

Self help group bank linkage as a social innovation for poverty reduction: A qualitative analysis using the McKinsey 7S framework

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Abstract

The Self Help Group Bank Linkage Programme (SHG BLP) is widely regarded as a social innovation that extends formal finance to low income, collateral constrained households in India, especially women. This study asks how the features of SHG BLP align with the elements of the McKinsey 7S framework: shared values, structure, systems, staff, skills, style and strategy. Using a qualitative design, we conducted a hermeneutic reading and open, focused and theoretical coding of about ten publicly available sources, including microfinance advertisements, documentaries and interview accounts from SHG members and promoting institution leaders. The analysis suggests that group functioning is framed around a social contract, peer monitoring, and routine practices of regular meetings, savings, bookkeeping and internal lending. Intermediation by NGOs and self help promoting institutions, support from the National Rural Livelihood Mission, livelihood and financial literacy training, and community leadership are presented as complementary elements. Narratives of microfinance stress, including high interest rates, over indebtedness and coercive recovery, also show the limits of credit alone. The findings point to microfinance as a targeted, embedded intervention rather than a one shot solution to multidimensional poverty. Because the sources are promotional and anecdotal, the results are interpretive and do not establish programme impact or causal effects. The study contributes a 7S lens on SHG BLP and suggests directions for policy design and future empirical research on financial sustainability and empowerment.

Keywords: Self Help Groups, Bank Linkage Programme, Microfinance, Financial Inclusion, Poverty Alleviation, Women Empowerment, Social Innovation, McKinsey 7S Framework, Qualitative Research, India

JEL Classification: G21, O16, I32

1. Introduction

Globally, 1.3 billion are living below the poverty line. These people have no physical collateral, and banks are reluctant to lend to them due to information asymmetry. The banks do not have any information about the creditworthiness of the poor. Access to formal finance is one of the biggest challenges for people at the bottom of the pyramid. The self-help group bank linkage program was launched by the National Bank for Agriculture and Rural Development in 1992. This initiative is a unique initiative that is aimed at providing access to microfinance for the people at the bottom of the pyramid. This programme is aimed at promoting financial inclusion among the low-income households particularly the rural woman. In this programme, small group of people with the common background come together to save money from which the loans and credit are provided to the other members of the group. The groups are formed on the basis of a social contract, in which each member has limited individual liability but assumes unlimited joint liability. This implies that if one member defaults then all other members come together to repay his loans and liabilities. Thus, the group members exhibit an innovative peer selection, peer monitoring and peer enforcement mechanism, which helps them to maintain the financial sustainability. This initiative has helped the members to reduce the dependence on the informal moneylenders and encouraged the habit of regular savings and provide livelihood to large number of rural households. Self help group bank linkage programme has become the key mechanism for poverty alleviation and rural development in India. India is famous for its art, culture and heritage music. The artisans in India manufacturing various heritage musical instruments are living in penury due to lack of financial support and access to financial resources. In this regard, the Government of India has undertaken various initiatives including DAY NRLM (Deen Dayal Antodaya Yojana, National Rural Livelihood Mission) to provide access to finance to the people at the bottom of pyramid. India is a land of diverse cultures, music and traditions. Many of the artisan families manufacturing handicrafts have been pursuing this art form for ages. Future generations in these families are trained by the existing artisans, who transfer these skills through oral traditions and apprenticeship. Master apprentice relationship between members of the family and community relations are the hallmark of this age-old tradition. This study has used the qualitative methodology and literature review to explore the impact of self-help group bank linkage scheme on the financial wellbeing and inclusion of these artisans.

2. Literature Review

Microfinance is a tool that is aimed at empowering the women at the bottom of the pyramid. The self-help group linkage programme is a novel social innovation that is specifically targeted at women members. The self-help groups are formed by approximately 10 to 15 members, who are women, who are from the same socio-economic background. These members come together on the basis of the social capital, which refers to the existing relationships among the member of the group. Women from the bottom of the pyramid do not have any physical collateral and there is no

