Institutional challenges of the Grameen model: UK and USA experiences

THE INSTITUTIONAL CHALLENGES OF THE GRAMEEN MODEL:

UK AND USA EXPERIENCES

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ABSTRACT

The microfinance movement, pioneered by Dr Muhammad Yunus, who founded the Grameen Bank (GB), has earned fame as a model of poverty alleviation affording micro-entrepreneurs with credit. The GB model inspired many other countries to replicate it, including the UK and USA where at different periods numerous micro-lending initiatives surfaced adopting the model.

The study considers the environment in which the Grameen model emerged in UK and USA, seeking to understand the nature of institutional challenges of adopting the model in these countries. For this purpose, it compares various operational aspects of microfinance institutions (MFIs) identifying at the backdrop the core features of the GB model and the environmental factors that have led to mitigation of institutional challenges in its country of origin.

The findings indicate that that one or more core enabling elements were missing, either by design or imposed upon by the milieus leading to heightened institutional complexities in the UK experiences. As a result, for some MFIs, this has caused a change in organizational identity, framing and nature of alignment with partners. Such a situation has been worsened by an unfavourable environment for adoption of the model including the individualist nature of communities and regulatory distortions. Due to all such problems, organizations have generally struggled to secure legitimacy.

In the US, most MFIs confronted similar complexities to the UK case studies in adopting the model in their respective contexts, resulting either in discarding of the peer group technique or ceasing operations. One organization, Grameen America (GA), stands out distinctive as it has revived the effective use of the Grameen model, widely perceived as archaic in the US industrialized contexts. Unlike most MFIs, GA has been particularly successful in doing so, as it has upheld the core elements of the original model and aided by favourable socio-economic environments.

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ACRONYMS

American Reinvestment and Recovery Act (ARRA)

Association of Social Advancement (ASA)

Bangladesh Institute of Development Studies (BIDS)

Bangladesh Rural Development Board (BRDB)

Community Development Block Grant (CDBG)

Community Development Financial Association (CDFA)

Community Development Financial Institutions (CDFIs)

Community Investment Tax Relief (CITR)

Department of Work and Pension (DWP)

Developing Strathclyde Limited (DSL)

East End Microcredit Consortium (EEMC)

Glasgow Regeneration Fund (GRF)

Good Faith Fund (GFF)

Grameen America (GA)

Grameen Bank (GB/Grameen)

Grameen in the UK (GU)

Industrial Common Ownership Finance Ltd (ICOF)

JRF – Joseph Rowntree Foundation

Microfinance institutions (MFIs

NEF – New Economics Foundation

Palli Karma-Sahayak Foundation (PKSF)

Partner Organizations (POs)

PAT – Policy Action Team

Project Enterprise (PE)

Regional Development Agency (RDA)

SITF – Social Investment Task Force

Small Business Service (SBS)

United Nations (UN)

Women's Enterprise Employment and Training Unit (WEETU)

CHAPTER 1 INTRODUCTION

"Today, if you look at financial systems around the globe, more than half the population of the world — out of six billion people, more than three billion — do not qualify to take out a loan from a bank. This is a shame. What kind of institutions have we built that cannot afford to extend their services to the majority of the people" (Yunus, 2005)

The diagnosis of the present-day socioeconomic malaise, as made by Muhammad Yunus of Bangladesh, implies the lack of access to loan that has ensued global divide amid poverty and social exclusion. It resonates well with what Adam Smith who lamented way back in 1776 about the 'great difficulty' to access 'a little' to beat the challenges of poverty (Smith, 2007). 'Poverty' is a complex phenomenon and carries no universal denotation. There have been various philosophical approaches to understanding poverty. One such methodology is the biological approach which classifies poverty as "total earnings insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency as being in primary poverty" (Townsend 1974:16). This dates back to work done by Rowntree (1902) and Orshansky (1965) based on calculation of average dietary requirements of children and adults and conversion of such measures in terms of amounts of various foods or the cash values of such foods. The problem with this approach is incorporating the substantial disparities in terms of physical attributes of people, weather and working patterns and lifestyles. Sen (1982, 1999) also alluded to the difficulties in understanding nutritional requirements across different regions. The inequality approach is based on the notion that poverty is closely linked to the gap between the rich and the poor. There also appears to be weaknesses in this methodology. A significant decrease in prosperity may affect everyone in the society from the rich to the poor. However, unsurprisingly, it affects the poor to a much greater extent who start from the lowest strata of the society and may even lead to famine and destitution amongst this population. This should, under any view, be seen as an escalation of poverty. However, under the inequality approach, if regardless of the aforementioned factors, the social distributional framework

