businesses, SHG/dairy groups, Agro-processing unit, Kandani Training Center, farmer visits, ASSEFA schools
		Informal discussions	Founder & SARC CEO
		Background interview	Nattam zonal manager
		Background interview (group)	Nattam SNFL branch/SMBT staff (9 field workers, zonal manager, branch manager, cashier, & accountant)
		Background interview (group)	Nattam zonal manager & Nattam SNFL branch manager
Mar-13	Pooriyampakkam campus area	Project site visit	Pooriyampakkam campus
		Informal discussions	Founder, SARC CEO, & area Education Trust head
		Participant observation	Farmer's Renaissance Conference planning meeting (area managers, founder & SARC CEO)
		Background & Semi-structured interview (group)	Melmaruvathur zonal manager & SNFL branch manager
		Background interview (group)	Melmaruvathur SNFL branch/SMBT staff (field workers, zonal manager)
		Background interview	SARC CEO
		Background interview & Project site visit	Melmaruvathur zonal manager, field executive, SARC CEO; Farmer visits
		Participant observation	Farmer's Renaissance Conference
		Semi-structured interview (group)	Arni, Tindivanam & Melmaruvathur zonal managers
		Informal discussion (group)	Sankarapuram zonal manager, branch manager, & field workers
Apr-13	Chennai	Semi-structured interview	SNFL/SJSK CEO

Observation also took on broader purpose. It was important, especially to ASSEFA, to introduce me to the full range of their integrated activities, rather than 'allowing' me to focus narrowly on microfinance-related activities. I took advantage of the opportunities offered to visit other project sites and attend activities. At the outset of fieldwork, I also envisioned myself as an outside observer with no role within the case study organizations and wanted to minimize any impact my presence had on respondent behaviour. In practice however it was difficult to simply be an observer. In many cases I became a participant observer, participating by filling the role of a 'guest' at SHG meetings and conference proceedings and sometimes participating in discussions or work associated with the activities. Apart from cultural sensitivity or politeness participation was also important as an aspect of reciprocity and access, as discussed further in Section 4.5. Ultimately my transition to participant observer was consistent and an aspect of the larger methodological shift that occurred during my fieldwork.[45] Thus my role in practice became a product of negotiation between organizational managers, staff, members and myself.

4.3.4 Triangulation

As noted in the previous section, the pre-fieldwork data collection plan included semi-structured interviews, document (and ideally data) review and observation. Table 4.2 lists the anticipated types of documents and objects of observation. The main focus of semi-structured interviews was managers, rather than lower level staff (such as fieldworkers) or SHG members, although I expected opportunities to informally speak with staff and members in the process of observing organizational activities and processes. Three levels of management were considered as potentially useful depending on the structure of each case study organization: field-level managers (such as branch managers), mid-level managers (such as area managers) and senior-level managers (including board members). Triangulation occurred between evidence collected through the three data collection methods and between interview respondents as described below.

Tables 4.3 and 4.4 describe in some detail the data collection during CRUSADE and ASSEFA field visits, particularly in terms of interviews and observation. Ultimately, the upper two levels of management were most appropriate and practical for the semi-structured interviews.[46] As reflected in Tables 4.3 and 4.4, contact with senior and mid-level managers (referred to as zonal managers in ASSEFA and program associates in CRUSADE) was substantial in both case study organizations through

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[45] At meetings with members present (such as SHG meetings or the ASSEFA Farmers' Conference) in particular I was treated as a special guest, often expected to sit in front of the group, next to staff and managers if present. SHG groups sometimes presented me with gifts or SHG meetings took on a performance quality with members wearing their respective SHG group dresses in honour of my attendance. At the Farmers' Conference I attended I was asked to help light the five-point lamps commemorating the inauguration of the new agri-clinic facility and conference proceedings. As a guest and object of curiosity I was also expected to participate by answering questions about not just my purpose but also about myself and to a more limited extent the topics of group discussions.

[46] A lower level (or branch level) of management was not present in CRUSADE although the two most senior fieldworkers were interviewed. Additionally, while ASSEFA had branch-level managers many were newly promoted fieldworkers (see Section 6.1.2) with limited managerial responsibility. However, as expected, many opportunities for more informal discussions with members and staff, including fieldworkers, branch staff and others not directly involved in credit activities, presented themselves particularly during observation activities.

semi-structured interviews as well as other discussions of variable formality and allowed for signficant triangulation between interview respondents.[47]

Because of the presence of senior management during most of the interviews and discussions, additional emphasis was placed on interviews with external stakeholders together with document review and observation for triangulation, particularly on topics for which the circumstances would make candor difficult for interview respondents. For example, the ASSEFA founder's representations of his own leadership style and role were primarily triangulated with observations and discussions with external stakeholders as opposed to reflections from other ASSEFA managers (see Section 6.1.4). An important external stakeholder was Action Village India (AVI), a UK-based long-term funder of both ASSEFA and CRUSADE. I had on-going contact with AVI's coordinator. (AVI also provided a number of externally-produced reports.) Interviews with other organizations part of the Indian microfinance sector also provided opportunities to gather outside perspectives on ASSEFA in particular (see Appendix 11 for a list of interviews conducted with external stakeholders during the fieldwork in India).

4.3.5 Data analysis

Raw data included interview recordings, field notes (from informal interviews, discussions, observations and notes on some documents available for review only) and documents (organizational and sectorial) including some very limited tabular data. Field notes were taken during and immediately following all field contacts and interviews recorded when possible. Field notes, interviews and organizational documents were reviewed throughout fieldwork, with some transcription starting in the field. Data analysis began during data collection consistent with the emergent nature of the research (Miles & Huberman 1994, Rubin & Rubin 2005). The first stage analysis involved identifying themes, concepts and events to begin developing codes that would be applied to the case study data (Rubin & Rubin 2005). Analysis informed further data collection while in the field.

The second stage analysis occurred following the fieldwork. The broad analytic strategy was to use a descriptive framework to organize the collected case study data. Transcribed interviews and digitized field notes were imported into NVIVO to facilitate analysis. Through review of data descriptive categories were identified and became a key set of codes or organizing principles. Data was coded and sorted according to these organizing principles. Coded material was compared across interviews, sources and cases and some visual representations or displays were used to organize principles (Miles & Huberman 1994).

The categories represent internal and external characteristics relevant to organizational performance. The internal categories include mission, leadership, organizational culture, structure and human resources. External categories address an organization's relationship with government, private donors, the microfinance sector and its members. While the organizational categories were identified through inductive data analysis, they are also informed by the literature. As such they roughly map to organizational characteristics found in previous research to be determinant of

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[47] This included discussions with ASSEFA's founder-leader and semi-structured interviews and informal discussions with the senior managers of SARC and SNFL. I had semi-structured interviews or discussions with half (five of nine) of ASSEFA's mid-level (or zonal) managers and substantial informal discussions with other mid-level managers not involved with credit activities (managers of education trusts, farmers' programs and agro-processing activities). Likewise, with CRUSADE contact with the senior manager-founder was extensive and I interviewed all three mid-level managers.

social performance (Copestake et al. 2005). They are the analytical categories used in presenting the empirical work in Chapters 6 and 7.

The research set out to observe and describe the characteristics of performance management and assessment systems as a basis for reflecting on the social and financial performance tension, particularly as articulated through the conceptual framework introduced in Chapter 1 and discussed further in Chapter 2 (see Sections 1.2 and 2.1). The conceptual framework orients the discussion of the social and financial tension faced by NGO-MFOs within a set of larger ideological debates. It also contextualizes these debates, found in the literature on NGO and microfinance performance management and assessment, within contrasting views of development management.

As discussed above (see Section 4.3.3), the fieldwork called for a broader approach to data collection than originally conceived, taking into account the organization as a whole as well as any intentional processes and systems for the management and assessment of microfinance social performance. The analytical categories reflect this shift. By considering the wider organizational landscape within which social performance management and assessment occurs, the analytical categories acknowledge the relationship between organizational characteristics and social performance. They further recognize social performance management and assessment is not only contained in discrete systems but embedded and expressed through organizational characteristics. The analytical categories thus bear relevance to understanding of social performance management within the case study organizations, enhance the research's explanatory power and support the discussion of the social and financial performance tension as oriented within the contrasting views and ideological debates presented in the conceptual framework.

4.3.6 Establishing quality and rigor

A common criticism of the case study method (and qualitative approaches generally) is the lack of generalizability of findings. However, with this research the case studies were never intended to be representative of the microfinance sector in Tamil Nadu generally or NGO-MFOs more specifically. Rather the goals of this thesis were more modest, to add to the body of empirical findings informing the literature on social performance management. The goal is to "thicken" understanding (Holland & Campbell 2005). The research may have particular relevance in thickening the understanding of social performance management among NGO-MFOs that are not outliers or 'high performers' according to the standards of the dominant models of microfinance provision. It aims also to contribute or thicken understanding of the literature by adding the perspective of the NGO-MFO.

A further criticism of the case study approach concerns the reliability of findings, which was primarily addressed through triangulation. Multiple data collection methods and sources within the organizations contribute to ensuring a full in-depth understanding (Denzin & Lincoln 1998). As will be discussed further in Section 4.4 there were some constraints on how successfully, or freely I was able to collect data from various sources—or respondents—within ASSEFA. Constraints came in the form of limits on where, how much and how independently I could travel to project sites and interview staff and managers. As a result triangulation was also sought through contacts outside the case study organizations (see Section 4.3.4), including AVI and other members of the Tamil Nadu microfinance sector, including representatives from other MFIs, NGOs and government agencies (a list of other organizations contacted in India is included in Appendix 11). Member checks also bolster reliability by allowing respondents to provide input and corrections on research summaries and findings.

4.4 Ethics and Reflexivity

4.4.1 Ethics: negotiating access and independence

During the fieldwork I introduced myself as a PhD student interested in the negotiation of financial and social performance within organizations using microfinance. I further represented myself as specifically interested in understanding the practitioner experience and point of view on these issues, and gained trust and access to a relatively secretive organization on that basis. While this honestly reflected my research interests and fieldwork goals it naturally does not preclude me from recognizing other views, including my own, in the process of analysis. I am aware that my findings may ultimately conflict with the views of research respondents, something they may not appreciate. To manage this tension—that is the need to accurately and empathetically represent organizational views while at the same time viewing them critically—I shared my findings with the case study organizations for their comment. Early in the analysis I composed case study summaries meant primarily to summarize the data and reflect respondent views and shared this with key informants, asking them to 'correct' any omissions, misrepresentations or misunderstandings.

A related ethical tension emerged in maximizing my access to the organizations in the context of uncertain boundaries. Particularly in the case of ASSEFA throughout the fieldwork I sought increased access (time, documentation, control, independence of movement within project areas) and ASSEFA pushed back against my requests. ASSEFA pushed back by ignoring or delaying response to inquiries and requests. More often ASSEFA simply controlled my access by closely managing my field visits in a way difficult to distinguish between helpfulness and obstruction. Despite this, both ASSEFA and CRUSADE agreed to be case studies for the research and seldom (if ever) explicitly said 'no' to any of my access requests. Their reluctance and redirection thus created uncertain boundaries to access and created tension between my desire to maximize my access and the question of how far I could ethically push given the principle of on-going consent.

In the initial stages of fieldwork I pushed to understand the boundaries better and in hopes the boundaries of access might also relax as the case study organization's representatives came to know and trust me. The following paragraphs describe some of the constraints placed on my access and my efforts to understand and expand those boundaries.

Overall both CRUSADE and ASSEFA were very generous with their time. However throughout I sensed a desire to meet my needs as quickly and minimally as possible. In my initial meeting with L. Kumar, my main contact with ASSEFA throughout the fieldwork and the son of ASSEFA's founder-leader Loganathan, what I thought would be a brief meeting of introduction and discussion of the nature of research and scope of my request to include ASSEFA as a case study in the research, became a 3.5 hour meeting that included a long background discussion with Kumar and an impromptu first interview with Asokkumar, the CEO of ASSEFA's microfinance organizations. Arranging future interactions, however, was more difficult. The field visits proved particularly difficult to negotiate. I requested branch information so I could propose field visits but received only partial information and after some delay. Kumar didn't initially respond to my inquiries to set up field visits and said a visit to Madurai (the headquarters of ASSEFA proper) would not be possible for over a month. It became clear the Madurai visit needed to occur first, before arrangements for any other field visits could be made. I learned that Kumar was the gatekeeper but not the decider. Although never made explicit, it became clear I was communicating with Loganathan through Kumar and the visit to Madurai was necessary to be ‘vetted’ by Loganathan.

Loganathan in particular retained tight control over the nature, extent and timing of my access to ASSEFA. In our initial meeting, after I described my research purpose and interests he quickly dictated a four-day itinerary for my Madurai visit to Kumar and assigned Kumar to accompany me on my visits. Kumar thereafter clearly briefed Loganathan on my field visits. In terms of direct contact, he deflected attempts I made to arrange any type of formal interview saying Kumar could answer all my questions. However opportunities for informal conversations with Loganathan presented themselves. The first opportunity occurred on the fourth day of my visit in Madurai when we unexpectedly (to me) stopped by a marriage hall on the way to our field visit and Loganathan got in the car to join us for the day.

After my field visit in Madurai I requested visits to two other project areas, resolved to be the Melmaruvathur and Sankarapuram areas. ASSEFA agreed to and scheduled the field visits but ultimately cancelled the Sankarapuram visit and rather I was invited to attend the Farmer’s Renaissance Conference being held at ASSEFA’s Pooryimpakkam campus and to which some Sankarapuram staff and SHG members would be attending.

The constant companionship of Kumar was both a benefit and hindrance. Certainly given the short term of the fieldwork assistance with the logistics of field visits was invaluable. Kumar was also an important key research informant. On the other hand, Kumar’s presence at all interviews calls into question how candidly interviewees responded to questions. Additionally Kumar’s own position within the organization and as a host for my visit made it awkward for me and the interviewee if I tried to insist he translate and ask a question to the interviewee when he felt he could best answer it himself. Only the most senior managers (Loganathan, Asokkumar, and Kumar, as well as other senior managers (Vasantha, Muneeswaran) who were not key informants in the research) spoke English and so translation was required for other interactions.

To explore the possibilities of expanding access, mid-way through the fieldwork I made several attempts to suggest traveling independently to project areas but these proposal were redirected. I also suggested I bring my own translator to scheduled visits, to ‘relieve’ Kumar of the burden of translating for me. Those suggestions were also dismissed. Such redirection was generally framed as helpful to me, that it would not be necessary for me to get my own translator because Kumar could help me or it would be too difficult for me to travel independently to project areas etc. However the control of the place and time of my visits, as well as ensuring the constant presence of Loganathan’s ‘proxy’ Kumar clearly was also about controlling and monitoring my access to ASSEFA staff and managers.

During this period of fieldwork I was also visiting several other organizations to conduct one-off interviews. I considered the possibility that I could use my travel for this purpose to ‘drop-in’ on ASSEFA/SNFL branch offices in proximity to my other appointments, accompanied by my own translator. However, I ultimately felt doing so would violate ethical principles and informed and on-going consent given my access to ASSEFA was mediated through organizational leadership. I was not undertaking ‘covert’ research and thus needed to comply with the conditions of access to staff and managers as negotiated through ASSEFA leadership.

Interactions with ASSEFA can simultaneously be interpreted as a need to control what I see and hear and thus my impression of the organization and also as a desire to ensure I, as a relatively brief visitor, encounter the information that will allow me to accurately (from their own perspective) understand ASSEFA's organizational identity and work. While the former presents challenges to the research (challenges I try to meet with triangulation as discussed in the previous section) the latter is consistent with research goals and in reality the assistance of ASSEFA was invaluable in meeting the logistical and language challenges of traveling in remote areas.

ASSEFA and CRUSADE managers and staff took considerable time away from regular duties to discuss research topics with me and I wanted to offer something of value to 'pay them back' for their hospitality and accommodation but finding meaningful ways of giving back was difficult. With ASSEFA in particular reciprocity seemed important from an ethical standpoint but also as another strategy for maintaining or even expanding access. Loganathan was clearly looking for ways for my visit to benefit ASSEFA and I was able to find several ways to 'give back:' contacting some people on his behalf regarding technical advise he was seeking, providing the research summary (which seemed appreciated as Kumar requested to share it with ASSEFA board members), and providing some English-language documentation of the farmers' conference I attended. All of these were small contribution attesting to the difficulty of finding meaningful ways of giving back. The latter in particular seemed in practical terms unnecessary (given a Tamil-language documenting committee was already in place) but I made the offer because, as Loganathan said to me at the beginning of the conference, "everyone must contribute."

ASSEFA also sought a public relations benefit from my presence. At the conference Loganathan made a point of introducing me to other guests attending as speakers from government and academic institutions, gaining legitimacy from the interest an outsider, foreigner and researcher in ASSEFA's work. Salaram (ASSEFA's publication distributed among staff and membership) staff also interviewed me regarding my thoughts on the farmer's conference. However, my attempts to balance access and reciprocity were not always successful. Over the course of the fieldwork I also agreed to give a management-based training to some ASSEFA staff in conjunction with a three-day field visit to Pooriyampakkam. Shortly before the visit Loganathan, via Kumar, sent me an agenda that included three full days of trainings led by me (a total of nearly 15 hours of training led by myself) a commitment that exceeded my expectations (or available preparation time). I replied, agreeing, but attempted to negotiate a more collaborative approach, which ended in Loganathan cancelling the training. Email correspondence with ASSEFA was slow and very terse so it was difficult to know fully their reaction to my counter-proposal but the exchange served as an example of the difficulty of balancing my fieldwork needs with my (and their) concern for reciprocity.

Interaction with ASSEFA at times understandably reflected the inconvenience of my visit. Loganathan periodically indicated some fatigue with my questions and presence. At one point (on my visit to Pooriyampakkam) inquiring (somewhat irritated) what are the gaps, what is there left that I need to learn? After the Farmers' conference Loganathan concluded, "Ok, now you have talked to everyone you want to." This happened near the end of my fieldwork and after making the attempts described above to expand my access and independence to explore project areas. At this point I felt I had explored and pushed the uncertain boundaries of access as far as I could ethically. Although ASSEFA never explicitly said 'no' to any of my requests I felt the Loganathan's reaction was indication that I had reached the limits of access and further pushing would violate the ethical issue of consent. I therefore concluded that I had exhausted my opportunities for field visits to project areas.

Access to CRUSADE was less problematic partly due to the smaller organizational size. I was able to visit a relatively wide range of project sites and was able to meet and speak with all staff and managers. However as with ASSEFA, CRUSADE managed my visit to an extent and I assume SHG group visits were chosen for me on the basis of good performance. A translator was also required for CRUSADE visits. Only the founder Jothi spoke English. All other interviews with managers, staff and members required a translator. Translators add a potential layer of misunderstanding and error into interactions raising the question of what nuances are being missed through the process of translation. This is particularly problematic in observing group interactions, such as staff meetings, conferences and SHG meetings, where the pace and number of speakers may make a translation—rather than interpretation—impractical.

I was able to secure an 'independent' translator for CRUSADE visits, unlike with ASSEFA. During CRUSADE visits I used two different translators, Dr. Rajagopal (referred by an academic contact) translated for just one day of CRUSADE visits until I arranged through Jothi for a former employee, Lakshmikandan, to work as my translator. However, over the course of my visits to CRUSADE I realized Jothi had begun to give Lakshmikandan other CRUSADE work. As a result Lakshmikandan began multi-tasking (although in a limited way). As he also was working for Jothi, Lakshmikandan would sometimes stop translation and briefly leave to complete tasks for Jothi. In sum, initial consent and entry into the case study organizations was only the first step in building access: negotiating better and more independent access was an on-going aspect of the fieldwork.

A second and related ethical tension was between maximizing my access to the case study organizations while minimizing the demands my visit placed on them. This tension presented itself most often and most tangibly around transportation to project sites. I tried to be as independent as possible in transporting myself to and from field visits sites (or rather tried to travel on my own as near to project sites as possible), however given the language barrier, limited public transportation options to rural villages, and in some cases safety concerns I did require help getting to and from train stations and organizational offices to project sites. I decided on a case-to-case basis whether to offer to pay to offset costs of transportation provided to me. When travel appeared necessary only for my benefit I offered to pay the cost of transportation (the driver and fuel). But when my visits were combined with field visits that would otherwise occur (such as Kumar's regular duties of visiting project sites or traveling to attend meetings) I did not.

4.4.2 Reflexivity: reflecting on the impact of preferences and social identities
The evolution to a more interpretivist view implicitly required a shift in my own thinking and increased awareness of how my own preferences, thinking and social identities impacted the fieldwork (Lincoln & Guba 2000). In the first place, upon finding ASSEFA and CRUSADE were not the types of organizations I expected I had my own cognitive evolution away from my mainstream perspective on social performance management and resulting preference for a more planned and linear research approach. I initially resisted Kumar's insistence I refer to ASSEFA as a social movement, reflexively returning to the tendency to see NGO or MFO as instrumentally useful categories around which I had designed my research tools even while acknowledging they may be reductive and not fully describe the mission and identity of the organization. I needed to adjust my own thinking on social performance management and manage my own discomfort with the uncertainty inherent in a more flexible and emergent research approach as it became clearly necessary if the research design was to be truly responsive to my case study organizations' views.

Ultimately another of my identities helped me to find a mind-set compatible with ASSEFA's social movement identification. Having been raised a Mormon, I have my own membership in a (relatively speaking) highly cohesive and identity driven community-based organization. I could relate to the family culture orientation of ASSEFA (even extending to the convention of calling non-related community members by family titles, although in the case of Mormonism family titles are not generally honorific as in ASSEFA but used to emphasize a type of egalitarian comradery). I could also relate to ASSEFA's mixture of pragmatism and ideology. As with my own community, while ideology is critical to maintaining organizational mission, culture and solidarity, individual commitment and identification with the group can exceed knowledge or devotion to individual facets of the ideology. This is evident in the apparent inconsistency or unevenness with which individual principles are adhered to at times in service of more pragmatic aspects of group (or organizational) maintenance.

My Mormon background provided a basis for understanding important aspects of ASSEFA's identity and also for building some rapport with respondents (specifically with Loganathan with whom I discussed it). Other social identities had a more pervasive impact on fieldwork interactions. During the fieldwork I was conscious in particular of how my gender may be impacting how I was perceived. While I had informal discussions with female administrative staff, fieldworkers and SHG group members, none of my key informants were women.[48] Reflecting on my limited interaction with women, I wrote in my fieldwork journal:

> "…the women always seem to be in the back of car, sitting on the floor [as opposed to the chairs when a discussion was on-going and there were not enough seats for everyone], standing back observing, working in the fields in distance, serving the food—always in the background…" (7 Feb 2013)

ASSEFA is traditional in terms of gender roles within the organization. Interactions with members reinforced traditional gender roles as well. On my first visit to an SHG member's business, after meeting the SHG member and borrower, we (myself, Kumar, and the area's zonal manager) stepped inside the house to discuss the business with the male members of the family while the women of the family, including the SHG member, remained outside in the courtyard. The interaction appears at least superficially to contradict the idea of microfinance as about the economic and social empowerment of women.

It is beyond the scope of my research to explore gender issues, whether within my case study organizations, as perpetuated by the organizations or as an aspect of social performance. However, the traditional gender roles within ASSEFA raise the question of how my own gender impacted how I was perceived. In the first place, I did not conform to traditional gender norms as a woman traveling alone. Some of the restrictions on my access may have reflected concern for the safety and appropriateness of my travel, limiting my case study organizations' sense of what was possible for me to do without accompaniment (as well as who could appropriately accompany me). My apparent vulnerability was both a hindrance and help. I was offered help with transportation in particular that I may not have otherwise. I generally accepted help when it was offered as it genuinely reduced the

[48] The only senior ASSEFA manager who was female was the senior manager over all of the education trusts. Although we spoke informally she was not a key informant. I also met one female ASSEFA SMBT chairperson/branch manager. She was present during my first interview with a zonal manager, her supervisor, but she did not participate.

difficulty and uncertainty around traveling in unfamiliar areas. Doing so may have reinforced perceptions of my vulnerability and limitations.

More broadly speaking, the extent to which I do not fulfil traditional gender roles may have increased my foreignness and decreased the comfort or ease case study respondents felt interacting with me. In this context I could either could be treated as an 'honorary male' or I could provide reassurance by emphasizing the extent to which I do conform to traditional gender roles. I used my identity as a wife and mother to do the latter. In a culture where marriage and children are largely still taken for granted my family made me more relatable to some of my research respondents, particularly fieldworkers and SHG members but also more broadly, and I was able to share my personal circumstances as part of building rapport with staff and members. It may have provided some reassurance (especially as a women of my age) that I was married and had a child, and that my partner, child and mother-in-law had accompanied me to India.[49]

This chapter has described the research methodology. After presenting the research questions, I describe the two stages of the research design: the systematic review and case studies. The scope and case selection, data collection sources, methods and analysis are addressed for each stage of the research. The overarching theme throughout the chapter is the evolution of the research design from a positivist to a more interpretivist view in response to learning in the field and practical realities (particularly related to negotiating access with case study organizations). The final section extends this theme, reflecting on related ethical issues and my own impact through my social identities on the research relationships. The following three chapters will present the empirical findings of the research described in this chapter, beginning with the systematic review in Chapter 5 and followed by the case study findings in Chapters 6 and 7.

[49] The limits of this reassurance were clear however in one conversation with fieldworkers in which they expressed disbelief that I could leave my child in Chennai in the care of my partner to travel to Madurai. Kumar explained that things were different where I was from and men and women share responsibilities like child care and cooking to which several women responded they would never let their husbands in the kitchen. (I did not offer, incidentally, that my partner also does all our cooking.)

Chapter 5: Empirical Findings: Systematic Review

This chapter reports on the findings of the systematic review. The systematic review provides a broad survey of impact studies of microfinance in India. The chapter discusses what studies conclude about the impact of rural microfinance in India on its users and evaluates the nature, quantity and quality of social performance assessment through this approach. Impact assessments represent an approach to social performance assessment typically favoured by donors and government and as such constitute a point of comparison against which NGO-MFOs' own social performance assessment and management systems (as discussed in the case study findings) can be viewed and analysed.

Section 5.1 briefly reviews and elaborates on the methodology of the systematic review including the scope, search strategies and screening criteria. The second section, 5.2, reports on the methodological approaches and findings of impact assessments related to the most prevalent form of microfinance provision in India, the SHG model. In Section 5.3 the methodological approaches and findings of the remaining and more diverse group of impact assessments are discussed. The final section, Section 5.4, discusses conclusions.

5.1 Systematic Review Methodology

5.1.1 Introduction

The Campbell Collaboration, EPPI Centre, Cochrane Collaboration, Centre for Evidence-Based Conservation and International Initiative for Impact Evaluation (3ie) provide guidance on conducting systematic reviews. The Campbell Collaboration and EPPI Centre focus in particular on reviews of evidence related to social policy and the methodology of this systematic review was adapted from the EPPI Centre guidelines. The stages of a systematic review include setting the research question, establishing the protocol (scope and methods for the review, searching for studies, screening studies and synthesizing studies (EPPI Centre 2009).

The research question guiding this systematic review is: What is the evidence of the impact of rural finance in India on socio-economic indicators? The broader term rural finance is chosen over microfinance in recognition that not all studies will self-identify with the term microfinance. The objectives of this review are to 1) examine what available literature suggests about the social and economic impacts of rural finance in India on its users and 2) what the literature suggests about the nature, quantity and quality of available evidence and the practice of assessing impact.

A review of the broader body of literature is consistent with the goals of this review and form the basis for choosing a systematic rather than more traditional review of the literature. By explicitly defining scope and methods prior to the review, systematic reviews reduce bias, survey a broader body of literature or evidence and enhance the credibility of their conclusions (EPPI Centre 2009). It is also important to avoid bias that could come from a process that favours impact assessments published on prominent websites and promoted large funders over smaller studies by local organizations. The sections below describe the scope and methods of the systematic review.

5.1.2 Scope of review

Intervention
The review includes studies of impact from retail financial services on their users or potential users. Financial services are understood to include credit, savings, insurance and other financial services. Studies may focus on the impact of one particular component or feature of a financial service or may consider impact based on a program as a whole. Studies may compare impacts based on program variants. Financial services may be bundled with non-financial services, such as business development services (BDS) or micro-enterprise support. The review includes studies focused on the impact of non-financial services when the intervention also explicitly includes financial services. As financial services may be offered as a platform for pursuing wider goals of social mobilization and empowerment, the review includes studies of interventions in which financial services are integral but viewed as subordinate to a wider social mission.

Any type of institutional provider may offer the financial services. Possible institutional providers include commercial banks (including regional rural banks (RRBs)), commercial or NGO-MFOs, and cooperative societies. NGOs and public institutions that support user-controlled financial services or facilitate linkage between users and financial institutions (such as through SBLP) are included. While they may not directly provide the financial services, NGOs and public institutions are integral to their provision in the SBLP model. Studies of unregulated or entirely self-managed financial services, such as ROSCAs, ASCAs etc., are excluded.

Subjects
The review includes studies of the impact on users (actual and potential) of retail financial services in rural India.[50] Users may participate with the intervention directly by receiving financial services or simply have access to the financial services. While subjects receiving financial services do so individually, impacts may be assessed on the individual, household, enterprise, self-help/affinity group or local community level. The impacts of financial services on providers were not considered. Institutional providers are not considered subjects of the review (whether as users of wholesale financial services or providers of retail financial services). However, some retail users are also involved in provision, as in the case of cooperative societies and SHGs, and are included as subjects.

Impact/outcome measures
The review considers a range of socio-economic impacts on users of financial services. Economic or money metrics are most often measured at the household and enterprise level. Household money metrics may include poverty status, income, consumption, assets, vulnerability, savings and credit (magnitude of debt/loans taken, use, repayment and sources). Enterprise metrics include measures of enterprise creation and performance, such as revenues, profits and growth.[51] Social metrics include measures of health and nutritional status, education, social and cultural resources, and empowerment measures. Empowerment is measured in multiple ways; indicators include psycho-social and relational (on both intra-

[50] The review did not exclude studies including both rural and urban areas.
[51] Note that some of the above measures, such as savings and credit (magnitude, use, repayment and sources), are also measures of the performance of providers. Studies focused on provider impact and performance or in which such measures are included primarily as measures of provider performance were excluded unless the study also explicitly seeks to explore impact on users of retail services.

household and community level) aspects. Psycho-social indicators consider changes in confidence, self-esteem, self-efficacy etc. Relational aspects include changes in the intra-household dynamics around decision-making, ownership of income and assets etc. On the community level, relational aspects focus on changes in mobility and participation within public life etc.

Study type
The review includes quantitative and qualitative studies. Quantitative studies include controlled trials, action research, impact evaluations, social survey datasets, before/after studies, and observational research. Quantitative studies should use some form of comparison or control group. A variety of methods are acceptable: experimental, quasi-experimental, pipeline, or before/after designs (including recall, self-attribution, panel, or longitudinal data). Studies that do not have a comparison or control group, but compare groups within the treatment group i.e. examine heterogeneity based on program variants, geographical or subject characteristics are included if they explicitly intend to make some inferences regarding impact. Qualitative studies, including case studies and ethnographic research, are included provided they were highly independent and explicit about their approach and intent to makes some inference regarding impact.

Studies may be formally published, unpublished, or web-based. They may be reported in academic journals, working paper series, conference proceedings, organizational reports or PhD theses/dissertations. The review only includes studies available in English and studies from 1991 to the present. This limits the review to studies of rural financial services since the financial sector reforms of the Narasimham Committee.

5.1.3 Search strategy
A list of proposed search terms (see Table 5.1) was created based on the subject, intervention and study type covered by the review. The search terms were tested for validity and refined in ISI Web of Knowledge. (Appendices 1 and 2 include a record of the testing, the evolution of search terms and the recommended combination of search terms that resulted from the testing.) The recommended set of search terms were the starting point for each database, but were fine-tuned for use in each database to optimize the results based on the content and search features of each database. A search log recording the date of search, search terms and number of results for each database searched is found in Appendix 6. The databases searched were primarily academic and organizational websites (for NGOs, research organizations, funders) and provided coverage of major academic journals, conference proceedings, working paper series, organizational reports, and other unpublished research.[52] The databases are listed in Table 5.2.

[52] The review did not generally include checking study references as an additional search strategy.

Table 5.1: List of Proposed Search Terms

Set:	Search Terms:
1-Subject	India AND Rural, small farmers, marginal farmers, labourers/labourers Poor/poverty, disadvantaged, scheduled castes, scheduled tribes, backward castes, women, dalits, adivasi Self-help groups, self-help affinity groups, SHGs Borrower/micro-borrower
2-Intervention	Finance/microfinance Credit/microcredit Loans (micro-loans) Savings (micro-savings) Insurance (micro-insurance) Livelihood and promotion Microenterprise and promotion
3-Study type	impact, outcome, evaluation, survey, assessment, review, case study, ethnography, action research

Table 5.2: Databases

Academic	NGO/Funder websites
EconLit (EBSCO)	IFMR, APMAS, EDA Rural Systems, NABARD
IBSS	CGAP
ISI Web of Knowledge	DFID, USAID
Business Source Premier (EBSCO)	Microfinance Gateway
	MicroBanking Bulletin
	Microfinance Network
	World Bank
	3ie, J-PAL
	CYSD, SHARE, MYRADA, PRADAN

5.1.4 Screening

The results of each academic database search were imported and compiled into Endnote Web and then imported into Zotero reference manager for screening. Endnote Web provides the greatest ease for importing and compiling search results from databases, but Zotero offers greater facility in screening and managing search results. All search results (1,049 total from all academic databases) were first reviewed based on title and abstract with reference to an inclusion checklist. The result of the preliminary screening was recorded in Zotero by adding a 'tag' to each search result. (See Appendix 3 for a copy of the inclusion checklist and Appendices 4 and 5 for the tags used in screening.) If the status of a result could not be definitively or easily concluded based on the title and abstract, it was tagged 'inconclusive'. Inconclusive results were reviewed by and discussed with a second screener. Full-text documents were retrieved for included and inconclusive studies to verify the studies met all criteria. A second tag was assigned to studies based on the outcome of the full-text review.

Searches on organizational websites yielded over 1,200 results. Management of search results from organizational websites varied based on the content and search features of the site, but broadly followed the same two-stage screening process as applied to results from academic databases. Study titles and abstracts (when available) were reviewed on organizational websites for relevance, full documents of included and indeterminate studies were downloaded, and the full document used to verify inclusion or exclusion of included and indeterminate studies. The conclusion of the second screening was noted using the review's tags and all included studies with their full document attached entered into Zotero. All studies included based on searching and screening were compiled along with a set of studies that were known to the reviewer prior to the review to create a full list of included studies.[53] After screening 54 studies were included (comprised of studies previously held by the reviewer and found through searches on academic and organizational sites).

5.1.5 Analysis/data extraction

Data was extracted from all 54 included studies. Information extracted from included studies was compiled in an Excel spreadsheet to facilitate comparison of study results. The excel spreadsheet was developed using the set of 'test' studies which were known to the reviewer prior to the review. Data extracted included study characteristics (study background, context, target group, intervention, sampling and comparison group methodology) and outcome data. The extracted data was used to construct the narrative synthesis of studies found in the following sections.

5.1.6 Limitations

A systematic review searches for and examines a broader range of literature than a traditional literature review. This is particularly useful for this study as it intends to not only synthesize major themes findings of socio-economic impact of microfinance in India, but also draw conclusions about what evidence does not exist, the practice of impact assessment and the implications of practice for the nature, quantity, and quality of evidence. Rather than focus on key institutions with the resources to conduct and publish large studies (which are often also the funders and/or promoters of microfinance), it is useful then to establish the variability or lack therefore) of impact assessment evidence and practice. While the advantages of a systematic review are important, there are also drawbacks. The process of defining inclusion and exclusion criteria is critical to creating a clear and manageable scope for a systematic review but also may reduce the review's flexibility to include high-quality, insightful studies that do not meet all criteria.