information about their creditworthiness, due to which the banks and formal financial institutions are unwilling to extend the loans to the poor, (Swain & Wallentin, 2009). Various studies highlight that the microfinance enables women empowerment through the access to future resources, personal agency which includes the negotiation, deception and manipulation and the achievements. Thus, self help groups play an extremely important role in empowering the women and improving the financial plight of the people at the bottom of the pyramid. The empowerment of the women leads to access to information, inclusion and participation, accountability and organizational capacity. As per the literature, social group intermediation further transforms the plight of the members into better standard of living. (SWAIN81, 2007). Various studies have highlighted that despite several social initiatives, the microfinance does not reach to the bottom of the pyramid, as these initiatives lack the focus and targetting. The literature attributes the success of the self help group bank linkage programme to the focus and the target. Being a targetted microfinance initiative, this programme has a larger social impact and leads to distribution of wealth among the members from the bottom of the pyramid, (Ahmad et al., 2020). According to various literature, the members from the poorer section of society have to depend on the informal sources of finance such as relatives, friends to access finance, (Gaiha & Nandhi, 2007). Microfinance initiatives, refer to the strategy whereby the access to financial services is offered to poor at the bottom of pyramid through the use of the social capital. Various studies highlight that microfinance in itself is not a miracle that can lead to improvement in the well being of the people at the bottom of the pyramid, (Banerjee et al, 2015). From the analysis of the earlier literature the failure of the earlier microfinance initiatives such as microloans to the borrower is due various structural and systemic factors. These structural factors include the gaps in the financial system, regulatory failures, poor intermediation initiatives that are biased towards the rich and wealthy. Secondly, there are various individual and contextual factors such as individual demographics that include the education level, income levels that lead to the financial exclusion of the poor. It has been found that despite trainings and capacity building, the poor people are unable to use microfinance. The major reason for the same is the lack of positive financial attitude, various contextual factors such as demographics, geographic contexts. These factors lead to the financial exclusion of the poor. Thus, the study (Banerjee et al, 2015) argues that there is need for more focussed and targetted interventions to facilitate access to microfinance for the poor. Self help group bank linkage is a unique social innovation that is aimed at bringing together a group of people with the common demographics such as occupation and vocation and provide them trainings or capacity building sessions by linking them to the non government organizations (NGOs) which helps them to develop adequate financial capability and access microfinance from the formal financial institutions.

Non-governmental organizations (NGOs) play a crucial role in facilitating financial inclusion by providing the necessary support, guidance, and capacity-building assistance to individuals at the bottom of the pyramid. Through these interventions, marginalized individuals are enabled to

participate in a social contract that underpins the functioning of Self-Help Groups (SHGs). This social contract is characterized by limited individual liability and collective group responsibility. In the event that one member defaults on a loan repayment, the remaining group members jointly assume responsibility for meeting the repayment obligation. Such an arrangement creates dynamic incentives for cooperation, mutual monitoring, and collective action, thereby promoting financial discipline and social cohesion (Stiglitz, 1990). By fostering trust, accountability, and mutual support, SHGs contribute significantly to the achievement of broader development objectives, including poverty reduction and women's empowerment. Consequently, SHGs have emerged as important instruments of both social and financial inclusion for economically disadvantaged populations. In this context, the Self-Help Group–Bank Linkage Programme (SHG-BLP) plays a pivotal role in expanding access to formal financial services, enhancing financial inclusion, and alleviating poverty among vulnerable.

The microfinance under the self-help group model is provided in two forms (1) Microfinance through self help groups, where banks directly link the households to the banking facility; (2) Microfinance through self help groups, where the non-government organizations link the self-help groups to the formal bank credit facility. There are other variants of the microfinance loans as well as, such as non-government organizations and various other institutional format taking the loans from the bank and distributing the credit to the people at the bottom of the pyramid or to the poor people. The self-help groups are linked to the banks through the non-government organizations, which act as intermediaries in facilitating the access to loans and microfinance for the people at the bottom of pyramid, (NABARD, 2020). Various studies highlight that the self help group bank linkage has come to play an extremely important role in poverty reduction and women empowerment of the poor people. Self help group bank linkage programme suffers from various limitations and challenges. These challenges include problems in functioning and sustainability of the groups, credit management, transaction costs and utilization of the credit for starting income generating activities by the members of the group, (Singh, 2008). Various other studies highlight that the self help groups suffer from various challenges which include high interest rate, transaction costs, lack of skill and other such factors. Several different kinds of microfinance models have been introduced that include various innovative and traditional approach including (1) self help group model (2) federated self help group (3) cooperative bank model (4) grameen bank (5) non banking finance companies and other banks. For a long period of time the microfinance through the self help group bank linkage programme was an unregulated area. In the year 2012, the Microfinance Institution Bill was introduced to facilitate the development and regulation of the microfinance institutions for facilitating access to credit, thrift and microfinance for the people at the bottom of the pyramid, (Nagayya & Rao, 2016). This bill aims to create an ideal environment for microfinance where the regulator or Reserve Bank of India or NABARD is responsible for overseeing the functioning of the banks and financial institutions.

Washington census is a market oriented stance on microfinance that emphasizes the role of privatization, deregulation, free markets as a means to promote entrepreneurship, (Flynn, 2007). The author in this research paper overemphasizes the importance of market based solution in solving economic problems. As per this view the individuals are considered as entrepreneurs capable of overcoming poverty. Under the neoliberal view, microfinance is viewed as the strategy to reduce poverty through market participation and individual entrepreneurship, (Flynn, 2007). Various authors have critically examined the rise of microfinance as a dominant strategy of poverty reduction. As per, (Roy, 2010) microfinance is not a miracle injection for the cure of poverty. Neoliberal ideas propagate the role of the market and other institutions in promoting development and reducing poverty. However, the study indicates that the women are entrepreneurs who are capable of generating livelihood. And she highlights the need to shift the responsibility of poverty reduction from the government and agencies to the markets. She cites that a large number of poor remain trapped in the cycle of poverty and he highlights the cause of poverty as structural inequalities and unequal access to resources. The study emphasises the need to recognise microfinance as a tool to reduce poverty. In yet another study (Yunus, 1990), the author highlights how the collateral-free loans given to the poor women, based on trust and social responsibility, lead to higher loan repayments and better credit history for the people at the bottom of the pyramid. According to him the poor people are not uncreditworthy rather they are simply excluded from the financial system. And the financial inclusion enables the members of the families from the bottom of the pyramid to create a more inclusive society. Thus, as per Muhammad Yunus, who introduced the Grameen Bank in 1970, microfinance plays an extremely important role in the emancipation of the poor and needy. And as per the Nobel Laureate, microfinance is the birth right of each individual at the bottom of pyramid.