remains unchanged, then poverty remains the same (Sen, 1982). Under the basic needs approach, poverty is defined in terms of whether or not an individual has access to a set of needs which are essential for long lasting health and welfare which include food, housing, healthcare and education etc. The problem with this approach is that the notion of having access to a specific commodity and using that commodity to achieve a basic need may be significantly different (Streeten, 1984). Therefore, there may be a significant divergence between commodities and capabilities across different regions. For instance, the link between food consumption and nutritional achievements may differ significantly across regions depending on various factors such as gender and physical attributes (Tseng, 2011). An alternative methodology to understanding poverty may be the income method approach where the first step is to identify a poverty line income which helps an individual to meet all basic requirements in terms of food, clothing, housing and utilities (Pradhan and Ravallion 2000). The subsequent step would be to identify the number of people whose income has fallen the poverty line income. However, there also remains concerns with this approach. Laderchi et al. (2003) contend that such an approach does provide enough information about the distribution of income within the households. There may, for examples, be a gender bias in different cultures which is not incorporated within this method. There can be additional complexities in terms of the connection between income and capabilities. For example, an individual with mental and or physical disabilities is likely to find it much more likely to convert income into well-being than a person who does not suffer from such problems. Furthermore, the ability to convert income into well-being may depend on a range of factors which may include basic infrastructure, geography, social roles and political institutions, etc). The income-based approach risks emphasising income and ignoring all such factors which may be just a important (Sen, 1993; 2006; Tseng, 2011).

As has been pointed out in the above discussions of the limitations of various approaches, poverty should not be confined to simple notions of biology, inequality, basic needs or income as it may result in a narrow vision of the concept. An enhanced and wider vision of poverty is proposed by Sen (1993) though the capability approach. According to this approach, the well-being of an individual depends on the range of choice available to them and the ease with which such options may be exercised. Sen (1993) argued that there are five broad types of freedom which reinforces capabilities, the lack of which may lead to an intensification of poverty. These include political freedom, economic opportunities such as (availability and access to credit), social facilities such as (healthcare, education etc), transparency of relations between individuals and between governments and people, protective welfare (including unemployment benefits and urgent famine relief) (Suraidi, 2014).

A series of policies have been developed worldwide by governments and civil society organizations to respond to such problems of poverty in areas such as promoting agriculture, creating jobs, investing in health and education and countering social exclusion (Lipton and Ravalion, 1995). Thus, there has been an ongoing movement to surmount the challenges of poverty, often under the banner of microfinance, with a view to beat the curse of poverty and leave it behind forever. The movement has been geared to access small credit to overcome poverty, with provisions of financial services to low-income clients. It has received ever-increasing global prominence for its role in poverty alleviation. The United Nations (UN) designated 2005 as 'International Year of Microcredit'**.** The Nobel Committee awarded the 2006 Nobel Peace Prize to Muhammad Yunus and the Grameen Bank (GB), declaring that microcredit is "an ever more important instrument in the fight against poverty" (Nobelprize.org, 2006). In the 1970s, Yunus invoked a novel experiment of offering small loans to local villagers in Chittagong (Bangladesh). This was recognised as a pioneering effort to eradicate worldwide poverty and social exclusion. Very few people at the time could imagine

the enormous implications it would have for microfinance movement. Since then as the experiment gained ground in Bangladesh and successfully expanded its operations, academic interest in the Grameen model progressively grew both within and beyond the country, making the model a creative focus of literary perspectives in the intellectual world.