5.2 SHG Model

Just over half of the studies (28) found through the systematic review focus explicitly on the SHG model of savings and credit delivery. SHGs are the most common mechanism for microfinance promotion in India due in part to the aggressive promotion of NABARD since the early 1990s through SBLP. NABARD likewise commissioned or collaborated on at least 8 of the 28 SHG studies (Rao 2003, MYRADA 2002, Puhazhendi & Badatya 2002, NABARD n.d., NABARD 2005a, Swain & Varghese 2009a, Swain & Varghese 2009b, and Swain & Wallentin 2009). Five of the eight studies however are linked to just two multi-state investigations of NABARD's SLBP. MYRADA 2002 and Puhazhendi & Badatya 2002 report separate findings from the same larger investigation; Swain & Varghese 2009a, Swain &

[53] Note that all but one of the studies known to the reviewer prior to this review would have been found following the review's search and screening protocols.

Varghese 2009b and Swain & Wallentin 2009 likewise present separate findings from a second.[54]

In terms of scope, the 28 SHG studies can be divided into three loosely constructed categories. First, half (14) chose a narrow geographic focus (all but three drew samples from just one district), but findings address a wide range of socio-economic indicators. Such studies often focus on the impact of SHGs promoted by a particular institution or program and typically involve samples of fewer than 100 SHG members (Moyle et al. 2006, APMAS 2009, Madheswaran & Dharmadhikary 2001, Rao 2003, NABARD n.d., Gaiha 2006a, Gaiha & Nandhi 2007, Barman et al. 2009, Umdor & Panda 2009, Pattenden 2010), although a few in this group have significantly larger sample sizes (NABARD 2005a, APMAS n.d., Reji 2009, Sarkar & De 2005).

The second group of SHG studies (7) also have a narrow geographic focus but concentrate on an impact of particular interest (Holvoet 2005, Garikipati 2008, Mohindra et al. 2008, Ray-Bennett 2010, Leach & Sitaram 2002, Tesoriero 2006, Creevely & Ndiaye 2007). The remainder (7) have greater breadth through multi-state coverage and generally larger sample sizes. This last group of studies includes the two sets of NABARD-commissioned studies from 2002 (MYRADA 2002, Puhazhendi & Badatya 2002) and 2009 (Swain & Varghese 2009a, Swain & Varghese 2009b, Swain & Wallentin 2009) and the World Bank-led studies (Deininger & Liu 2009a, Deininger & Liu 2009b).

5.2.1 Methodological approaches

Nearly all SHG studies (24) relied on a structured questionnaire or household survey to collect data from SHG members. By contrast, Leach & Sitaram (2002) and Ray-Bennett (2010) are ethnographic studies and the APMAS (2009) study appears to have primarily relied on more unstructured interviews, focus groups and informal interactions for data collection[55]. Approximately nine of the studies refer to complimenting survey work with unstructured or semi-structured interviews and/or focus group discussions. Table 5.3a and 5.3b provides a summary of the methodological approaches applied by the 28 SHG studies.

To be included in the systematic review, studies had to make some explicit inferences regarding impact. Quantitative studies had to include some mechanism for comparison. A variety of methodologies were accepted, including experimental, quasi-experimental, pipeline, or before/after designs (including recall, self-attribution, panel, or longitudinal studies). Studies without a comparison group but which compared sub-samples within the treatment group were included provided they intended to use the comparisons to draw conclusions about impact. Nearly all SHG studies used at least one of two comparison strategies. First, 13 of the 28 SHG studies relied wholly or primarily on cross-sectional surveys of SHG members and made before/after comparisons based on member recall and self-attribution. The second most common strategy (employed by eight of the studies) was a simple comparison group, usually consisting of a randomly-selected group of non-participants. Simple comparison groups were also constructed from groups of participants in alternate microfinance programs (Rao 2003).

[54] Not surprisingly other large institutional donors either funded, commissioned or led a number of the remaining SHG studies: DFID provided funding for Garikipati 2008 and Leach & Sitraram 2002; USAID commissioned Creevey & Ndiaye 2007; Deininger & Lui 2009a and Deininger & Lui 2009b are products of a larger World Bank study of the SHG-bank linkage program promoted by the Andhra Pradesh state government (and supported by the World Bank), the District Poverty Initiatives Project (DPIP).
[55] The final study of the 28, APMAS n.d., provides no details on data collection methods.

Most comparison groups were matched to treatment groups based on observable individual- and household-level characteristics and only five studies reported applying rigorous methods intended to control for the selection bias created by observed and unobserved differences between treatment and comparison groups (Swain & Varghese 2009a, Swain & Varghese 2009b, Deininger & Liu 2009a, Deininger & Liu 2009b, Garikipati 2008). Four of these studies use a pipeline approach while Garikipati (2008) collected before/after (panel) data for both a treatment and a comparison group. None of the impact studies used the 'gold standard' of impact assessment, a randomized control trial.

Studies also varied in the sophistication with which data was treated or analysed. In over half of the studies (15) analysis consisted of simple tabulations. Several also applied multivariate analysis, including tests of correlation and analysis of variance. Only in a few cases do studies apply multivariate regression and econometric techniques intended to account for selection bias, even though there are cases where it appears data has been collected that may have allowed for more sophisticated analysis.

Overall the SHG studies applied relatively simple approaches to comparison group construction and data analysis. The studies' methodologies may reflect the practical constraints of more time and resource-intensive designs, such as panel, longitudinal or randomized design. The studies' data analysis techniques may reflect the resulting constraints on data availability and quality as well as perhaps in institutional capacity. Several studies usefully triangulate survey findings with qualitative data, including interviews with SHG members and leaders; village leaders; and NGO, bank and/or government representatives. However, more often inclusion of qualitative data collection and analysis is not transparent and it is difficult to evaluate its contribution. Overall, studies appear to favour a primarily quantitative approach to inferring impact, even when the problems of attribution and selection bias cannot or are not addressed through the rigor of the quantitative design. In such cases triangulation with thoughtful and explicit qualitative approaches could have been useful.

Table 5.3a and 5.3b provides a summary of the methodological approaches applied by the 28 studies focused on microfinance provided through the SHG model and suggests a simple ranking of study reliability based on the rigor of the quantitative design and analysis (when relevant). The specific SHG program that was the subject of the study, the coverage (by state) of the study, and the number of treatment and comparison households or clients surveyed (when relevant) speak to the generalizability of the study findings. The design and analysis methods of the study speak to the validity of study findings. The descriptions of design and analysis methods are ranked as indicated, given equal weight, and summed to assign a simple rank of study quality.

Studies with less rigorous design (before/after and simple comparison groups) and analysis methods (tabulation) face a higher likelihood that findings are clouded by recall error and selection bias. They do not generally provide evidence that positive results are significant and related to participation in an SHG program (i.e. represent changes that would not have occurred over time without program participation). While none of the studies have an experimental design, studies with more rigorous quasi-experimental designs and that take steps to mitigate selection bias improve the likelihood that positive findings are attributable to program participation. More rigorous approaches include combinations of with/without and appropriate analysis and combinations of with/with and before/after, including pipeline designs. The following discussion considers the relative reliability of study findings and focuses primarily on discussing findings of studies with a rank of five or above (in Table 5.3b).

Table 5.3a: Summary of SHG studies

Study Authorship & Publication Date	Study Title	SHG Program (& NGO/Gv't promoter)	Study Coverage	Total client households /individuals interviewed	Total comparison household/ individuals interviewed	Design	Analysis	Relative transparency & reliability
APMAS 2009	**An Evaluation of Self-Help Affinity Groups Promoted by MYRADA**	Myrada	Andhra Pradesh, Karnataka	120	NA	before & after (recall)	Tabulation	2
APMAS N.D.	**SHG Bank Linkage Programme: A study in Andhra Pradesh**	SBLP	Andhra Pradesh	Unclear	NA	before & after (recall)	Tabulation	2
Gaiha 2006a	**"Maharashtra Rural Credit Project" from Reducing Rural Poverty in Asia**	Mahrashtra Rural Credit Project	Maharashtra	21	NA	before & after (recall)	Tabulation	2
Madheswaran & Dharmadhikary 2001	**Empowering Rural Women through Self-Help Groups: Lessons from Maharashtra Rural Credit Program**	Maharashtra Rural Credit Project	Maharashtra	20	10	primarily before & after (recall)	Tabulation	2
Moyle et al 2006	**Personal and Economic Empowerment in Rural Indian Women: A Self-Help Group Approach**	microenterprise support program	Rajasthan	100	NA	before & after (recall)	Tabulation	2
MYRADA 2002	**Impact of Self-Help Groups (Group Processes) on the Social/Empowerment Status of Women Members in Southern India**	SBLP	Andhra Pradesh, Kerala, Tamil Nadu, Karnataka	190	NA	before & after (recall)	Tabulation	2
NABARD N.D.	**Self-Help Groups in Mayurakshi Gramin Bank Documentation of Sucessful Experiences, Impact and Performance Analysis**	SBLP (Mayurakshi Gramin Bank)	Unclear	70	NA	before & after (recall)	Tabulation	2
NABARD 2005a	**Evaluation Study of SHG-Bank Linkage Programme in KBK Region in Orissa**	SBLP	Orissa	997	NA	before & after (recall)	Tabulation	2
Puhazhendi & Badatya 2002	**SHG-Bank Linkage Programme for Rural Poor - An Impact Assessment**	SBLP	Orissa, Jharkhand, Chattisgarh	Unclear	Unclear	before & after (recall)	Tabulation	2
Rao 2003	**Women Empowerment Through SHG and DWCRA - A Study in Andhra Pradesh**	microcredit program	Andhra Pradesh	48	48	primarily before & after (recall)	Tabulation	2
Reji 2009	**Socio-economic impact of microfinance: a study of neighbhourhood groups (NHGs) in Nilambur block of Malappuram district, Kerala**	Community based nutrition & poverty alleviation program	Kerala	200	NA	before & after (recall)	Tabulation	2
Sarkar & De 2005	**Targeting the poor, increase in income and social implications under SHG-led microcredit programme in West Bengal**	microcredit program	West Bengal	366	NA	before & after (recall)	Tabulation	2
Tesoriero 2006	**Strengthening communities through women's self-help groups in South India**	RUHSA	Tamil Nadu	Unclear	Unclear	before & after (recall)	Tabulation	2
Pattenden 2010	**A neoliberalisation of civil society? Self-help groups and the labouring class poor in rural South India**	microcredit program	Karnataka	75	Comparison between clients	with & without	Tabulation	4
Umdor & Panda 2009	**An assessment of SHGs under SGSY programme: evidence from Meghalaya**	SGSY	Meghalaya	30 from 3 sub-groups	NA	with & without	Tabulation	4
Barman et al 2009	**Financial Inclusion: A Comparative Study of Microfinance Models**	SBLP	Uttar Pradesh	34	25	with & without	Multivariate	5
Gaiha & Nandhi 2007	**Microfinance, Self Help Groups and Empowerment in Maharashtra**	Mahrashtra Rural Credit Project	Maharashtra	72	25	with & without	Multivariate	5

Ranking of design: 1) before/after based on recall, 2) before/after based on panel, 3) with/without, 4) with/without & before/after 5) pipeline, 6) RCT
Ranking of analysis: 1) tabulation only, 2) multivariate analysis, 3) multivariate using strong methods to address selection bias

Table 5.3b: Summary of SHG studies

Study Authorship & Publication Date	Study Title	SHG Program (& NGO/Gv't promoter)	Study Coverage	Total client households /individuals interviewed	Total comparison household/ individuals	Design	Analysis	Relative transparency / reliability
Holvoet 2005	The Impact of Microfinance on Decision-Making Agency: Evidence from South India	TNWDP (Myrada & Rido)	Tamil Nadu	250	50	with & without	Multivariate	5
Mohindra et al 2008	Can microcredit help improve the health of poor women? Some findings from a cross-sectional study in Kerala, India	microcredit program	Kerala	592	336	with & without	Multivariate	5
Swain & Wallentin 2009	Does Microfinance Empower Women? Evidence from Self-Help groups in India	SBLP	Andhra Pradesh; Tamil Nadu; Uttar Pradesh; Orissa; Maharashtra	805	156	with & without	Multivariate	5
Creevley & Ndiaye 2007	Development of a BDS Market in Rural Himalayas	AT India	Uttarakhand	90	126	with & without	Multivariate	5
Garikipati 2008	The Impact of Lending to Women on Household Vulnerability and Women's Empowerment: Evidence from India	SBLP	Andhra Pradesh	117	174	with & without and before & after	Multivariate w/strong estimation	7
Swain & Varghese 2009a	Does Self-Help Group Participation Lead to Asset Creation?	SBLP	Andhra Pradesh, Tamil Nadu, Uttar Pradesh; Orissa, Maharashtra	604	186 new SHG members; 52 non-members	pipeline	Multivariate	7
Swain & Varghese 2009b	The Impact of Skill Development and Human Capital Training on Self Help Groups	SBLP	Andhra Pradesh, Karnataka, Maharastra, Orissa, Uttar Pradesh	593	185 new SHG members; 52 non-members	pipeline	Multivariate	7
Deininger & Liu 2009a	Economic and social impacts of self-help groups in India	District Poverty Initiatives Project	Andhra Pradesh	2,516	3,824	pipeline	Multivariate w/strong estimation	8
Deininger & Liu 2009b	Longer-term Economic Impacts of Self-Help Groups in India	District Poverty Initiatives Project	Andhra Pradesh	1,877	529	pipeline	Multivariate w/strong estimation	8
Leach & Sitaram 2002	Microfinance and women's empowerment: a lesson from India	microenterprise support program	Karnataka	20	0	ethnography	Qualitative	NA
Ray-Bennett 2010	The role of microcredit in reducing women's vulnerabilities to multiple disasters	ActionAid Bhubaneswar & BGVS	Orissa	12	0	ethnography	Qualitative	NA

Ranking of design: 1) before/after based on recall, 2) before/after based on panel, 3) with/without, 4) with/without & before/after 5) pipeline, 6) RCT
Ranking of analysis: 1) tabulation only, 2) multivariate analysis, 3) multivariate using strong methods to address selection bias

5.2.2 Findings: economic well-being

The positive impact of the SHG model of microfinance delivery is most often sought in two areas: economic and social well-being, including empowerment. Household-level indicators of economic well-being measure increases in income, consumption, assets and employment; diversification of income sources; and decreases in vulnerability and poverty. The SHG studies generally find some positive economic benefit from SHG participation.

Microfinance has been promoted as a poverty alleviation tool. Proponents argue that providing affordable credit to the poor for productive purposes will increase household incomes and bring poor families out of poverty. Several studies find SHG participation results in additional income generation (Madheswaran & Dharmadhikary 2001, NABARD 2005a, Reji 2009, Moyle et al. 2006). These conclusions, however, are primarily based on small groups of respondents and may be program specific. Additionally, all of these studies rely on a cross-sectional survey with participant recall. Moyle et al. (2006) reports increased income for nearly every participant in SHGs promoted by the NGO Seva Mandir. Seva Mandir provides credit as well as microenterprise training. Nearly 88 percent of program participants report having no income prior to joining the SHG. The study however does not address the possible influence of attrition on results, that is whether program participants at the time of the study represent those that were successful, while participants for whom the intervention was not beneficial have left the group. Additionally Sarkar and De (2005), find that income generation is small and occurs when beneficiaries only receive a loan through the SHG and not through multiple sources.

The SHG studies also find evidence of increased employment for SHG members (NABARD 2005a, Apmas 2009, Puhazhendi & Badatya 2002). Apmas (2009) reports that half of participants benefit from "more" employment and Puhazhendi and Badatya (2002) report an average 34 percent increase in a household's person-days of work (from 303 to 405). Notably, in the case of the Apmas (2009) study nearly 60 percent of the increase in employment is attributed to increased activity in animal husbandry. All three studies report very positive impact from SHG membership on employment creation. However, all three of these studies rely on relatively weak research design and again demonstrate the importance of weighing study context and design when evaluating study findings. The studies rely on a cross-sectional survey with participant recall of their pre-participation circumstances. Finally, in NABARD (2005a) and Puhazhendi and Badatya (2002) the sponsor (NABARD) of the SHG program under assessment (SBLP) is also the sponsor of the study. In the case of Apmas 2009, the study evaluated the quality and impact of the NGO MYRADA's self-help affinity groups (SAGs) and the team conducting the fieldwork included representatives of both MYRADA and Apmas. The composition of research teams may influence clients' willingness to give candid answers regarding program impact.

Few studies report decreases in poverty rates among SHG members. Two exceptions are Apmas (2009) and Puhazhendi and Badatya (2002). Both studies estimate impressive rates of poverty alleviation. Apmas (2009) asserts 94 percent of its sample respondents moved to a higher income category, with the percentage of poor or very poor clients decreasing from 83.3 to 11.6 percent of the sample. Puhazhendi and Badatya (2002) report a more modest 13 percent decrease in the percentage of respondents below the poverty line. However, while the SHG studies find some evidence of poverty alleviation as well as increased work and increased income the evidence is not overwhelming given the context and design of the studies reporting the most positive impacts.

SHG studies report more compelling economic benefit in the area of asset accumulation (Deininger & Liu 2009a, Deininger & Liu 2009b, NABARD 2005a, Apmas 2009, Reij 2009, Swain & Wallentin 2009). Deininger and Liu (2009a) report significant and positive impacts on non-financial asset accumulation while Swain and Wallentin (2009) find positive impacts on assets hold for various definitions of assets.[56] Findings suggest the primary mechanism for asset accumulation is livestock acquisition and savings. Length of membership has a positive impact on savings (significant at the 10 percent level) and livestock (at the 5 percent level). Other studies confirm the significant contribution of livestock acquisition to asset accumulation (NABARD 2005a, Apmas 2009, Garikipati 2008). Swain and Wallentin (2009) further find the length of SHG membership has a negative and significant impact on agricultural income (at 5 percent level), reporting a fall in agricultural income of 27 percent but a rise in other income of 65 percent. The evidence thus

[56] Swain & Wallentin (2009) applied a pipeline approach to mitigate the bias introduced by self-selection. A group of "old" clients, "new" clients and non-clients were interviewed to assess the impact of SHG membership (as well as duration of membership) against a set of financial and non-financial assets. The study found SHG membership had a significant and positive impact on gross assets and net assets (gross assets minus recent liabilities) and gross assets less SHG savings (significant at 5 percent level). Deininger and Liu (2009b) find an 8 percent increase in consumption for households in treatment areas but do not find any significant impact on income or asset accumulation in their study of the longer-term impacts of SHG participation defined as two and a half to three years of exposure.

suggests that SHG participation facilitates diversification of incomes away from agriculture and asset accumulation through savings and livestock.

Swain and Wallentin's (2009) findings on the economic benefits of SHG participation are positive overall but more measured than findings from less reliable studies. For instance, in the widely cited study sponsored by NABARD (Puhazendi & Badataya 2002), researchers find a 30 percent return on assets and increases in total income compared with a 15 percent return on assets with no impact on total income in the Swain and Wallentin (2009) study. Length of membership also did not significantly impact income, business profits, or total expenditures. Swain and Wallentin (ibid.) suggest the less impressive results on income and more favourable findings for longer-term outcomes such as assets points SHGs' limited short-term impact but a favourable long term impact. In a report based on the same dataset as Swain and Wallentin (2009), Swain and Varghese (2009b) look more closely at the impact of training (skills development and human capital) on assets. Results suggest training does not create an additional impact on asset accumulation but can reverse the potentially negative effect of credit on income. Notably, training positively affects income most when delivered by NGOs who form (but do not finance) SHGs.

Like Swain and Wallentin (2009), Garikipati (2008) also finds evidence of income diversification. Garikipati's study attempts to deconstruct the economic impact on households from the impact on women's empowerment.[57] Economic impact is measured through a set of four vulnerability indicators as well as a composite vulnerability indicator. The four vulnerability indicators were measures of drought-related vulnerability, livelihood diversification, entrepreneurial behaviour, and investment in and access to social capital. Garikipati (2008) finds a strong positive relationship between SHG membership and decreases in overall household vulnerability as well as livelihood diversification (both significant at a the 1 percent level). Garikipati's (2008) findings suggest decreased household vulnerability occurs through the purchase of non-financial assets, specifically livestock. Resistance to drought-related vulnerability was also significantly and positively impacted by SHG participation (at the 5 percent level). The results suggest that as the length of program participation increases the probability of the household coping with a drought and diversifying incomes increases.

Economic benefits appear most often to be characterized by consumption smoothing and livelihood diversification with a possible decline in household vulnerability. This is consistent with studies on loan use, which find very few loans (one in five in Hyderabad (Sa-Dhan 2009)) are used to create new enterprises (Gadenne & Vasudevan 2007, Kalpana 2008). Rather, loans are used for consumption purposes and as working capital in existing household enterprises. As discussed above, livestock purchase has been found to explain asset accumulation and resulting livelihood diversification and reduced vulnerability.

5.2.3 Findings: social well-being

SHG studies also evaluate the potential impact of SHG participation on the social well-being of members. Social metrics include measures of health and nutritional status, education, social and cultural resources, and empowerment measures. Empowering women is a primary aim of microfinance from the perspective of many proponents and promoters of microfinance globally including SHGs in India. Unlike poverty alleviation, nearly all of the SHG impact studies include empowerment as an

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[57] The study conducts a panel household survey in 2001 and 2002 in one district of Andhra Pradesh. Households with a participant were surveyed along with households with an eligible non-participant for comparison.

outcome of interest. However findings regarding empowerment are difficult to compare, not least because of the range of observed variables used as proxies of empowerment.

Eyben et al. (2008, p. 3) conceptualizes empowerment as a process that occurs when individuals or groups are able to imagine their world differently and then to realize that vision by changing adverse power relations. Thus the empowerment process includes achieving "power within" and "power with." The AIMS project constructed a framework for identifying four pathways of impact on individual microfinance clients and in particular women all with relevance to empowerment (Chen 1997, p. 4). Material impacts occur as clients gain access and control over resources within the household portfolio, increase their earning capacity and incomes and fulfil basic material needs. Cognitive impacts occur when clients experience increased knowledge, skills and awareness through the process of participation. Material and cognitive impacts can contribute to perceptual changes in individual clients wherein clients experience increased levels of self-esteem, confidence, positive changes in their vision of the future and a heightened sense of respect for themselves and from others. Finally, material, cognitive and perceptual impacts contribute to relational changes. Relational impacts suggest changes in the social mores governing relationships within and outside the household. Clients gain greater power in decision-making, enhanced bargaining capacity and political participation and increased mobility. Thus empowerment, while primarily conceptualized as requiring perceptual and relational changes, has material and cognitive aspects. Empowerment also has relevance in social, political, and economic spheres of life although economic empowerment does not inevitably lead to empowerment in the political and social spheres (Eyben et al. 2008).

One useful way to group empowerment indicators is in terms of psycho-social and relational aspects of empowerment. Psycho-social indicators include measures of confidence, self-esteem, self-efficacy, assertiveness and awareness and roughly encompass perceptual and cognitive impacts discussed by Chen (1997). Relational aspects of empowerment focus on intra-household dynamics including changes in a member's decision-making role, access to family resources, and ownership of income and assets and correspond with Chen's (ibid.) relational impacts (as well as overlapping somewhat with the material impacts). Relational aspects of empowerment also measure a member's ability and efficacy when challenging and changing allocation of power and resources within the broader community. Common indicators measure women's mobility and participation within the community and public life. The psycho-social and relational categories will be used to discuss SHG studies' findings on empowerment below.

Empowerment: Psycho-social

The most consistent positive empowerment findings measure psycho-social empowerment and including self-reports of increased self-confidence, self-esteem or ability to deal with problems (MYRADA 2002, Tesoriero 2006, Gaihi 2006a, Reji 2009, Puhazhendi & Badatya 2002, Apmas 2009, Moyle et al. 2006). A high percentage of surveyed SHG members consistently report to evaluators an increased sense of confidence in their ability to interact with people, institutions and adversities compared with before SHG participation. The finding is consistent across different approaches to its measurement. Moyle et al. (2006) used well-established multi-item scales of self-efficacy, self-esteem and proactive attitude.[58] Apmas (2009)

[58] Moyle et al. (2006) concluded positive findings from all measures; however, the basis of her conclusions is unclear. The study does not compare scores with scores representing before program participation or with non-participants. Moyle et al. (2006) assesses psycho-social

asks respondents to report their level of confidence engaging in specific activities such as writing their name or approaching a bank. For instance, the data shows that the percentage of women who could sign their names increased from 38.3 percent at group formation to 86.7 percent at the time of the survey. The latter approach provides for empowerment indicators that are specific and measurable and clearly linked with program participation.

Empowerment: relational at intra-household level
The relational aspects of empowerment address whether SHG participation successfully mobilizes women to challenge and change existing social norms both within households and in the community. Unlike the consistent findings on psycho-social empowerment, findings related to relational empowerment are more divergent and ambiguous. A number of the cross-sectional studies relying on recall for comparison purposes test for changes in intra-household power relationships by asking about women's decision-making role; access to family resources; and/or ownership and control over assets, income, and loans (Puhazhendi & Badataya 2002, Reji 2009, Gaiha & Nandhi 2007). Most SHG members report an improved and significant role in household decision-making. Puhazhendi and Badataya (2002) report that the percentage of households with joint decision making on purchases of household assets and investments grew form 39 percent before SHG participation to 74 percent. However, Gaiha and Nandhi (2007), which also finds that the majority of women report joint-decision making, questions whether women candidly answer questions about household decision making.

Garikipati's (2008) study demonstrates the importance of looking carefully at intra-household dynamics in assessing impact on women's empowerment. The study examines seven measures of empowerment: ownership of household assets and incomes, control over minor finances, control over major finances, say in household decisions, work-time allocation, division of domestic chores and a composite empowerment measure. Garikipati finds a significant and positive impact from SHG membership on ownership of household assets (significant at the 10 percent level). However, SHG membership has a significant and negative impact on control over major and minor finances, work-time allocation and overall empowerment (all significant at the 10 percent level except for work-time allocation, which is significant at the 5 percent level).

Taken together with Garikipati's (2008) findings on the impact of SHG membership on household economic status (evaluated through measures of vulnerability and discussed in the previous section), the findings suggest that SHG membership benefits the household but negatively impacts the women's relative status in the household. In nearly 80 percent of cases, loans were used for consumption purposes or to enhance or create assets controlled by male household members. Only 20 percent of loans were used in enterprises that women managed or helped to manage. When loans were diverted to enhance male-owned assets or enterprises, women had to rely on their own earnings to repay the loan, leading women away from work on family farms or within households towards low wage work.

Qualitative studies confirm the importance of intra-household dynamics in assessing empowerment. Leach and Sitaram (2002) visited 20 women over six to eight months to record changes resulting from participation in a program that provided credit along with business and technical training. (The program trained women to enter the silk-

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well-being at the point of the study and then triangulates the results with questions to participants about whether this represent an improvement compared with pre-program levels.

reeling industry in Karnataka, a traditionally male-dominated sector). The study found that while the women gained business awareness and skills they did not achieve economic independence. The program caused friction within the household and men often successfully sabotaged women's enterprises.

Holvoet (2005) provides the most focused examination of decision-making.[59] The findings present a more positive picture of the effects of SHG participation on a women's position within the household. Using a structured survey, Holvoet asked about seven topics: loan use, expenditures, money management, time and task allocation, kinship and family matters, agricultural business, and cottage industry. For each topic, the member was given several specific situations and asked who made the decision, rather than asking generic questions about typical behaviour. Holvoet (ibid.) found that SHG membership did impact decision-making patterns, shifting it away from male decision making toward more joint and female decision making though only when financial intermediation is combined with social intermediation. Longer-term group membership and more intensive group training and interactions intensify these patterns. Holvoet (ibid.) found no shift in decision-making patterns among group members who borrow directly from banks without any social intermediation. Likewise, Swain and Varghese (2009a) found positive results on women's empowerment from SHG participation. Using measures spanning intra-household and community-level empowerment, the study finds a significant changes over time for SHG members but not for the control group (significant at a 1 percent level). Survey questions asked about the nature of economic activity, control over independent savings, decision-making role within the household and reactions to hypothetical scenarios of abuse within the family.[60]

Empowerment: Relational at community level
Relational indicators of empowerment extend outside the household to the community level as well and relate to a women's ability to challenge and change social norms. Common indicators measure mobility (freedom to go to health clinics, markets etc. without asking male members of the household for permission), awareness of rights and participation in political activity. As with aspects of intra-household empowerment, findings from the SHG studies in this area are sometimes ambiguous, contradictory and are likely to be sensitive to different measures.

In Tesorioro (2006), increased mobility (the ability to travel from the home or village and the ability to travel to the bank) was the top answer from SHG members when asked for the biggest change in their lives resulting from SHG membership. Puhazendi and Badatya (2002) also reports increases in the percentage of women with enhanced mobility from SHG participation. Tesorioro (2006) further finds increased involvement in the community by SHG members. Every SHG group in his

[59] Holvoet (2005) selected programs operating in similar villages and cities and targeting the same socio-economic strata and were similar on all aspects expect those for which the study intended to test. The study compared two credit programs, one with social intermediation and one without and compared client outcomes. The first program, the Integrated Rural Development Program (IRDP), did not involve SHG groups or social intermediation by an NGO. The second program, the Tamil Nadu Women's Development Programme (TNWDP) offered credit services through women's group and was NGO facilitated. Rido and MYRADA facilitated the TNWDP groups involved in the study. Holvoet included 'old' and 'new' MYRADA group members to compare the impact of social intermediation on decision-making over time.

[60] Swain and Varghese (2009a) also measured community-level metrics including awareness of opportunities for and participation in political activism, mobility and participation in social networks.

sample reports some type of social or community–based action beyond the credit and saving function of the SHG. Seventy-two percent of women report providing some kind of assistance to their village, 60 percent report participating in the Panachayat, and 56 percent indicate involvement in social action programs. Tesororio (ibid.) concludes that SHGs are an effective tool for empowerment and the challenging and changing of the conventional allocation of resources and power. Puhazhendi and Badatya (2002) also find that large percentages of SHG members become involved in community activities, in particular protests. MYRADA (2002) reports SHGs' community-based activities are most often related to village infrastructure (31 percent), education (30 percent) and social problems or issues (18 percent).

While the evidence seems to suggest that SHG participation increases levels of mobility and community action, it is not clear whether the activities measured represent empowerment as defined by Eyben et al. (2008). That is, while women may have increased voice in certain arenas it is not clear that the allocation of power and resources is being substantively challenged. MYRADA (2002) reports that 63 percent of new SHG members and 49 percent of members in older groups indicate they have never had a role in the village-level decisions. Further the independence, quality and efficacy of the actions undertaken are not clear in the studies. Community activities may be explicitly or tacitly required as part of SHG membership, motivated or driven by the SHG promotion agency.

Other social impacts

Only a few studies consider impacts on nutritional status, health and education. Deininger and Liu (2009a, 2009b) find a positive and significant impact on nutritional intake. The effect was most pronounced for the poor and poorest of the poor households, possibly indicative of the way poorer households are likely to spend loans: on consumption and purchase of basic necessities rather than for productive purposes.

Mohindra et al. (2008) focused on the possible influence of participation on women's health through the social determinants of health.[61] They find no association between SHG participation and exposure to health risks or self-assessment of health, but do find that people living in a household without a participant are more likely to face health exclusion than several categories of participant. They also find early joiners are less likely to report emotional stress and poor life satisfaction than non-members.

SHG participation can impact education in at least two ways. Loans or income generated from increased productivity resulting from loans may be used to pay school fees and thereby increase school enrolment for children in the household. Alternatively, SHGs may impact the literacy of members themselves. Educational impacts are not a primary focus in the SHG studies; however, a few of the cross-sectional studies report education-related impacts (NABARD 2005a, Apmas 2009, NABARD n.d.). Two report increased literacy as formerly illiterate members learn to read and write their names. Apmas (2009) also reports an increase in SHG members' children attending higher education.

[61] The measures of health achievement include two measures of self-assessed health and two measures of mental health. Measures of health determinants include exclusion to health care, exposure to health risks, and decision-making agency (related to health care).

Heterogeneous impacts
Several SHG studies consider heterogeneous impact based on the type of linkage between the SHG group and financial institution. Linkage types include: 1) linkage of SHGs directly to a bank, 2) linkage to a bank via NGO facilitation and 3) SHGs promoted by NGOs that also directly provide credit. Studies find impacts that differ with linkage type. Swain and Varghese (2009a, 2009b) find evidence that NGO involvement improves outcomes for SHG members. When facilitation includes training, linkage type three has a positive and significant impact on asset creation (at the 5 percent level) and direct linkage of SHGs to banks has a negative and significant impact on asset creation (at a 10 percent level) when compared with the impact of linkage type two. Holvoet (2005) also found social intermediation contributes positively to impacts. Participation in SHGs with social intermediation shifted decision-making patterns from male-dominated patterns to more joint and female decision-making models.

Negative impacts
Very few studies explicitly explore any negative impacts that may result from SHG participation. Three studies refer to the burden of extra work and responsibility created by SHG participation (Moyle et al. 2006, Gaiha & Nandhi 2007, MYRADA 2002). In Gaiha and Nandhi's (2007) study 52 percent of SHG members reported working additional hours due to SHG membership and 48 percent reported greater responsibilities. MYRADA (2002) refers specifically to the additional workload of SHG-related activities but asserts they do not prove too burdensome for members.

Garikipati (2008, p. 2621) finds potentially negative impacts in her exploration of the "impact-paradox" wherein lending to women has contributed to consumption smoothing, income diversification and decreased vulnerability to external shocks but has failed to empower women. As discussed in the above section on empowerment findings, although women often do not control the proceeds of the loan or the additional income generated from its productive investment, they do generally bear the responsibility for the repayment of the loan. This creates a burden without benefit for individual women. Gaiha (2006a) also finds that women most often bear the responsibility for loan repayment even while having at best partial control over selection of assets purchased by the loan. The potential damage from this paradox extends beyond a failure to empower women and the burden of additional work. Women's status within the household can be damaged if inability to repay a loan forces the sale of a household asset or creates other hardship for the household. Additionally, even when women successfully repay loans the failure to change intra-household power relations means that SHG participation can reproduce and increase existing inequalities within the household (Garikipati 2008). The resource inequality between the SHG member and male household members can increase as women access loans and bear the burden of loan repayment while men control the income and assets derived from its investment.

Pattendon (2010) finds similarly disturbing patterns of inequality reproduction and intensification in his study of whether SHG participation leads to redistribution of resources or wealth. He finds that while SHG participation provides marginal economic benefit for wealthier SHG members, poor SHG members receive no material benefit from participation. Inequalities present at the outset of SHG formation mean that the wealthy SHG members are positioned to benefit the most from the interest on lending of intra-group savings. They also borrow most of the money provided by bank linkage and since they can both meet their basic needs and borrow larger amounts they are more likely to use loans for productive purposes. Poor SHG members borrow small amounts that are more likely to be used for consumption purposes and result in little economic advantage. Thereby, the situation of poor households is not substantially improved through SHG membership, while wealthier SHG members are benefited, reinforcing and intensifying inequalities. Further, Pattendon found wealthier members lend group savings to poor households outside the group at interest rates comparable to moneylenders, creating another mechanism whereby the SHG essentially reinforces existing inequalities in resource access and power.

The above findings suggest the importance of understanding how SHGs interact with existing power structures (both within the household and community) to either change the allocation of resources and power or reinforce and even intensify the institutions and norms that support existing power structures. In particular, the findings suggest that impacts need to be considered within the context in which they are produced and reproduced. Measuring economic empowerment only on a household level or SHG-level masks intra-group dynamics. Narrow methodologies generally fail to uncover not only important differential impacts but also the processes by which those impacts are occurring.

5.3 Other studies

Just over half of the studies (28) found through the systematic review of literature on the impact of financial services for the rural poor focus explicitly on the SHG model of savings and credit delivery. The other half (26) is a set of more diverse set of studies. They fall into three broad categories. First there are a set of studies (ten) that focus on the impact of microfinance on the rural poor but do not explicitly reference the SHG model of delivery (for convenience they will be referred to as the microfinance studies). Two key studies in this category are based on data from a large-scale investigation of microfinance delivery through MFIs sponsored by the Small Industries Development Bank of India (SIDBI) (SIDBI 2008, Imai et al. 2010). The other eight studies in this category focus on various government and NGO-promoted microenterprise programs.