Another major development in the democratization of microfinance is the advent of technology and technological capabilities, that has made access to microfinance a reality for all the individuals, even at the bottom of pyramid. This supports the Washington consensus view of microfinance as an industry, where loans to poor is seen as a product capable of generating revenues, (Roy, A., 2010). However, this view ignores the failure of innumerable microfinance institutions such as SKS Microfinance, Hyderabad in 1990s. Grameen bank model and National rural livelihood mission based on principles of financial intermediation, brings in its wake relationships between NGO and commercial banks, which are aimed at social control and attitude change for the poor at the bottom of the pyramids through trainings and literacy programmes and sanctions. This finds resonance with the neoliberal perspective on microfinance, a step away from embedded liberalism of Washington consensus. It emphasises importance of financial intermediation through NGOs (Non Government Organizations), service providers in reducing poverty through linkages, empowering them through the use of self help groups and social capital. This model overcomes weakness of Washington consensus in ignoring the structural challenges and helps to create more market efficiency, (Bateman, 2010). However, the literature raises important question of whether

these engines of operational efficiency, the so called financial intermediaries and social intermediaries capable of generating social welfare. Thus, (Roy, A., 2010), in her book highlights the importance of generating human capital, that is entrepreneurial and financially disciplined. (Stiglitz, J. E., 1990), in his book on credit markets highlighted the role of collectives and later the state interventions in the form of positive policies in making a social impact on the lives of the poor. The state fills the gap by creating entrepreneurship and capacity building.

3. Methodology

For the purpose of this study, the Qualitative research design has been followed. And further hermeneutics method has been used to analyse the existing promotions and advertisements in microfinance. Approximately, 10 promotional activities with various stakeholders have been analyzed. While collecting data from secondary sources such as internet, online chronicles, due consideration is given to the sensitivity of right of others and ethics. A three stage process comprised of open coding, focussed coding and theoretical coding has been used to create a grounded theory, (Charmaz, 2006). In the open coding stage, line by line analysis is done, to do grounded coding using memo writing. The data is collected in various phases, and coding is done till theoretical saturation is achieved.

3.1 Case study – Suryoday Microfinance Limited

In a monopolistic competition like microfinance, *Suryoday Microfinance Limited* creates a differentiated offering. Through creative advertisements such as the bank highlights the strategic vision and mission of the bank towards women empowerment and poverty reduction. It resonates with the goal of ensuring the microfinance to all to facilitate entrepreneurship and sustainable development. In the context of the small borrowers who lack physical collateral and banks lack information about the creditworthiness of the poor, Suryoday appears as an oasis that provides the elixir of microfinance that promotes business entrepreneurship. Like the Sun that reaches everyone, Suryoday Microfinance cares about each entrepreneur, each worker and each artisan. It aims to achieve national prosperity from individual financial freedom. It also highlights the cause of inclusiveness through financial literacy, digital literacy, adult education, social community initiatives, skill training, and other services like health care in promoting well-being. It substantiates that microfinance is not a one-shot miracle, but it has to be a targeted intervention that is focused, considering the socio-context of people it caters to. It promises to overcome structural constraints such as presence of money lenders, informal players to bring about an attitude change to facilitate good financial behavior. Thus, the microfinance institutions have come to play an extremely important role in the financial inclusion of the poor. With the introduction of the self-help group linkage program, the particular microfinance institution aims to provide access to microfinance for the people at the bottom of the pyramid. The self-help group bank linkage program is based on a graduation approach rather than a poverty alleviation approach. The poverty alleviation approach to the self-help group bank linkage program aims to increase the income,

enhancing access to the essential services. Traditional poverty alleviation measures include income transfers, microfinance, employment generation, and various social welfare schemes. The graduation approach has emerged as a strategy to help poor households achieve sustainable livelihoods. The approach is aimed at targeting the ultra-poor, providing consumption support, facilitating asset transfers, facilitating training and capacity building, and ensuring better savings and financial inclusion.