The Grameen model is commonly used in developing countries to combat poverty. However, it has also been used at various periods in the context of developed countries such as UK and the USA. The central research focus of this study is thus understanding the institutional challenges of adopting this model from the perspective of developing nations juxtaposed with that of developed countries. The subject has engrossed my interest as research could potentially unveil the complexities of adopting a model in a radically different context to what it is known to be used for. As the work has progressed, it became apparent that the subject was inadequately explored. The multiplicity of logics involved in the operations of Grameen-based organizations also means that the conceptual themes are interdisciplinary in nature drawing from a range of theories from subjects as diverse as management, economics, development studies and sociology. This enhanced the appeal of the research topic. The subject is also of topical interest, as there have been recent initiatives across the Atlantic, in the UK and USA, which are bent on adopting the model to suit their respective contexts.

Indeed, major mainstream organizations in both the countries have been involved in the process of adoption of microcredit in terms of providing substantial amounts of funding and support. For example, in the UK, *Grameen in the UK* (GU) has been supported by pertinent organizations such as Tesco Bank, Royal Bank of Scotland, Glasgow Caledonian University and Gloag Foundation; similarly, in the US *Grameen America* (GA) has received backing from organizations such as Citi Bank, Wells Fargo, Capital One and Wholeplanet Foundation. Despite the level of attention and importance attached to the adoption of the Grameen model

in both countries, research has been limited and disjointed particularly with regards to the challenges in adopting the model in the context of developed countries. This made it worthwhile to deeply scrutinize the subject and fill the gap in current literature. Thus, the objective of the current research has been to assimilate the experiences of several prominent case studies in the UK and the US and seek to understand the nature of institutional challenges in adopting the Grameen model in the context of these countries.

Theoretical Framework

The study utilizes Institutional theory for understanding the experiences of the case study organizations from two major conceptual elements: **Institutional Complexity** and **Institutional entrepreneurship** (Greenwood and Suddaby 2006; Tracey et al, 2011). Organizations experience institutional complexity "whenever they confront incompatible prescriptions from multiple institutional logics" (Greenwood et al, 2011: 375). Institutional entrepreneurs have been defined as ''agents who initiate and actively participate in the implementation of, changes that diverge from existing institutions, independent of whether the initial intent was to change the institutional environment, and whether the changes were successfully implemented'' (Battilana et al., 2009: 72). Such concepts are deemed relevant to the study as the microfinance institutions (MFIs) implementing the Grameen model have been active in the field of community finance in the context of industrialized economies and tackled the dual logics of community development and sustainability which may seem rather challenging to reconcile and hence confronted institutional complexities. The MFIs adopting the Grameen model were forerunners in the organizational field of communal finance and leading the community finance movement in their corresponding countries. The role of GB as an "Institutional Entrepreneur" is pervasive in literature which highlights its role as a social innovator and its practice of using a peer group lending model and providing financial access to the unbanked poor in Bangladesh. This lending methodology was unprecedented in

Bangladesh and the GB activities revolutionized the microfinance industry, paving the way for other organizations to provide microfinance services using the same model. The case study MFIs may be classified as institutional entrepreneurs as they adopted the GB model, which was predominantly being used in developing countries and rarely used in the context of developed countries. During the course of the research, it was evident that almost all case studies struggled to adopt the model in the UK and the US context which eventually led to their demise. The sole exception to this trend was Grameen America (GA) which continued to expand significantly. In this theoretical backdrop, the main research question revolves around deducing the nature of institutional challenges of adopting the Grameen model in the UK and the USA and why GA has been able to overcome such challenges.