The second set of studies (nine) in this set of studies do not address the impact of specific microfinance models, programs or organizations, rather they address the impact of access to or use of credit generally in relationship to a particular outcome of interest. For example, one study found borrowing to be a key coping strategy for 41 percent of households following a natural disaster (Sawada 2007). Another study found that in households without access to adequate credit the time allocation of children was negatively impacted, including a reduction by 60 percent of time spent at school (Sawada et al. 2006). The third and final set of studies in this group (seven) focuses on the impact of micro insurance. All of the studies of micro insurance found in the systematic review focus on health insurance. Five of the seven studies focus on health insurance provided by SEWA in Ahmedebad, Gujarat and the surrounding rural areas.

The remainder of the chapter will focus primarily on the ten (non-SHG) microfinance studies and present only summaries of the remaining studies, focused on credit access/constraint and micro insurance. The following section (Section 5.3.1) summarizes the methodological approaches (Table 5.4) and discusses the findings of the microfinance studies. Section 5.3.2 presents the summary of studies where access/constraint of credit is found to be a determinant (Table 5.5). Finally, Section 5.3.3 presents a summary (Table 5.6) of micro insurance studies, touching very briefly on their primary indicators and the nature of findings.

5.3.1 Other microfinance studies

The methodological approaches vary widely. As with the SHG studies, the non-SHG microfinance studies generally choose quantitative approaches but use relatively weak research design and analysis approaches. Four of the ten microfinance studies rely on cross-sectional surveys with before and after comparisons made based on participant recall. The strongest quantitative research design is found in the SIDBI studies.

Table 5.4: Summary of (non-SHG) microfinance studies

Study Authorship & Publication Date	Study Title	Microinsurance program(s)	Study Coverage	Total client households /individuals interviewed	Total comparison household/individuals interviewed	Design	Analysis	Relative transparency reliability
Ranson 2002	Reduction of catastrophic health care expenditures by a community-based health insurance scheme in Gujarat, India: current experiences and challenges	SEWA health insurance	Gujarat	NA (1,930 claims reviewed)	NA	with & without	Tabulation	4
Dror et al. 2009	Microinsurance: Innovations In Low-Cost Health Insurance	UpLift, Nidan, BAIF	Maharashtra (BAIF & UpLift), Bihar (Nidan)	1050	1050	with & without	Multivariate	5
Gumber 2004	The Potential Role of Community Financing in India	SEWA health insurance	Gujarat	360	840 (360 uninsured, 360 ESIS clients, 120 Mediclaim clients)	with & without	Multivariate	5
Ranson 2004	"The SEWA Medical Insurance Fund" from Health Financing for Poor People	SEWA health insurance	Gujarat	280	420	with & without	Multivariate	5
Sinha et al. 2007	Protecting the Poor? The Distributional Impact of a Bundled Insurance Scheme	SEWA health insurance	Gujarat	1187 (967 rural, 220 urban), also 1,884 claimants	1525 (780 rural, 745 urban)	with & without	Multivariate	5
Devadasan et al. 2010	Community health insurance in Gudalur, India, increases access to hospital care	ACCORD-AMS-ASHWINI	Tamil Nadu	297	248	with & without and before & after	Multivariate	6
Ranson et al. 2007	Equitable utilisation of Indian community based health insurance scheme among its rural membership: cluster randomised controlled trial	SEWA health insurance	Gujarat	967 (at baseline)	784 (at baseline)	RCT	Multivariate	8

The studies in this category refer to a diverse set of context-specific microfinance programs and their findings may not be appropriately considered in the aggregate. For example, Swendeman et al. (2009) studies the Sonagachi Project, a multi-faceted STD/HIV prevention program with a credit (cooperative) component. The findings can be broadly categorized however. Most studies focus on economic outcomes, including income, savings, consumption, employment, and poverty status (Basu & Basu 2003, Kaushik 1996, Mitra 2007, NABARD 2005b, Ramakrishnappa & Jagannatha Rao 2006, Swendeman et al. 2009). The findings are largely positive in these studies; however, they generally suffer from relatively weak research design.

The most compelling (and methodologically rigorous) of the microfinance studies are based on data from a seven-year national longitudinal investigation of MFI-delivered microfinance initiated by SIDBI in 2001 (SIDBI 2008, Imai et al. 2010). The investigation surveys clients from 20 MFIs and non-clients in nearby areas. It complemented the survey with focus groups, case studies and semi-structured interviews. SIBDI (2008) reports findings from baseline and end line surveys of randomly-selected MFI clients and non-clients. The study refers to baseline versus end line comparisons made for each group as well as comparison between the two groups at end line with some tests for significance. Despite the apparently rich dataset, reported results rely heavily on before/after comparisons for the client group based on tabulations. The study finds increases between the baseline and end line on nearly all indicators. Imai et al. (2010) uses the SIBDI baseline client and non-client data. The study uses a multi-dimensional welfare indicator (IBR-Index-Based-Ranking) and finds that access to and use of productive loans from MFIs has a significant and positive effect on welfare. Benefits were larger for clients above the poverty line and in rural areas.

It is interesting to note that despite the importance of MFIs as a delivery model for microfinance in rural India, the SIBDI studies (SIBDI 2008, Imai et al. 2010) represented the only substantial study of the impact of MFI services on the social and economic well-being of the rural poor in India found in the systematic review. This is in contrast to a fair number of studies (although many of relatively weak design) found on SHG-based microfinance delivery. This disparity may be a consequence of the more commercial orientation of MFIs, which generates less demand among funders and practitioners for studies of beneficiary-level social and economic impacts. One consequence is a limited ability to compare the outcomes of the two primary models of microfinance delivery in India. The SHG studies provide limited evidence suggesting that social intermediation, such as that often provided by NGOs in the SHG model, improves outcomes for clients, however the evidence is to limited and indirect to draw broad conclusions about the performance of the SHG compared with the MFI model.

5.3.2 Credit access/constraint as determinant

Although microfinance plays a role in creating access to credit, the nine studies summarized in Table 5.5 are not focused on the impact of microfinance specifically and as such are somewhat peripheral to the aim of the systematic review. Rather the primary focus of the studies is an outcome that may or may not be affected by access to credit such as non-farm employment or incomes, aspects of farm productivity (Micevaska & Rahut 2008, Sarkar 2007, Sharma 2007, Subash et al. 2004, Toor & Sidhu 2006), allocation of maternal labour and child's time (Fuwa et al. 2009, Sawada et al. 2006) and coping strategies after a natural disaster (Sawada 2007). Credit access/constraint is only one of many possible determinants under consideration in the studies. As a result, a certain bias or arbitrariness may exist in the set of studies that emerged from the systematic review and conclusions about the impact of credit access/constraints cannot be made. Because credit is not the primary focus, only studies that reference credit access/constraint in the title, abstract, or keywords are likely to have been found. This may result in a bias towards studies that find credit to be significant determinant. Only one study mentions credit as insignificant to its outcome, in this case as a measure of farm productivity (Subash et al. 2004).

Table 5.5: Summary of studies on credit access/constraint as determinant

Study Authorship & Publication Date	Study Title	SHG Program (& NGO/Gv't promoter)	Study Coverage	Total "borrower" or "with access" households/ individuals interviewed	Total "non-borrower" or "credit constrained" comparison households/ individuals interviewed	Design	Analysis	Relative transparency/ reliability
Micevska & Rahut 2008	**Rural Nonfarm Employment and Incomes in the Himalayas**	NA	Sikkam, West Bengal	520 households inclusive	520 households inclusive	before & after (w/recall)	multivariate	3
Sarkar, S. 2007	**Coping with Risk and Vulnerability of Smallholder Hybrid Crop Farmers in India**	NA	NE India	58 individuals inclusive	58 individuals inclusive	with & without	multivariate	5
Satapathy & Tripathy 2001	**An economic analysis of borrower and non-borrower rice farmers in Cuttack district of Orissa**	NA	Orissa	97 households inclusive	97 household inclusive	with & without	multivariate	5
Sawada 2007	**The impact of natural and manmade disasters on household welfare**	NA	Tamil Nadu	400 households inclusive	400 households inclusive	with & without	multivariate	5
Sawada et al. 2006	**On the mother and child labor nexus under credit constraints: Findings from rural India**	NA	Andhra Pradesh	400 households inclusive	400 households inclusive	with & without	multivariate	5
Sharma 2007	**Crop Diversification in Himachal Pradesh: Extent, Impact, Determinants and Challenges**	NA	Himachal Pradesh	225 households inclusive	225 households inclusive	with & without	multivariate	5
Subash et al. 2004	**Technical efficiency in rice production: an application of stochastic frontier analysis**	NA	Kerala	unclear	unclear	with & without	multivariate	5
Toor & Sidhu 2006	**Determinants of Income in Rural Non-farm Activities: Empirical Evidence from Punjab**	NA	Punjab	340 households inclusive	340 households inclusive	with & without	multivariate	5
Fuwa et al 2009	**How Does Credit Access Affect Children's Time Allocation? Evidence from Rural India**	NA	Andhra Pradesh	331	164	with & without	multivariate w/strong instruments	6

5.3.3 Micro insurance studies

The final set of studies focuses on micro insurance and are summarized in Table 5.6 below. These studies have a narrow focus institutionally and in terms of indicators measured, however the methodology is relatively rigorous when compared with other groups of studies. Five of the seven studies focus on the health insurance scheme of SEWA in Gujarat and surrounding rural areas. The two main indicators in micro insurance studies are, first, hospital admission rates, which are meant to increase as an indication of increased use of health services by insured clients. The second impact sought is financial protection measured either through fewer rates of "impoverishing" hospitalizations or reduced out of pocket payments. The results of studies are mixed.

Table 5.6: Summary of micro insurance studies

Study Authorship & Publication Date	Study Title	Microinsurance program(s)	Study Coverage	Total client households /individuals interviewed	Total comparison household/individuals interviewed	Design	Analysis	Relative transparency reliability
Ranson 2002	Reduction of catastrophic health care expenditures by a community-based health insurance scheme in Gujarat, India: current experiences and challenges	SEWA health insurance	Gujarat	NA (1,930 claims reviewed)	NA	with & without	Tabulation	4
Dror et al. 2009	Microinsurance: Innovations In Low-Cost Health Insurance	UpLift, Nidan, BAIF	Maharashtra (BAIF & UpLift), Bihar (Nidan)	1050	1050	with & without	Multivariate	5
Gumber 2004	The Potential Role of Community Financing in India	SEWA health insurance	Gujarat	360	840 (360 uninsured, 360 ESIS clients, 120 Mediclaim clients)	with & without	Multivariate	5
Ranson 2004	"The SEWA Medical Insurance Fund" from Health Financing for Poor People	SEWA health insurance	Gujarat	280	420	with & without	Multivariate	5
Sinha et al. 2007	Protecting the Poor? The Distributional Impact of a Bundled Insurance Scheme	SEWA health insurance	Gujarat	1187 (967 rural, 220 urban), also 1,884 claimants	1525 (780 rural, 745 urban)	with & without	Multivariate	5
Devadasan et al. 2010	Community health insurance in Gudalur, India, increases access to hospital care	ACCORD-AMS-ASHWINI	Tamil Nadu	297	248	with & without and before & after	Multivariate	6
Ranson et al. 2007	Equitable utilisation of Indian community based health insurance scheme among its rural membership: cluster randomised controlled trial	SEWA health insurance	Gujarat	967 (at baseline)	784 (at baseline)	RCT	Multivariate	8

5.4 Conclusions

This chapter discusses the results of a systematic review of impact studies of microfinance in India. It discusses the impact of microfinance on users as reported by published studies but more fundamentally seeks to address the nature, quality and quantity of impact assessment through a discussion of the types of indicators used and how they are assessed. The results of the systematic review demonstrate that the most frequent subject of published Indian impact studies is the SHG model of microfinance provision, particularly the bank-linkage programs promoted by government agencies and institutional donors like NABARD and the World Bank. Predictably, those institutional promoters are also the most frequent source of impact studies (either through funding, collaborating or acting as actual evaluators for the study). The prominence of institutional promoters is consistent with the role formal impact assessment plays guiding policy-making as well as the imperative of public sector organizations to provide evidence justifying their investments in microfinance programs. The relative emphasis on the SHG rather than MFI model of microfinance delivery among impact studies is also consistent with the SHG model's emphasis on social goals and beneficiary self-reliance relative to organizational self-reliance when compared with the MFI model.

One consequence of the preponderance of donor-driven SHG studies, however, is that the evidence on the impact of microfinance is somewhat narrowly focused. The evidence does not, for instance, provide much scope for comparison of models, whether between MFI and SHG models or between SBLP SHGs and non-SBLP SHGs. The quantity (or more precisely organizational/programmatic breadth) of studies is further narrowed when taking into consideration the number of impact studies that are linked to the same datasets produced by a small set of larger investigations. Both of these factors limit the scope for generalizing findings to the Indian microfinance sector more broadly. A second consequence of the nature of impact studies is that NGO-MFOs are not particularly visible in the literature. Only a handful of impact studies identify the relevant NGO-MFOs. Although NGO-MFOs are involved heavily in microfinance provision, including as facilitators in bank-linkage programs, the focus of impact studies is generally at the program rather than organizational level and most impact studies do not address the impact (or effectiveness) of NGO-MFOs directly, another aspect in which the impact assessment approach is somewhat narrowly construed.

Impact studies generally utilize quantitative methodology and survey-based methods. However, the majority of studies are small-scale studies using research designs (in terms of sampling, comparison and analysis) not considered particularly rigorous by the standards of quasi-experimental design. As expected, the largest scale and most methodologically rigorous studies were promoted by the most well-resourced promoters, such as the World Bank, SIDBI and NABARD. The pairing of quantitative methodology with limited adherence to standards of scientific rigor may reflect resource constraints. It may also reflect the primary purpose of the studies. Institutional promoters may have proving goals, to which a quantitative approach is naturally suited, but also certainly have legitimizing goals, that is the need to justify investments in microfinance promotion. Selection of research design (particularly in the case of some of the NABARD studies) may reflect a ‘good enough’ approach chosen based on its capacity to convincingly demonstrate the positive aspects of the program as perceived by its promoters. As discussed throughout the chapter, although the findings suggest positive benefits from microfinance, particularly through asset accumulation and in terms of psycho-social empowerment, findings are mixed. Some studies report dramatic and overwhelmingly positive impacts and research design and purpose must be considered when evaluating the quality of evidence produced by these studies and the impact studies overall.

The following two chapters address social performance management within NGO-MFOs, reporting on the empirical findings from the second stage of the research, the case studies. They discuss social performance management and assessment systems as well as organizational characteristics providing their context. Chapter 6 reports on relevant internal characteristics; Chapter 7 presents findings on external relationships affecting social performance management as well as discussing the case study organizations’ approach to social performance assessment more specifically.

Chapter 6: Case Study Findings: Internal Characteristics

This chapter reports findings from the two organizational case studies conducted in Tamil Nadu, India. The case study organizations are both indigenous NGOs with a strong social orientation that are involved in microfinance provision. The case study goal was to understand how NGO-MFOs manage their social performance particularly in the context of sectorial trends, including the press towards rapid growth and commercialization, which, in India, ultimately culminated in a microfinance crisis in 2010. The case studies look at social performance management and assessment systems but also more broadly at the organizational landscape which provides the orientation, context and scope for performance management and assessment.

Case study findings are reported over two chapters. This chapter introduces the two case study organizations and presents findings on the organization's internal characteristics including mission, organizational leadership, organizational culture, structure and human resources. Chapter 7 will present findings on the organization's external relationships and SPA. Section 6.1 will introduce the first case study organization, ASSEFA, and discuss its internal characteristics and Section 6.2 will do the same for the second case study organization, CRUSADE.

6.1 ASSEFA[62]

6.1.1 Background: Historical View

ASSEFA traces its beginnings to the Bhoodan land movement initiated by Vinoba Bhave in 1951. In the 14 years following its initiation, Vinoba Bhave's Padayatra across India collected nearly four million acres of land and distributed it to landless farmers. Cooperatives formed and distributed loans from the government to help Bhoodan land allottees reclaim and irrigate donated land, much of which was arid and of poor quality. Despite these efforts some allottees, lacking the knowledge, skills, and confidence to make the land productive, felt ready to abandon the land. In this context a retired Italian philosophy professor and peace activist inspired by the land-gift movement, Giovanni Ermiglia, arrived in India. Professor Ermiglia met S. Loganathan, who was connected to the Bhoodan movement in the state of Tamil Nadu and the two partnered to form Bhoodan cooperatives named Sarva Seva Farms.

Sarva Seva Farms helped allottees work collectively, sharing resources and manpower, to make the Bhoodan land productive. The first Sarva Seva farm was established at Sevalur in the Ramnad district of Tamil Nadu in 1968. A total of 70 acres were made productive in the project through collective effort and with technical and managerial support provided to the farmers. Based on its success, the first project was replicated in other areas. Ten years later Sarva Seva Farm projects covered 79,000 acres, 364 Bhoodan families, and five districts.

In the late 1970s and early 1980s ASSEFA's approach evolved as large adjacent tracks of Bhoodan lands became more difficult to find and pressure grew to include non-Bhoodan allottees. ASSEFA concluded that working only with Bhoodan allottees

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[62] ASSEFA has promoted approximately 155 independent organizations including nine education trusts, five dairy companies, two NBFCs, one technical support company, two housing companies, one action research company, over 110 trusts comprised of federated SHGs, and trusts for other federated activity groups. Unless otherwise noted 'ASSEFA' will refer to the entire family of ASSEFA affiliated organizations while 'ASSEFA proper' will be used when refering specifically to ASSEFA the parent organization.

was unnecessarily limiting and was not creating the harmonious village relationships idealized by Mohandas Gandhi and his follower Vinoba Bhave. The following years were a period of expansion and experimentation. ASSEFA began working with entire villages, first introducing a new approach based on Gramdan.[63] Gramdan together with the maturing of existing project areas advanced expansion beyond land reclamation and cultivation to an integrated development approach that included complementary economic and social programs. ASSEFA informally sponsored its first school in 1978 and by 1983 established its first primary schools. In the early 1980s ASSEFA also began promoting health care initiatives and organizing dairy groups whose federated structures ultimately promoted their own dairy companies, setting up chilling barns and processing facilities. During this period the name ASSEFA was adopted and work expanded into five states beyond Tamil Nadu.

Overcoming farmers' long-standing attachments to their land proved challenging and by the mid-1980s Gramdan and approaches based on collective ownership generally were abandoned due to resistance from villagers. ASSEFA continued working through people's organizations toward Gram Swaraj and expanded and strengthened its integrated development approach.

Credit provision was a natural and early facet of ASSEFA's self-reliant philosophy. In the early days working with Bhoodan allottees ASSEFA expected farmers to pay back ASSEFA's investment. In addition to promoting Gram Swaraj, repayment leveraged limited outside funds for the benefit of additional allottees. By 1978 ASSEFA was pooling a village's common resources in a Gram Kosh managed by the Gram Sabha and distributed on a revolving basis for income-generating purposes. The mechanism for revolving village resources became increasingly formalized over subsequent years. Beginning in 1985 village-level Nidhi Foundations were formed by representatives from a villages' various activity groups to mobilize revolving funds to be dispersed on a credit basis. The Nidhi Foundations were federated at the area level two years later to pool and make available larger sums. In another two years ASSEFA promoted an apex organization, a community owned NBFC named Sarva Jana Seva Kosh (SJSK), primarily to provide better financial management for the Nidhi federations' pooled funds.

During the 1990s ASSEFA partnered with Tamil Nadu state government (specifically TNCDW) on its IFAD-supported SHG bank-linkage program called Mahalir Thittam, providing further momentum to the credit aspect of ASSEFA's work (see Section 3.4). By the late 1990s disenchanted with the management and tone of the state-run program, particularly growing party political interference (discussed further below), ASSEFA prepared to withdraw from the partnership. It explored promoting an NBFC to support the nearly 4,000 women's SHGs formed by 2000. At this point, SJSK could not easily become an NBFC as a crisis amongst NBFCs in the late 1990s made obtaining new licenses difficult. Rather in 2001 ASSEFA bought an existing but defunct NBFC from BASIX, Sarvodaya Nano Finance Limited (SNFL).

ASSEFA established SNFL as a community-owned and managed NBFC. SHGs were federated into Sarvodaya Mutual Benefit Trusts or SMBTs. The SMBTs (112 of 113) became SNFL's owners, holding 99 percent of SNFL shares. SMBTs raised membership fees from their member groups and pooled fees with groups' existing rotating funds to capitalize SNFL. SHG group leaders represent members on the SNFL and SMBT boards. SNFL became the predominant mechanism of credit

[63] The Gramdan or "village-gift" approach required the major part of the village land be donated by at least 75 percent of villagers. The donated land was collectively managed (by the Gram Sabha) and cultivated for the benefit of the entire village.

provision for ASSEFA, providing credit exclusively to SHG members through the SMBTs (which were SNFL's borrowers).[64] The SMBT structure also became the principle avenue for organizing non-credit activities. The number of SHGs grew rapidly and as of March 2008 ASSEFA had over 32,000 functioning SHGs with over half a million members[65].

6.1.2 Background: Recent changes

The 2010 microfinance crisis that began in Andhra Pradesh precipitated a reorganization of SNFL and reorientation for ASSEFA. Although the bulk of SNFL's portfolio sourced from Tamil Nadu, SNFL suffered from banks' post-crisis reluctance to lend to MFIs. The RBI regulations that followed in May and December of 2011 placed an additional burden on SNFL. SNFL was immediately non-compliant with the regulations in at least two key respects, the first regarding borrower identity and the other loan size. The RBI regulations require MFIs receiving priority sector lending to lend only to individuals, SHGs or joint liability groups and not intermediaries like the SMBTs.[66] In SNFL's model, the SMBTs were SNFL's borrowers. SMBTs on-lent to the SHGs and SHGs kept their own account of the disbursements to and repayments by individual SHG members. The lending structure inevitably meant SNFL lent sums far greater than the Rs. 50,000 limit stipulated by the RBI regulations.

To tackle the dual challenges of shrinking lendable funds and non-compliance with RBI rules SNFL undertook a major restructuring. Measures taken significantly altered the identity of SNFL as a community-owned and managed organization. First, to continue lending SNFL relied on other ASSEFA affiliated organizations. SJSK made a contribution of surplus funds to SNFL. A second affiliated organization also made a small loan of surplus funds. These contributions reduced the proportion of SBMT-owned shares from over 99 percent to about 80 percent of total shares. SNFL also focused on their weekly loan product with its up-front interest payments to support cash flow and cut expenses, including withdrawing SNFL from states other than Tamil Nadu. Even with these measures SNFL's asset size declined to one-third of its peak, disbursements dropped, and it operated at a loss (see Tables 6.1 to 6.4). A jump in write-offs reflected some repayment problems, although the write offs were more indicative of the strategy for righting SNFL than of a sudden or precipitous drop in repayments. SNFL made aggressive provisions in 2011-2012 and 2012-2013 for

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[64] SNFL offers five loan products. The product offerings were in transition as of April 2013. Two new products were being introduced: a new shorter-term weekly product was added to the existing 20-week loan. A new agricultural product was added to existing housing and livelihood loans, all three payable monthly and with a 10-month term. The two 'eliminated' products; both monthly products for the purchase of milch animals, will still be offered to individuals but indirectly through loans made to ASSEFA federations and dairy companies who then will on-lend to individuals. The largest loan size across products is Rs. 15,000 and loans are offered with a 13.5 percent flat interest rate (23.8 percent on a reducing balance for monthly loans and 25.7 percent on a reducing balance for weekly loans). The branch retains 4.5 percent as a fee for services and SNFL receives 9 percent. The weekly loan has been the most popular loan and accounts for the bulk of SNFL's portfolio.

[65] Over half of the SHGs, 17,240, were qualified and registered for membership in an SMBT.

[66] In 1972 the RBI formalized definitions of several "priority sectors", including agriculture and small- and micro-scale enterprises, that were not likely to have adequate credit without a special dispensation. Shortly thereafter targets were set for commercial bank lending to these sectors. Sub-targets focus on the "weaker sections" within those sectors. Current targets require that 40 percent of commercial bank lending is to the priority sectors. Bank loans to MFIs count towards priority sector lending requirements as indirect finance given the MFIs meet certain requirements.

bad loans (applying standards that they were required to comply with only from 2013-2014) in response to bank concerns over its level of overdues.

Chart 6.1: Assets[67]

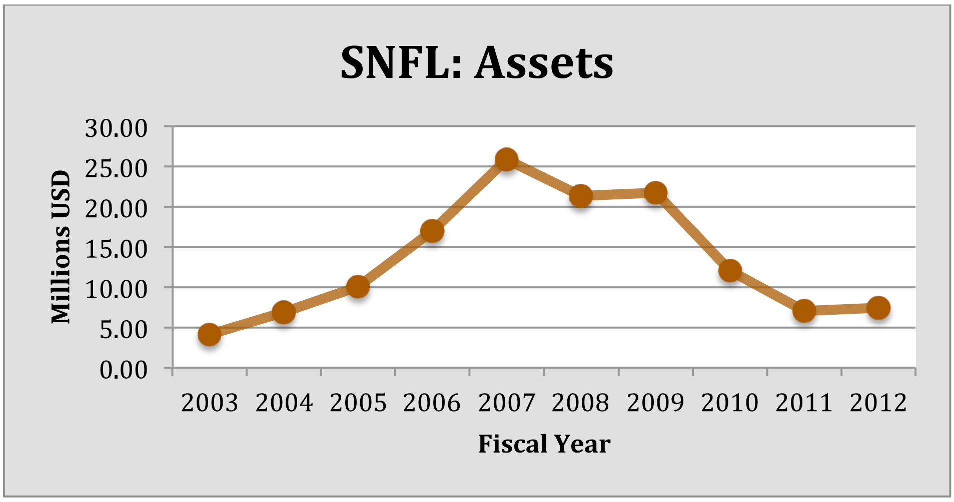
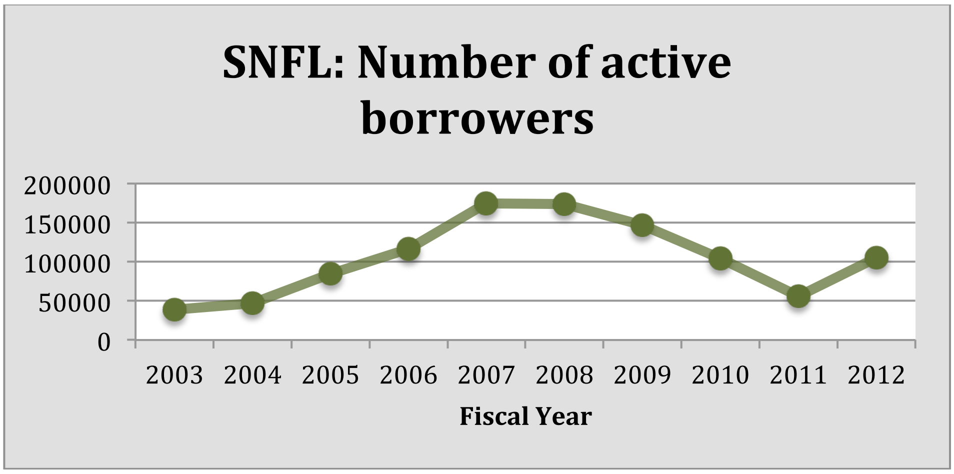


Chart 6.2: Active Borrowers



[67] Data for tables 6.1 to 6.4 from MFI Report: SNFL, 19 September 2013 (MIX Market 2013); Asset data in real USD; 1.00 USD = 61.8693 INR on 10/7/13 (www.xe.com)

Chart 6.3: PAR

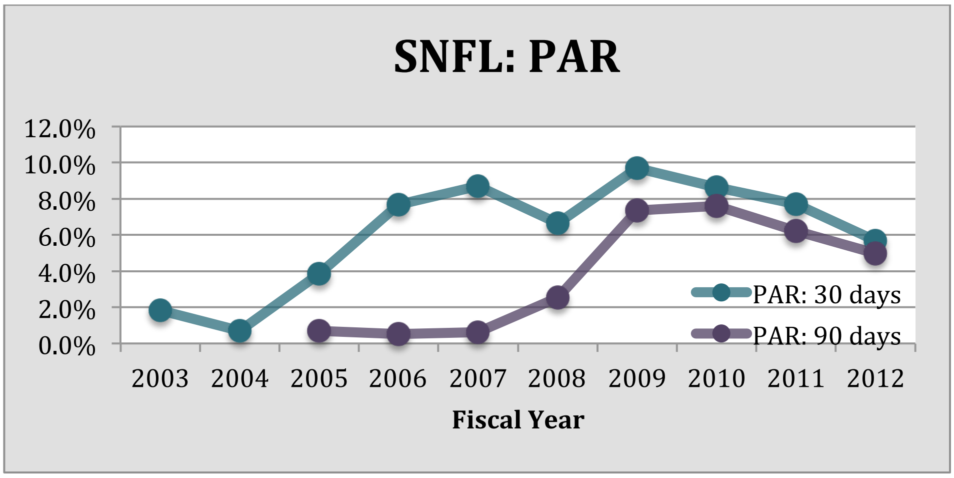
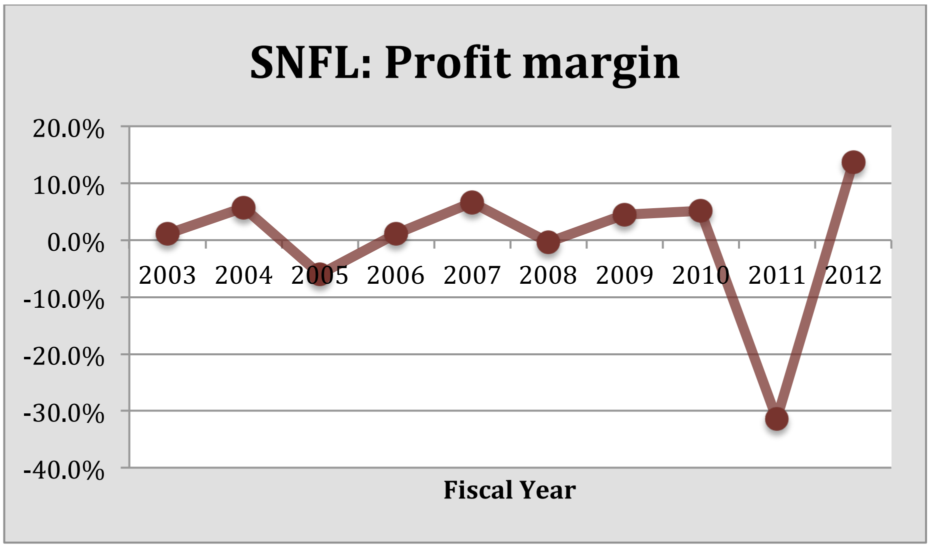


Chart 6.4: Profit Margin



Addressing RBI compliance required amending the organizational model to record individual loans rather than SMBT loans in SNFL's books. To address this challenge, the SNFL board approved changes to the model in December 2011 and in February 2012 SNFL did not lend as it established branches at 91 of 95 SMBT centres in Tamil Nadu. The newly formed SNFL branches began lending directly to individuals in March 2012. Eligible borrowers would not only include SHG members but also other individuals, many of whom had previously borrowed from SJSK.

Restructuring necessarily shifted the relationships between SMBTs and SNFL. The role of the SMBT changed. While still the majority shareholders, the SMBTs no longer borrow from SNFL. The SMBT operates under a management and collection agreement with SNFL, retaining one-third of the loan interest as a fee for services. The fee covers SMBT expenses including the salaries of SMBT employees excluding the SMBT chairperson. The SMBT chairperson generally also acts as the SNFL branch manager and is an employee directly of SNFL or an employee of ASSEFA on rotation to SNFL. Additionally the second in command at the SMBT, the CEO, generally acts as the SNFL branch accountant as well. This arrangement has often meant little change of leadership at SMBT centres as existing chairpersons were simply given the additional responsibility and title of branch manager; or addition of staff however, accountability has shifted towards SNFL relative to the SMBT. The biggest operational change for SMBTs (and SNFL) under the new system is each must now account in their books for every individual loan. Greater responsibility for the collection of late payments therefore falls on SMBT staff, particularly fieldworkers, rather than SHG group leaders as in the past.

The RBI regulations tested the operational capacity of SNFL, specifically the capability of its MIS to meet RBI and industry association requirements to individually track loans and submit data to the credit bureau High Mark. The software SNFL used pre-crisis could not manage data on individual loans or loans with upfront collection interest such as with SNFL's weekly loan product. Even the 'new' software adopted by branches (the new system was in place in Nattam branch as of April 2012) requires significant training to ingrain work-arounds necessary to include data required by the credit bureaus. In January 2013, SNFL started submitting data to High Mark and thus offering fresh loans based on credit reports rather than personal declarations. However as of April 2013, training was on-going to ensure branch staff understood how to enter data as only two branches had submitted data in completely perfect condition ready for submission to the credit bureau.

The restructuring also altered the role of SJSK. After falling dormant in the early 2000s, SJSK became a registered NBFC in 2006 and then in January 2007 resumed lending to individuals, mostly men, who did not belong to SHGs. SJSK distributed credit through a separate mutual benefit trust structure whose activities overlapped geographically with 80 of the SMBT centres. ASSEFA kept the two organizations separate to protect SNFL's identity as an organization owned and operated by women's SHGs. With the restructuring the redundancy was eliminated. SJSK became a wholesale lender, lending primarily to SNFL but potentially other ASSEFA-affiliated organizations including federations. All retail lending activities merged under the new SNFL branches.

SNFL's restructuring affects ASSEFA most profoundly at the SHG level. Although ASSEFA has a long history of working with various configurations of people's organizations, the SHG became the primary people's organization over the last 20 years. In project villages entered after 1990 SHGs often replaced Gram Sabhas as the principal grouping for accessing and mobilizing villagers. The restructuring undermines the cohesiveness and sustainability of SHGs. Although many groups still function informally, they have lost their strongest incentive to persist—their role in the lending process—and in most areas individual members can bypass groups in the application for and repayment of loans. SNFL no longer insists on monthly group meetings and ASSEFA is looking for other ways to strengthen the social bonds between SHG members. This can be seen as part of a larger 'weakening' of the SHG movement within ASSEFA as well as the microfinance movement in India generally (see Section 3.3). ASSEFA's current growth area is working with farmers, predominately men, who are outside the SHG movement and access credit primarily through their own federated structure.

6.1.3 Mission

The first microfinance organizations were NGOs organizing rural women into groups to provide small loans on better terms than local moneylenders. Early microfinance organizations joined cooperative, credit union, and commercial and state bank efforts to address the lack of affordable financial services for the rural poor. The missions of these early microfinance organizations were explicitly social: to use microfinance to improve the lives of poor rural women and often to use microfinance as a platform for mobilizing to address other quality of life issues. In India, SHG promoters clearly conceptualized microfinance with a focus on women's empowerment. As ASSEFA's background illustrates, it was among those organizations that undertook microfinance early and with an explicitly social purpose.

ASSEFA's mission was discussed with the founder, senior managers of two key affiliated organizations (SARC and SNFL) and three mid-level (zonal) managers.[68] Table 6.1 displays respondents' descriptions of organizational mission from interview transcripts and field notes. The respondents describe ASSEFA's mission, although the manager of SNFL reports on the mission of SNFL specifically but with reference to its relationship with ASSEFA. Overall, understanding of mission is remarkably congruent over organizations, geography and hierarchy. Respondents identify income enhancement as a central element to ASSEFA's mission as well as raising the social status of members, such as through health and education initiatives. Income and social enhancement is pursued through a community-based approach that motivates members to work together, build a stronger sense of community and enhance self-reliance. One notable difference between senior managers (ASSEFA proper and SARC) and the other managers is the former more readily emphasizes the entire community as ASSEFA's target group while the latter emphasize benefit to poor and vulnerable individuals. This foreshadows a key and evolving tension in ASSEFA's mission between the individual impacts (economic and social enhancement) and the community impacts (solidarity and self-reliance) to be discussed further below.

[68] The founder, Loganathan, is also the senior manager of ASSEFA proper. The other two senior managers (Kumar and Asokkumar) represent SARC (Sarvodaya Action Research Centre) and SNFL. SARC is ASSEFA's research organization and works closely with ASSEFA proper on developing and evaluating new projects. Three of SNFL's nine zonal managers were present at a group interview. They represent zones based from Arni, Tindivanam, and Melmaruvathur.