Table 1. Line by Line Gerund Coding

Line for reference	Gerund coding
Suryoday microfinance limited creates differentiated offering	Differentiated offering
Advertisement highlights strategic vision and mission of the bank	Strategic planning
Microfinance is no one shot miracle but it is a targeted intervention	Targeted intervention
It promises to overcome structural constraints	Specialised financial solution Overcoming structural inequalities Bringing about behavioural approach
Self help group bank linkage is based on graduation approach	Graduation approach

Source: Author's own work

3.2 Case study – HBL Microfinance, Pakistan

3.2.1 Microfinance

The HBL Microfinance advertisement employs emotional storytelling to highlight the challenges faced by individuals with limited access to formal financial services. By focusing on livestock financing as a pathway to improving livelihoods, the advertisement presents microfinance as a catalyst for economic empowerment, entrepreneurship, and social mobility. The narrative emphasizes hope, opportunity, and support, portraying access to credit as a transformative force that can improve the financial well-being of individuals and their families. However, the advertisement appears to assume a straightforward relationship between increased access to microfinance and improved well-being. Such a portrayal overlooks the complex structural and individual factors that shape development outcomes. While microfinance may provide

opportunities, its effectiveness depends on a range of conditions, including interest rates, market opportunities, financial literacy, motivation, entrepreneurial capabilities, and the productive use of borrowed funds. Not all borrowers are able to convert access to credit into sustainable income-generating activities.

The advertisement also presents an idealized context in which financial support naturally leads to positive outcomes. Missing from the narrative are the risks associated with borrowing, such as over-indebtedness, misuse of funds, business failure, or limited market demand. By focusing exclusively on success stories, the advertisement simplifies the realities of poverty alleviation and enterprise development. Nevertheless, the advertisement serves as a useful starting point for discussion. It raises important questions about the assumptions underlying microfinance interventions and the conditions under which they contribute to well-being. Rather than demonstrating that microfinance automatically improves lives, the advertisement implicitly invites inquiry into the broader social, economic, and institutional factors that determine whether access to finance translates into meaningful and sustainable development outcomes.

Table 2. Gerund Coding – Line of Reference

Line for reference	Gerund coding
Microfinance as catalyst for economic empowerment	Livelihood generation through self help groups
Narrative emphasizes...portraying credit as transformative force	Microfinance as transformative force
Such a portrayal.....	Microfinance not a one-shot solution
By focussing exclusively.....	Poverty a multidimensional concept
Rather than demonstrating.....	Need for strategic planning

Source: Author's own work

3.3 Case study – Felicita KWT Bank, Kenya

A documentary on microfinance in Kenya tells a narrative of importance of money in the context of African continent. The documentary starts with story of a woman Felicita, who emphasises that before taking microfinance loan, she used to struggle to arrange food for her children. The video highlights that before taking microfinance loan, the people had to depend on the informal loans from family, friends for getting access to money. In this context Felicita got a chance to get loan

from KWT Bank, which would allow her to educate her children. The woman highlighted that since she had taken the loan from the bank, she has never regretted it. Since taking the loan she has expanded her shop. And this has enabled her to open butchery shops and educate her children. This loan has empowered the woman and given them the opportunity to uplift themselves from poverty. She further highlighted that earlier they were looked down upon, but the financial autonomy and independence has united them and brought them together. Financial sustainability of their business has helped many more woman from the village to get access to loans. She highlights that the woman are trustworthy and they pay back their loans in time. As per Felicita, the power of credit is incredible, it has helped to turn her from nobody into somebody. The documentary highlights the trickle-down impact of access to formal finance on employment and growth.

Thus, microfinance is the key to sustainable livelihood. (Roy, A., 2010) In her book, she highlights the importance of democratizing poverty capital, giving every poor person the right to credit. Felicita took a loan from Whole Planet Foundation partners, which is based on the Grameen model of microfinance. The microfinance model is based on the premise that the poor are entrepreneurial and women are particularly trustworthy. This new model of microfinance, as cited above, resonates with the Stiglitz school of thought, which views poverty as an instance of market failure. As per Roy (2010), microfinance should be seen as embedded liberalism, in which non-governmental organizations, self-help-promoting institutions, and private organizations like the Heal the World Foundation, founded by Michael Jackson, play an important role in combating poverty.

Informal finance leads to poverty; formal finance makes women empowered and gives financial autonomy. Financial autonomy and independence lead to community welfare and the narrative travels allowing other women to get loan. Financial empowerment and autonomy have given an identity to Felicita from nobody to somebody. The case study cited above not also discusses about the allocation of the resources but it also discusses about creating opportunity. This example finds support in Nobel Laureate Mohd. Yunus rights based pro poor approach, which touted credit as birth right for all. And simultaneously builds a case for poverty capital that positions poor as a lucrative market, (Roy, A., 2010). Mohd Yunus Grameen bank substantiates the importance of entrepreneurship and opportunity creation in eradicating poverty. This case study is a perfect example of active entrepreneurialism and disciplined self-reliance to create an opportunity society.