Research Methodology

The study has employed a qualitative case study approach. A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2003). The case study method is used when a real-life phenomenon in depth needs to be understood but such understanding encompasses important contextual conditions, because they were highly pertinent to the phenomenon of study (Yin & Davis, 2007). The study adopts a critical realist paradigm and offers an interpretive theoretical perspective. There are several versions of the critical realist paradigm but this study subscribes to the view held by Bhaskar (1978, 1998). Critical realists contend for the usage of causal language in tandem with thinking. Critical realism advocates in-depth research with the goal of understanding why things are the way they are (Easton, 2010). It has been used in a number of notable studies in different

disciplines such as economics (Lawson, 1997), sociology (Sayer, 2000; Layder, 1990) and management (Ackroyd & Fleetwood, 2000; Reed, 2005; Tsoukas, 1989).

Primary data has been collected by conducting semi-structured interviews with the institutional entrepreneurs who endeavoured to adopt the model and key decision makers within case studies chosen for their knowledge of the strategic management processes, group dynamics, and interaction. 20 interviews were conducted with 17 interviewees, out of which 14 were microfinance executives and board members (current and former) of the US and the UK projects. The remaining 3 interviewees were microfinance experts from Grameen Trust (GT- the arm of Grameen responsible for replication of the model worldwide). Interviewees from Grameen Trust were chosen because of their deep knowledge and expertise on the global replication of the Grameen model.

There was a total of ten organisation to which the interviewees belonged. Out of these ten organisations, nine were case studies listed below in Table 1.1.

Table 1.1 Brief details of case study organizations[1]

[1] A brief summary of the case studies in provided in Appendix (A.8-A.17)

Name of organisation	Country of operation	Periods in which Grameen model/variant of group lending model was used	Periods of operation
Street-UK	UK	1998-2004	1998- present
Street-Cred	UK	1999-2005	1999-2009
Account 3	UK	1999-2004	1999-present
East End Microcredit Consortium (EEMC)/ Fair finance	UK	1999-2005	EEMC- 1999-2004 Fair finance- 2004- present
Full Circle Fund (Weetu)	UK	1998- 2013	1987-2013
Grameen in the UK	UK	2014-2018	2014-2018
WEvolution	UK	2011-present	2011-present
Grameen America	USA	2008-present	2008-present
Project Enterprise	USA	1996-2016	1996-2016

Contributions to literature

The study seeks to address an ostensible dearth of microfinance studies from a management perspective, particularly in the context of developed countries providing meticulous impetus for organizational scholarship. The corollaries include informing academics/practitioners/donors and governments by uncovering the processes through which institutions are created and transformed by exemplary entrepreneurs in the community finance industry; incorporating the dynamic nature of institutional complexity arising from a multiplicity of logic and the extent of incompatibility between those logics (Greenwood et al., 2011). The analysis explores link in the nature of the institutional complexities to the socio-cultural contexts in which the case study microfinance institutions (MFIs) are operating. It reinterprets the operational challenges and the multiplicity of logics faced by the case study MFIs in terms of institutional complexity in order to understand how these logics are balanced and factors influencing this. In deducing management relevant factors and strategies crucial to encountering institutional complexity, this research, hopefully, will provide an insight to the managers for navigating their organizations through turbulent market environments, in addition to achieving their socioeconomic mission and sustainability goals. The case studies are also seen in the light of literature on institutional entrepreneurship using a core model proposed by Battilana at al. (2009) which is further refined based on the experiences of these organizations.

Thematic Breaks

The study consists of 8 Chapters, apart from the introductory and the concluding Chapters.

A plausible conceptual framework is proposed in **Chapter 2** in order to accomplish research objectives. It assesses how different theoretical perceptions have been utilized to understand

the application of the model in different countries. Concepts considered as pertinent are then located with a view to evaluate the progress of the case study organizations. Finally, it sets out the ways in which the current research is different to previous efforts and how it adds value to the enhancement of knowledge in the field.