Table 6.1: ASSEFA/SNFL Mission

	Senior manager/founder: ASSEFA	Senior manager: SARC	Zonal managers	Senior manager: SNFL
What is ASSEFA/SNFL mission?	ASSEFA has no agenda but projects have goals	"…enhance income of target area population . . " "…to bring the entire community to improve the social economic culture of the entire community without dividing them into any kind of discrimination to achieve self-reliant… community…with love, social justice."	"…work with the vulnerable and poor people to enhance their social economic status by bringing them together on a sustainable basis and through them working with the adjacent people also…"	"…give to the rural poor in an easy and affordable ways…" "Helping out the poor women and the rural artisan." "We want to do it in a way differently, not just through lending and borrowing… some general aspects of life also we should touch upon." "It is not pure… borrowing and lending entity… but trying to make some change on the lives of those people."

Over time enthusiasm for microfinance expanded the variety and altered the nature of many microfinance organizations. Newer entrants to microfinance provision included commercial financial institutions drawn by demonstrations of microfinance's potential profitability (Copestake 2007). An increasing number of existing microfinance organizations began transforming into regulated financial institutions to gain access to additional finance and fuel growth. The transformation of the microfinance landscape and the rapid growth it precipitated raised fears of mission drift for microfinance generally and individually among socially-oriented microfinance organizations. And indeed, a post hoc reflection on the Indian microfinance crisis points "first and foremost" to the actions of those "certain impatient players" who pursued fast growth and commercial considerations at the expense of social considerations, creating negative consequence for the entire sector. The evaluation further identifies standardized products, high interest rates, abusive recovery practices and over indebtedness as discreet issues contributing to the crisis, although these issues are symptomatic of the strategies of rapid growth and commercialization (Puhazhendhi 2013, p. 159-160).

ASSEFA respondents consistently report the mission of ASSEFA has held constant through the microfinance sector's ups and downs although some of its approaches have evolved over the years. Arguably both a strong organizational culture rooted in Gandhian ideals and a charismatic founder/leader still at ASSEFA's helm offer protection from mission drift. (Organizational leadership and culture are discussed in Sections 6.1.4 and 6.1.5 respectively.) Additionally, ASSEFA senior managers credit its community-based approach with protecting ASSEFA from mission drift. SARC's senior manager, Kumar, observes many NGOs that adopted microfinance subsequently lost sight of their missions. But ASSEFA, he contends, "can't" lose sight of its mission because they "follow the people." He continues by noting credit is only one need and as needs change ASSEFA must respond.

The founder and ASSEFA proper's senior manager, Loganathan, reiterates ASSEFA's commitment to following the people, describing ASSEFA as having "no agenda" although projects have goals. He compares ASSEFA to a post office that receives resources and then delivers them to their intended recipient, ostensibly one or more of the 150 or so affiliated organizations. He expresses no interest in ASSEFA receiving "cold money" lacking clear ownership and therefore accountability. Although the post office analogy clearly downplays ASSEFA's strong role in strategic planning at the very least, it highlights the Gandhian philosophical stance in which ASSEFA managers act as trustees who empower local people in their own development by acting on the people's expression of need and priority. The post office analogy also distances ASSEFA proper from the day-to-day operations managed by the more local and autonomous zonal managers.

Community-owned microfinance models like ASSEFA's have indeed generally been found less susceptible to mission drift (Srinivasan 2013). In the first place, community-owned microfinance institutions (COMFIs) are largely promoted by socially-driven NGOs, like ASSEFA, to which growth and profits are incidental to performance of social missions. In the second place, the structure of COMFIs can protect from mission drift. As with ASSEFA most Indian COMFIs rely on group, principally SHG, methodology with a two- or three-tiered structure drawing from membership to fill leadership positions including board representatives. The client-centric governance structure facilitates member participation, creates a feedback loop and establishes a mechanism for grievance resolution. COMFIs must maintain effective peer monitoring to avoid capture of resources and power by individual members but member ownership and governance can provide checks on the power of external stakeholders to change organizational goals and strategy.

Microfinance's (and SNFL's) subordinate position relative to ASSEFA also contributes to ASSEFA's enduring sense of mission. SNFL's senior manager, Asokkumar, reports its mission as supporting ASSEFA's through its role of providing accessible and affordable loans. ASSEFA has a long history of using microfinance to promote self-reliance among community members. However, ASSEFA does not consider itself a microfinance organization and SNFL is treated as one part of ASSEFA's whole. ASSEFA's founder memorably expressed ASSEFA's orientation relative to the modern microfinance movement and its associated trends when he said ASSEFA was doing microfinance before microfinance existed and will continue to do it after microfinance ceases to exist.

The support role of SNFL means respondents did not generally consider the trade-offs between social and financial performance as discussed in the microfinance literature relevant to ASSEFA. SNFL's financial performance was regarded as important to the extent that it allowed SNFL to sustain its own activities and cross-subsidize non-financial activities. The formation of SNFL coincided with an effort to decrease ASSEFA's dependence on international funding (Sundaresan & Chandrapaul 2008). Respondents did not, however, cite growth as an important driver of financial performance, reflecting ASSEFA's emphasis on maximizing social performance subject to financial performance. As Asokkumar states, he sometimes engages in a type of "ideological debate" with other senior managers about the stringency with which recovery should be enforced. He argues, "...unless recovery is good, unless you are able to get loans from the bank, you are not going to have profit. If you don't have profit then you can't fund all these activities…Only when we are strong we can undertake such social actions. That's what sometimes Mr. Loganathan also will tease me, you are an ex-banker so you are always focusing on this thing. And I tell him only then I can help you otherwise how can I help you."

Consistent with the embedded position of microfinance within ASSEFA and its mission, ASSEFA does not identity as a MFO. However, Kumar and Loganathan both repeatedly emphasize that ASSEFA is also not an NGO. Rather ASSEFA self-identifies as a social movement. Viewing ASSEFA from its own perspective as a social movement adds further nuance to understanding its mission. Although social movements are generally viewed as diffuse collectives of individuals, Mayer Zald and his collaborators particularly focus on the organizational aspects of social movements. They argue organizations are embedded rather than incidental to social movements. According to McCarthy and Zald (1977, p. 1218) a social movement organization is "...a complex, or formal, organization which identifies its goals with the preferences of a social movement...and attempts to implement those goals." ASSEFA as an organization grew from the Gandhian inspired Bhoodan land reform movement and sought to create a collective of individuals to perpetuate and expand not only its redistributive accomplishments but also the values of Gram Swaraj. Although the most ambitious manifestations of ASSEFA's early inspiration, including land redistribution and collective ownership, have been forgone ASSEFA maintains its self-identification as a movement rather than NGO or MFO.

Beyond its origins and self-identification as a social movement, ASSEFA does not neatly fit the social movement mould. Although social movements are subject to numerous definitions, most definitions describe a collective of individuals with goals and organization using some form of "antagonistic discourses" (Dinerstein 2012, p. 2).

ASSEFA's mission aims squarely at poverty reduction and it supports programs to increase the assets of its members. However, Bebbington (2007, 2010) argues social movements do not directly focus on poverty reduction but around drivers of poverty. Social movements impact poverty by challenging the hegemonic ideas and social relations that undergird poverty rather than directly affecting the assets of the poor. Bebbington (2010) does make some allowance for social movements focused on collective consumption as more likely to be involved in direct asset provision and more likely to be focused on basic needs than ideology.[69] The Bhoodan land movement focused on collective consumption and challenged agrarian land tenure albeit in a Gandhian and hence less antagonistic fashion that commonly associated with social movements. Land redistribution occurred through voluntary rather than forcible (such as through occupation) means.

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[69] Social movements concerned with collective consumption (as discussed in Bebbington 2010) challenge asset provision and the norms around asset provision. Bebbington (ibid.) cites land movements that intially impact assets through occupation and subsequently challenging agragrian tenure structures.

Bebbington (2010) also addresses how asset provision (in this case savings and loans with specific reference to SEWA) may be used to mobilize, organize and build trust for the purpose of future collective action. This logic of action is familiar to microfinance generally and indeed Bebbington (ibid.) mentions microfinance as a “professionally led” effort that took on “movement-like” characteristics changing prevailing ideas about the feasibility and methodology of financial services provision (Bebbington 2010, p. 14). McCarthy and Zald (1977, p. 1226-7) also discuss the use of selective material incentives to “bind” individuals to social movement organizations, although they argue social movements primarily incentivize members through solidary incentives and value fulfillment. Of course the use of material incentives may bring individuals to the table so to speak but does not necessarily create the solidarity or value alignment needed for collective action. Perhaps then the key issue for ASSEFA’s current status as a social movement is the degree to which the poverty reduction aspect of its mission (including microfinance) operates in service of its community building or Gram Swaraj mission. Regardless of the degree to which ASSEFA fits strict definitions of a social movement organization, it’s self-identification as one arguably influences behavior and as such the literature on social movements provides insight into how ASSEFA understands its mission.

6.1.4 Organizational leadership

Organizational leaders exercise significant control over social performance through the setting of missions, values, goals and long-term strategies (Copestake et al. 2005, p. 161). Considering their impact more broadly, leaders play a key role in creating, embedding and transforming organizational cultures. “Concern for culture” is the distinct feature separating leadership from management or administration (Schein 2010, p. 195). Management by contrast is preoccupied with control and implementation of existing systems. As the founder and only leader (of ASSEFA proper) to date, Loganathan practically personifies ASSEFA’s culture, mission, values, goals and strategies although his own representations of his role consistently downplay his part in performing the key functions attributed to a leader. Just as ASSEFA has “no agenda” Loganathan reports he likewise has “no role.” In the single statement made directly referencing his role, he describes it as giving confidence to members. Thus his leadership role and style was most usefully understood indirectly through observations, interactions, anecdotes and attitudes expressed over the course of the fieldwork.

Loganathan disavows any authority over decision-making or strategic planning as well as credit for outcomes (but by the same token accountability for outcomes) and rather casts himself primarily as an advisor. “ASSEFA”, he explains, advises and makes suggestions that the people may are may not be interested in. In a particularly illustrative anecdote, Loganathan describes a visit many years earlier to a prestigious management school—IIT-Ahmedabad —where he was invited to present a paper. In the course of a discussion on professionalism, he minimized his role in ASSEFA comparing himself and professionals generally to artisans. According to Loganathan the analogy offended (as intended ostensibly) attendees, students seeking the status of professionally trained managers. Loganathan offers a similar abdication when it comes to planning for the future. In reference to ASSEFA’s future plans he simply reflects that the future cannot be planned. One could make plans but then some other person will come in and pursue another course of action entirely. He adds that the people lead decision-making in any case although near the end of the conversation he anticipates ASSEFA would continue to do the same type of work in the same fashion: slow and steady.

A stark but unsurprising contrast presents itself however between Loganathan’s portrayal of his own role and authority and images from the fieldwork: pictures of

Loganathan standing in for absent fathers at community weddings, signing copies of his book of short stories about rural life for a couple of young conference attendees, staff and members calling him by the honorific Longanathanji or Anachi (elder brother), and women farmers and ASSEFA members touching his feet in the Hindu tradition meant to honour elders including spiritual leaders. The respect and deference paid to Loganathan certainly suggests a level of “personal power” often found in charismatic founder/leaders and likely to translate into considerable influence (Handy 1993).

As the senior (and only) manager of the apex organization, Loganathan clearly holds position and resource power as well. His time is spent traveling between project areas, communicating, information gathering and decision-making with managers and members. His organization is the “post office” through which any donated funds flow. As such he is the point through which organizational information and to a lesser extent funds are collected for the organization as a whole. The extent and way in which he uses his power to influence decisions is part of a ‘black box’ created by the informality of decision-making processes although he is regarded as the most senior authority and logic and available evidence suggest he influences decisions as such. For instance, when pressed on how ASSEFA decides which projects to take up (after acknowledging project ideas originate in the needs and priorities of the people) Kumar said “senior management” takes the final decision. Senior management seems to consistently include Loganathan with the relevant “sectorial people” also involved as appropriate (such as Vasantha and Muneeswaran (in charge of the education trusts and ASSEFA workers for over 30 years each) and Asokkumar).

Theories of leadership contrast structured versus flexible styles (Handy 1993). It is difficult to interrogate Loganathan’s leadership style in these terms given his own orientation towards leadership and the ‘black box’ previously discussed. However the social movement literature contributes usefully on this point. Zald and Ash-Garner (1987) identify two leadership styles in social movements—articulating and mobilizing—distinguished by the types of tasks a leader emphasizes. Mobilizing focuses on reinforcing organizational goals and member commitment and articulating on creating linkages with other organizations. A leader’s style often shifts over the organization’s life to meet current needs. In periods of expansion or growth, leadership is likely more fully articulating. Having said that, Loganathan’s current leadership style appears more fully mobilizing. ASSEFA’s external relations will be addressed in more depth in Chapter 7 but can be generally characterized as either long-standing and stable (established in ASSEFA’s early years) or limited and guarded. Rather Loganathan appears focused within on the mobilizing tasks of strengthening the cohesiveness and values of the ASSEFA family not least by connecting members and staff with each other and to ASSEFA’s iconic historical origins through him. Loganathan’s preoccupation with mobilizing tasks fits movement organizations that, like ASSEFA, focus on individual rather than societal change (Zald & Ash-Garner 1987).

In a sense Loganathan’s dismissiveness of his own authority can be seen as a prime example of his strong leadership role. Schein (2010) argues organizational cultures originate from three sources. The most influential in the organization’s early stages is the founder’s beliefs, values, and assumptions, in part because leaders choose the people to bring into the organization.[70] Schein (2010) also discusses the mechanisms through which leaders reproduce or embed culture within the

[70] The other two sources of organizational culture discussed by Schein (2010) are learning experiences shared by the group over time and new ideas brought by new leaders and members.

organization over time, including deliberate role modelling, teaching and coaching. If interpreted as the former, Loganathan's mobilizing style and circumspection regarding his own leadership may function as a device to reinforce the organization's culture of Gandhian values.

In the future a key leadership issue for ASSEFA will be succession, or who will replace Loganathan when he leaves. In social movements the departure of a founding leader, particularly one with a long tenure as head of his or her organization, can result in declining membership, factionalism (with the former actions and statements of the founding leader being used to legitimize opposing views) and professionalization of senior managers (Zald & Ash-Garner 1987). The latter is associated with goal transformation (and possibly mission drift) as goals become more conservative, reflecting increased concern for organizational maintenance. The capacity to avoid such negative repercussions following a founder's departure is of course dependent on a number of factors including the qualities of remaining managers (such as their commitment to organizational versus personal goals), the ability of other organizations to co-opt remaining leaders, and the leaders' ability to combat growing member apathy or lack of interest in the absence of the founding leader (Zald & Ash-Garner 1987).[71]

Long-tenured founding leaders often mitigate against the development of leadership capable of meeting the challenges of their departure. The organization becomes closely linked with the founder. The board is often composed of the founder's personal acquaintances and as such lacks independence and possibly the habit of taking a leadership role when needed. The founder provides the bulk of energy, vision and ideas such that their generation is not institutionalized (Tandon 2002, p. 219). The "routinization of charisma" may not have occurred. This process involves the "institutionalization and rationalization of the goals and guiding myths of the organization" and, significantly, shifts incentives for staff and members from "gratification related to the mythic stature of the leader and the opportunity to participate with him to the gratification afforded by the performance of ritual and participation... " (Zald & Ash-Garner 1987, p.136).

Loganathan's predominant role in mobilizing staff and members, connecting them to ASSEFA's uniqueness and moral centre, suggests the "routinization of charisma" is an unfinished business. Whether and how this process will complete is critical to ASSEFA's social performance given a well-understood mission reinforced by a stable organizational culture have been critical to protecting ASSEFA's social performance (particularly in the absence of formal systems and processes to monitor social performance as will be discussed in Chapter 7).

6.1.5 Organizational culture and structure

Much of the NGO literature takes a prescriptive tone regarding organizational culture. The literature raises concerns over changes in organizational culture that may diminish social performance and that have been associated with the growing popularity of NGOs with institutional donors. The concerns often focus on the risks of organizational growth that requires extended hierarchies, increased functional specialization and professionalization, and increased capacity to raise human and financial resources (often through new relationships with donors). Poorly managed, such growth may shift accountability upward, centralize power, and create a more bureaucratic and less flexible organization that subordinates mission-related values

[71] Zald and Ash-Garner (1987) also identifies a base of support that is independent of membership as a condition under which goals become more conservative however this is less relevant to ASSEFA.

and commitment to professionalization and administration. Meanwhile the erstwhile and antithetical advantages of NGOs—such as small organizational size which are felt to allow for close relationships with local people and the ability to act swiftly, innovatively and flexibly—erode (Edwards & Hulme 2002). Microfinance literature likewise directs concern towards NGO-MFOs pursuing rapid growth toward sustainability and possible commercialization. Lewis (2003) describes microfinance as a "narrative changing intervention" that places new emphasis on market-based sustainability, changing not just strategies and structures but NGO cultures.

Perhaps key to ASSEFA's ability to avoid mission drift is an organizational culture that continues to reject the shifted narrative rationalizing rapid growth and commercialization. This is reflected in ASSEFA's structure and growth strategy. ASSEFA grew largely by leveraging its existing network of people's organizations, converting and combining them into SHGs and SMBTs. ASSEFA became larger not by growing 'up' (increasing hierarchies) but by growing 'out' (promoting autonomous people-led organizations). By following this alternative model of growth ASSEFA avoided some of the pitfalls of rapid growth in microfinance provision.

Loganathan's philosophy and leadership style have contributed to a strong culture able to support its growth model. Schein (2010) defines organizational culture as a group's shared basic assumptions. A threshold of shared assumptions is necessary for organizations to function and solve basic problems of "internal integration" and "external adaptation". Schein (2010) places a particular emphasis on leaders as creating, reproducing and managing change in organizational culture. Handy (1988) describes organizational culture as an organization's sets of values, norms, beliefs and ideologies that determine the way things are done within the organization and are reflected in organizational artefacts including structure. He offers a long list of factors influencing an organization's 'choice' of culture (among four types he discusses) without a particular discussion of their relative importance. As Handy (1988) argues in "power cultures" such as ASSEFA, the organization depends on a central power source who exercises control through selection of like-minded people and personal contact. This type of organization retains its ability to act quickly but given its reliance of personal relationships cannot operate effectively if the organization gets too big. To grow it must, as ASSEFA has, promote other organizations.

Loganathan essentially sits at the centre of a 'web' of autonomous hierarchies connected (as Figure 6.1 illustrates) by and through ASSEFA proper. Loganathan is positioned to influence each 'string' of the web. ASSEFA's promoted organizations may not have power cultures themselves. SNFL for instance is relatively more hierarchical than ASSEFA at large, with formalized processes and systems. Standardized processes for the application, management and repayment of loans, not the least to avoid fraud, necessarily characterize the relationship between SMBTs and SNFL. However it is perhaps SNFL's relationship with the larger organization of ASSEFA that keeps it in check. The majority of SNFL board members share a personal relationship with Loganathan, Loganathan sits on the board himself and Asokkumar is a retired banker who previously served on the ASSEFA board and is personally loyal to Loganathan. In addition to maintaining a strong shared culture amidst continued growth, ASSEFA's power culture allows for autonomy and flexibility at the local level. It simultaneously ensures no alternative, competing power centre can emerge, as autonomous organizations compete with each other and rely on the centre for information and resources.

A natural place to start to understand the beliefs and values underlying ASSEFA's and Loganathan's 'choice' of culture is with its origin in the Gandhian-inspired

Bhoodan land movement. Gandian philosophy is both implicitly and explicitly implicated in ASSEFA's model. Gandhi objected to the "delusion of modern economics", including the idea that pursuit of self-interest, the foundational tenet of modern capitalism, is a desirable or advantageous basis for human conduct (Gandhi 1908). He saw capitalism's emphasis on maximizing aggregate material well-being as immoral and reductive in its neglect of the spiritual nature of man. Well-being should be more holistically sought through Gram Swaraj and the sociality of village life. As an offshoot of the Bhoodan movement, ASSEFA has explicitly inherited this worldview. The philosophy informs choices, such as the choice to prioritize community-building goals over goals of individual economic enhancement when the two work at cross-purposes. Loganathan spoke about the lack of "dignity" available in urban living and much of ASSEFA's energy is directed currently to improving the economic proposition of agriculture to encourage youth to consider agricultural vocation.

The emphasis on egalitarianism (Heginbotham 1975) is a correlate of the Gandhian criticism of the capitalist economic system and attendant emphasis on professionalism. Bottom-up management speaks to ASSEFA's commitment to participation but even more telling is the anti-professionalism in casual conversation. Kumar teased the general manager of the Sivagangai area, Thangaiah, that he was a "professor" because he had posted written summaries of the watershed project on the walls in advance of my visit. Loganathan joked about a prominent family from the North (who unfairly control land in the Cauvery Delta). They go away for schooling and come back "professionals" who "drink coffee" and "read The Hindu" each morning. During our last visit Loganathan commented that he would be away in rural areas for some time and may only see me again briefly in Chennai before I left India, explaining he was more comfortable with the people than with "intellectuals" like me. Although it is part of Loganathan's disarming style to use flattery and self-deprecating humour in conversation, the sense of "intellectuals" and "professionals" being outside of the ASSEFA movement was clear. Preference was for an informal, homegrown, action-oriented and improvised style of management.

Despite the cultural relevance to ASSEFA of Gandhian critiques of professionalism and capitalism, operating SNFL has required a degree of professionalism and formalization as previously discussed. ASSEFA may have been able to successfully navigate this apparent contradiction by pursuing what Loganathan calls the middle way: an alternative to capitalism and communalism that attempts to capture the best of both. In SNFL this was realized practically speaking through its member-centric ownership structure. There are economic trade-offs to the middle way. SNFL logged modest growth compared to the "mega" Indian MFIs: 19 percent during 2007-08 compared to 1,700 percent and 700 percent respectively by Spandana and SKS (Nair 2010). Although not operating strictly speaking according the mainstream models of microfinance and the narrative changing values it promotes, ASSEFA's approach carries the logic of other principles of effectiveness, those which assert the "diseconomy" of financial systems principles which carry risks and instabilities that ultimately undermine sustainable change processes (Fowler 1997). ASSEFA's approach also echoes the logic of a social movement in its objections to mainstream and hegemonic institutions and models and pursuit of an alternative.

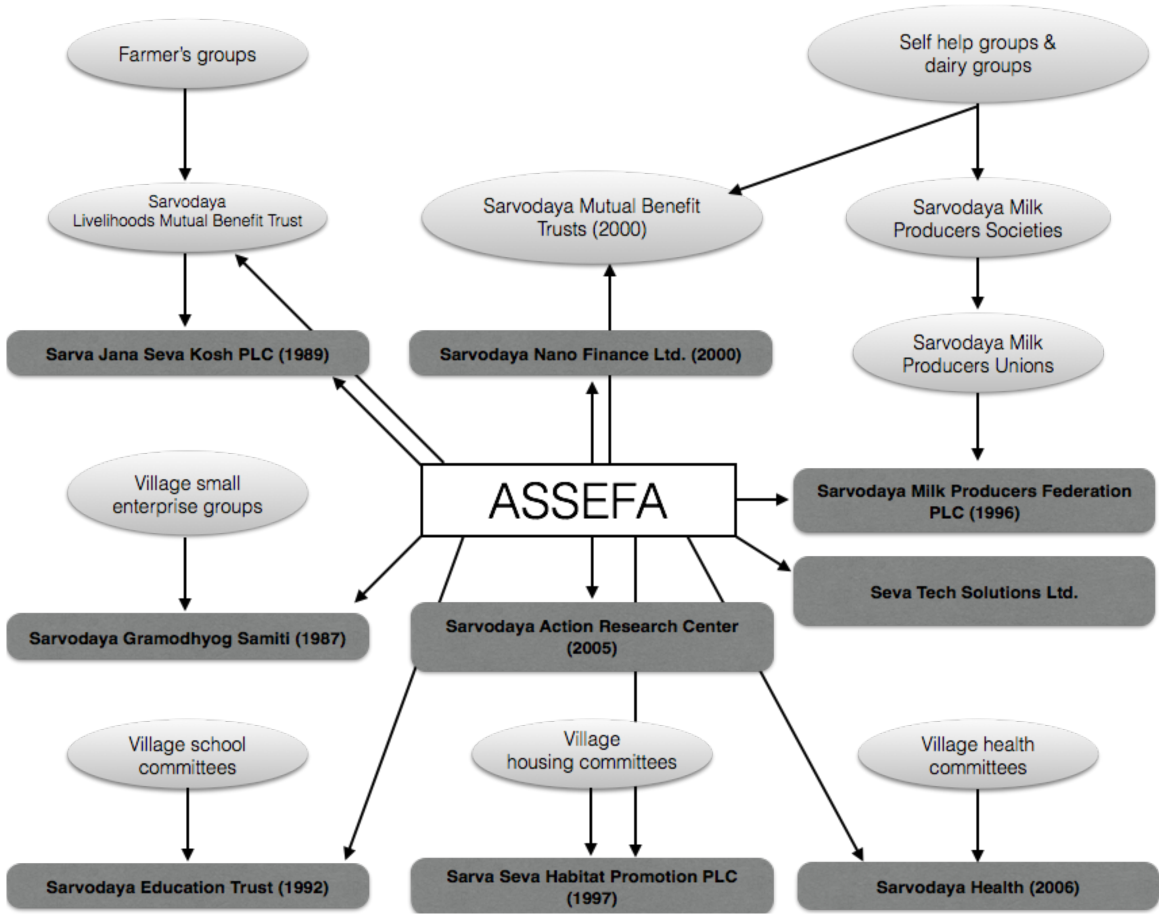
Structure shares a close relationship with organizational culture. Organizational structure refers to how organizations allocate, supervise and coordinate work. Central to the idea of structure is how it allocates tasks and authority. Much of the discussion of NGO structure focuses around the extent to which a given structure creates hierarchy, concentrates authority or centralizes control functions and thereby potentially limits the flexibility and responsiveness of field operations (Fowler 1997).

In addition to its implications for organizational effectiveness structure reflects (or should) the underlying philosophy of how development is best accomplished (ibid., p. 58). As structure involves the division of tasks and authority I will first provide an overview of ASSEFA's structure and then discuss the division of tasks, in particular the way it divides tasks between managers and staff and the volunteer, member community. I will then address the division of authority to supervise the work and its implications.

The way ASSEFA organizes its work reflects its community-building mission, specifically the goal of building community-based institutions. Each of ASSEFA's activities follow a long-standing model in which villagers are organized into village-level activity groups, activity groups are then federated at the area level to provide management support to groups and finally legal entities are promoted as apex bodies to offer professional support and mobilize resources to continue the programs (ASSEFA 2009, p. iii). Group membership overlaps as an individual member may participate in more than one activity group, for instance a member may participate in an SHG and a chit group, but each activity has its own tiered structure. Figure 6.1 illustrates relationships between village-based groups organized around a particular activity, their federated structures and the apex insitutions.[72] The arrows signify the flow of membership and/or leadership from one body to another. For instance, the SHGs comprise the membership of the SMBTs. SMBTs select board members from the SHGs membership. Similarly, the SMBTs are the member-owners of SNFL and provide representatives to serve on the SNFL board. Figure 6.1 also illustrates the relationship of ASSEFA proper with affiliated apex institutions. Continuing with the prior example, ASSEFA proper contributes staff and board members to both SNFL and the SMBTs.

[72] It should be noted that the federated structures are also legal entities, usually trusts or societies. Also, the figure is simplified to a degree, for instance SHGs are also organized at cluster level, which is not shown. The cluster level association has a more limited operational role and is not a legal entity. Some of the apex organizations could also be broken down further. There are now nine education trusts but only the apex trust is shown.

Figure 6.1: ASSEFA structuring of activities



(Adapted from Brodhead 2008, p. 37)

The tiered structure is meant to build capacity towards the long-term goals of financially sustainable and locally managed activities. The day-to-day tasks are divided between ASSEFA staff and managers, and the memberships' volunteer leaders. The division of labour between the two groups is inverted traveling up the tiered structure, that is member leaders take on the majority of the day-to-day work required at the village level but their involvement decreases while ASSEFA staff's increases over ascending tiers.[73]

ASSEFA management overlays and overlaps the tiered structures. Nine zonal managers oversee a variable basket of activities within their given geographic region. They are part of the management layer below Loganathan and while technically employees of SNFL (their salaries are paid by SNFL) the zonal managers may oversee non-SNFL activities in their geographical zone. In fact the Nattam zonal

[73] For example, in the case of SHGs, ASSEFA fieldworkers (until recently) were primarily responsible for group formation and assisting with group capacity-building activities. Group leaders were responsible for labor-intensive monitoring of group loan repayment. At the area level (SMBT) ASSEFA staff are the interface between groups and SNFL in the loan application, dispersement and repayment processes. Group leaders assist in loan verification processes and in SMBT management through board representation. Finally the most technically demanding roles are reserved for apex organizations staffed by ASSEFA and with minimal involvement by members except for board representation.

manager reports only 10 percent of his time was spent dealing with SNFL-related activities, while the other 90 percent he spent on non-financial activities which included SMBT social activities, housing and chit fund activities, and distribution of ASSEFA's monthly Salaram magazine.

ASSEFA schools and dairy processing units generally have separate management structures (from each other and from SNFL and other social activities) but even this 'rule' is flexible. For instance, Vasantha, the head of the apex education trust, was also nominated by area SHG members to serve on the board of the dairy processing facility. Thangaiah oversees his area watershed projects (pursued in conjunction with the Farmers' Renaissance Scheme) but also is on the board of trustees for the area's education trust. Ultimately management overlaps between activities and legal entities. This speaks to some degree to the flexibility ASSEFA maintains to customize activities to the needs and resources of a particular area and also the degree to which activities are pursued in an integrated and coordinated fashion.

As discussed in Section 6.1.4, Loganathan minimizes his and ASSEFA proper's role in ASSEFA, characterizing it as supportive and advisory. ASSEFA proper has only five employees including Loganathan. Important support functions such as research and development (SARC) and IT support (Sarva Tech Solutions) are also promoted as separate companies from ASSEFA rather than held within ASSEFA proper or within the geographic divisions of ASSEFA. As such ASSEFA's structure is not top heavy but relatively flat with a short distance between Loganathan and all other levels of management. The flat organization and traveling senior management facilitate communication and coordination.

While ASSEFA's structure is flexible and flat what is less clear is the scope zonal managers have to independently make strategic and operational decisions. As noted previously ASSEFA proper retains control over resources and information. Kumar, the head of SARC, which facilitates communication between ASSEFA's geographical zones via the monthly magazine Salaram, travels with Loganathan and is also Loganathan's son. ASSEFA proper and Loganathan specifically hold the power over any discretionary funds. SARC also implements any pilot activities. For example, SARC led SNFL's transition toward RBI regulation compliance including managing training on the new computer system. Employees hired by SARC as part of this effort were then absorbed by SNFL. In a similar fashion SARC facilitated the pilot phase of the Farmers' Renaissance Scheme. The close relationship between SARC and ASSEFA proper reiterates Loganathan's control over any significant changes or new activities.

6.1.6 Human resources
Recruitment of appropriate staff is a critical aspect of NGO management. Among the choices are between recruiting staff externally and promoting internally, often a choice favouring either formal qualifications or field experience. ASSEFA's senior ranks are dominated by a cadre of managers who have worked their way into their positions over decades-long tenures with ASSEFA, illustrating ASSEFA's successful promotion of internal, field-tested staff. Of the eight senior managers interviewed during the fieldwork (five zonal managers, one general manager, and two senior managers of education trusts), all had been with ASSEFA since at least the 1980s, giving them tenures of between 25 and 30 years with the organization. They started their ASSEFA careers as a salesman in cottage industries, community workers, a health worker and project staff, or in other words as field-level staff. Promotions were given based on demonstrations they were "active" in their area and came with supervisory responsibilities covering progressively larger geographic areas. The longevity of senior managers may reflect ASSEFA's tendency towards inward focus

and a strategy for reinforcing the organizational culture of familial loyalty and service. However it may also reflect a lack of viable alternatives or an ability to successfully attract or retain external recruits to senior management positions. This possibility is supported by the discussion of financial constraints below.

The fieldwork allowed for much less detailed work histories of lower level managers and staff than senior managers but financial constraints and limited promotion potential would mitigate against successful recruitment and retention of skilled managers and staff. As such ASSEFA must maximize the benefit of intangible incentives while accepting the limitations on its performance. ASSEFA's strategy for retention places a strong emphasis on intangible, non-material incentives both as a matter of choice and necessity. Zald and Ash-Garner (1987, p. 123) differentiate social movement organizations from "full-blown bureaucratic organization" based on an incentive structure dominated by intangible incentives. Movement organizations focused on changing society are dominated by purposive incentives (value fulfilment) while movement organizations focused on changing individuals are dominated by solidary incentives (such as prestige, respect and friendship). The existence of second-generation employees also suggests patronage as an alternative material incentive available to reward loyalty of staff and managers.

While intangible incentives and limited material incentives may motivate and satisfy some active staff the most ambitious of staff are still likely to leave the organization as Loganathan's lifetime role as ASSEFA's head and a stable senior management places limits on the power and authority one might rise to within the organization. As Asokkumar notes, those with ambition and/or high qualifications, though few, will most likely want to leave and do their own thing eventually. Other opportunities are available to them as well as potentially better financial compensation. However recruiting skilled staff, even if for only a relatively short-term, on the basis of the quality of field experience it can provide may be a viable strategy for ASSEFA as long as it remains relevant.

ASSEFA faces significant financial constraints in particular to its ability to recruit technically-skilled staff. Conventionally material incentives have been downplayed in importance for NGOs when compared with the more intangible or psychological incentives inherent in commitment to a moral or social issues, but as Fowler (1997) points out material incentives became more important for the recruitment, retention and motivation of NGO staff as many NGOs became more market-oriented in the1990s. The trend towards market-orientation is principally associated, as discussed previously, with the increase in official donor dollars to NGOs and the ensuing change in the culture, management and accountability of participating NGOs.

Asokkumar in particular grapples with the real and current challenge of recruiting skilled staff due to financial constraint. He reports, "I don't think if a person is very high qualifications would like to work for us because of the salary package, compensation package. Probably he can join banks or some other financial services company…unless a person is totally committed to rural development like Vijay Mahajan was." Even when able to recruit the particularly committed, Asokkumar points to the difficulty of retaining such individuals saying, "Few are like Vijay and will ultimately want to leave and do their own thing as will Vijay and others." In additional to Vijay, Vasamalai and Jothi are examples of this phenomenon.[74]

[74] Vijay Mahajan is founder and CEO of BASIX and president of the MFIN network. Vasamalai is founder of the Dhan Foundation and S.R. Jothi Ramalingam is founder of CRUSADE. All three men spent time working for ASSEFA before breaking off to found their own organizations.

Asokkumar's own position as CEO of SNFL illustrates one of ASSEFA's strategies for dealing with the financial constraints limiting its ability to hire technically skilled staff: relying on the semi-volunteer labour of a prominent, retired ex-banker. Asokkumar explains, "I am at the backend [?] of my life. I am not going to start any company. My daughter is saying don't even work. Why are you working after retirement? Come and be with me." He further points out that he currently only receives some compensation via SJSK but none from SNFL and as such works at least partially on a volunteer basis.

The question remains then what is the impact on quality of staff overall of the financial constraints. Another aspect of this question is how deeply does the commitment to ASSEFA's ideals penetrate lower levels of management and staff. In the case of SNFL, Asokkumar characterized it thus, "I always feel in any sample some 10 percent will be outshining. They'll be…very hard working, sincere, committed. Another 10 percent will be absolutely hopeless…whatever you do you can't motivate them…the remaining 80 percent will be average. It all depends how you motivate this 80 percent to perform better."

The problem of financial constraints and quality staff feeds in a circular fashion into the tension over social and financial performance overall. Improving financial performance would permit increased compensation and therefore higher quality staff, which would then feed back (in theory) into better financial performance. However improving financial performance without staff holding the requisite skills and experience stalls this virtuous spiral. Asokkumar also attributes fraudulent behaviour among a small percentage of staff directly to low salaries. Higher salaries and a stronger more robust IT systems (to prevent such behaviour) however both require an influx of capital either through better financial performance or otherwise.