Table 3. Gerund Coding - Incident

Incident	Gerund coding
Struggling to arrange food.....	Pre microfinance financial insecurities leading to poor livelihood

Dependence on family and friend....	Pre microfinance reliance on informal finance
Receiving loan from microfinance institution	Financial inclusion through microfinance
Poverty as market failure	Poverty as multidimensional concept
Loan used to educate children, open butchery shop, expand a small shop	Livelihood generation and household welfare through microfinance
Never regretting taking the loan & escaping poverty	Social welfare through microfinance
Financial autonomy united women	Social cohesion through financial autonomy
Business sustainability encouraged more women to borrow	Peer learning and influence
NGOs and intermediaries supporting finance	Financial intermediation through non-government organizations and self-help promoting institution
Active entrepreneurialism	SHG as entrepreneurial agency for opportunity exploitation and livelihood generation

(Source: Author's own work)

3.4 Intellectual Capital and Microfinance

This advertisement is premised on the idea that poor and underprivileged individuals are capable and trustworthy entrepreneurs who can generate sustainable livelihoods and income when provided with appropriate financial opportunities. It also underscores the significance of Know Your Customer (KYC) norms and regulatory compliance, challenging the notion that unfettered market efficiency alone can ensure effective financial inclusion, as often advocated by the Washington Consensus. Furthermore, the advertisement highlights the critical role of database management, technology, and FinTech innovations in the administration and monitoring of microloans for low-income borrowers. The increasing importance of intellectual capital, data analytics, and digital information systems in microfinance management represents a new frontier in microfinance's evolution, enhancing its efficiency, scalability, and transformative potential for financial inclusion and poverty alleviation.

Table 5. Gerund coding - Incident

Incident	Gerund codes
Advertisement is premised on idea that poor.....	Poor as trustworthy entrepreneurs
It underscores the significance.....	Embedded concept of poverty as a market failure
Significance of KYC norms and regulatory.....	Importance of regulation of consumer finance
Increasing importance of intellectual capital, data analytics	Need for state intervention, monitoring and compliance Scaling microfinance dividends through monitoring and disclosure

Source: Author's own work

3.5 Promotion and Advertising by the Microfinance Networks

Self-help groups are the vehicles for the emancipation of the people at the bottom of the pyramid. The Microfinance Institutional Network has unveiled an advertisement that categorically asserts the relevance of microfinance to poverty alleviation and emancipation. The advertisement uses various emotional cues and appeals to make the case for the importance of microfinance in improving people in the hinterlands' standard of living. The advertisement features housewives and poor women engaged in various livelihood activities, and the marketing campaign links microfinance to better living conditions. It builds a case for microfinance, but, critically, the advertisement is unable to highlight the challenges associated with its use, such as high non-repayment rates and vicious debt traps. Though the advertisement is a message for everybody, it emphasizes that patience and determination are the keys to the financial emancipation of the people at the bottom of the pyramid.

Table 6. Gerund Coding

Incident	Gerund coding
Self help groups as tool emancipation.....	Microfinance as tool for poverty alleviation

Advertisement features housewives.....	Poverty as embedded concept
It builds a case for microfinance....	Poverty as multidimensional concept

Source: Author's own work

3.6 La Fayette Microfinance Bank

In African nations such as Nigeria, a microfinance company like La Fayette is taking steps to promote education among children from underprivileged communities. The Microfinance companies like La Fayette are taking steps to promote compulsory quality education for the children from poor families. Through financial innovations, the microfinance companies are taking steps to ensure education for all. It involves exercising the right to universal education for children at the bottom of the pyramid. A microfinance loan aims to promote entrepreneurship and provide free education for people at the bottom of the pyramid. The UN Sustainable Development Goals have set out various goals, including poverty reduction, equity, inclusive growth, and women's empowerment for all at the bottom of the pyramid. The loan product is designed to help school owners access working capital to maintain their businesses. A microloan aims to provide access to a loan to cover operational school expenses for children from marginalized sections of society.

Table 7. Gerund Coding

Incident	Gerund coding
Microfinance company promotes education among underprivileged	Promoting social welfare through better education
Microfinance promotes entrepreneurship	Encouraging self-employment
	Financial inclusion of marginalised sections of society

Source: Author's own work

3.7 Microfinance Stress for the Poor (Documentary – NDTV Profit)

Microfinance loans are intended for people without collateral and without a regular source of income. According to the documentary, these people's annual income is below Rs. 3 lakhs. Examples of microfinance institutions include Satin Microfinance and Spandana. As per various

advertisements, microfinance institutions depend on banks and non-bank microfinance institutions for funding. These banks and microfinance institutions have to borrow at extremely high interest rates. Also, their business model is based on extremely high interest rates, and the risk in these loans is extremely high. Moreover, these loans are mainly unsecured, and the borrowers are of low credit quality. This implies that the borrowers have borrowed more money than they can repay. These microfinance institutions are highly overleveraged, having borrowed amounts they cannot repay. This makes them extremely vulnerable, and the turning point in the microfinance crisis was the Andhra Pradesh SKS Finance capital crisis. The documentary discusses the regulatory changes introduced by the Central Bank of India (i.e., the Reserve Bank of India), including a maximum cap on the interest rates banks and financial institutions can charge. As time progressed, the Reserve Bank of India removed the cap on the maximum interest rate that banks and financial institutions, especially microfinance institutions, could charge.