6.2 CRUSADE

6.2.1 Background: historical view

The founder of CRUSADE, S.R. Jothi Ramalingam, began his career working for state government during which he interacted and became interested in the voluntary sector. After six years, Jothi left government to work with the poor as part of the voluntary sector. He returned to Tamil Nadu and was introduced to ASSEFA by one of its supporters, Chris Wilde. Shortly thereafter, Jothi joined ASSEFA as a project manager in Nattam near Madurai, taking a 50 percent pay cut compared with his living as a government employee. Although describing the work as "good" and "satisfying", he left ASSEFA to start his own organization after about six years because "I want to work only with the poor but that focus is not there [in ASSEFA]…I left…a well-paying job to work with the poor and…otherwise there is no point…"

Jothi formed CRUSADE in 1991 and began work the following year in the Minjur block of Thiruvallur district north of Chennai. CRUSADE began work in 1992, the same year NABARD launched its SHG bank-linkage program and only about two years into the IFAD-supported project incorporating SHGs into the Tamil Nadu Women's Empowerment Project (Fernandez 2006). From it's inception CRUSADE chose SHGs as its "entry point" based on the potential Jothi saw in these initial efforts to contribute to development in rural areas in a sustainable and replicable way without a large external input. CRUSADE began with very little external support and only one paid worker. After six months battling resistance and suspicion from villagers, CRUSADE formed its first SHG. A turning point for CRUSADE came when

UK charity Action Village India (AVI) began financially supporting CRUSADE, in approximately 1995. AVI remains the principle supporter of CRUSADE 20 years later. A second stabilizing event for CRUSADE was its collaboration with TNCDW and Mahalir Thittam. Table 6.2 lists organizational milestones over the past 20 years as listed by Jothi (in bold) and in CRUSADE's 2009-10 Annual Report.[75]

Table 6.2 CRUSADE Milestones

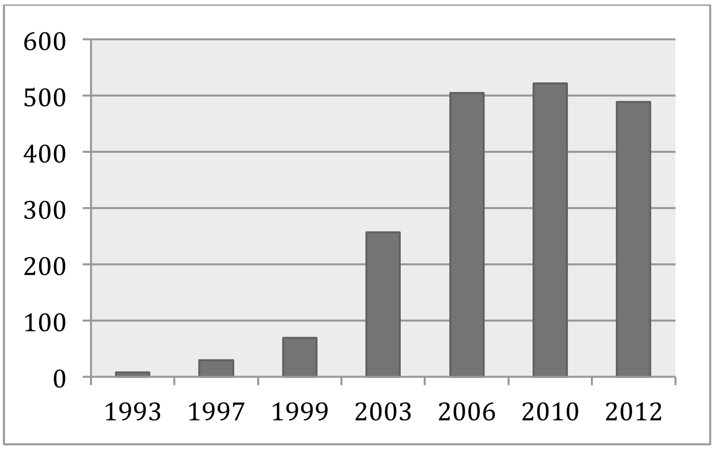
Year	CRUSADE Milestone
1992	**Begin work in Minjur block**
1995	**AVI begins supporting CRUSADE**
1997	**Begin first 5-yr partnership agreement with TNCDW**
1998	Extend to working in Sholavaram block
1998	Thinaipakkam Training Centre inauguration
2001	Begin capacity-building of panchayat representatives
2002	Karanodai Training Centre inauguration
2002	**Begin second 5-yr partnership agreement with TNCDW**
2005	**Action Rural Housing (ARH) incorporated as a company; begins work in 2006 (2009)**
2007	**Pudhumai Pengal Iyakkam (PPI), was registered as trust, apex institution for women SHGs (2006)**
2007	Pudupakkam Technology Centre work started
2007	Community Health Centre started
2007	NGO Alliance for strengthening panchayat institutions formed
2007	**Finish last partnership agreement with TNCDW**
2010	PPI/ARH office inauguration

Chart 6.5 illustrates the growth in CRUSADE SHGs over time, with dramatic growth occurring during CRUSADE's partnerships with TNCDW, only slowing near the end of the ten-year partnership. CRUSADE performed the typical role of a SHPI, including group formation, training and linking to banks. As the number of groups grew they were informally federated at the cluster level (a CRUSADE administrative unit). An apex association was also formed. In 2007 the apex association, Pudhumai Pengal Iyakkam (PPI), was formally registered as a trust.[76] Nearly all of CRUSADE's active SHGs, 480, are members of PPI.

[75] Some minor discrepancies exist between milestones dates provided orally by Jothi and those given in the annual reports. In such cases I have relied on the dates in annual reports as they are consisent across reports.

[76] Consistent with the SHG model of microfinance CRUSADE began by encouraging savings and the revolving of the groups' own common fund followed by bank linkage. CRUSADE also augmented the groups' funds with donated funds which were lent to individual members who repaid the loans to their respective SHGs who then repaid to their association. Such funds were transferred to and capitalized PPI.

Chart 6.5 CRUSADE: growth of SHGs[77]



PPI addressed gaps in the credit available from banks and in part represented an acknowledgment of the continued failure of the formal banking system to consistently and adequately meet the credit needs of SHG members (not least because of bank managers' lack of responsiveness). PPI also reflected CRUSADE's intention to promote community-based organizations that empower members, provide additional benefit, and ultimately become sustainable member-owned and managed organizations.[78] It is governed by nine trustees elected from SHG group leadership.

PPI was the second community-based microfinance organization promoted by CRUSADE. In 2005 CRUSADE promoted Action Rural Housing (ARH) to address unmet demand for housing loans among CRUSADE's members. [79] A section 25 non-profit company, ARH has 150 shareholders drawn from SHG group leadership. It is governed by five trustees, two of whom are also drawn from SHG group leadership. Around 60 or 70 houses have been built by SHG members to date with the help of ARH loans and PPI has provided nearly 40 loans to SHG members since formally registered.

As with ASSEFA, CRUSADE's mission extends beyond credit provision to an integrated development approach and as such it pursues a varied and complimentary set of activities. CRUSADE promotes activities in areas such as housing, health, and education. The interest and fees collected by PPI and ARH cross-subsidize non-credit activities in much the same way SNFL's profits cross-subsidize ASSEFA's social activities. Of particular note, PPI's income covers a portion of field workers' (called cluster coordinators) salaries. PPI and ARH also directly contribute surplus in support of non-credit activities. PPI recently contributed

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[77] The years represented in the chart represent the years for which data (via annual reports was available.

[78] PPI provides loans for five purposes: housing repair or construction, education, medical costs, income-generating activities, or consumption (such as the purchase of durable assets). PPI charges 1.5 percent flat monthly interest on all loans. The loan amount depends on its purpose with maximum loans reportedly between Rs 20,000 and 30,000. The loan term depends on total loan amount, for instance a loan of Rs. 5,000 has a term of 5 months, a loan of Rs. 20,000 has a term of 20 months etc. (PPI also charges a total of Rs 700/year/group in fees.)

[79] ARH charges 1 percent monthly interest on all loans. Interest charges are lower than with PPI and available amounts are larger, but the loans can only be used toward housing repair and construction. ARH was capitalized by contributions made by the shareholders as well as donated funds.

to cover some of the costs for an environmental camp co-sponsored by CRUSADE and the local panchayat. ARH recently distributed saplings to members, an effort complimentary to CRUSADE's long-standing efforts promoting herbal medicine. Both PPI and ARH have used surplus to provide small one-off grants to 'ultra-poor' members, a group more recently a focus of CRUSADE's activities.

CRUSADE's health-related activities have ranged from health camps (focused on diagnosis and referral) and health training (directly to members and of volunteer community health workers) to the promotion of herbal gardens and direct provision of health services through a doctor-run clinic. Educational activities have extended beyond training on health topics. Fairly extensive training was provided as part of the TNCDW partnership and was a primary incentive for CRUSADE's participation in the government scheme. Training topics over the years have included group management, financial management, gender, leadership, literacy, local government and income-generating activities. The latter continues to be offered, currently in computers and tailoring. CRUSADE's goals for 2013-2014 included promotion of 200 herbal gardens, training 1000 women in health issues, 24 health camps, 2 environmental camps, obtaining 200 ID cards for disabled members and training 100 member daughters in an income-generating skill (principally tailoring, computers, or embroidery).

CRUSADE's federated structure provides easy delivery of training modules, covers costs of complimentary activities (such as in the case of providing saplings) and PPI and ARH themselves can provide complimentary services. For instance, PPI offers loans that can assist members in buying sewing machines after completing the tailoring training and for building individual toilets, a goal promoted through health training. In earlier years, ARH promoted the use of stabilized mud blocks in home construction to lower construction costs. CRUSADE provided training to two masons and facilitated production of the blocks at one of its training centres.[80]

6.2.2 Background: recent changes

According to Jothi the microfinance crisis had no impact on CRUSADE and its affiliated microfinance organizations. In reference to the reports of coercion and farmer suicides that precipitated the crisis Jothi adds, "But these are all stories for us and I have not investigated because of my time…but we don't have any problem like this in our area in the sense you know we don't run our institutions like an MFI. So its not a problem for our group members…" As community-owned and managed organizations, ARH and PPI more easily maintain a client-centric focus, with members involved in setting loan terms and relatively lenient repayment policies. CRUSADE's structure also protects it from the challenges of the crisis' aftermath. ARH and PPI are a non-profit company and trust respectively and so not subject to the new RBI regulations governing NBFC-MFIs. They also were not impacted by reduced liquidity to MFIs, as ARH and PPI's revolving funds have not been maintained in this way.

While the microfinance crisis may not have had a direct impact on CRUSADE microfinance organizations, the general plateauing of SHG formation that began in the wake of microfinance's rapid growth in the 2000s is reflected in CRUSADE's current trajectory. CRUSADE's SHG formation has plateaued since approximately 2010 and the number of groups monitored by CRUSADE actually decreased as better monitoring led to dropping inactive groups from its rolls. Rather than expanding geographically or upmarket as other MFOs have to continue growth,

[80] Production of mud stabilized blocks is not on-going. Difficulty procuring raw materials and high transport costs mean the blocks are no longer cost-effective.

CRUSADE has shifted its focus downmarket to potentially excluded groups including the ultra-poor and disabled. CRUSADE is forming new groups for disabled members with 30 groups formed thus far. It links the groups to banks, offers small soft loans for income-generation to those with mild disabilities and helps link the disabled members with government assistance. CRUSADE also identifies the ultra-poor (defined by Jothi as the "poorest of the poor") who may have been excluded from existing SHG groups. CRUSADE provides small one-off grants for income-generating activities, medical costs or housing repair. Approximately 50 to 60 ultra-poor have been helped thus far by PPI and ARH has assisted four to five ultra-poor households with home repair grants of up to Rs. 7,500.

CRUSADE plans to expand to two new blocks in 2014. Rather than forming new SHGs in those blocks CRUSADE is looking towards panchayats as the platform through which to achieve its goals. Jothi says, "So there [in the two new blocks] we are not going to have anything to do with the SHGs because we have not formed SHGs. We are going to work directly with the panchayats with limited objective. For example, to start with two objectives, one is working with the disabled people and another ultra-poor…so we want to motivate the panchayats' planning and all these things." Similarly to SHGs, the panchayat system represents an opportunity to access a significant portion of the community and "spreading this whatever you believe in all the panchayats in a faster way." The transition to panchayats from SHGs as its people's organization of choice represents the diminishing growth potential in SHG work as well as the growing opportunity in panchayat work as national laws devolve more responsibilities to panchayats. The refocusing on panchayats complements CRUSADE's long-standing and on-going activities training panchayat representatives, motivating women to stand for election and ward-level planning.[81]

6.2.3 Mission

As with ASSEFA, CRUSADE's mission encompasses but is broader than income enhancement. Jothi describes CRUSADE's mission as poverty reduction. He explains, "[The mission is] to reduce poverty. Reduce the health problem mainly. Reduce maybe even problems of the mind. So this is, less pain, less pain and more comfortable or more happy living…"

Also like ASSEFA, CRUSADE pursues its mission through a community-based approach which until recently relied exclusively on SHGs. Unlike ASSEFA however, CRUSADE prioritizes benefits to individual members over community-building goals as demonstrated by its targeting of poor households.[82] CRUSADE targets the poor as a point of principle. As Jothi asserts, a failure to target the poor would be a failure in its commitment to reducing inequality and possibly even exacerbate inequality. CRUSADE has used poverty means tests, participatory rural appraisal, and geographic targeting in the past to ensure appropriate selection of SHG members but relies primarily on direct observation and personal communication, informed by

[81] A panchayat includes approximately six to nine wards. CRUSADE facilitates ward-level planning via SHGs. CRUSADE has also collaborated with a state-level forum of panchayat leaders and a state-level movement (VSA) advocating policy changes to devolve more money and authority to panchayats.

[82] In our discussion of targeting Jothi initially defined the poor as the "bottom 50" (ostensibly referring to the bottom 50 percent of below the poverty line (BPL) households). Later in the discussion he simply referred to "below the poverty line" households. In practice many of CRUSADE's communities were chosen for their dalit populations.

experience, to determine the suitability of new members.[83] Although CRUSADE promotes and works through people's organizations with an eye towards building their self-reliance it is without the inclusion of the entire community and the explicit goal of Gram Swaraj. This is confirmed further by CRUSADE's much stronger commitment to connecting members with government benefits.

6.2.4 Organizational leadership and culture

Jothi, like Loganathan, is the organizational founder and leader and as such holds significant power and influence over the culture, mission, values, goals and strategies pursued by CRUSADE. However, while Loganathan minimizes his leadership role and casts himself as an advisor and facilitator, Jothi by contrast implicitly and explicitly acknowledges his central role. CRUSADE is Jothi's organization. When reflecting on evolving relations with villagers Jothi describes their initial resistance to CRUSADE and how now "…we have a lot of relations which can capitalize on…" Now the women can rely on the "structures" and "resolve the problem or at least to have some sort of you know power, empowered to tackle the problems." He continues, "I am happy because I used to say that some ten years back if I had to stop work then I would be very unhappy because its all unfinished so I'll be very unhappy that we are not taken to logical conclusion. Now if I have to stop work I, ok there may be some feelings, but I know I won't mind…because the people would, it will not stop because I stop. The people will carry it on." The villagers will sustain the structures he has built. Jothi does not mention what if any CRUSADE's continuing role would be beyond his retirement.

The physical environment of the CRUSADE office also speaks to Jothi's central role. He is the only one with an individual office and nearly all materials are stored there. Jothi's office houses two computers and several file cabinets with documents stacked on top of the cabinets and bookshelves. Meanwhile the headquarters' other rooms were sparsely furnished. One additional room has workspace with two desks and one computer, shared by staff as needed. During our interviews staff members, both managers, support staff and fieldworkers, streamed in and out of Jothi's office consulting and reporting to him on operational issues, including their comings and goings. The scene brings to mind the spider web image used by Handy to describe the club (1988) or power (1993) culture. Jothi sits at the centre of the organization and with webs of direct communication extending out in "everwidening circles of intimates and influence" (Handy 1988, p. 86). Power cultures work best in small organizations and CRUSADE's small size means communication is easy and direct with all staff.

ASSEFA's larger size means a shared organizational culture is critical to cohesive and consistent action by staff, avoiding mission drift and for Loganathan to maintain control over the organization. CRUSADE's small size and Jothi's clear position as leader allows him to maintain control through personal interaction with staff.[84] Mid-level managers, called program associates or program managers, have some supervisory authority (the degree of which seemed based on seniority) but appear primarily assistants and surrogates for Jothi. For example, Sakthivel, the most senior program manager was most vocal of the three managers, leading a staff meeting in Jothi's absent. But he fell silent when Jothi arrived to take charge. Because of the relatively small size of CRUSADE's project area, Jothi can have direct contact not

[83] CRUSADE's methods of targeting and their outcomes will be discussed in more detail in Chapter 8 under performance management.
[84] CRUSADE has approximately two dozen paid employees compared with ASSEFA's over 400 paid employees (not including teachers and member volunteers). CRUSADE staff include eight cluster coordinators, three program associates/managers and support staff.

only with staff and all aspects of operations but also with individual members. "In fact," Jothi reports, "in the ultra-poor project I know all the families we are assisting…I personally go and see because its a grant…all the 50 or 60 ultra-poor families I know because I visit them before even giving any assistance I make sure to visit." Jothi is also personally involved in interventions made on behalf of members with third parties, including banks and government agencies. CRUSADE has maintained a power culture and avoided mission drift over its 20 years' work but has done so in part because it has avoided the tensions of growth entirely. Although it has grown from its first eight groups in 1993 to managing approximately 485 groups in 2012 it has not grown to a size beyond Jothi's ability to personally manage, although some systems have been introduced (such as a central monitoring system) to address the challenges of managing its larger size.

6.2.5 Organizational structure and human resources

CRUSADE employs eight field workers, called cluster coordinators, tasked with "monitoring" its SHG groups. Cluster coordinators oversee 40 to 80 groups each. They attend the SHGs' monthly village-level and panchayat-level meetings.[85] Their role includes addressing problems with accounts, repayments and bank linkage, conducting trainings and motivating members to participate in additional schemes such as life insurance. Two of the cluster coordinators are designated block coordinators with supervisory responsibilities over the other three cluster coordinators in their respective block.

Three program associates or program managers assist Jothi in his oversight of field staff and project work. They "help" cluster coordinators. One project coordinator oversees CRUSADE's medicinal herbs/gardens project, one coordinates the disability project and the third coordinates income-generation activities. The disability and income-generation program managers help cluster coordinators organize activities and address problems. The first coordinator, focused on the herbal garden project, enters, compiles and produces the quarterly report based on cluster coordinator reports of groupwise financial performance. In contrast to ASSEFA's contingent of long-time managers CRUSADE's program managers have worked with ASSEFA for one and a half, five and eight years respectively reflecting perhaps the lack of any promotion potential within CRUSADE.

As with ASSEFA, CRUSADE has promoted independent community-based microfinance organizations to create additional benefit for SHG members and further their sustainability. Figure 6.2 below illustrates the structure of CRUSADE in terms of its interaction with its groups and its two promoted organizations, ARH and PPI. CRUSADE federated SHGs at the cluster level and then promoted a registered trust as an apex organization. The apex association, PPI, was registered as a trust in 2007.[86] The arrows indicate the flow of representation from the village-level groups up to PPI (in the form of the trustees).

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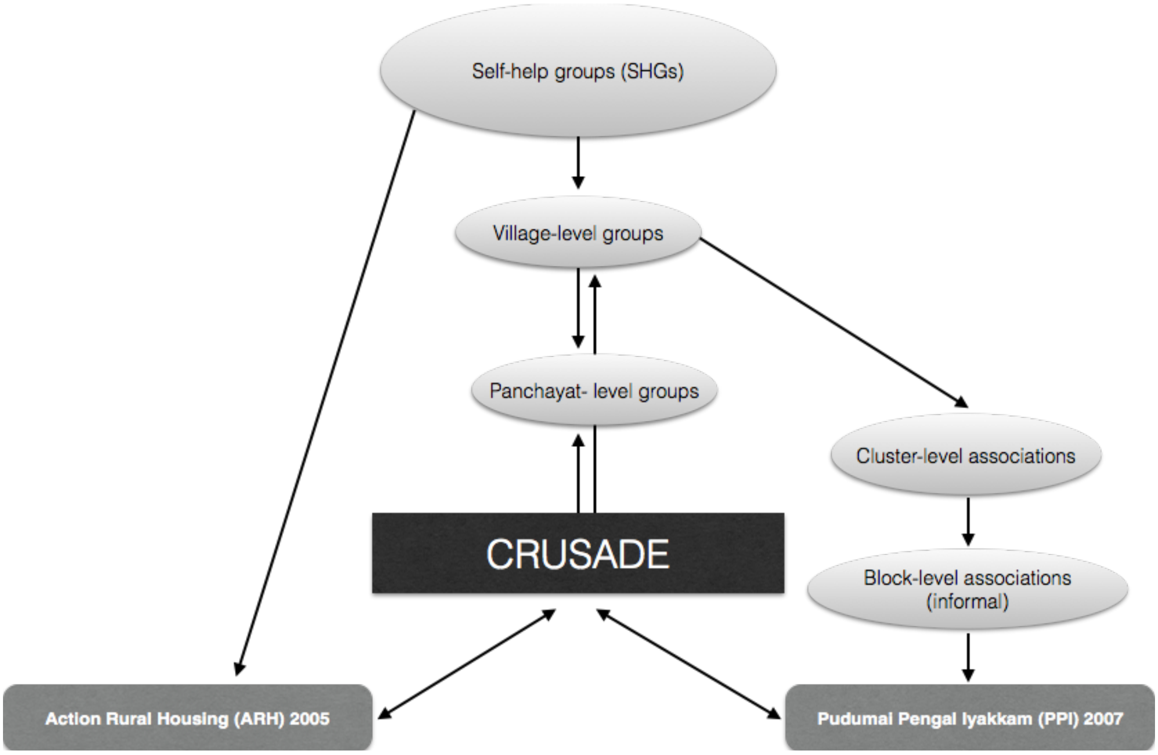
[85] Village-level meetings are intended for all group members but panchayat-level meetings are only attended by groups' animators. (Individual group meetings are held once or twice a month but managed by group animators and no longer attended by cluster coordinators.) Jothi reports CRUSADE used to have very strong panchayat-level groups but has backed away from that level of association since the state government's drive to register panchayat-level federations (PLFs). Registered PLFs include non-CRUSADE groups making monitoring of this level of association difficult for CRUSADE and prompting it to focus on the village and cluster level.

[86] Block-level associations exist also but only informally. The block level associations only include some animators from villages with "more groups." Block-level associations selected the initial trustees for PPI.

Figure 6.2: CRUSADE Organizational Structure



Revolving funds previously managed by the informal associations were transferred to PPI to be governed by nine trustees selected by members from among SHG animators. Trustees meet quarterly to set lending guidelines and targets. Trustees also authorize loan dispersements ("write the checks") and "monitor" loan repayment. PPI employs one part-time employee in Sholavaram block and one full-time employee (one of the trustees) in Minjur block to conduct the day-to-day business of the organization including bookkeeping, processing loan applications and liaising with the bank. As might be expected, CRUSADE coordinates closely with PPI and Jothi holds significant influence over it. CRUSADE's cluster coordinators work on behalf of PPI in the course of their interaction with group members and receive a portion of their salary from PPI's profits. Cluster coordinators promote loans from PPI and assist with application, monitoring and repayment of loans. Jothi remains close to PPI's operations through his supervision of cluster coordinators but also through direct participation in PPI's decision-making processes. He helps resolve issues as needed, reviews loan applications, and attends quarterly trustee meetings.

CRUSADE has an equally close relationship with ARH. ARH was incorporated in 2005 to provide loans exclusively for housing construction and repair. It was incorporated as a non-profit company with 150 group animators serving as company shareholders. ARH is governed by a five-person board that meets quarterly. The board includes two group animators (one from each block) and two external persons (one from the NGO and one from the banking sector). The fifth board member and managing chairperson of ARH is Jothi's wife. She has significant involvement not only through board membership but also in day-to-day operations, essentially running the company (doing all clerical and accounting work) on a volunteer basis until early 2011 when the first and only paid (and part-time) staff person was appointed. Cluster coordinators assist in promotion, application and repayment of

ARH loans. As with PPI, Jothi is easily able to influence and coordinate ARH's work with CRUSADE and PPI. Jothi stays connected with ARH's activities again through cluster coordinators, his wife and direct participation in decision-making processes, including advising on loan applications and attending quarterly meetings.

CRUSADE's small size eliminates the distance between Jothi and field staff and even members, creating an effectively flat organization. Jothi is able to personally complete the task of integrating CRUSADE's diverse tasks and projects. This includes coordinating the work of ARH, PPI and CRUSADE. Jothi attends staff meetings, ARH trustee meetings, PPI board meetings and even SHG meetings as needed. Jothi has formal authority in CRUSADE and although he does not have formal authority in ARH and PPI he exerts influence as the founder but also through their dependence on CRUSADE for technical and organizational support. CRUSADE's small size allows for this complete concentration of authority in its founder while remaining flexible and responsive.

This chapter introduces the two case study organizations and discusses internal characteristics—mission, leadership, organizational culture, structure and human resources—within which social performance management and assessment is embedded. ASSEFA and CRUSADE define their missions in similar ways: as income and social enhancement pursued through a community-based approach, but while CRUSADE explicitly targets the poor, ASSEFA prioritizes an inclusive community-wide approach. Both organizations also rely on leadership by strong founders who are critical to the maintenance of organizational cultures reinforcing their missions. However, the two case study organizations diverge in their approach to organizational growth, often considered a risk to mission and social performance. Both have rejected the logic of rapid growth and commercialization characterizing recent trends in the global and Indian microfinance sectors. However, while CRUSADE has stayed small and largely avoided the risks of organizational growth entirely, ASSEFA has pursued a model of growth—growing out instead of up through the spinning off of autonomous but affiliated organizations—achieving significant scale and financial autonomy while mitigating the potential risks of organizational growth to mission and social performance.

The case studies' internal characteristics reflect their ideological underpinnings. They also point to the case study organizations' responses to external pressures on financial and social performance. Chapter 7 will explore the nature and role of external relations further, including the case study organizations' relations with the government, private donors, microfinance sector and members. Chapter 7 will then discuss their approach to social performance assessment specifically.

Chapter 7: Case Study Findings: External Relations and SPA

This chapter continues reporting the ASSEFA and CRUSADE case study findings. Beginning first with ASSEFA (Section 7.1), the chapter will present findings on the organization's external relationships with government (with a focus largely on state government), institutional donors, within the sector (including other MFOs, NGOs and banks), and its membership. Section 7.2 addresses CRUSADE's external relations The final section (Section 7.3) narrows the focus from organizational characteristics and external relations to a discussion of each case study organizations' social performance assessment system, a topic with both internal and external components. The following chapter, Chapter 8, will draw from the empirical chapters to discuss performance management within the two organizations.

7.1 ASSEFA

7.1.1 Government

ASSEFA emerged from a period of state-NGO estrangement and conflict that existed during the 1960s and 1970s in India (see Section 3.2). Not surprisingly state-NGO conflict prompted increased state control and regulation of Indian NGOs, a trend that continued into the 1990s. The climate surrounding ASSEFA's origin arguably contributes the tone of distrust with which it regards government and its development efforts. In interviews and informal conversations, respondents focus on ASSEFA's close proximity and long-term commitment to the people in contrast to the government's politically-driven armchair efforts.

Over the course of ASSEFA's organizational life, the Indian state has become more substantially and directly involved in poverty alleviation efforts.[87] Additionally, apart from the 1960s and 1970s, NGO-state relations have involved close cooperation as the state continues to fund NGOs to deliver village-level services. ASSEFA has selectively participated in government partnerships despite its antipathy towards government. Kumar cites potential for "collaborations" as one of ASSEFA's opportunities. He continues, "You can easily…know that [sic] different schemes that are available in the government or other private like hospitals who are willing to collaborate." ASSEFA's partnership with Tamil Nadu's TNCDW in the 1990s is one example of its collaboration with government (see Sections 3.4.1 and 6.1.1). ASSEFA also has collaborated (and currently does collaborate) with NABARD and state government in at least six watershed projects. ASSEFA engages with state government in more limited ways through the exchange of expertise. It has representation on two state government committees on education and rural development respectively, uses government experts as trainers and leverages its own efforts with available government resources (such as government subsidies for purchase of agricultural implements). Its behaviour reflects duality in ASSEFA's relationships with the state: antipathy alongside pragmatic collaboration.

Threats to NGO autonomy come through the direct obligations of government partnership and more subtle processes of cooption that adapt the roles and objectives of NGOs to meet the state's interests (see Section 3.2.3). Responses by NGOs include leaning in to new roles or opting out of government collaboration

[87] Partially in response to declining growth rates following Nehru's death, beginning in the 1960's promotion of economic growth was supplemented by increased allocations towards programs directly targeting poor households such as minimum needs, employment and income generation (Guhan 2001).

completely (see Section 3.2.4). ASSEFA avoids cooption and reconciles the relative ambiguity of its position with regard to government by choosing partnerships selectively and exiting those that threaten its independence. ASSEFA voluntarily left Mahalir Thittam in response to increasing inequality in the relationship between TNCDW and the NGO partners. Specific complaints included TNCDW's refusal to address problems raised by NGOs, including issues working with the local bank managers, and increasing demands made from local political party leaders for SHG support, such as that NGOs promote SHG attendance at political rallies. In other cases ASSEFA shifted strategies pre-emptively to remain free of interference, for instance retreating from work when it became politicized by government involvement. When the Tamil Nadu government entered promotion of Gram Sabhas, ASSEFA removed itself to focus on other configurations of peoples' organizations.

ASSEFA values independence from the complications government collaboration and the freedom to experiment.[88] When ASSEFA left Mahalir Thittam it continued working independently with its SHGs, including promoting an NBFC to serve their credit needs. However, in the context of increasing allocations targeting the rural poor, avoiding government partnership has not secured freedom from government interference. At times it has placed ASSEFA in competition with the state government. Early in its evolution ASSEFA established schools in rural areas that were underserved by the state government. As the state subsequently began investing more heavily in rural education, ASSEFA increasingly was running schools in parallel with or in duplication of government efforts. Competition can adversely impact social performance. For instance, Vasantha, the senior manager of the apex education trust, blames competition from the state government for high teacher turnover at ASSEFA schools. The state offers, Vasantha asserts, higher pay and "easy work." ASSEFA has sometimes chosen to exit rather than continue competing with government efforts. ASSEFA turned over some of its schools to the state government, citing their superior resources and hence greater ease with which they can support the on-going operation of the schools (such as in the area of Sivangangai where 5 of 15 schools were transferred to the state government's care).

The transfer of schools provides an example of ASSEFA exiting competition with government in provision of services in rural areas. In other areas, such as its dairy program, ASSEFA has chosen to persist despite competition and sometimes coercion from the state government. When ASSEFA attempted to establish its first processing facility for the benefit of its dairy groups the state government actively opposed them. ASSEFA ultimately pursued the case to the Supreme Court before being granted the right to open its processing facility. At the time it opened the first facility, the state government had no competition in collection and processing of milk from rural producers. In the years since ASSEFA successfully entered dairy processing the number of competitors has multiplied but the relevance of state-NGO competition remains (for ASSEFA and for members) as illustrated by one visit made to a dairy group. At least one group member reports sending half of her household's milk to a government processor and half to the ASSEFA facility because while she was an ASSEFA group member, her husband held a leadership position in the AIADMK, Tamil Nadu's ruling political party.

Despite successfully competing with state government in dairy collecting and processing, recent microfinance regulation clearly demonstrate the state's on-going

[88] A partial exception to ASSEFA's preference for independence from the government interference appeared in the area of microfinance regulation. SNFL's senior manager expressed relief that the RBI regulations would establish regulatory authority outside of the state government, which was deemed more easily influenced by politics.

ability to control and coerce NGOs through its regulatory powers (see Sections 3.2.2 and 3.4.4). Although the regulation that emerged (thus far) from the microfinance crisis only applies to NBFCs, they illustrate the authority of the state to set the terms on which microfinance is provided and define the roles of different NGO-MFOs. While the microfinance organizations who most egregiously jeopardized client well-being were arguably those pursuing commercial status and success regulation likewise impacts more socially-oriented NGO-MFOs like ASSEFA, including constraining their ability to pursue alternative (community-owned and managed) models of microfinance provision (see Section 6.1.2).

Overall ASSEFA respondents perceived the government as able at any time to use the weight of their resources and regulatory power to control or coopt any aspect of ASSEFA's work. Kumar pointed to the pattern of the Mahalir Thittam program in which NGOs perform the work of recruiting and supporting SHGs while the state program takes credit for the growth and success of the SHG movement in Tamil Nadu. As Kumar half-joked, "we start something and then government come and take it. We started self-help group. Government took away. Now we are looking at the farmers. So sometimes in the future the government will also take away the farmers group." Regardless of the precision of this narrative it again reflects the way in which ASSEFA views itself relative to the government: in a position of relative powerlessness but superior effectiveness, innovativeness and resilience. Its narrative reflects its organizational culture (particularly through its time and place of origin) but the story itself is also pragmatic. Another aspect of managing the duality of its position relative to government, ASSEFA, throughout its interaction with the state, must maintain its legitimacy and viability. To maintain legitimacy as a civil society actor (Section 3.2.1) it cannot afford to be perceived as coopted by government and transformed into a mere service provider, but must preserve its role as a counterbalance to the state. However it must do so without creating undue hostility from the state that would threaten its viability.

7.1.2 Private donors

Relations with institutional donors are fraught with the "double-edged nature of contracts" (Copestake et al. 2005, p. 173). As in the case of government partnership, the financial and technical support offered by donors increases capacity and potentially performance however obligations to donors can compromise NGO autonomy, flexibility and redirect accountability upwards. Close donor relations coupled with poor oversight can breed over-dependence and erode financial discipline. An NGO thus must balance its need for support and the terms of that support with its performance. Over its history ASSEFA has struck its balance through careful selection of donor partnerships. More recently ASSEFA has used microfinance to cross-subsidize its development programs and move away from grant-based funding towards community-based funding, a strategy that enhances autonomy and is consistent with its overall development philosophy of Gram Swaraj.

In any discussion of ASSEFA's funding strategy it should first be noted that comprehensive or detailed information on ASSEFA's finances was not available. This may indicate a reluctance to share such information with an outsider (and public disclosure of financial information is not required of NGOs in India) or it may indicate comprehensive information is not readily available in the organization generally. In organizations with a power culture information is often held closely by the founder and not regularly shared with middle or lower ranks in the organization The web-like structure means the central authority is more easily and exclusively the collection point for information regarding the full picture of organizational financial performance (see Section 6.1.5). The information available included annual reports for the last four years, which did not include any financial statements. A review of ASSEFA's history, produced in 2008 for its 40th anniversary, provided limited historical financial data. Interviews added some insight on current finances and funding strategy. Finally, discussions and annual reports from AVI, one of ASSEFA's oldest supporters, added some additional detail. Financial information on ASSEFA as a whole, however, was not readily available. The limited financial information while telling in itself makes it difficult to compare or augment characterizations of the funding strategy and its effect against financial records. It also made it difficult to create a complete picture of donor relationships over time. What is clear is that ASSEFA uses selective partnership and cost recovery to protect its autonomy.

Loganathan describes donors as "friends." ASSEFA's relationships with its donors are long-term and friendly. This includes "friends of ASSEFA" groups in the UK and Italy. AVI, previously called "Friends of ASSEFA" (FoA), is one of ASSEFA's longest supporters. FoA started in 1988 as a discussion group of people interested in India and took on a fundraising goal when in 1990 it began raising funds for a Vadugapatti area project in which ASSEFA was assisting villagers with the purchase of looms and silk production. In 1992 FoA was asked to manage the Lathur area project that was co-funded by the UK government and at this point FoA became a funding agency.[89] Although only one of its donors, AVI provides a useful example of the types of supporters ASSEFA garners. Loganathan expands, "We have connections with organisations like AVI all over the world. All have common philosophies and beliefs. We see them all as being part of the ASSEFA family. They are an extension of the work we are doing here in India and allow more people, the world over, to find out about what we do." (Action Village India 2009). Such financial relationships provide freedom for experimentation.

In addition to careful donor selection, ASSEFA uses microfinance to cross-subsidize its non-credit programs and reduce dependence on external funds. As described in its 40th anniversary review, this strategy was at least part necessity, responding to diminishing external funds. "As the major long-term donors of ASSEFA such as ICCO reached the end of their grant periods in the late 1990s Annachi decided to change the financing strategy from grant based development to community self-financing." (Sundaresan & Chandrapaul 2008, p. 90).[90] (See Section 3.2.3)

Also in the 40th anniversary review Vijay Manoharan related some of the plans ASSEFA made to facilitate its transition from a "100% grant based organisation to a nearly 100% community and loan fund based organisation…." The plans included "To use nearly 6 percent [of interest income from credit operations] for education and health related programs." with the intention to raise "No grants…externally unless the local situation demands it." (Sundaresan & Chandrapaul 2008, p.93). The plans were quoted from a 2003 internal memo and outlining action to be undertaken over the next three years.