Table 8. Gerund Coding

Incident	Gerund coding
Loans provided to people without collateral	Collateral free lending
Borrowings belong to low-income group	Targeting low-income borrowers
Financial fragility of microfinance institutions	Institutional instability Financial unsustainability and concerns
RBI introduced interest rate caps	Regulatory interventions and compliance

Source: Author's own work

3.8 Microfinance in Hinterlands (Rural finance)

Microfinance primarily serves the needs of the poor, particularly daily wage laborers. These are employees with seasonal jobs; i.e., in one season they get a job, whereas in another season they remain jobless. To meet their working capital needs, daily wage earners depend on microloans. However, this mismatch between needs and available funds creates a vicious cycle of poverty. These poor wage earners often tend to use the loan for non-productive purposes. This leads to an increasing burden and deterioration in asset quality for microfinance institutions. The poor wage earners' negative experience leads to a negative narrative about the need for credit or a loan. In villages, most of the women who have taken loans are unable to repay them. They complain about the draconian measures used by the recovery agents to intimidate the poor villagers. In extreme cases, the banks seize the personal belongings of the poor woman. Throughout the village, the

loans are unpaid, and the microfinance institutions are increasingly declared bankrupt. Interest rates are extremely high, and micro borrowers find it extremely hard to get loans from microfinance institutions due to the lack of physical collateral. Over time, several non-governmental organizations have taken responsibility for counseling poor women and helping them develop good financial habits. Though microfinance is touted as the miracle cure, it is not a one-shot solution, as it requires additional structural changes, such as financial literacy programs for people at the bottom of the pyramid. There is also a need for hand-holding by non-governmental organizations and self-help-promoting institutions to help micro borrowers access loans through social capital.

4. Discussion and Analysis

The analysis of the various interviews and the social media interactions highlight that self help group bank linkage is a strategic intervention, that is aimed at financial inclusion of the poor. This section aims to use the *7S McKinsey* model to analyse the self help group bank linkage programme.

System – Processes and structure of semi formal financial sector

Microfinance firms and organizations are increasingly working to help people at the bottom of the pyramid achieve financial independence and autonomy. Various structural constraints are obstructing the financial inclusion of the poor. In this regard, microfinance organizations are helping the poor at the bottom of the pyramid through structured financial intermediation and social intermediation by people at the bottom of the pyramid.

One of the major UN Sustainable Development Goals is equity, inclusion, and the financial inclusion of the poor at the bottom of the pyramid. By increasing financial penetration at the bottom of the pyramid through branch expansion and greater local presence, financial inclusion of the poor has become a reality. Small and medium enterprises enable the poor to access microfinance through their social capital and relationships with others in the group.

Shared values – Social contract

In Mongolia, the small and medium enterprises are accessing the microloans, which is helping these entrepreneurs to earn a livelihood. This is also helping them to access higher education. The entrepreneurs use loans for productive purposes. These loans are used for productive purposes. These loans are provided at a low interest rate. On the basis of their financial performance, these entrepreneurs get access to higher loans, which create better jobs and livelihoods and improve the welfare of the poor. It also aims to provide access to loans and sustainable livelihood to people at the bottom of the pyramid. These loans have enabled the people at the bottom of the pyramid to invest in capital assets and machines, which help them of generate more income.

Staff – Members of self help group

The analysis of the interview and transcripts highlights that Sita, a poor woman in the hamlet, faced anxiety and worry. Sita's life was confined to the village and the fields. She lacked a credit history, marked by loans from the informal sector while doing odd jobs. Her credit history was marked with mounting debt and a vicious circle of poverty and financial exclusion of women from the formal banks. She had extreme dependence on male members of the family, where major decisions were taken by the male members of the family. Self-help groups helped members save money together and hold regular meetings. The groups helped to empower the women by improving savings and providing more internal loans, giving them more autonomy, providing access to cheap loans, and reducing the exploitation from the informal money lenders, and improving their livelihood. In yet another interview, it was found that the self-help groups help in resolving the conflicts through collective leadership. The self-help groups also help to provide the collateral free loans, deliver microfinance to people at the bottom of the pyramid, encourage collective efforts, promote gender equity, highlight social issues such as dowry and alcoholism, and provide benefits to weaker sections of society, making access to finance possible for all and improve the bank literacy and housing for all.

Codes for interview

Resolving conflicts through collective leadership

Providing collateral-free loans

Delivering microfinance to people at bottom of pyramid

Encouraging collective efforts

Promoting gender equity

Highlighting social issues such as dowry and alcoholism

Providing benefits to weaker sections of society

Making access to finance possible for all

Improving bank literacy and housing

The analysis of the interview highlights that the collectives help in resolving conflicts through collateral free loans, delivering microfinance to people at bottom of pyramid, encouraging collective efforts, promoting gender equity, highlighting social issues, providing benefits to weaker sections of society and improving bank literacy.

Style – Leadership in self help groups

In 2012, we were informed about the Mahila Sashktikaran mission. I was very eager to do something meaningful, but in our villages the culture for women is conservative. With the help of the women leaders from the state agencies, a self-help group was formed. Under the Swarn Jayanti Yojana, 10 women collaborated. Once we were formed in group, we use to spend time and share

our joys and sorrows. In 2012, our house was sold, and that time I still remember that day, on that day doors of all our relatives were closed and we had no one to share our woes. I had to sell our vehicles, house and also my children education had to be stopped and the husband's business was closed. My daughter started working and with her income the house was maintained. In the group, none of them extended any financial help to us. From our group, a self-help group leader Sumitra Didi provided financial help and the leader helped me to meet the NGO head. The NGO head linked our group to the National Rural Livelihood Mission. There forth, our group started functioning and we started saving Rs 100 monthly. Besides this I also get affiliated with various other social activities. Mahila Jagruti Samuh enables the women to be empowered and I am also thankful to the Bloc level officers under Swaran Gram Jayanti Yojana. Thereafter the group got linked to the National Rural Livelihood Mission and this has helped our group to gain livelihood and become financially independent. After that we have started undertaking various activities such as pickle making, polythene making, artificial jewellery and this has helped has to gain recognition. There are 4 different units for 4 products and at least 100 women are attached to this. We visited the unit where polythene manufacturing is being done. In groups we follow various Panchsutras such as book keeping, meetings, savings and internal loan taking. Under NRLM we have to maintain the registers and the monitoring of these books is done by leader and officers at district and block level. In our ration packing unit under Bal Vikas Mission, the women do pack for rations for different type of beneficiaries including pregnant woman, children to name a few. Self help groups are formed under Rastriya Ajeevika Mission through various protocols. Approximately 10 women get together to form a group. After prayer a group is formed and monthly women save together. After 3 months internal revolving fund is provided to the group under Ajeevika mission. This money can be rotated to the member who needs fund and finance. There after we get CCL (Cash Credit Line) in the form of bank loan, where bank loan can be provided to the women entrepreneurs. Under NRLM OBC CRT, training and intermediation is provided to the members in the field of weaving, driving, packing and this helps women to improve their livelihood with the help of savings. The Government is making a great contribution to our group. On the basis of our group financial loan repayments and savings behavior, our group has been provided additional loan and credit facilities. Under Bahu samaj mukyamantri Yojana, more credit fund is provided to us. Under National Rural Livelihood Mission, the; CRP (Community Resource Person) is helping us to form the groups and also provide information to the women regarding the protocols and need for group. And BRP (Block resource person) provides the training for book keeping and conducting meetings.

Strategy – Formulation of social contract

In the hinterlands of the Bastar region, Community Action Labs are implementing an innovative initiative to develop strategic plans that facilitate the achievement of collective community goals. These Action Labs function as financial intermediaries that support the design and implementation of solutions aimed at improving the socio-economic conditions of marginalized communities.

Capacity-building programmes are conducted through collaborative efforts involving community members, Panchayati Raj Institutions, and the local administration. A central feature of these Action Labs is the facilitation of a structured visioning process that empowers poor and underprivileged households to articulate their aspirations and long-term goals. Visioning is undertaken at three interconnected levels—individual, household, and community—ensuring that personal aspirations are aligned with broader community development objectives. This process motivates participants, provides a sense of direction, and serves as a catalyst for collective action by inspiring members to mobilize and support one another. It also encourages critical thinking, self-reflection, and informed decision-making. Furthermore, the visioning process strengthens individual agency by enabling each member to act as an active agent contributing to the achievement of collective goals. As members assume greater responsibility for community development, they develop self-confidence, leadership capabilities, and a stronger sense of ownership and stakeholder commitment. To institutionalize this process, several community intermediaries employ the VMOSA framework—Vision, Mission, Objectives, Strategies, and Action—which provides a systematic approach to translating long-term aspirations into measurable and actionable plans. Using the VMOSA framework, communities collectively formulate a shared vision, define specific objectives, develop appropriate strategies, and identify concrete actions required to achieve their goals. Community intermediaries guide poor women in setting and pursuing goals at the individual, household, and community levels, subsequently translating these aspirations into actionable plans. This structured approach not only enhances strategic planning capabilities but also fosters sustained community participation, collective ownership, and inclusive local development.