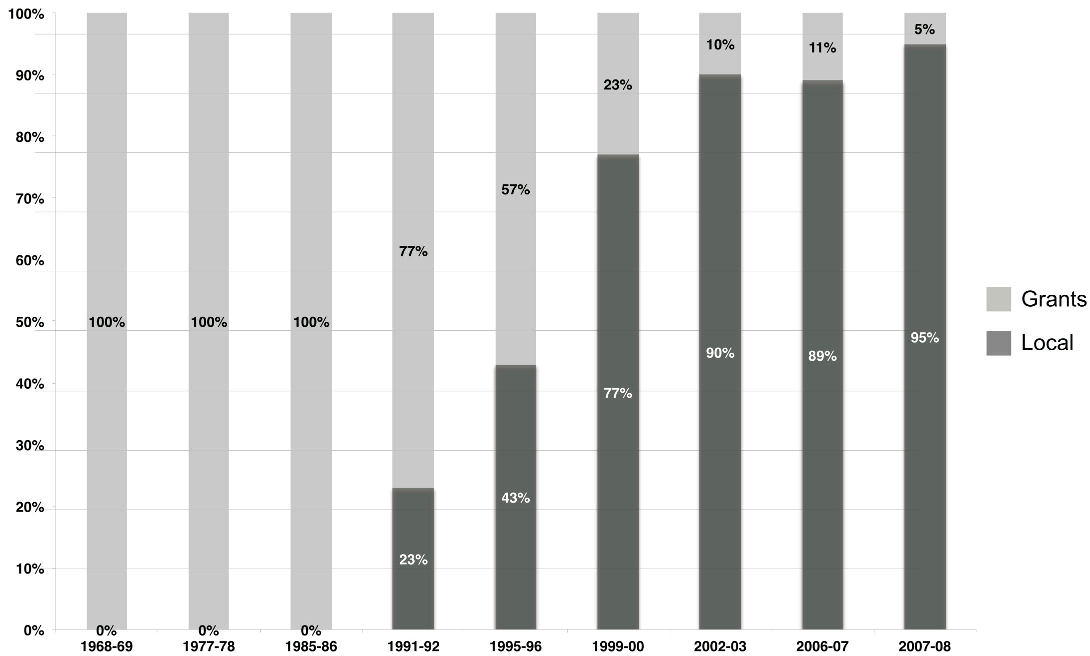
The efforts cited in The Silent March of the Invisible Force (Sundaresan & Chandrapaul 2008) were ostensibly successful as indicated by Chart 7.1.[91] As the table illustrates, grant-based funds as a percentage of the "development programs"

[89] FoA later began fundraising relationships with five other Indian NGOs, "all of which are personally known to our members." After broadening its support beyond ASSEFA, FoA changed its name to Action Village India (AVI) in 1997.
[90] ICCO = Interchurch organization for development cooperation
[91] It is somewhat puzzling that the 2003 memo was cited but not any subsequent reporting of what was actually done given the three-year timeframe was long past at the time the 2008 review was published.

budget declined from 10 to 5 percent from 2003 to 2008.[92] Kumar also reported that currently (as of the 2012 fieldwork) only 5 percent of ASSEFA's Rs. 500 crore annual budget is grant-based with the remaining 95 percent covered by the locally mobilized funds and bank loans. External funds are primarily used for expansion and for the support of education programs. Other programs and activities are supported by revenue raised from interest earned on-lending bank loans, school fees, sales of dairy and other agricultural products and other money mobilized from local communities. Thus members largely fund ASSEFA. This funding model is consistent with ASSEFA's focus on Gram Swaraj, mobilizing local resources to meet local needs and demands. The model also aligns with ASSEFA's vision of itself as a people-led organization in which mobilization of local funds builds organizational self-reliance and reinforces accountability to beneficiaries.

[92] It also interesting to note the even more marked progress made replacing grant-based funding for development programs with local funds throughout the 1990s. Data is not available to indicate exactly what was responsible for this shift although it does correspond with a period of growth and formalization of microfinance provision (although pre-SNFL).

Chart 7.1 ASSEFA: Increases in percentage share of local contributions for development programs versus grants



Taken from Silent March of the Invisible Force (Sundaresan & Chandrapaul 2008, p. 44)

7.1.3 Microfinance sector

Rapid growth leading to over-saturation and multiple lending is often cited as a contributory factor to the microfinance crisis in India. And indeed, in Tamil Nadu there were 3.85 microfinance clients for every poor household (Srinivasan 2011). However, respondents within and outside ASSEFA assert over-saturation was not an issue overall in Tamil Nadu and rather assert the significant potential for the continued growth of microfinance. Respondents were similarly dismissive of competition between SNFL and other MFOs as problematic or contentious. Kumar states, “It’s [competition with other area MFOs] not relevant. Because ASSEFA has been there for a long period and many of the microfinance institutions are NGOs. They were once worked in ASSEFA. [Laughs].” He continued by pointing to BAXIS, PRADAN, and the Dhan Foundation as off shoots of ASSEFA working in microfinance in Tamil Nadu. As part of the same conversation respondents were questioned about some of the newer entrants to the Tamil Nadu microfinance sector, including Equitas, Grama Vidyal and SMILE. The zonal manager downplays their presence in the area, characterizing it as small. Respondents did acknowledge the problem of multiple lending (specifically borrowers taking loans from SNFL to pay back loans owed other MFOs) however they emphasized the recent addition of the credit bureau Highmark to address the problem.

Banks are a funder and competitor for SNFL. As SNFL lenders, banks can expand or constrain ASSEFA’s financial and social performance capacity in a similar way as government and private donors. ASSEFA’s relationship with banks is one of necessity and generally unsatisfactory. As part of its partnership with TNCDW in the 1990s ASSEFA facilitated the linkage of SHGs to local banks for the purpose of opening saving accounts and accessing loans. ASSEFA found bank managers and staff difficult to work with given their reluctance to engage with SHG groups. On leaving the partnership, ASSEFA established SNFL and it no longer assisted SHGs with bank linkage for the purpose of seeking credit. However NBFCs in India cannot accept deposits so SHG members still rely on banks for savings accounts at least.[93]

Since establishing SNFL, ASSEFA's primary relationship with banks is through bank loans taken to maintain SNFL's lendable corpus. SNFL's success obtaining loans has been irregular since the crisis. When microfinance was growing rapidly "the banks were knocking at the doors of the company." At the peak Asokkumar reports SNFL borrowed more than 800 million rupees per year from banks. Bank borrowing had fallen to just ten million rupees at the time of the fieldwork due to the liquidity problems accompanying the crisis. Even though SNFL's pre-crisis growth was modest when compared with MFIs pursuing rapid expansion and access to commercial finance, Asokkumar still cites over-borrowing (and the resultant high overdues) as complicating ability to borrow banks funds in the current climate. Asokkumar states (in reference to the period since the crisis), "…whenever available we are raising the money from ourselves…so that some level of lending is maintained." He expresses the same desire for independence from banks that ASSEFA expresses generally in regards to government partnerships. Asokkumar expresses somewhat wistfully that SNFL "as far as possible we must try to reduce our dependence on bank loans" even though, he continues, "we cannot do away with bank borrowing."

To improve SNFL's position, SNFL has addressed overdues to make it more attractive to banks and considered strategies to diversify funding sources and avoid over-dependence on commercial banks in the future. In the first place, SNFL has put all bad loans to zero and is committed to not return to pre-crisis levels of bank borrowing (and related growth rate) but rather to "limited borrowing." In the second place, Asokkumar speculates that the new NBFC-MFI legislation would open up additional sources of loans for SNFL, such as foreign commercial organizations, particularly "social lenders…who know ASSEFA very well" and "understand the philosophy of ASSEFA." This is consistent with ASSEFA's desire to seek partnerships generally with like-minded partners who respect their autonomy and social mission. It also reflects ASSEFA's habit of trading on its reputation as a well-respected and long-established organization committed to social performance. Asokkumar further also speculates SNFL may negotiate an alternative relationship with banks in which banks used SMBTs as a management and collection agent (as does SNFL). Rather than loaning to SNFL the bank will be loan directly to the borrower but use SNFL's SMBT structure to manage dispersal and collection for a percentage of the interest rate.

SNFL's current strategy with regards to banks reflects necessity born of the crisis but also a strategic thrust to increase its autonomy, by reducing its overall dependence on banks and the extent to which its dependence constrains performance. It also reflects the extra difficulty faced by SNFL, as a community-owned and managed MFO, in its bank relationships in the post-crisis context. SNFL's model is not consistent with mainstream models of microfinance and is at a competitive disadvantage relative to more mainstream MFIs seeking bank loans given the metrics on which banks judge MFIs.

[93] Kumar reports ASSEFA does not regret NBFCs inability to take deposits, saying that would make them just a bank.

SNFL faces similar disadvantage in the sector more broadly. New RBI regulations penalized SNFL in a sense, not allowing for the community-owned and managed model and requiring SNFL's restructuring (see Section 6.1.2). SNFL also receives pressure from microfinance associations to which it belongs (specifically MFIN) for its slow compliance with Unified Code of Conduct, attributable to an alternative approach that increases the cost of compliance. The tension in SNFL's relationships with banks, regulators and microfinance associations demonstrate the pressure and difficulty SNFL (and by extension ASSEFA) faces in meeting the norms and standards of mainstream microfinance while maximizing social performance according to its own model and mission.[94]

7.1.4 Members

As discussed in previous sections, ASSEFA sees its membership as an extension of itself or part of the ASSEFA family. ASSEFA may even object to categorizing member relations as 'external'. Members are involved in the ownership and management of microfinance as well as other activities. A strictly client-service provider relationship, as seen in mainstream microfinance models, does not fully describe the rationale behind ASSEFA/SNFL staff-borrower interaction nor does it reflect the level of overlap between those the categories (of staff and borrower).

The first way ASSEFA's demonstrates a more intense level of engagement than client-service provider is through its community-wide approach. A zonal manager describes how he enters a new village. He starts by visiting the village tea shop where he meets local village members, introduces himself, and introduces ASSEFA. He asks for referrals and introductions to prominent village members. Upon gaining the favour of important village members, ASSEFA begins organizing groups, including groups to benefit the members of prominent households. ASSEFA's method for organizing women into federated SHGs is not substantively different than other socially-oriented MFOs using group methodology, but perhaps what makes ASSEFA distinctive is the variety of often overlapping credit-based groups it forms throughout the community. In addition to organizing women into SHGs and SMBTs for credit and non-credit purposes, ASSEFA organizes chit groups. For instance, one area has 600 chit groups that draw members from its pre-existing SHGs. Group membership overlaps more extensively considering the entire household. A male household head may participate in a farmers' group while his wife participates in an SHG, dairy and/or chit group.

Social movement literature distinguishes between movement organizations with inclusive and exclusive membership requirements. The distinction exists not in targeting as the labels apparently imply but in the demands of membership at entry and on-going. An inclusive organization requires minimal levels of initial commitment, "a pledge of general support without specific duties, a short indoctrination period, or none at all." In contrast an exclusive organization holds new members in a longer period of initiation and requires "the recruit to subject himself to organization discipline and orders, and to draw from those having the heaviest initial commitments" (Zald & Ash-Garner 1987, p. 125). In a sense the SHG movement as a whole is

[94] SNFL reports performance data to MIX Market. It also belongs to Sa-Dhan, an association started to represent community-based organizations and MFIN, the newer of the associations represents (in large part) the subset of microfinance organizations that are NBFCs. As NBFCs they are larger and more closely regulated by RBI and so face a different set of problems compared to other MFOs. The NBFCs represent almost 80 percent of the total microfinance sector, but in terms of number of members probably less than 10 percent of Sa-Dhan's members.

characterized by exclusive membership requirements given the typical six-month period of initiation in which SHG group members are trained and ‘prove’ their discipline through regular savings. After entry, inclusive organizations require little activity by members and they can belong to other groups or organizations “unselfconsciously.” Behaviour is “not as permeated by organization goals, policies, and tactics.” As one would expect, exclusive organizations require greater amounts of energy and time and more “extensively permeate all sections of the member’s life…” (ibid.).

ASSEFA clearly aims for a relatively intensive level of participation from members. This occurs through ‘layering’ of activities as described above as well as the significant responsibilities held by many participants. Members serve as group leaders and teachers and mentors to newer members (as in the case of the Farmers’ Renaissance Program in which “progressive farmers” are identified, recruited and then asked to serve as teachers, mentors and group leaders). The expectations of memberships extend beyond the governance duties built into a given activity’s structure as well. Asokkumar refers to the mutual support SHG members provide each other outside the formal group interactions such as on the occasion of a member daughter’s marriage. Loganathan points to the high attendance at a wedding of two ASSEFA workers as evidence of the strong solidarity of ASSEFA membership beyond any individual group. He also expresses frustration that not all ASSEFA schoolteachers enrol their own children in ASSEFA schools. But clearly, demonstrations of loyalty and commitment are expected which are beyond those required by governance of the activity group structure and even their formal social activities. Such demonstrations are evidence of ASSEFA’s successful community building.

Participation levels inevitably vary by geographical area and by individual. Individual community members cannot be compelled to participate nor can members be compelled to meet every expectation. As discussed in Section 6.1.3, ASSEFA incentivizes membership and participation in the ASSEFA family through material incentives (credit), but while material incentives draw people to the organization ASSEFA’s mission relies more fully on the solidary incentives for membership and participation as it builds solidarity and value alignment through its community-building efforts.

7.2 CRUSADE

7.2.1 Government

Like ASSEFA, CRUSADE became an early partner of TNCDW’s Mahalir Thittam project, when it was recruited to partnership in 1997. And as with ASSEFA, CRUSADE ultimately became disillusioned with the collaboration. Jothi describes Mahalir Thittam as becoming “more bureaucratic” over time with a progressively less equal relationship between NGOs and TNCDW. Jothi further characterizes Mahalir Thittam as not only designed to take credit for the successes of the SHG movement but also to monitor NGOs (illustrating CRUSADE’s distrust of government, particularly state government). The partnership with TNCDW came early in CRUSADE’s development and was pivotal in sustaining and stabilizing the organization. It provided valuable training inputs at a time when resources from other donors were small. But as Jothi says “…I got fed up with all this government funding. So now…we can afford to say no to all this…”

Although CRUSADE and ASSEFA's experience with government partnership bears broad similarities, there are at least two differences in their orientation towards government. The first difference is ideological. Although CRUSADE also carefully chooses collaborative opportunities to avoid cooption, unlike ASSEFA it actively assist its members with accessing government benefits as a substantive and deliberate aspect of its activities. The organization no longer works directly in partnership with the government but "we try to enable people to get the benefit from government…. it is their right." Jothi continues, "The benefits should reach the people. Government you know allocate money. For example allocate money for several things. And it is the people's right to get it." This speaks to ASSEFA and CRUSADE's disparate emphasis on Gram Swaraj and community-building as a goal relative to individual economic and social empowerment. ASSEFA emphasizes self-contained programs to meets members' needs. For instance, government-owned LIC (Life Insurance Company), the largest insurance company in India, bears responsibility to offer insurance to vulnerable classes. It approaches NGOs asking them to sell its insurance through their networks of SHGs. ASSEFA has rejected such proffers in favour of creating its own insurance scheme (the Sarvodaya Social Security Scheme). CRUSADE on the other hand participates in the scheme because it "benefit[s] the people." It does so even though the small commission does not cover costs (time spent on the scheme by cluster coordinators) and it experiences on-going difficultly working with local LIC office. As such, while CRUSADE maintains its independence from the obligations of government funding and partnership, its staff necessarily spends a significant time interacting with local government officials as part of major strategic thrusts as well as on an ad hoc basis on behalf of SHG members. CRUSADE also indirectly works with government in several ways. For example, recently the College in Minjur requested CRUSADE send 50 SHG leaders to a training it was holding based on a government award. It also designs certain programs to leverage or augment government benefits. ARH and PPI offer loans, for instance, designed to augment government funds available for housing and toilet construction.

The second difference between CRUSADE and ASSEFA's government orientation relates to their capacity to leverage partnership opportunities. ASSEFA relates stories of resisting government obstruction and interference in order to go its own way (see Section 7.1.1). CRUSADE has also retreated from certain approaches due to government interference (such as its reorientation away from panchayat-level federations and towards cluster and village-level federations after government promotion and registration of the former). CRUSADE has also been selective and limited in its collaborative efforts based on (as expressed) its desire for autonomy and to avoid politicization. However, CRUSADE expresses much more frustration with lack of responsiveness and corruption in the government departments with whom it sought collaboration. This includes two disappointing attempts to seek funding from HUD Corporation (a government housing agency) and the National Medicinal Development Board respectively. In both cases unethical behaviour (including bribe-seeking) prevented CRUSADE from making successful bids for funding. CRUSADE received funding early in its history from the Social Welfare Department. Jothi explains this success as due to a personal relationship with the chairperson and continues, "And that way it works. If you don't [have] personal contact then it doesn't work and otherwise you know it goes like this" [referring to the HUD and Medicinal Board experiences]. Perhaps CRUSADE soured on government partnership in part because of this lack of success and that lack of success stemmed from its smaller organizational size (compared with ASSEFA), both in terms of SHG networks and networks with government officials. Its smaller size, geographical penetration and prestige likely give it less leverage with government agencies.

As with ASSEFA, CRUSADE's orientation towards the government has been both ideologically and strategically pivotal. However CRUSADE casts itself more as a facilitator and mediator between poor families and the government. CRUSADE recognizes the government's growing role in rural development and while it sees government efforts as disingenuous, Jothi recognizes their impact. He noted that the role of NGOs has been "reduced" over the past 20 years as government involvement increases (including the increasing delegation of authority to local panchayats). He questions whether self-reliance is built by government programs or rather just another type of dependence. But as Jothi's wife concludes "now we are happy that at least somebody's there to take care of the poor people."

7.2.2 Private donors

CRUSADE and ASSEFA have similar approaches to private donor relationships, and at least one supporter in common. CRUSADE views donors as partners with whom it has long-term relationships. CRUSADE has only a handful of private donors, mostly based in the UK and who are connected with its first and primary contributor, AVI. As previously discussed, AVI began funding CRUSADE very early in its history and Jothi noted this event as a milestone in CRUSADE's development (see Section 6.2.1).

CRUSADE seeks collaborative donor relationships. The increasing inequality in the NGO-TNWDC relationship was the primarily reason Jothi cited for leaving Mahalir Thittam, rather than the unhappiness with the politicization and ineffectiveness of project management as emphasized by ASSEFA. It should be noted however that the primary benefit of the TNWDC partnership was training for the cluster coordinators and group leaders, a benefit with diminishing returns over time. TNWDC also pays a small commission for SHG formation and linkage, but reportedly so small as to not be particularly compelling, although that is not to suggest CRUSADE's quitting was related to compensation per se. CRUSADE also continues to work with LIC even though benefits to CRUSADE are minimal and there are problems with local office staff.

Much like ASSEFA, CRUSADE has pursued self-reliance through PPI on the theory that its profits can be used to cross-subsidize and sustain non-credit activities. However, PPI operates on a much smaller scale than SNFL and its profitability has clearly been limited. In fiscal year 2012-2013 PPI did not make a profit, although it had in previous years. Ultimately, CRUSADE is clearly still dependent on its private donors, particularly AVI, in a way ASSEFA is not. AVI funds the majority of staff costs, and as a listing of CRUSADE activities demonstrates, staff costs are likely to comprise the vast majority of CRUSADE's expenses. Ivan Nutbrown, AVI's Coordinator, mentions he has been encouraging Jothi to diversify its funding sources to hedge against any future changes in AVI's situation. During the fieldwork, I attended a staff meeting where AVI featured prominently on the agenda. Staff was planning for the annual AVI visit, planning which villages, groups, and projects to present to visitors. Additionally Ivan had notified Jothi that there might be a gap in funding for six months. He requested Jothi prepare a report on how CRUSADE would deal with the potential shortfall of funds over the six-month period. Jothi reassured staff that CRUSADE would find a way to cover salaries and commenced a review of which activities could be continued given these circumstances (nearly all) and potential for income-generation (several ideas were suggested).

7.2.3 Microfinance sector

CRUSADE acknowledges the presence of NGO and MFO competitors in the area but is dismissive of their impact on CRUSADE activities and performance. Jothi argues its early entrance, long-term presence and sincerity protected it from significant competition from other organizations. Jothi reports other NGOs "come and go" but don't persist because they have "no base" in the area. Currently four or five NGOs operate in the block but "people" say CRUSADE is more effective.[95] He reports limited contact with other NGOs but noted NGOs working in other sectors (such as AIDS) sometimes approach CRUSADE to collaborate. One competitor NGO caused problems for CRUSADE in Minjur block for a time, competing with them in SHG formation, until their activities declined and, Jothi reports, their groups began "coming to us." In total competitor NGOs have successfully drawn "one or two" CRUSADE groups away, Jothi says, by making "a lot of promises" but only a few, maybe 10 percent leave and may come back while the remaining 90 percent remain stable with CRUSADE.

Likewise with MFOs, Jothi reports two or three MFOs coming into its area of operation. "They pushed a lot of money into the groups and even now some of the members have taken loan from them…" This too, Jothi asserts, has waned. He says they heard the stories of problems in Andhra Pradesh that figured prominently in the microfinance crisis but "these are all stories for us…we don't have any problem like this in our area in the sense you know we don't run our institutions like an MFI."

CRUSADE's relationship with banks is fundamentally different than ASSEFA's. CRUSADE does not currently seek bank loans to on-lend via ARH or PPI. In this sense PPI and ARH have achieved greater autonomy from external parties than ASSEFA. By not pursuing bank funding PPI and ARH face significant limits to their sizes and lending capacity but also are free to manage their performance as they see fit and are not subject to the terms and expectations of banks in that regard. CRUSADE is still concerned with bank relations however. Banks are the intermediaries with whom PPI and ARH disperse loans to its members. More importantly, its SHG members interact with banks for savings and lending purposes generally and as discussed above CRUSADE still acts as facilitator and mediator in terms of forging relationships and resolving problems.

Jothi has a number of complaints against local banks, calling them "sharks" who do not understand SHGs because they operate on a different "wavelength," one governed by a profit orientation. CRUSADE observes banks creating savings from bank loans, achieving repayment through fresh loans, ignoring lending norms (such as loaning up to four times a group's savings), failing to distinguish between poor and rich individuals, and retaining interest on government subsidises (to revolving fund) meant for SHG members. Problems with individual bank managers (including those listed above) remain some of the most oft-cited problems facing SHGs although problems are branch and manager specific. At the same time, Jothi cites SHG members' greater confidence and independence interacting with banks, management of their bank accounts and getting bank loans as among the successes of individual SHG groups and the SHG movement overall. Successful groups "go to the bank…and get things done…"

[95] Jothi is most likely referring to Sholavaram block, one of CRUSADE's two operational blocks and the block in which it is headquartered. The Tiruvallur District website reports Sholavaram block has a population of 156,628 (from Area and Population, 2011 (Tiruvallur District 2011)

Given banks play both a part in and obstruct SHG success, what remains somewhat unclear is what CRUSADE's strategy is towards banks, that is whether they encourage their SHG members to minimize their dealings with banks or not. In a SHG meeting, Jothi advised one SHG group to accumulate savings in their common fund (rather than revolve the funds) to leverage greater loan amounts from banks. Saktivel advised groups attending another village-level SHG meeting that a group with a large common fund interested in taking out a bank loan should not take out a bank loan but lend and rotate the common fund. He argued they should "improve their own development not banks" (although he also advised they equalize their interest rate of 2 percent with the bank's 1 percent monthly interest rate). CRUSADE respondents further report it encourages group members to take credit from any source, including banks, if it will be beneficial to them and sees interaction with banks as a key indicator of successful SHGs. Respondents simultaneously report CRUSADE doesn't encourage bank linkage and rather encourages SHG members to use PPI, ARH and their own common fund for their credit needs. At the very least, there has been a transition for CRUSADE since its inception from the role of encouraging bank linkage to a role of warning and protecting SHG members from bank abuses.

7.3 Social performance assessment

7.3.1 ASSEFA

Chapter 6 and the first two sections of Chapter 7 have discussed the organizational landscape within which ASSEFA and CRUSADE confront and manage tensions relevant to social performance management. This section finishes the presentation of case study findings with a narrower focus on social performance assessment systems. It presents findings related to the translation of the social content of missions into systems and tools for information collection and feedback to decision makers. Social performance assessment, SPA, includes any "activity intended to clarify how far an organization is achieving social goals" (Copestake et al. 2005, p. 178). As discussed in Chapter 2 both NGO and microfinance literature criticize a lack of attention to assessment and its contribution to mission drift (Lewis 2007, Edwards & Hulme 2002).

One way to explore ASSEFA's approach to SPA is relative to three common types of assessment activity discussed by Roche (1999): monitoring, evaluation, and impact assessment. The three activities are distinguished based on timing and frequency, analytical level, and specificity.[96] In ASSEFA the distinction between the three activities is not distinct but it is instructive to observe activities ASSEFA engages with regularity versus periodically and what issues are or are not incorporated.

Kumar described ASSEFA's monitoring process with regards to a watershed project in Sivangangai. When asked what criteria or indicators ASSEFA uses to judge the project's success, Kumar cites the goals of the project: to raise farmer income, recharge the area's groundwater, and increase adoption by farmers of certain sustainable and organic farming methods. The approach to monitoring progress on

[96] As discussed in Section 2.3.2, monitoring occurs frequently. It generally examines inputs, outputs and project activities and compares objectives with results. Evaluation occurs less frequently and also considers processes. Impact assessment occurs infrequently, usually near the end of a project or intervention. Impact assessment focuses more on outcomes and impacts and often considers external influences and events.

those goals was, “Every month you know we make…discussion, what is the progress and then also visible impact because this is a very long-term impact creation.” He went on to describe visible changes in the environment as increased vegetation due to recharged groundwater. Kumar’s response succinctly describes ASSEFA’s approach to monitoring performance. In other contexts, Kumar responds in kind that the primary way ASSEFA tracks progress on goals (and observes impact) is through “direct contact” through which they “see changes.” Zonal managers similarly cite observation and personal knowledge of member participation—sometimes transmitted indirectly through weekly staff meetings and sometimes directly conveyed through anecdotal reports from members—as the mechanisms through which information on the progress made on goals is collected and transmitted upwards. ASSEFA’s regular or on-going processes of assessment then are informal and flexible.

In the same conversation with Kumar regarding Sivagangai’s watershed project, I asked how ASSEFA observes increases in income (one of the stated goals). Kumar’s response shifted to describing the dairy groups and acquisition of milch animals as evidence of impact on income through asset creation. Kumar’s response to the income question suggests assessment is holistic and flexible in the sense that assessment of a project’s success is not necessarily seen as discreet from assessment of ASSEFA’s efforts as a whole.

In a sense, ASSEFA’s values and project goals are fixed but the standards against which to measure success are flexible and negotiated. Further to this point are the different responses three zonal managers give when asked how they assess their own performance. With Kumar as translator, Manoharan replies “I will get satisfaction or progress in introducing new programs, non-credit programs, in my region. How many villages got benefited, I get satisfaction.” Ramakrishnan says “he make a plan, annual plan, finance as well as non-finance. So based on the achievement, 80 percent, 100 percent, 120 percent, I get satisfaction….“ Finally Kothandam replies “whenever I start initially the program, when I go to that village, how I get the response from the people, based on that I get satisfaction.” He later elaborates, “And also the number of invitation I get for their family function.”

SPA generally implies an integrated and routine activity creating a feedback mechanism to decision-makers. ASSEFA’s processes of observation, communication and consultation may be frequent but they are not systematic. They happen in an informal and ad hoc manner and as such assessment process lacks transparency. The first issue is whether processes of consultation are genuinely happening and with whom. It is also difficult to evaluate the quality of the processes. Once again there is a bit of a ‘black box’ around these processes of assessment that obscure, for instance, the influence of personal and position power. There is room for personal influence to impact the timing, content, and results of assessment processes. Whose opinion matters more? Under what circumstances do decision-makers respond to feedback? Also, how freely do members, staff and managers feel they can criticize ASSEFA’s efforts or are the consultation processes primarily rhetorical? I observed consultations happening between senior management and zonal managers. At the Farmer’s Conference, nightly consultations were held after the close of formal proceedings to discuss the next day’s events. Senior managers (including Loganathan), zonal managers, other staff and member leaders participated. Many of my field visits occurred in conjunction with Kumar’s regular responsibilities of visiting project sites. Consultation with managers and members was clearly occurring on those occasions as well. Given the language barrier (and that Kumar was acting as my translator) I was not able to understand those interactions. So while it is clear that consultation processes occur and include members I am not in a position to consider their inclusiveness, content or quality. This is not to say, however, that they are not as represented and if so the nature of the assessment process provides flexibility to respond quickly to changing needs and circumstances of the organization.

ASSEFA also periodically engages in more formal processes of data collection including surveys. ASSEFA's affiliated research and development organization, SARC, leads these efforts. While more structured even more formal processes are generally formative, motivated by a particular learning objective such as to provide answers needed in project design and implementation. A case in point relates to the Farmer's Renaissance Scheme (FRS) near Melmaruvathur, which was just ending its pilot phase during the fieldwork. At the outset of the project ASSEFA community college students conducted a baseline survey of farmers, collecting data on farmers' land use, inputs, outputs, needs, demographics, implements used, sales, challenges and role models. The data aided in project design. At the areas Farmer's Renaissance conference, held during the fieldwork, two additional data collection processes were discussed. First, ASSEFA set up a process to collect data from farmers as they registered for the conference. The data would be used to create a directory of participating farmers for their reference and benefit. Second, Kumar planned to begin a crop productivity competition at the conference. Data on farmers' current crops and yields would be taken at the conference. Farmers who met certain production goals the following year would receive a reward. A committee would monitor and measure productivity over the next year and compare with the baseline data collected at the conference. Although the competition would be voluntary and was primarily aimed at motivating farmers it could provide helpful data on how successfully farmers increased yields, a main goal of the FRS project.[97]

Either of the proposed conference data collection processes could provide an opportunity for a second round of data collection to check against the project's baseline survey. It is interesting to note however that in the case of data collected at registration, its purpose and meaning was narrowly construed. The only planned use of the data was to compile a directory to distribute amongst the farmers for their reference and benefit. As for the crop competition, Kumar later indicated they had not done it after all. It was put on the "back burner". In none of these three FRS data collection efforts (two implemented and one only conceived) did assessment of the success of the new pilot project factor as a primary motivation.

The degree of scientific rigor applied in impact assessment is a frequent topic of debate in NGO and microfinance evaluation literature. Put another way, the debate over rigor is a debate over the importance of scientifically proving impacts (see Section 2.3.2). It is clear from ASSEFA's assessment and data collection efforts that scientific rigor is not a priority, speaking to the alternative purposes for which ASSEFA engages in data collection. Data collection efforts are formative, informing project design and implementation, but are not primarily a mechanism by which ASSEFA determines impact.[98] For example, when discussing the prospective

[97] The goals of the FRS were to increase productivity and income through adoption of organic and sustainable farming practices.

[98] In the case of ASSEFA's social security program, 4S, ASSEFA did conduct a small study to look at impact. SARC compared state and national data on maternal health with that of ASSEFA members making a claim against 4S for wage recovery.

farmers' competition, Kumar said it would be a way to track productivity as a goal of the program was to increase productivity through the adoption of certain farming practices. When I inquired whether they would track the adoption of the practices in question along with production statistics Kumar indicated they weren't planning to but maybe they should.

ASSEFA's assessment approach can in part be attributed to the role of the organization relative to membership. ASSEFA operates under the principles of a people's organization (see Sections 6.1.3 and 6.1.5). Members are not clients or beneficiaries but members of the ASSEFA family and participants in the management of its efforts. Accountability, specifically downward accountability, and feedback mechanisms are built into the structure of the organization. Processes of participation are to a degree 'proof' of success. Finally, being a people-led organization in some sense shifts responsibility for success downward. As Loganathan describes, ASSEFA, as a trustee, provides ideas and information and the people decide. Kumar made this distinction (of duty) clear when asked about whether ASSEFA does satisfaction surveys. He replied they do not, because "that is for the organization." I asked about it again in terms of facilitation: as a tool to identify problems early. Kumar reiterates that ASSEFA relies on participation—attendance and contribution—to identify problems and track success.

Asokkumar provides another rationale for ASSEFA's more informal and ad hoc assessment style. In his description of ASSEFA's approach to measuring progress on mission he talks about the impact of resource constraints. He states, "I don't think we go in such a very formal manner of trying to measure and all that. You know, when you go and look at formally then you have to do it with very scientifically, very systematically… and that means you have to engage proper manpower for that and that could cost money…Occasionally, one of the organizations of ASSEFA tries to see what is there…what has been done." Asokkumar also raises questions of whether it is ethical or even necessary to conduct more formal assessment given its resource demands. He states, "…if you want to have a proper evaluation then you have to really have people and spend a lot of time and money on that. If you have that…probably you can use it then to try to help needy people more." He continues, "you know where you are lagging…And also people who are working with that also it comes with their suggestion for…action…"[99]

7.3.2 CRUSADE

Much like ASSEFA, CRUSADE relies heavily on personal observations and consultations for monitoring of progress on its goals. CRUSADE's smaller size allows Jothi to have direct and immediate contact as needed with staff and members (see Section 6.2.4). As Jothi states, "…we known through our observations…that the standard [of quality of life] has gone up." Also like ASSEFA, CRUSADE periodically

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[99] Despite similarity overall, some distinctions exist between ASSEFA's assessment approach overall and SNFL. SNFL as a microfinance provider and NBFC is subject some formalized—and external—systems meant to monitor social performance. Some are statutory, such as the RBI regulation setting loan and interest rate limits among other restrictions. SNFL also is working to comply with the Unified Code of Conduct for microfinance providers published by microfinance associations Sa-Dhan and MFIN. Statuatory requirements govern for SMBTs that build in assessment processes, primarily related to financial performance. (Boards are required to meet quarterly and review financial performance against budgets and an annual general board meeting of all SHG members reviews performance.)

collects data more formally on specific questions from a sample of its groups. As Jothi describes, "…we also get…specific information on specific things like…we want to know how many women are doing work, how many are not doing work, and then how they are engaged, whether it is full-time or part-time or whether they go for agriculture labour work or they go for government work. So suppose we want to have this information, what we do, say there are 500 groups, so you take up 20 percent of the groups, 100 groups, you conduct this sample survey and then you project it to the whole population."

The most notable difference between ASSEFA and CRUSADE's assessment approach surrounds targeting. Unlike ASSEFA, CRUSADE cares about targeting the "poorest people" to be members of its SHG groups and has formally assessed the poverty levels of households in its project area to ensure proper targeting. ASSEFA by contrast does not screen SHG members based on any income criteria. When asked about group membership, Kumar states ASSEFA includes only "deserving cases" in SHG groups and notes that many members were day labourers. But at the same time Kumar insists income is not a criterion for group membership. When asked whether it was important to know the income of women in the groups given ASSEFA's goal of raising their incomes, Kumar replies, " Right. But they don't select people based on the income as a criteria…No, our ultimate objective is to you know bring the people together irrespective of their economic status or social status to work together…So any member who want to have a group…then she can start the groups."

To a certain extent targeting of "deserving cases" occurs through self-selection. Currently SNFL's maximum loan is only Rs. 15,000, half of PPI's loan limit of up to Rs. 30,000. However, Asokkumar still notes, "I don't think we have really gone to the poorest of the poor…I think if we have done that we would have sunk." He continues, "I was teasing Mr. Loganathan, you say that you are there to help the poor but the people who come here…to pay me they do not look like the poor people because one woman was [motion with hands a large size]…fat. Another woman was having so much of golden…. two of these people…who are there…they have come to repay their loan and you said…you are helping only poor. I told Anachi it doesn't hold water."