Skills – Capacity building through literacy programmes and trainings

In many rural villages, women have limited access to financial resources and often lack financial independence. Their financial needs are typically mediated through husbands or other family members, restricting their ability to make independent economic decisions. Self-Help Promoting Institutions (SHPIs), non-governmental organizations (NGOs), and other community intermediaries play a critical role in addressing these constraints by equipping women with livelihood skills and entrepreneurial capabilities. These institutions provide training in the production of a variety of handmade products, including pickles, masks, sarees, and other locally crafted goods. Beyond skill development, women are also trained in product branding, marketing, and sales through multiple channels such as social media platforms, shopping malls, and hypermarkets, thereby expanding their market access and income-generating opportunities. According to one Self-Help Group (SHG) leader, participation in the group significantly enhanced her self-confidence and empowered her to interact with new people and participate more actively in public and economic life. During the COVID-19 lockdown, SHGs played a particularly important role in sustaining household livelihoods by enabling women to produce and sell face masks and other essential products, thereby generating income during a period of economic

disruption. Overall, SHPIs and NGOs have emerged as important institutional intermediaries in strengthening women's economic empowerment across districts. By combining livelihood training with market linkages and entrepreneurial support, these organizations enhance women's financial independence, build self-confidence, and create sustainable pathways for income generation and community development.

Staff

An interview was conducted with the self-help group leader of a non-government organization. As per the social leader, the non-government organization is working closely for the emancipation of rural village women. Women's club has led to the emergence of a programme to bring about a change for these women through active participation. The major problem addressed by self help groups, is that the poor do not have access to microcredit. It is only through self help group bank linkage programme that poor get access to finance through the social capital. Universally, the self-help groups are formed on same principle. These groups are based on group affinity, trust and resources and that members are knowledgeable about each other. Giving help and receiving keeps the dignity. These groups comprise of approximately 10 to 20 members who meet regularly, save money and rotate savings as loan at mutually agreed rate. On the basis of the financial discipline and previous saving history, additional loan through banks is provided to the members. The SHPI leader highlights that the group helps to address the multidimension of poverty and also reduce the cost of lending for the banks and financial institutions. As per the leader, the self-help groups help to improve the managerial skills of the members. Through strategic planning, self help groups help to improve the livelihood and living conditions of the members.

System

The analysis of the interview highlights that poverty is an *embedded concept*, which is characterized by lack of collateral and reliance on informal finance. As per the analysis of various interviews, microfinance is not a one-shot solution and microfinance is not a transformative force. Various studies highlight that the *poverty is a multidimensional concept*. There is a need for differentiated offering and graduation approach. Microfinance should leverage collectives as *strategic planning tool*. As a strategic planning tool, it should aim at mobilizing poor and bring about a strategic behavior change through intermediation and state intervention. The strategic planning should take place at three levels – *Individual, household and community level*. Capacity building through change management should aim to help individuals set their goals at three level and a road map should be laid down to align their goals with the vision and mission of the collective. Collectives as a social innovation, leverage social capital and peer influence to reduce the cost of banking for the poor. Collectives bring about a behavior change among the poor through intermediation at individual, household and community level.

It should facilitate the access to microfinance through self help promoting institutions. The microfinance institutions suffer from financial fragility. The microfinance through collectives

offers various benefits such as peer learning, reduction of cost of banking, generates social capital through financial discipline inculcated through intermediation. Microfinance leads to poverty capital, entrepreneurial agency and social control through better monitoring and compliance.

Figure 1. Strategic analysis of self help group bank linkage using 7S Model framework



Self-help group linkage is a social innovation that works on principle of shared values through a social contract. This social contract is characterized by joint liability for the other members of the group. This works as a dynamic incentive to motivate the members to work for each other's welfare. Due to this social contract and dynamic incentive of additional bank loan on good financial performance of the group, members peer monitors each other. This peer mechanism is the strategy component, that group members adopt to ensure financial sustainability of the group. In an interview the members highlighted that if a member is unable to pay the loan, then other members go to the house of defaulter and counsel them. Besides that, the group as an institutional format is governed through Panchsutras.

It is a system that is governed by shared norms such as regular meetings, book keeping, savings and investment, regular internal loan repayment and internal bank loan repayment. These processes are the system aspect and they govern the smooth functioning of the groups. Within the structure of the group, the transformational leadership, which aims at changing the attitude of the members by removing the behavioural biases. Thus, self help group is part of strategic planning, aimed at ensuring the financial inclusion of the poor. Under the aegis of NRLM (National Rural Livelihood Mission), the visioning and mission planning and goal setting takes place at the household, community and individual level. The NGO (Non-government organisation) or the

SHPI (Self help promoting institution) help the groups to attain financial sustainability and livelihood. NRLM is a continuously evolving strategic initiative that involves continuous learning and collaborating. Environment scanning is a part of this initiative, within which various schemes such as MUDRA financing scheme, Aajeevika livelihood mission have been linked to ensure the achievement of the group goals. These 7 S hard and soft elements as a strategic planning initiative aim to ensure that the goals and objectives of the group in terms of financial sustainability and resilience are achieved

5. Conclusion

Various studies highlight that microfinance has emerged as panacea to the issue of financial inclusion. However, the existing interventions are complex interventions and are not focussed to the needs of the stakeholders, who are the people at the bottom of the pyramid. In this regard, the self help group bank linkage programme has come to play an extremely important role in ensuring the achievement of the UN sustainable development goal of financial inclusion and poverty alleviation. For the policy makers, the study highlights that there is need for more embedded and focussed interventions, that specifically cater to the needs of the poor and marginalised.

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