CRUSADE generally relies on similar methods as ASSEFA—personal interaction and observation—for assessment of poverty level. But it has opportunistically used more systematic and quantitative data collection methods. Jothi describes a baseline survey conducted in all of its villages to assess poverty level. The survey collected data about household demographics, housing, occupations, and assets including other variables. A scoring system was devised to rate the poverty level of households based on their survey results. It was conducted in all villages households, "Maybe leaving alone some of the households where's [sic] there's no need." Interestingly the survey was conducted ten years prior to the fieldwork, at a time of rapid growth for CRUSADE's SHG groups. The survey was never repeated but as Jothi stated, "…we know because of so many indicators that the life has changed and…people are more well-off…We have not scientifically repeat survey [but] we know through our observations and indicators that the standard has gone up."[100]

[100] Jothi notes that Chris Wilde did attempt to repeat the survey three or four years ago but the report was never finalized.

CRUSADE is less financially independent than ASSEFA and this may explain much of the formal assessment it conducts. Many of the examples of data collection involve external partners, whether they provided the impetus or the resources or both. At various points in the fieldwork Jothi referred to CRUSADE's reporting requirements to AVI. During one interview as we discussed ward-level planning, Jothi suddenly remembered AVI had asked him to report formally on one village's successes through ward-level planning. Jothi immediately called out to Narayanasamy, asking him to go to the panchayat and inquire about the dates demands made by the village SHGs were met by the panchayat. At CRUSADE's staff meeting staff discussed progress on AVI-set targets for construction of household toilets and soak pits. AVI, CRUSADE's primary donor, certainly motivates and shapes assessment processes. Also at a staff meeting CRUSADE prepared for an upcoming visit with AVI. The visit would involve a discussion of a recent participatory process wherein CRUSADE asked six groups of SHG leaders a set of five questions each. The process was conducted in collaboration with AVI and was a formal mechanism for getting feedback from SHG members and would result in resolutions made by a "core group" of member leaders.

An interesting question is the relative importance to CRUSADE of formal processes of data collection versus less formal process of observation and consultation, particularly given the formers mostly external impetus. Certainly the formal assessment processes described by Jothi, while formal and systematic, are not routine or integrated. This is reinforced by an anecdote provided by Jothi. After describing the baseline survey's scoring system Jothi said, "…So I can give you that, that is our own system of identifying the poor. I have to search that. So I don't know where to find out this but definitely it should be there. Somewhere. I have to search everything." He continues, joking about all the papers around his desk, "Look at the papers. It's all piling. So I just collect and after a while I cannot see all these things and so if I don't refer for a month I just put it there [on top of the filing cabinets] and cover it…if you don't refer [to] it for a month you don't require it…So put it there somewhere and then if there is a need then I search. I know it is not a very scientific approach but I can't help it."

Neither CRUSADE nor ASSEFA prioritize formal or systematic social performance assessment. Monitoring and evaluation activities were largely informal, flexible and ad hoc. Personal communication and observation were the primary data collection methods to establish progress on social goals. To the extent that more formal assessment activities were undertaken the purposes were formative rather than summative. Alternatively, formal assessment activities were motivated (as seen most clearly in CRUSADE) by external stakeholders and, as Jothi implies above, were seen as of somewhat limited usefulness to the organizations themselves. As such, the lack of formal assessment efforts, particularly with summative goals, may reflect at least in part the degree to which ASSEFA and CRUSADE have sought and achieved relative autonomy in their relationships with government and private donors. As discussed in this chapter, both case study organizations chose partnerships with government and private donors selectively; both carefully manoeuvred to avoid government entanglements that could compromise independence and flexibility. Microfinance, particularly for ASSEFA, has been a key strategy for building autonomy from financial dependence on private donors or government partnership, using it to cross-subsidize non-credit activities. Managing external relationships is thus a critical aspect of managing social performance. In the discussion and conclusions chapter that follows (Chapter 8) I will explore further the way external and internal organizational characteristics relate the case study organizations' orientation towards social performance management and reflect their management of the social and financial performance tension more generally.

Chapter 8: Discussion and Conclusions

8.1 Revisiting the research questions and conceptual framework

My research asks how NGO-MFOs manage the tension between borrower (social) and organizational self-reliance (financial performance). The research takes a particular focus on social performance assessment and management systems based on assertion that an adequate flow of information on performance is a necessary input for any effective management of either social or financial goals. My research also considers the organizational landscape that provides the context and scope for performance management. Sub-questions dealt with in the research include:

1. How are social goals translated into performance assessment and management systems?
2. What are the tools and systems for information collection and the feedback mechanisms to decision makers?
3. What internal and external factors drive or constrain social performance management?
4. How and to what extent do decision makers retain and enhance room for manoeuvre?
5. To what extent did approaches to social performance management play a role in protecting MFOs in Tamil Nadu from experiencing the level of crisis recently experienced in Andhra Pradesh?

The research sub-questions are both descriptive and explanatory. They are concerned with describing social performance assessment and management systems but also understanding underlying drivers and constraints on these.

Chapters 5 through 7 present the empirical findings of my research. Chapter 5 presents the results of the first stage of my research, a systematic review. The systematic review looks to the secondary literature as a source of evidence about the nature of social performance assessment. It contributes to sub-question one by providing evidence from published impact assessment studies of the types of indicators used in social performance assessment and how they are assessed. The case studies provide a second body of evidence on the nature of social performance assessment and management but as internalized by NGO-MFOs rather than from externally-driven, discrete and formal impact assessment. Chapters 6 and 7 present findings from the second stage of the research, which includes two case studies of Indian NGO-MFOs. The case studies constitute a more in-depth and ethnographic contribution to the discussion of questions one and two as well as the remaining sub-questions.

The empirical findings demonstrate that the case study organizations have a coherence and identity independent of the mainstream microfinance model. Since the 1990s the mainstream model of microfinance provision emphasized rapid growth and commercialization and defined social performance primarily in terms of the increased breadth of outreach expedited by organizational expansion (see Section 2.4). Although variations on the mainstream model argue for the relevance of additional measures of social performance, particularly depth of outreach, the mainstream microfinance model still narrowly focuses the debate over social and financial performance around maximizing sustainability versus poverty outreach (Fisher & Sriram 2002). By focusing on socially-oriented NGO-MFOs my research addresses the social/financial performance tension in light of the larger development goals and missions held by these NGO-MFOs. It also examines the social/financial tension from the NGO-MFO's own perspective. By doing so the goal of my research is to "thicken" understanding of NGO-MFOs social performance management and assessment in India.

The conceptual framework presented in Chapters 1 and 2 (and included again below as Figure 8.1) orients the discussion of the social/financial performance tension within a set of larger debates. Each row highlights an ideological tension NGO-MFOs face as represented in a relevant body of literature. The rows could also be visualized as a set of concentric circles. The literature on performance assessment of NGOs in microfinance (and the tension therein) is embedded within a set of increasingly broader bodies of literature, beginning with literature on NGOs in microfinance, then NGOs in development generally, and development and management studies. When viewed in its entirety the conceptual framework crudely summarizes two views or models of microfinance provision, referred to here as the mainstream model and the alternative (or NGO) model. However, it is important to note that framework does not map perfectly down columns. In practice an NGO-MFO can lean more or less mainstream or alternative with regard to the debates represented by each individual row and overall. For instance, an alternative NGO-MFO may do service delivery alongside empowerment (although they may only pursue service delivery to facilitate empowerment). Likewise, NGO-MFOs with a social performance first approach to microfinance provision may emphasize positivist and summative performance assessment.

Figure 8.1: Conceptual Framework

Field or sub-field	Mainstream view	Alternative view
[Management studies]	Scientific management	'Romantic' management (*emerging from criticisms of CDM*)
Development management	Management of and in development *(Implies the means (tasks) and ends (goals) of development are separate)*	Management for development *(Implies the means and ends of development are the same)*
NGOs in development	Service delivery first	Empowerment first
NGOs and microfinance	Financial performance first	Social performance first
Performance assessment of NGOs in microfinance	Positivist, evaluative, more quantitative	Interpretive, Formative, more qualitative

The purpose of this chapter is to discuss how the case study findings relate to the conceptual framework. It fills out the framework by addressing the variability within the mainstream model. But the chapter also goes beyond the mainstream model and its limited and neoliberal construction of performance assessment (as defined by the financial sustainability and poverty outreach matrix) to permit exploration of microfinance's interactions with the larger development goals and more radical poverty alleviation strategies often held by alternative NGOs (Copestake 2013, Fisher & Sriram 2002). I look beyond the mainstream microfinance model by continuing to compare it with an alternative or NGO model. I also go further and add to the framework by contrasting the mainstream model with the alternative model combined with social movement characteristics, moving beyond alternative NGOs and further into the broader and more informal idea of civil society.

The chapter employs the same analytical device, although less explicitly, used in Chapters 6 and 7 in which the 'anatomy' of a development organization is discussed with reference to categories including organizational mission, leadership, structure, culture, human resources and categories of external relations (government, private donors, microfinance sector and members). Although it is more a feature of mainstream management to distinguish between organizational systems in this way, the device is carried over into the discussion of the alternative model, where systems may not be as clearly defined, to facilitate comparison.

Section 8.2 discusses the mainstream microfinance model and Section 8.3 juxtaposes the mainstream model with the alternative or NGO model of microfinance provision. Section 8.4 moves beyond these models and argues that even the alternative NGO model does not adequately explain the case study organizations' model of microfinance provision, discussing the significance and consequence of ASSEFA's self-identification as a social movement. Thus in a sense Section 8.4 adds a fourth column to the conceptual framework, one that incorporates the social movement identity. Section 8.5 reflects on relationship between the conceptual framework and the analytical categories used in the discussion of microfinance models while Section 8.6 considers the contribution of the systematic review to the case studies. Section 8.7 then examines the relationships between microfinance models and social performance assessment systems. Finally, Section 8.8 draws some conclusions and implications for Indian microfinance and Section 8.9 discusses limitations of the research and areas for further research.

8.2 Mainstream microfinance model

Despite ASSEFA's long history of mobilizing community finance, in its most recent iteration of doing so through SNFL ASSEFA has adopted many of the 'best practices' of mainstream microfinance (see section 2.4). Many of these best practices are borrowed from the informal practices of poor villagers, organized and formalized with a more explicit focus on achieving the financial sustainability of the microfinance organization. Such practices include group lending, intensive repayment (with weekly or monthly repayment), microenterprise (or promotional) credit products and a focus on lending to women. SNFL has maintained the relatively high repayment rates associated with such practices (with portfolio at risk (greater than 30 days) under 10 percent since its inception) (See sections 6.1.1. and 6.1.2.).

SNFL has also achieved a level of growth unmet by ASSEFA's previous community finance efforts. But despite rapid growth in the mid-2000s, SNFL's growth lagged compared with other prominent Indian microfinance organizations (see Section 6.1.5). Slower growth can arguably be attributed to ASSEFA's rejection of other key tenets of the mainstream microfinance model including specialization. Rather than positioning microfinance as the centerpiece of its operation, ASSEFA has embedded SNFL and microfinance within an array of other development activities and a mission that extends well beyond efficient delivery of microfinance to poverty reduction and community building (see Section 6.1.3).

ASSEFA's mission includes a commitment to people-led development and community building and this is reflected in its approach to microfinance provision and resultant slower growth. SNFL is a member-owned and managed MFI. Until recently, SNFL lent exclusively to members of its owner-SMBTs, comprised of SHGs. SHGs were not conceived exclusively for the purpose of microfinance delivery (in terms of the SHG movement in general) but were conceived as people's organizations with empowerment objectives (see Section in 3.3). Other microfinance organizations, such as Grameen Bank, also formed groups for dual mobilization and credit provision purposes, but later focused less on its mobilizing objectives and more on becoming a specialized bank. In contrast, SHGs have continued to be viewed by ASSEFA as people's organizations as demonstrated by its continued emphasis on federating groups and promoting apex organizations like SNFL (see section 6.1.5).

SNFL's growth is further constrained by ASSEFA's bundling of microfinance with other activities. Growth of ASSEFA as a whole (and SNFL by attachment) occurs through the slow process of spinning off autonomous affiliate organizations responsible for individual projects, sometimes in a specific geographical region within ASSEFA's program area. As such ASSEFA's primary approach to growth is through deepening involvement or layering programs within the same geographical area thus constraining SNFL, which can only grow as ASSEFA broadens its reach by expanding into new geographical areas (see section 6.1.5). When ASSEFA does expand to a new geographical area it does so by organizing and mobilizing community members for the purpose of joint action on a number of fronts and not just for microfinance provision.

ASSEFA's approach is slower than more specialized microfinance. The mainstream microfinance model predicts slower growth will constrain the scaling up-financial sustainability virtuous spiral. And while SNFL has achieved a degree of financial sustainability, an aspect of this constraint is evident in its limited ability to professionalize SNFL. SNFL does not have the resources to attract and retain technical staff and skilled managers. It is not able to revamp its MIS system to more easily comply with industry standards (in terms of reporting to credit bureaus for instance), reduce instances of fraud, and increase its flexibility to adapt loan products to customer needs (see section 6.1.6).

The two-fold mission of microfinance is providing financial services to the poor through financially-sustainable market-based organizations. In regard to the former, the effectiveness of ASSEFA's model is unclear. ASSEFA's depth of outreach is unknown. ASSEFA deliberately does not track the poverty status of clients at entry or at any subsequent point to benchmark the depth of outreach. Rather it explicitly chooses not to exclude any ASSEFA member from participating in and borrowing from SNFL regardless of income. Asokkumar, SNFL's CEO, acknowledges it likely does not serve the poorest (based on his own anecdotal observations of SNFL clientele) although ASSEFA most likely does serve lower income households based on small maximum loan sizes (see Section 7.3.2). The question remains however to what extent (what proportion) of SNFL clients are poor and the depth of outreach (that is, the distribution of middle to upper poor served versus any of the poorest).

While ASSEFA mirrors the 'parts' of the mainstream microfinance models—including the dual goals of financial sustainability and financial services to poor households—it rejects the 'whole.' ASSEFA rejects the financial systems approach's ultimate goal of mainstreaming or building a commercially-viable microfinance organization serving the poor. It clearly has a 'social performance first' approach as evidenced by its prioritization of community-building even given higher costs and slower growth. ASSEFA's approach thus resonates with arguments made by the poverty-oriented approach for the logic of prioritizing social over financial goals. This extends to acceptance of concessionary funds (such as from social investors) as appropriate as well as that bundling can co-exist with a strategy for financial sustainability (see section 2.2). However, as with the financial systems approach, ASSEFA also rejects the central tenet of the poverty-oriented approach: that targeting the poor, particularly the poorest, is a critical element of microfinance that must be deliberately pursued and monitored to avoid mission drift. Although ASSEFA certainly intends to serve the poor and aligns with the poverty-oriented approach's primary goal of positive impact on poor households (usually framed as poverty reduction, women's empowerment or promotion of community-based organizations (Simanowitz & Walker 2002)), it does not do so deliberately or exclusively. Further, inclusion of middle, upper poor or even vulnerable non-poor clients is not justified on the basis of cross subsidizing services to the very poor as is sometimes argued by both mainstream approaches. Financial sustainability is also not aimed primarily at expanded breadth of outreach. Rather ASSEFA pursues both goals of financial sustainability and serving the poor as part of its own community-building ends. Financial sustainability is pursued to subsidize other non-credit activities and to establish autonomy from the state and to an extent the market and is not an attempt to operate successfully within the market. [101]

Given ASSEFA does not conform with the ideology prescribed by the most prominent microfinance model, one way to better understand ASSEFA's difference is through

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[101] SNFL cross-subsidizes ASSEFA non-credit activities but perhaps more interesting, ASSEFA has combined microfinance with other cost recovery approaches and other programs also cross-subsidized SNFL in the intermediate aftermath of the AP crisis.

its origins and ideology. The most obvious influence is its Gandhian ideology which advocates for individual performance of duty (performance of duty being interchangeable with observance of morality). Duty requires self-restraint in material gain and rather a life devoted to selfless service devoted to nurturing the solidarity and self-reliance of rural communities or Gram Swaraj (even romanticizing rural village life). This model of personal behavior and the ideal of Gram Swaraj thus mitigate against the 'divisiveness' of serving only the poor. Gandhian ideology also mitigates against a strongly commercial approach given its opposition to capitalism's promotion of competitiveness in the pursuit of individual material self-interest and the inequalities it reinforces. Thus building a development approach on the principles of the capitalist market as do mainstream microfinance models (particularly the financial systems model) would be antithetical to codes of personal and organizational behavior and developmentally reductive (see Section 3.2.4).

A second way to better understand ASSEFA's deviation from the mainstream microfinance model is to examine its approach to financing. ASSEFA has demonstrated over time the willingness and flexibility to reinvent itself in order to deal with the problem of financing. The adoption of microfinance can be seen as just one iteration of ASSEFA's pragmatic approach. ASSEFA has mobilized local funds since its earliest years as an ideological and practical matter, but it also relied on foreign funds from its "friends." ASSEFA's longest-term supporters are considered part of the ASSEFA family and are often collections of private donors rather than professional northern NGOs or international donors. Sums contributed by these donors are on-going but relatively small. To expand, particularly geographically, ASSEFA has relied on projects with larger donors (such as Action Aid, PLAN etc.). As the availability of foreign funds has diminished however ASSEFA has sought other ways to expand. One way of understanding ASSEFA's partnering with TNCDW in the 1990s is as an opportunity for ASSEFA to extend its reach and establish itself more solidly over its assigned geographical area.[102] The financial incentives for NGOs to participate in Mahalir Thittam were modest (mostly small payments for group formation and linkage and in-kind funds in the form of training) but the SHG model was a natural fit for ASSEFA given its prior and on-going use of community-based organizations in its work. Meanwhile the MFIs were growing in numbers and size and demonstrating potential for financial sustainability. ASSEFA's promotion of SNFL, as a community-owned NBFC, was a type of marrying of its network of SHGs, built during the TNCDW partnership, with the financial potential of MFI promotion, while maintaining its commitment to people-led development.

As with NGOs generally, particularly those focused on social change, the challenge of financing extends beyond raising sufficient funds to the political questions around how the funds are raised. In the course of raising funds, the NGO must consider the source's impact on its ability to continue to challenge inequalities. Institutional (government and private donors) and market-based funds raise the risk of cooption through loss of control or mission focus. Edwards (2013) argues for the importance of matching social change goals with appropriate funding strategies. Democratic funding models favor participation and equality from below and maximize autonomy

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[102] The prestige and relative autonomy associated with being an early partner of the program were also likely incentives. Early on the state was looking to NGOs like ASSEFA to provide access to rural women. The first director of the program spent time visiting with ASSEFA and its members in preparation for the program roll-out, essentially giving ASSEFA a role in program planning and design. However as the program became more established the state-NGO relationship shifted and became less compelling for ASSEFA. The State-NGO relationships became more unequal and personal connections were lost as the original director moved on.

from influence or coercion from above. ASSEFA's current financing strategy combines commercial and democratic models by pursuing microfinance with collective ownership arrangements. This leverages the potential for returns offered by commercial strategies while maintaining downward accountability structures. Historically ASSEFA has utilized all funding strategies: democratic, institutional (both government, private donor (NGO), and to a more limited extent official aid (via their NGO donors)) and commercial but while trying to avoid building dependence on the latter two through selectively managing duration and nature of those relationships.

8.3 Alternative or NGO microfinance model

The NGO literature provides an alternative more radical model for microfinance provision. Rather than economistic arguments, the NGO model relies more on normative and political arguments about what is developmental based on values associated with 'alternative development'. Alternative development emphasizes structural change. Development is political, technical fixes can only address poverty and inequality in limited ways and altering power structures is necessary to achieve lasting and substantive change for the poor. It rejects service provision as an adequate mission or role for NGOs, given the limits of service provision for lasting poverty alleviation. NGOs are therefore most appropriately (or developmentally) in the role of catalysts. The theory of change asserts that by catalysing the formation, strengthening and linking of people's organizations such organizations will proliferate into a people's movement that can impact policies and political processes. NGOs cast themselves in a facilitating role with the mission of empowering poor households to act in their own interest to effect change first on the local but ultimately national level (see Section 2.3).

ASSEFA's approach to microfinance reflects the NGO model commitment to a broader mission (and role) than the efficient service provision of (potentially) poverty-reducing financial services. In fact ASSEFA does not consider itself a microfinance organization. Its mission explicitly extends beyond microfinance provision and even poverty alleviation (whether through microfinance alone or in conjunction other activities) to empowerment, specifically through community-building towards Gram Swaraj (see Section 6.1.3). ASSEFA views the creation of people's organizations not just as instrumental to microfinance then but as an integral part of its community-building mission. Its choice of the SHG model was somewhat opportunistic, occurring as a product of its collaboration with the TNDCW. However its commitment to facilitating people's organizations is clear. Many of its first SHGs were organized from its existing network of members with whom ASSEFA had a longstanding practice of forming various configurations of people's organizations serving both men and women for credit and other purposes. ASSEFA mixes or bundles community-building with poverty alleviation activities in part to address the difficulties of mobilizing a group of people with pressing short-term needs. Poverty alleviation activities, like microfinance, are a 'platform' for community-building, but the latter take priority over poverty alleviation. This implies a vision of empowerment beyond individual economic or personal improvement, towards a larger vision for social and political empowerment and change.

The alternative model prescribes a style of management reflecting 'NGO values'. NGO values call for participatory or bottom-up approaches and require a flexible, innovative, responsive and process-oriented management style (see Section 2.3). This is in contrast to a more mainstream style characterized by traditional top-down management, with its focus on hierarchy, standardization and instrumentality (see Section 2.2). In the context of microfinance, participatory development requires a relationship with borrowers expanded beyond that of the mainstream microfinance models. Borrowers are not just customers but members and participants in the developmental process. ASSEFA structured SNFL as a member-owned and governed microfinance organization and has maintained processes of consultation with members that reflect its view of borrowers as members rather than customers. Further ASSEFA's familial culture and intensive bundling of activities (discussed further below) promotes a level of group participation and identification that extends well beyond a transactional relationship (see sections 6.1.5 and 7.1.4). NGOs' closeness to the people and alternative management style are often cited as constituting their core and distinctive strengths. However according to NGO critics these strengths can be threatened by organizational growth, contributing to mission drift.

The mainstream microfinance models prescribe scaling up through "additive" organizational growth (Edwards & Hulme 1992). Organizational size and organizational impact (in terms of increased breadth of outreach) increase simultaneously. The alternative model suggests several alternative, "multiplicative" methods of scaling up (Edwards & Hulme 1992). Multiplicative growth strategies increase impact by exerting deliberate influence, networking and training. Strategies include working with government, advocacy in the North, and linking people's organizations with lobbying and advocacy (see Section 2.3). Such horizontal and diffusive growth strategies can increase impact while protecting NGOs core strengths. ASSEFA's model of growth reflects this idea of growing 'out' rather than 'up.' ASSEFA spins off autonomous organizations, many of them apex organizations for federated groups of people's organizations (and often managed by members to a greater or lesser extent) (see Section 6.1.5). Spinning off new organizations (when people's organizations) is an end (an expression of mission fulfillment) but also a means to grow while protecting core organizational characteristics of flexibility, innovativeness, and responsiveness. It maintains a degree of autonomy necessary for local managers and members to customize programs to local needs. ASSEFA as a whole retains its flatter structure and avoids the increased hierarchy and standardization often associated with organizational growth.

In a sense, CRUSADE represents another aspect of ASSEFA's horizontal versus vertical growth. In the case of CRUSADE (and other organizations started by former ASSEFA managers including Dhan Foundation, BASIX, and PRADAN) rather than building out through autonomous but affiliated organizations, ASSEFA has built out through a set of autonomous and unaffiliated organizations. ASSEFA refers to these spin-off organizations as its "children", clearly taking some credit for their creation and implying a type of hierarchy with itself in a senior position relative to them. The extent to which ASSEFA's children mirror its model varies, but regardless the extension of ASSEFA's influence through these spin-off organizations grows ASSEFA's brand at the very least in terms of its networks, prestige and reputation.

One cannot assert, however, that power in ASSEFA is not centralized given Loganathan's personal, position and resource power (see Section 6.1.4). Loganathan's leadership style, at least on the surface, reflects NGO values of participatory, bottom-up development, including a language of anti-professionalism (in which he reinforces the people's role and diminishes his own role as well as the value of experts generally) and flexibility (in the informal attitude toward planning and lack of clear processes for decision-making). How truly democratic decision-making is within ASSEFA, for instance between managers and members or between Loganathan and managers is obscured by procedural informality and flexibility (see Section 6.1.4).

Though somewhat of a contradiction, ASSEFA's power culture relies on Loganathan's centrality to reinforce the empowerment goals and participatory values underlying its mission. Loganathan's leadership also connects ASSEFA and its members more deeply to an origin and development ideology inspired by Gandhian ideology (see Sections 6.1.1 and 3.2.4). Horizontal rather than vertical growth also sustains values and goals by maintaining Loganathan's position and influence and ensuring no alternative power center can emerge (see Section 6.1.5).

Horizontal growth maintains culture and mission resilience also in the context of ASSEFA's autonomous but unaffiliated spin-offs, such as CRUSADE to the extent that these organizations are an outlet for dissenting views within ASSEFA. In the case of CRUSADE, Jothi left ASSEFA because he wanted to focus on the poor rather than the entire community in his poverty reduction and community-building efforts (see Sections 6.2.1 and 6.2.3). Jothi has also prioritized individual economic outcomes over community outcomes. CRUSADE's diminished emphasis on Gram Swaraj shifts its own orientation in external relations relative to ASSEFA's as CRUSADE intermediates between members and government offices (see Section 7.2.1). Spin-off organizations are also an outlet for particularly ambitious or talented managers who might otherwise languish (or challenge) in light of the control and authority exerted by Loganathan.

The NGO model does not prioritize the financial sustainability of microfinance and may view cost recovery strategies cautiously. It does however suggest a logic for cost-effective microfinance, one antithetical to the mainstream microfinance models. The logic of the NGO model favours bundling activities to increase the depth of impact (not to be conflated with depth of outreach) and suggests bundling increases the cost effectiveness of group formation by leveraging the social networks established through group formation for multiple purposes. ASSEFA, for example, prioritizes broadening rather than narrowing its offering of programs to deepen penetration and impact within their communities (rather than expanding it to new areas). Bundling is also advocated by the poverty-oriented approach but generally with a focus on educational programs attached to group meetings or outsourced poverty programs and still with a strong emphasis on doing so while pursuing (and subject to) achieving financial sustainability.

As the NGO model does not assert financial sustainability (from cost recovery) as integral it engages in a broader discussion of resource mobilization that focuses largely on relationships with donors, whether private or government. In this context, the tension between social and financial performance exists in balancing the demands of the donor with organizational missions and values to avoid mission drift. Integration in the aid chain and increased dependence on official funds has been blamed for a decline in NGO performance, in part because it creates incentives that undermine NGO values of downward accountability and institutional learning (see Section 2.3.1). Increased upward accountability, loss of autonomy, and onerous reporting requirements can constrain social performance as systems and cultures adapt to the requirements, expectations, and timelines of donors.

Beyond changing incentives, collaboration with government in particular creates tension and possibly conflict of interest for NGOs whose mission focuses on changing power structures (although partnership with government to influence it from within is a possible strategy for scaling up impact). ASSEFA has partnered with both government and private donors over the years. It has addressed the tensions in partnership by partnering pragmatically but selectively; demonstrating willingness to exit partnerships when it feels cooption or autonomy is threatened. In addition to the threat of cooption, ASSEFA faces threats to its legitimacy, particularly in the case of government partnerships, from even the appearance of cooption. It must preserve its role as a counterbalance to the state without creating undue hostility that would threaten its viability (see Section 7.1.1).

In its relationship with private donors, ASSEFA has taken an equally selective approach to protect is legitimacy, autonomy and mission. Private donors are long-term relationships with like-minded organizations, although ASSEFA has partnered on a short-term basis with larger Northern NGOs in the past (see Section 7.1.2). More recently ASSEFA has emphasized reducing dependence on external funds. As discussed in Section 8.2, ASSEFA pursues SNFL's financial sustainability to sustain operations and cross-subsidize non-credit activities. ASSEFA's focus on self-reliance is pragmatic and ideological, reflecting its concern for self-reliance. In a sense ASSEFA, expresses the ideology of the alternative NGO with the sensibility of a social enterprise (Bebbington 1997).

An important role for a catalytic NGO in alternative development is challenging power structures and mainstream development paradigms. They do so through a variety of mechanisms including empowering grassroots groups, direct advocacy and sometimes direct confrontation. While ASSEFA began by organizing and advocating for landless farmers, it does not apparently challenge power structures itself today through advocacy or organizing confrontational actions to protest oppressive power structures for instance. ASSEFA does facilitate the creation and strengthening of people's organizations but there is little evidence this has produced any significant advocacy or protest activities by ASSEFA members. Rather ASSEFA and its members' activities appear relatively self-contained and inward-focused. In this regard the NGO model does not appear to entirely reflect ASSEFA's understanding of social performance. To explore this further it is helpful to consider ASSEFA's self-identification as a social movement.

8.4. Beyond microfinance models: ASSEFA as a social movement?

ASSEFA's model of microfinance provision more fully reflects the alternative or NGO model rather than mainstream models of microfinance provision in terms of mission and identity, structure and growth, culture and values and its cautious engagement with external partners. While it borrows (and is also forced through the coercive and regulatory powers of the state) from mainstream models in the design and management of SNFL, its underlying ideology and mission of social change through community-building drives its negotiation between social and financial performance. Microfinance is useful as a means to achieving its broader goals and as a partial solution for the practical problems of resource mobilization. Financial performance is thus important but subordinate in ASSEFA's microfinance model. I argue however that it is necessary to go beyond the alternative NGO model and explore the NGO-social movement connection to fully understand the ASSEFA model. ASSEFA's identification as a social movement is also central to its mission and model influencing culture, leadership and relationships with members. I will first discuss ASSEFA as a social movement (the connection between NGOs and movements) and then explore how this self-identification expands understanding of ASSEFA's model of microfinance provision including its negotiation of social and financial performance management.

During the fieldwork, ASSEFA resisted any discussion that characterized it as a MFO or even an NGO. Despite its assertion ASSEFA generally does not meet definitions of a social movement in the literature. Although definitions vary, social movements are commonly identified as action by a diffuse collective of people and/or networks to promote a shared idea or social change. The collective action is generally associated with disagreement or contention.

A point of disagreement is the role or appropriateness of formal organizations within social movements. The disagreement circulates around whether formal organizations are a "necessary prerequisite of effective political struggle or conservative impediments" (Crossley 2002, p. 91). Regardless, the idea of movements as diffuse automatically makes a distinction between movements and formal organizations, which are easily defined (Bebbington 2010). It is clear then that ASSEFA proper, a clearly defined and formal organization is not a social movement. However organizations are often part of the collectives considering themselves social movements (Ballard et al. 2005, p. 617). This provides scope to consider ASSEFA's contention that it is at the center, facilitating and promoting a movement made up, ostensibly, of its over 150 affiliated organizations, informal people's organizations (such as SHGs and farmers groups) and other related or like-minded organizations.

The loose affiliation of CRUSADE (and other spin-off organizations) is in the style of a social movement with its diffuse collectives and uncertain boundaries. ASSEFA still describes these spin-off organizations as part of the ASSEFA network family, as its children, albeit children who may have left home. CRUSADE has taken a more distinctly poverty-oriented approach to microfinance provision. Like ASSEFA it focuses on building people's organizations. Emerging concurrently with the state's bank-linkage program it has been more exclusively defined by the SHG methodology than ASSEFA. However it targets the poor rather than the entire community and has focused on financial sustainability. BASIX on the other hand has a much more mainstream approach to microfinance provision.

The centrality of direct confrontation with the state (or more symbolic institutions such as patriarchy) is another point of disagreement in social movement literature. Tarrow (1998 cited in Crossley 2002) insists protest is central to social movement action while others assert movement strategies extend from direct and adversarial action against the state to negotiation and collaborative behavior. In the center of this continuum are efforts to project "counter-hegemonic ideas in the public sphere" using the media, prominent individuals, or political parties (Ballard et al. 2005, p. 12, Bebbington 2010). Hence social movements do more than protest (Melucci 1986, 1996 cited in Crossley 2002). What is not evident is what strategies ASSEFA employs (in the collaborative to adversarial continuum) to promote its ideas, an issue that will be discussed further below. The key point is the collective action is diffuse geographically and temporally but persists over time and is defined by a shared identity and set of goals (Bebbington 2010). Either way strategy movements are ultimately about challenging mainstream policies or elements of the social, political and economic systems (Ballard et al. 2005, p. 617).

Bebbington (2010, p. 5) argues that alternative NGOs only become "interesting" if linked to social movements. It is through the broader mobilization of a social movement that an NGO's localized impact becomes significant and influences broader social processes. This is analogous to Edwards and Hulme's (1992) idea of scaling up impact by facilitating and linking grassroots organizations. Batliwala (1993 cited in Townsend et al. 2004) argues that self-empowerment can be complete only if social movements emerge although success in doing so is limited. Thus links to social movements become a measure of NGO effectiveness (Bebbington et al. 2008, Bolnick 2008 cited in Bebbington 2010). Townsend et al. (2004, p. 874) highlights a less intentional connection between NGO work and movements citing NGO ability to "create associational spaces and networks that are…latent social movements." Women's groups are noted as a primary example. People may not consciously be part of a movement, but as “new cultural codes and new forms of associational behaviour” are created the “new social spaces” become the “submerged networks” of a “latent social movement” (ibid.).

The link between NGOs and social movements can occur in the opposite direction as well (Crossley 2002). NGOs can motivate social movements as discussed but can also emerge in response to social movements. McCarthy and Zald (1977) analogized formal NGOs (referred to as social movement organizations or SMOs) as the supply meeting a demand created by social movements. NGOs may emerge from social movements to provide leadership and coordination (Crossley 2002). This latter argument resonates with ASSEFA’s emergence from the Bhoodan land movement to provide leadership and support following the resettlement of landless laborers on donated Bhoodan lands.

Moving past the question of whether ASSEFA and it’s affiliates constitute an on-going social movement, ASSEFA’s self-identification as such helps explains some of logic of its operation, in particular its culture, relationship with members, and somewhat paradoxically its apparent inattention to the goal of explicitly confronting the state for structural changes in contradiction of the NGO model and social movement characteristics. More to the point, self-identification as a movement impacts its combination of social performance (understood as occurring primarily through community building) with financial performance (understood as occurring through increased autonomy or self-reliance).

In terms of social performance, ASSEFA’s self-identification contributes to mission resilience in the face of global trends towards the mainstream microfinance model, particularly the financial systems model. Social movements with goals focused on changing individuals (rather than society) insulate organizations from pressures towards “goal transformation” and “organizational maintenance” (Zald & Ash-Garner 1987, p. 127). Focusing inward on changing individuals invites less resistance from other institutions and depends less on external success. ASSEFA’s programs focus directly on changing members’ social and economic status rather than directly challenging the state.

Loganathan’s strong position as leader-founder also can arguably be jointly credited for mission resilience (see Section 6.1.4). Although much of Loganathan’s leadership style is unclear we can assert his focus on mobilizing tasks rather than articulating tasks, that is reinforcing organizational goals and member commitment rather than relationships with other organizations. Loganathan’s focus is inward on reinforcing values and commitment rather than outward.

ASSEFA’s mission and culture necessarily builds a relationship with members beyond service provider-customer. Members are engaged in the management and ownership of people’s organizations. But ASSEFA’s mission and movement culture further considers members as family and engages them in multiple activities, a type of layering of activities or intensive bundling. This is akin to a social movement with exclusive membership requirements (see Section 7.1.4). Exclusive membership requirements reinforce ASSEFA’s mission of community-building and further its movement vision of Gram Swaraj. It serves social performance as well as financial performance. ASSEFA draws on this intensive bundling through microfinance (SNFL and other credit-based efforts) and leverages the cost of social intermediation/group formation to raise funds that support programs and improve their financial sustainability. Funds are intentionally and primarily raised from members either directly or through their activities (with the exception of bank loans for SNFL’s on-lending).

The overarching theme of ASSEFA's self-identification as a social movement is its pursuit of autonomy and self-reliance. However, like alternative NGOs, social movements are generally defined as opposing power structures or processes in some way. Dinerstein (2012, p. 2) concludes, "Most definitions concur that a social movement is a collectivity of individuals of different kinds, formally organized, with specific goals and the use of antagonistic discourses and tactics for political ends**."** Given its inward focus it is difficult to identify ASSEFA's method (as either an alternative NGO or traditional social movement) of opposing power structures. It not only seeks financial autonomy but autonomy from government entanglement, that is, it does not seek to influence government through negotiation or other less adversarial means (with the exception of committee membership).

This is certainly linked to the specifics of ASSEFA's Gandhian ideology, which insists on principles of Ahisma with trusteeship as the solution (see Section 3.2.4). However it also connects ASSEFA to the social movement literature on a particular application of "antagonistic discourses" attributed to "hope movements." Hope movements pursue a new way of 'being' now rather than advocate for it in the future and keep distance from the state. Likewise, ASSEFA doesn't actively oppose or advocate the state for change but it seeks autonomy from and to articulate through its actions a different set of values regarding development than represented by the state and market (a middle way). ASSEFA reflects a point of view antagonistic and distrustful of state and market-based efforts to address poverty and inequality (the latter reflected in ASSEFA's rejection of the mainstreaming of microfinance). It questions development agendas 'subversively' through perpetuation of ideology that diminishes the state rather than tries to reform it and advocates self-reliance almost as a form of opting out and as a way of promoting alternative ideology about economic and social system. It does so alongside a pragmatic 'using' of state resources for individual and organizational gain but not as a principle strategic thrust as demonstrated by its decline to partner or participate when the terms are not considered serviceable.[103]

ASSEFA's approach has pragmatic and strategic aspects for managing the tensions inherent for an alternative NGO in government and donor relationship. It also is, however, an expression of its self-identification as a social movement and increases mission resilience. It suggest an alternate logic in which both social and financial performance are pursued alongside opting out in a sense of broader relationships (with market or donors) that may enhance financial position according to either mainstream or alternate NGO logic. It also suggests a logic for social movements – logic of sustaining them through bundling of cost recovery programs with material benefit to sustain over a longer term its ability to pursue goals of social change.

The impact of ASSEFA's model on microfinance is to transform a strategy that began as an empowerment strategy, was coopted by a hegemonic development model based on neoliberal values of integrating poor households into capitalistic economic

[103] There is little literature addressing NGO-MFOs as social movements. One exception is SEWA, a prominent community-based MFO based in Gujarat (Bebbington 2010). Similar to ASSEFA, SEWA promoted a set of affiliated people's organizations to meet a range of member needs. It also, like ASSEFA, originated as/from a social movement. However it is distinct from ASSEFA in that SEWA began as a labor union working on behalf of women in the informal sector and as such is a traditional social movement, petitioning the state for rights and benefits on behalf of its worker members. ASSEFA on the other hand as described here is not a traditional social movement given its focus on autonomy rather than confrontation with the state. Its ideology also carries with it a deeper critique of Western thinking than associated with labor unions.

system through financial inclusion and supporting small-scale economic activity and transforms it back into the service of goals of social change by using it to sustain more radical (and to some degree anti-capitalist) ideologies.

8.5 Revisiting the relationship: analytical categories and conceptual framework

In the preceding three sections, the analytical categories identified in the course of case study data analysis (see Section 4.3.5) facilitate an examination of each case study organization's consistencies and differences with the logic of mainstream and alternative models of microfinance provision. Section 8.2 does so with reference to the mainstream models of microfinance; Section 8.3 does with reference to the alternative model of microfinance provision; Section 8.4 then draws conclusions based on the previous two sections' analysis. Ultimately the analytical categories also provide scope for the articulation of a framework of microfinance provision not fully described by the models presented in and through the conceptual framework.

The analytical categories in particular usefully highlight the relevance of origin and local context for understanding the case studies' ideological positions with reference to the tensions described in the conceptual framework. Analysis of ASSEFA's mission, organizational culture, structure and leadership, for instance, emphasizes the influence of its origin and identification as a Gandhian social movement on its framework of microfinance provision. The complex interaction of such culturally-embedded ideology with the more Western ideologies primarily expressed in the tensions between social and financial performance as discussed in the NGO and microfinance literature and reflected in in the conceptual model is thus better understood through use of the analytical categories.

The intersection of local and global ideologies have implications for social performance management and assessment (the latter to be discussed in further detail in Section 8.7). More broadly, it reinforces the relevance and need for alternative thinking about not only models of microfinance provision but also development management.

8.6 Revisiting the relationship: systematic review and case studies

Just as the fieldwork resulted in a broadened set of analytical categories, it also changed the relationship between the two stages of the research—the systematic review and the case studies. As discussed in Section 4.1.2, the two stages were originally seen as progressive. Given the research's focus on social performance management and assessment systems, it made sense to review available evidence on performance assessment prior to the fieldwork. The systematic review would provide a point of comparison with the case studies. Specifically, I intended to evaluate the case studies' social performance systems in light of the broader set of impact assessments reviewed in the first stage of the research, including how and to what extent they incorporated the indicators and processes represented in the systematic review. The systematic review was also likely to inform case study selection.

I found however that the systematic review represented only a small subset of NGO-MFOs and narrowed the focus with regards to social performance management and assessment too much. Other selection criteria were used in case selection, as discussed in Section 4.3.2. The fieldwork further shifted the research towards a broader and more interpretive view of social performance management and development management generally (see Sections 4.3.3 and 4.3.5). Hence, while the scope of the two research stages overlap they are not directly comparable. The systematic review represents the dominant approach to social performance assessment, impact assessment designed to draw conclusions about microfinance broadly with the purpose of informing policy. The case studies, on the other hand, not only focus on social performance management as integrated and driven by NGO-MFOs, but more to the point, they prove rich sources of evidence for the need to consider alternative approaches to social performance management and development management more generally.

In light of the research's shifting view the two stages of research could stand alone, commenting on two distinct although complimentary approaches to social performance assessment and management. Considered together, the systematic review makes more explicit the hegemony of the dominant view towards social performance assessment and development management in global discourse and presented in contrast to the case studies provides scope to discuss the limitations of the dominant view (see Section 5.3.4), which does not necessarily bear relevance to all NGO-MFOs, particularly those whose approach to development management is based on alternative frameworks, including locally embedded models, rather than on externally-dictated narratives driven by the goals and methods of microfinance's institutional promoters.

8.7 Social performance assessment

Section 8.2 discusses how and to what extent the case studies align with mainstream models of microfinance provision. Section 8.3 reflects on an alternative model for microfinance provision based on NGO literature, while Section 8.4 explores going beyond those models to incorporating social movements. The microfinance model describes the underlying organizational landscape that informs and orients choices about social and financial performance. This section makes this connection more explicit by discussing social performance assessment systems in terms of each model.

The mainstream models of microfinance discussed in Section 8.2 (and Section 2.3) reflect 'financial performance first' (the financial systems) and 'social performance first' (poverty-oriented) approaches to microfinance provision. The financial first perspective favours focusing effort on sustainable service delivery (financial performance) with increasing financial inclusion (or breadth of outreach through organizational growth) as the primary contribution of microfinance. Building a sustainable model of microfinance—one that is scalable and replicable and thus can impact large numbers of poor households is itself (it argues) evidence of positive social performance. The social performance first approach cautions against the limitations and risks of not explicitly targeting or evaluating impact on the poor.

In each case social performance assessment requires different indicators. In the latter case, impact assessment requires indicators at the beneficiary level (at least including some estimation of depth of outreach), while financial performance first suggests the sufficiency of institutional indicators (particularly of breadth of outreach, repayment and financial sustainability) as evidence of social impact (see Section 2.3.1). A lack of attention to non-institutional indicators of social impact by the financial performance first approach led to calls for more impact assessment, particularly practitioner-led impact assessment. Over time the focus broadened away from impact assessment toward integrated monitoring and evaluation of social performance (see Section 2.3.2). This extended differences in social performance assessment beyond indicators, goals and methods and provided scope for incorporating NGO values in assessment (see Section 2.2).

On a deeper level the social versus financial first debate reflects a normative debate about the scope of what microfinance can accomplish and the identity of microfinance organizations. As Lewis (2003) argues, microfinance is a paradigm shifting intervention for NGOs with the potential to change NGOs role (from catalysing empowerment and social change to service delivery). Rather than make up for deficiencies of the state and market microfinance engages and incorporates market principles into its operation (Bebbington 1997). In much the same way that aid chain participation forged close ties between NGOs and state actors, raising concerns of NGO cooption by the state, microfinance's market orientation raised concerns of NGO cooption by the market that would leave little to distinguish it in methods and purpose from any commercially-oriented business. Both circumstances represent the hegemony (whether directly or indirectly through development trends enacted through state actors) of the economistic, rationalist values of neoliberalism.

Mainstream views of development management and assessment favour results-based management with quantifiable performance metrics that provide objective assessment of the outcomes and impacts of development efforts. Scientific rigor is the measuring stick for judging the credibility and usefulness of assessment results for guiding future development investments. This reflects a faith in the scientific method's ability to abstract solutions that can be applied in any context. It reflects management of and in development. Criticism of mainstream development management questions the 'science' of management and the reality of homogenous and neutral technocratic fixes, instead pointing to the political nature of knowledge and the complexity engendered by local physical, social, and political contexts. It suggests assessment processes that privilege local knowledge and produce descriptions and not just prescriptions (Gulrajani 2010). Given the subjective and contested nature of outcomes it is necessarily process-focused, an extension of management for development.

As discussed in Section 2.2.2, the NGO literature presents two opposing frameworks for understanding NGO social performance assessment systems which reflect the unease with more service provision-oriented NGO roles promoted by both microfinance and aid chain participation. The frameworks represent different views of the purpose of assessment processes and a fundamentally different understanding of NGO organizational role and values that reflect differences in development management views. Table 8.1 below reviews some of the characteristics of the 'technocratic' approach to assessment—so called by the more interpretive approach that objects to its approach and underlying values.

Advocates of the technocratic approach point to the need for objective conclusions on the efficacy of development projects to direct future investments and to hold organizations accountable for achieving results. Critics attribute rising popularity of this approach to NGOs' integration into the aid chain and suggest it best serves the needs of donors, primarily holding NGOs' accountable to them. Critics further assert the technocratic approach runs counter to the underlying values of NGOs and the realities of development work.

The interpretive approach by contrast asserts accountability is owed primarily to an NGO's intended beneficiaries and as such any assessment of impact should be formative and conducted through participatory processes resulting in a judgment negotiated through consultation with multiple stakeholders. It further emphasizes the complex and non-linear nature of development whose impacts are influenced by multiple stakeholders and external factors over the long term. The two approaches thus disagree on the primary purpose and processes of assessment.

Table 8.1

	Technocratic	Interpretive/alternative
Primary Objectives	-Accountability to donors -Summative (evaluative objective)	-Accountability to beneficiaries; -Formative (learning objective)
Time Orientation	-Short and intermediate term; project cycle	-Long-term development process
Methodology	Objective results sought (often through quantitative data); preferences inflexible, linear process generating objective results, often attempting to address attribution	Subjective judgment sought (often through qualitative data); preferences flexible participatory process generating negotiated results
Underlying Assumptions	Approach requires assumption of linear process of development and inflexible assessment design	Approach assumes non-linear complex nature of development and production of outcomes
NGO role supported	Service delivery	Empowerment

While the social performance first approach questions the appropriateness and effectiveness of relying exclusively on institutional indicators of financial inclusion for establishment of social performance it does not necessarily question the logic of microfinance or its bias towards quantitative methodology and results-based management (in simply establishing depth of outreach for instance). However to the extent it shifts towards practitioner-led assessment with formative goals, it has the capacity to incorporate management for development values. As noted in Section 2.3.1, social performance can be managed in a technocratic and scientific fashion. In other words, social performance first can forge a middle way between assessment according to mainstream development management (and adopted largely by mainstream microfinance models) and an alternative or ‘Romantic’ management view (as interpreted by NGO values) to the extent it has capacity to incorporate a more formative purpose, learning goals and acknowledge the limitations of the scientific approach into the complex world of development.

Social performance assessment is seldom pursued in a purely interpretive fashion (Chambers 1997, Hulme 2000). In ASSEFA, however, we see at the very least a rejection of the values of technocratic (and mainstream) social performance assessment. The most striking finding about ASSEFA’s approach to social performance assessment is its lack of any systematic, formal or routine processes. That is not to say ASSEFA does not collect data but when done it is seldom with the focus of monitoring or evaluating progress on social goals. Assessment activities are designed to meet specific learning objectives and are done on an ad-hoc, as needed basis. Participatory processes are used as part of its model of people-led development, such as the farmer’s conference when a participatory process was used to develop project resolutions. ASSEFA’s approach prioritizes process, flexibility, and participation. However, these principles are integrated into its model or operation overall and not in an explicitly or intentionally designed (outcome or impact focused) assessment system. Integration of values of flexibility and participation seem adequate evidence of social performance. This resonates with the idea of being and acting (as in hope movements) rather than changing (whether individuals or society/state) as the primary demonstration of change.

The more formal assessment done by ASSEFA on an as needed basis is done for the benefit of an external audience, such as a donor. For instance, SNFL reports to MIX Market but ironically reports no social performance data even given its strong social focus, an indication perhaps of its view on the real usefulness of such reporting generally—to serve external audience demands (which it only needs to do in the case of SNFL to establish the confidence and credibility necessary primarily to obtain funding). Such an approach reflects values of an alternative development management but also leaves room for manoeuvre. ASSEFA can maintain flexibility to change objectives as needed and can also benefit from vagueness and uncertainty around the magnitude of its impact, for instance, relative to specific project goals over time.

8.8 Conclusions and Implications for Indian microfinance

The case studies illustrate the limitations of taking an NGO-MFO that has been quite successful in terms of growth and sustainability and trying to understand it in terms of the dominant way of thinking about microfinance, even given the more poverty-oriented perspective. The case studies have a coherence and identity independent of the dominant framework and this can be at least partially explained by the debate that exists in development management between the scientific view in which the mainstream microfinance model is embedded, and an alternative (and Romantic) view of development management.

In many ways the case studies provide the antithesis of the mainstream model of microfinance. ASSEFA and CRUSADE reflect core aspects of the alternative view. They mirror the 'social performance first' prioritization of social performance over financial performance, although their approach to social performance assessment itself is arguably sparse. Both case study organizations clearly and intentionally manage for social performance subject to the constraints of financial performance. They also both pursue empowerment as the means and end of mission achievement and reject service delivery, particularly when pursued in partnership with government, as a sufficiently ambitious or ideologically-authentic role. ASSEFA's mission of empowerment through Gram Swaraj dictates a participatory, bottom-up approach with an emphasis on process and flexibility and social performance assessment is likewise focused downward on accountability to members, participation and learning. CRUSADE similarily reflects NGO values through an empowerment mission focused on building and strengthening people's organizations. Thus while ASSEFA and CRUSADE clearly do not fit the dominant models of microfinance provision, they map in many respects to the alternative or NGO model of microfinance. CRUSADE may indeed be best understood through the alternative model. It fits well the characterization of the small alternative NGO-MFO that rejects the logic of commercialization, choosing social performance over financial performance, and is restricted in size by access to capital but also by the personalized nature of management and the small geographic area it can support.

CRUSADE reflects a stereotype of what one might expect to find among lower-profile, less researched NGO-MFOs. It represents one half of the dichotomy associated with the social and financial performance tension, wherein the choice is between scaling and specializing to become a large commercially-oriented and professionally-managed MFI or remaining geographically small and resource constrained in order to maintain close grassroots connections and an integrated approach focused on empowerment and social change. ASSEFA, however, is more anomalous and does not fit the dominant or alternative microfinance moulds. ASSEFA has scaled up and has pursued financial sustainability while maintaining a strong sense of its social mission. It has done so through an organizational identity that rejects the commercially-oriented logic of mainstream microfinance but also rejects the poverty-oriented approach's logic of social performance which asserts the importance of targeting and of formal and systematic social performance assessment, at the least constituting some type of assessment of client poverty level and extending to integrated and routine monitoring and evaluation of progress on social goals as a means to protect against mission drift.

What ultimately protects ASSEFA from mission drift is the organizational qualities reinforcing its self-identification as a social movement (and not a microfinance or NGO organization). ASSEFA has formed the culture of a social movement—reflected in its mission, structure, relationship with members, an approach to financial performance focused primarily on autonomy and reinforced by Loganathan's key leadership and connection with an iconic past. Autonomy minimizes ASSEFA's interaction with external parties, particularly government and donors, which are one of the primary drivers of mission drift among NGOs. Rather than being coopted (or suffering mission drift) in the course of microfinance provision, ASSEFA has in a sense coopted microfinance and its momentum for its own purposes. Its model enhances room for manoeuvre relative to external pressure from third parties (through autonomy) and in its own internal processes (through informality) but still limits its room to manoeuvre to the extent that it creates resource constraints limiting potential for financial performance and impacting at least the quantity if not the quality of future social performance.

What is particularly interesting about ASSEFA's example is its suggestion of a separate logic of microfinance being used by Indian microfinance organizations. Its model is embedded within a contextually-specific Gandhian framework rather than conforming to externally-defined approaches. ASSEFA thus reflects a preferencing of embeddedness, lived realities and local knowledge over the professionalism and technocratic expertise that embody abstract principles, connecting with a non-managerial and Romantic development management. Ultimately this approach builds capacity for flexibility, improvisation and acceptance of contingencies and uncertainties, a "requirement" of Romantic development management (Gulrajani 2010, p. 143). This is evidenced in participatory processes that engage various stakeholders, such as resolution setting during the Farmer's Conference. Planning appears primarily to be a process for articulating the consensus about strategies and goals achieved through consultative processes and not about performance. Put another way, planning processes are not primarily about controlling outcomes or establishing a basis for future performance accountability in the way results-based management would require. Projects have goals and zonal managers make annual plans, but they each have their own metrics for defining and assessing their success against those plans. As such, performance assessment is informal and personal and not designed toward aggregating and comparing performance.

Recognizing experienced realities over abstract principles further suggests organizations that are smaller, decentralized and more democratic (and less bureaucratic). Although not a small organization, ASSEFA's structure builds in capacity for flexibility and democratic planning and decision-making. However power and authority within ASSEFA are clearly centralized and uncertainty remains around whether, for instance, members can speak freely and how pluralistic decision-making processes ultimately are. It is also unclear the extent to which ASSEFA's organizational culture integrates reflexivity about its own limitations, or the way in which it may reinforce or sustain underdevelopment, the third "requirement" of a Romantic development management (Gulrajani 2010, p. 143). This was evidenced by key informants' unwillingness to consider whether their inclusive Gandhian-based approach could unintentionally reinforce inequalities based on gender and class. Thus ASSEFA does not fully fit the Romantic development management mould. ASSEFA's divergence is explained perhaps by referencing back to its Gandhian framework wherein the virtues of inclusivity and Gram Swaraj are a given. Likewise, Gandhian principles of trusteeship may explain and justify the concentration of power and authority, in a sense substituting bureaucratic control for personal control by trustees (most importantly Loganathan), who as trustees are fulfilling their obligation to selfless service in the interests of the broader community. ASSEFA's model for development management then, as with microfinance provision more narrowly, is perhaps best seen as an embedded socio-political practice.

ASSEFA's model appears to have protected it from the worst outcomes of the Andhra Pradesh crisis. Arguably the crisis was at least precipitated by over-rapid growth leading to saturation, multiple lending and borrower over indebtedness, although the proximate cause was regulation by the Andhra Pradesh state government that forestalled repayments and sent MFIs into financial crisis. In Tamil Nadu slower growth and less intensive competition between MFIs and the state SHG bank-linkage program most certainly prevented the same level of escalation seen in Andhra Pradesh. But as Marr and Tubaro (2011) suggest, organizational characteristics like structure and governance, may also have played a role in protecting MFIs and the Tamil Nadu sector as a whole from escalating to a crisis similar to Andhra Pradesh. Marr and Tubaro (ibid.) point to the number of Tamil Nadu-based MFOs who share governance with an affiliated NGO committed to its social mission. ASSEFA has just such a relationship with SNFL. Tamil Nadu, and ASSEFA, suffered mostly from the aftermath of the crisis, specifically tightening of available credit from domestic banks, the primary lenders to MFIs and SNFL (through priority sector lending). ASSEFA model provided some limited assistance with that problem as well. ASSEFA's strategy of building a family of self-sufficient affiliated organizations helped to support SNFL during the liquidity contraction: other ASSEFA organizations contributed funds to ASSEFA so that it could keep lending while rebuilding the confidence of banks in its credit-worthiness.

Speaking more broadly the crisis appears to have validated the assertions and viability of less prominent microfinance models, like ASSEFA's. For instance, it appears to have confirmed the poverty-oriented approach's assertion that borrower sustainability is not adequately measured by repayment rates and social benefit by increasing breadth of outreach or financial inclusion. The crisis also seems to confirm the importance of some type of monitoring and evaluation of social performance to avoid mission drift. Perhaps more poignantly however, the crisis appears to have discredited to some degree the mainstream model/financial systems approach. The aggressive pursuit of growth for financial sustainability and commercialization can be self-defeating and produce neither positive social impact nor organizational self-reliance (via stable, commercially-viable financial institutions that deepen the market). It suggests the model is at least unstable without some type of checks on the behaviors leading to the crisis. Meanwhile alternative models, like ASSEFA have while achieving more modest growth rates have produced, in the long-term, more stable performance on both financial and social fronts. In the few years since the crisis there has been increased concern with social performance and talk of standards of “responsible finance” to protect against future problems by the financial systems camp. Codes of conduct usefully create standardized measures of responsible behavior against which lenders can evaluate MFIs and as such can usefully rebuild confidence and lending for the sector. However, it is type of accountability to and for external stakeholders still operate form a managerial and technocratic approach.

8.9 Limitations and Areas for Further Research

My research was case study-based to provide insight into how NGO-MFOs negotiate between managing for client and organizational self-reliance. The focus of the research was developing an in-depth understanding of the issues from the point of view of the NGO-MFO. As such the research chose depth rather than breadth, requiring a case study approach. I was only able to include two case studies in the fieldwork and therefore cannot assert that the case studies are representative of NGO-MFOs generally or in Tamil Nadu specifically. I also cannot address the size of the community to which ASSEFA belongs, that is the degree to which other relatively ‘hidden’ NGO-MFOs bear similarities with ASSEFA.

The case study organization were chosen on the basis of potential for learning and I argue they do provide useful examples of NGO-MFOs with strong social orientations which are not well represented in existing research. By choosing case study organizations that are less easily accessed (even somewhat secretive) there is greater potential for learning and for thickening understanding of NGO-MFO management of social/financial tensions.

Breadth was also sacrificed by choosing two closely related case study organizations but this ultimately was consistent with the research’s focus on depth. CRUSADE was interesting as case study in itself but also deepened understanding of ASSEFA.

Addressing some of the above limitations, for instance through further triangulation of the findings with other stakeholders (and other NGO-MFOs in Tamil Nadu) external to ASSEFA and CRUSADE, is an area of possible further research.

APPENDICES: Systematic Review

Appendix 1: Original proposed search terms

Set:	Search Terms:
1-Subject	India AND Rural, small farmers, marginal farmers, labourers/labourers Poor/poverty, disadvantaged, scheduled castes, scheduled tribes, backward castes, women, dalits, adivasi Self-help groups, self-help affinity groups, SHGs Borrower/micro-borrower
2-Intervention	Finance/microfinance Credit/microcredit Loans (micro-loans) Savings (micro-savings) Insurance (micro-insurance) Livelihood and promotion Microenterprise and promotion
3-Study type	Impact, outcome, evaluation, survey, assessment, review, case study, ethnography, action research

Appendix 2: Pre-review testing/scoping of search terms*

Search string	Number of hits	Change from previous
1. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR (livelihood* and promotion) OR (microenterprise* and promotion))	1,207	n/a
2. Topic = (India) AND Topic = (financ* OR microfinanc* OR micro-financ* OR credit OR microcredit OR micro-credit OR loan* OR saving* OR insurance OR (livelihood* and promotion) OR (microenterprise* and promotion))	1,207	Hyphenated variants for micro-financ* and micro-credit added. Not useful
3. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR micro-loan* OR microloan* OR saving* OR insurance OR (livelihood* and promotion) OR (microenterprise* and promotion))	1,207	Include micro-loan* and microloan* variants Not useful
4. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR microsaving* OR micro-saving* OR insurance OR (livelihood* and promotion) OR (microenterprise* and promotion))	1,207	Include micro-saving* and microsaving* variants Not useful
5. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR microinsurance OR micro-insurance OR (livelihood* and promotion) OR (microenterprise* and promotion))	1,207	Include variants microinsurance and micro-insurance Not helpful
6. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR (microenterprise* and promotion))	1,354	(Livelihood* and promotion) revised to livelihood* to pick up variations on idea of promotion; didn't add excessive number of results and some may be relevant
7. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise*)	1,358	(microenterprise* and promotion) revised to microenterprise* to pick up variations on idea of promotion; marginally useful
8. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*)	1,361	Added variation micro-enterprise* Marginally useful

9. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic = (rural or farmer* or caste* or dalit* or adivasi* or tribe* or women or poor)	574	Added terms based on subjects to eliminate irrelevant results (rural or farmer* or caste* or dalit* or adivasi* or tribe* or women or poor)
10. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic = (laborer* or labourer*)	11	Tested additional subject term: laborer*/labourer*; all results either were not relevant or had another subject-related term (such as women or poor)
11. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic=(disadvantaged)	11	Tested additional subject term: disadvantaged; all results either were not relevant or had another subject-related term (such as women or poor)
12. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic=(borrower* or microborrower* or micro-borrower*)	18	Tested additional subject terms: (borrower* or microborrower* or micro-borrower*); not useful in this database but results suggest borrower* could in another database
13. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic=(self-help or self help" or SHG*)	25	Tested additional subject terms: (self-help or self help" or SHG*); useful; most relevant results had other subject terms (women), but picked up one important result that did not; results suggest women*
14. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic = (rural or farmer* or caste* or dalit* or adivasi* or tribe* or women* or poor or borrower* or self-help or "self help" or SHG*)	579	Added useful subject terms tested above Still significant number of irrelevant results
15. Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*)	278	Added study type terms to eliminate irrelevant results: (impact* or outcome* or evaluat* or assess* or

AND Topic = (rural or farmer* or caste* or dalit* or adivasi* or tribe* or women* or poor or borrower* or self-help or “self help” or SHG*) AND Topic=(impact* or outcome* or evaluat* or assess* or survey* or “case stud*” or ethnograph* or “action research”)		survey* or “case stud*” or ethnograph* or “action research”) Still appear to be fairly significant number of irrelevant results, but narrowed to manageable number **Suggested terms for protocol**

*Conducted in ISI Web of Knowledge; Timespan: 1991-2010; Citation Databases: SSCI and CPCI-SSH

Appendix 3: Inclusion/screening checklist

	Criteria
Intervention	Retail financial services including any credit, insurance, savings or other financial services; Offered in rural India; Including studies of non-financial services (such as BDS) bundled with financial services; Offered by institutional providers including public/commercial banks, NGO/commercial MFIs, NGO/public facilitators, and credit cooperatives; exclude unregulated or entirely self-managed
Subject	Individuals and/or households (and their enterprises), SHG/SAGs, and/or communities that are users or potential users of above intervention; Providers and impacts on providers excluded except in cases such as SHGs where users are also involved in provision
Outcomes	At least one of the following outcomes is reported: Economic/money metrics: Poverty status, consumption, income, assets, vulnerability, savings, credit (use, repayment, source, size), enterprise creation, enterprise performance (growth, revenues, profits), Social metrics: health and/or nutritional status, education (enrolment, literacy), social and cultural resources (e.g. networks/social capital) and empowerment (psycho-social, relational, and behavioural)
Methodology	Quantitative studies include controlled trials, action research, impact evaluations, social survey datasets, before/after studies, and observational research; Quantitative studies apply some method of comparison, whether experimental, quasi-experimental, pipeline, or before/after designs (including recall, self-attribution, panel, or longitudinal data) Quantitative studies that do not use comparison group but look at impact heterogeneity to try to infer something about impact Qualitative studies, including case studies and ethnographic research that express intent to make inferences about impact, are independent and explicit about approach

Appendix 4: Coding/tagging for preliminary screening (based on title/abstract review)

Code/Tag	Definition
0-EXCLUDED:	Does not meet all criteria
1-INCLUDED:	Appears to meet all criteria
2-INCONCLUSIVE:	Unclear if meets criteria/requires further screening
3-DUPLICATE:	Appears in multiple search result lists/another version screened

Appendix 5: Coding/tagging for secondary screening (based on full document review)

Code/Tag	Definition
3-DUPLICATE2:	On full review discover more than one paper based on the same study; paper(s) reporting relevant results reviewed; papers reporting the same results and/or results outside the scope excluded
4-LACK TRANSPARENT METHODOLOGY:	Insufficient information in full paper to understand the methodology used and whether it meets the methodological criteria; paper excluded
5-TOO OLD:	Paper publication date met criteria, but study data pre-1991; paper excluded
6-DOES NOT MEET CRITERIA:	On full review paper does not meet the one or more criteria; paper excluded; *(reason noted)*
7-REVIEWED:	Paper included, reviewed, and data extracted for spreadsheet
8-CANNOT LOCATE:	Cannot locate paper for full review

Appendix 6: Search Log

Date	Academic Database	Search terms*	Results
5/8/2010	Econlit (OvidSP) 1991-current	Topic = (India) AND Topic = (financ* OR microfinanc* OR credit OR microcredit OR loan* OR saving* OR insurance OR livelihood* OR microenterprise* OR micro-enterprise*) AND Topic = (rural or farmer* or caste* or dalit* or adivasi* or tribe* or women* or poor or borrower* or self-help or "self help" or SHG*) AND Topic=(impact* or outcome* or evaluat* or assess* or survey* or "case stud*" or ethnograph* or "action research")	303
5/8/2010	EbscoHost IBSS 1991-2010	Same	228
5/8/2010	EbscoHost Business Source Premier 1991-2010	Same	235
10/8/2010	ISI Web of Knowledge 1991-2010 SSCI & CPCI-SSH	Same	283

Appendix 6: Search Log (continued)

Date	Organizational Database	Search terms+ (Applied to sites' "publications," "library," or "database/bank" section)	Results
26/8/2010	3ie*	India	22
26/8/2010	IFMR*	Searched all publications listed under Centre for Microfinance: Working Paper Series & Case Studies	NA
26/8/2010	APMAS; EDA Rural Systems	Searched all publications listed online	NA
26/8/2010	NABARD	Document type: Evaluation Studies	28
26/8/2010	CYSD; SHARE; MYRADA; PRADAN	Searched all publications listed online	NA
26/8/2010	J-PAL*	Themes: Finance & Microfinance Country: India	13
26/8/2010	DFID	India	21
26/8/2010	USAID	*Country/Region:* India *Document Type:* Evaluation *Major Subject:* Women in Development Urban and Rural Development Microenterprise Finance Agriculture	 2 11 2 20 67
26/8/2010	World Bank*	*Country:* India *Document Types:* Impact evaluation report; Departmental working paper; Journal article; Policy research working paper; Poverty and social policy working paper; Publication; WBI working paper; Working paper; Working paper (numbered series)	 6 30 30 219 0 176 2 202 99
26/8/2010	Microbanking Bulletin	Searched indexes of Microbanking Bulletin listed online	NA
26/8/2010	The Mix Market*	Searched all other publications listed online (www.themix.org) using search term India	9
26/8/2010	Microfinance Network	Searched all publications listed online	NA
26/8/2010	CGAP*	Search all (English) publications listed online	NA
26/8/2010	Microfinance Gateway*	Country: India	299

*Also only English, 1991 and later; +Abstracts on website

Appendix 7: Assessment of study quality and validity

	Criterion (quantitative studies)	Scoring
Study quality (reliability)	Clarity of research question	○ Present when the research question is clear and addressed by the methods & result ○ Not present when any problems with above
	Researcher bias	○ Not present when interests of study authors are declared and no potential bias ○ Present when above is not clear or potential bias exists (and/or not addressed)
External validity	Organizational coverage	○ National ○ State ○ Local
	Study coverage	○ National ○ State ○ Local and/or program specific
	Sample	
Internal validity	Study design	○ Before/after (based on recall or self-attribution) ○ Before/after (based on longitudinal/panel data) ○ With/without ○ With/without & before/after ○ Pipeline ○ RCT
	Analysis	○ Tabulation ○ Multivariate ○ IV/PSM/DID
	Areas of bias (selection bias, attrition bias etc)	○ Note areas where evidence of (or unclear) attrition bias, selection bias (observable/unobservable characteristics), or bias related to differences between comparison/treatment conditions (village etc.)

Appendix 8: Tabulation of study ranking

		1	2	3
		Tabulation	**Multivariate**	**IV/PSM/DID**
1	**Before/after (based on recall or self-attribution)**	2	3	4
2	**Before/after (based on longitudinal/panel data)**	3	4	5
3	**With/without (may incorporate some recall/self-attribution)**	4	5	6
4	**With/without & before/after**	5	6	7
5	**Pipeline**	6	7	8
6	**RCT**	7	8	9

APPENDICES: Fieldwork

Appendix 9: Questions included with introductory email (assessing potential for learning):

1) How does your organization's mission reflect its orientation toward social or financial goals?

2) Has your organization's mission changed in the past five years?

3) Is your mission likely to change in the next five years?

4) What were/are the drivers of the mission change?

5) What are the constraints on implementation of social aspects of your mission?

6) How does your organization measure progress on social aspects of your mission?

7) What has influenced the way you measure social performance?

8) Has the way you measure social performance changed in the past five years?

9) Is the way you measure social performance likely to change in the next five years?

10) How are the results of social performance measurement used by your organization?

Appendix 10: Interview guide
(dated 5 Nov 2012):

1) Could you tell me about the beginnings of your organization?
    a. Who, what, when, where, why

2) What have been significant changes or milestones for the organization?
    a. Governance structure/legal form
    b. Management/leadership
    c. External relations/partners
    d. Targeting (population/location), products/services (e.g. type, design, delivery)

3) How has the context/environment changed for microfinance over time?
    a. Policy
    b. Physical
    c. Market

4) What is your organization's mission?
    a. Has it changed?
    b. Seem likely to change in the future?
    c. What were/are the drivers of the mission change?

5) How do you assess progress on your mission?
    a. Who, what, when, where of any data collection
    b. How has the way you measure social performance changed/evolved?
    c. What motivated the changes?
    d. Are changes in the way you assess progress on social goals likely in the future?
    e. Who, what, when, where of any reporting
    f. How useful/impactful has assessment/accounting been and to what end?

6) What guidelines for monitoring and evaluating have you found useful (if any)?
    a. If so, how?

7) Have you found the literature on social performance useful?
    a. If so, how?

Appendix 11: Data collection summary: contacts outside ASSEFA and CRUSADE

Data collection summary			
Month/ Year	**Location**	**Organization**	**Respondent(s)**
Feb-13	Chennai	Equitas	Varath, Chief products manager
	Pondicherry	Pondicherry U.	Dr. Daniel Lazar, Reader
Mar-13	Chennai	Malar	Thomas Franco, Founder
	Delhi	Sa-Dhan	Matthew Titus,Executive director; Kolandavel Naratarajan, Program manager
	Chennai	IFMR	Nikhil Dugal, Policy outreach associate & Surabhi Agrawal, Research associate
	Chennai	IIT Madras	K Kalpana, Assistant Professor
Apr-13	Chennai	TNCDW	J. Ganesh Kanna, Assistant Coordinator, Micro credit, TNCDW
	Chennai	Repco Bank	A.G. Venkatachalm, Project director, Repco Foundation for Micro Credit; T.E. Thiruvengadam, Executive director Repco MSME; 2 branch visits (offices and groups)
	Kancheepuram	Repco Bank	1 branch visit (office and groups)
	Chennai	Hand in Hand	Dr. Kalpana Sankar, Chairperson and managing trustee & Dr. N Jeyaseelan, Group CEO
	Kancheepuram	Hand in Hand	Abdul Gaffoor, Additional COO-SHG & V. Badrinarayanan, COO-SHG & Microfinance
	Kancheepuram	Mahalir Thittam	K. Vijayasamkari, Mohan Babu, & K. Rajkumar, Assistant project officers (3)
	Chennai	NABARD	Suseela Chintala, Assistant general manager

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