Chapter 3 scrutinizes the prevailing literature to provide an insight into socioeconomic and political context in which Grameen surfaced and developed in Bangladesh, USA and UK respectively and their ramifications. It outlines the origins of the Grameen model and examines its pioneering characteristics and socioeconomic consequences in Bangladesh; it also identifies the features which have led to its momentous global acknowledgment and caused its adaption in numerous countries. It segregates the events surrounding the emergence and development of the model into distinct periods for a better appraisal and for getting an integrated vision of the socioeconomic philosophy and contexts driving its trajectory in the UK and USA.

Chapter 4 provides an in-depth explanation of the research methodology used in the current study. It elucidates the interpretive paradigm which has inspired the choice of research technique. The core theoretical concepts which form the basis of the study are identified next. Following, this the research strategies and methodological tools relevant to the study are set out along with arguments for selection of such approaches. The Chapter then delineates the research stages and provides a comprehensive explanation of each stage. Finally, the limitations of the research methodology along with procedures are suggested for alleviation of such problems.

Chapter 5 analyses the operational experiences of seven case study organizations (retrospective as well as recent) which have endeavoured to adopt the Grameen model in the UK. It aims to deduce the nature of institutional complexities of adopting the Grameen model are aimed at applying the framework to understand various aspects of operations of the case

study organizations, such as loan recovery techniques, marketing approaches, regulatory framework and client training method. The Chapter assesses temporal and contextual changes in crucial factors such as strategy and socio-economic environment.

Chapter 6 explores the institutional entrepreneurship process of adopting the Grameen model in the UK, using the same case studies as is done in the previous Chapter. The Chapter illustrates how the context has influenced the actions of these institutional entrepreneurs as they set about "disrupting" the current institutional environment by incorporating a novel and innovative methodology conventionally used in radically different socioeconomic contexts.

Chapter 7 brings into analysis, two ongoing US organizations Grameen America (GA) and Project Enterprise (PE), which adapted the Grameen model in their differing milieus. It sheds light on such complexities permeating across different areas of operation in US contexts. Thus, it considers whether the US institutional entrepreneurs are at variance or in harmony with the ideological values of the original model as they sought to pursue the dual logics of sustainability and development whilst adopting the Grameen model in their operational spheres. Links and/or similarities with previous operational experiences are identified so as to evaluate their resemblances and contradictions.

Chapter 8 examines factors influencing the institutional entrepreneurship process of adopting the model for the two recent case study organizations in the US (Grameen America – GA and Project Enterprise- PE). It identifies the nature of the dynamics of entrepreneurship and social capital formation underpinning the major clientele base of two case study organizations. It considers the evolving characteristics of the US community finance field with a particular focus on the features of the case study organizations and how they applied diagnostic framing. Alliances with external actors and their role in encountering institutional complexities are subsequently scrutinized. Finally, how the combination of the above factors has been

incorporated within the organizational template and strategic vision of both US institutional entrepreneurs is assessed.

Chapter 9 brings together the analysis in previous chapters and compares the current programs in the UK and USA to decipher the nature of differences in context and their implications for the institutional complexity and institutional entrepreneurship process in these countries. It further seeks to grasp whether there are any cross-cultural lessons to be learnt from the experiences of the case study organizations in these two countries.

The concluding **Chapter 10** assembles findings in all the Chapters by synthesizing a coherent argument about the nature of the differences in markets in Bangladesh, UK and the USA. It, finally, offers policy recommendations and suggests areas and strategies for further research.

CHAPTER 2 ANALYTICAL FRAMEWORK

Introduction

This Chapter attempts to underscore the pattern of analytical perspectives offered over the past decades once GB model of microfinance had drawn public interest and became fully operational as a success story in Bangladesh itself. The literary interest grew as the GB model has undergone various stages of experimentation elsewhere in various parts of the world and has also been widely replicated across the globe under the changing banners; varying nomenclatures have also been in use to project the adoption of the microfinance model innovated by Yunus. Concurrently an attempt has also been underway worldwide to render a more ordered conceptual orientation to the ongoing global endeavours to make the model operational across the continents.

Keeping in perspective all that came about in the wake of successful operation and replication of the GB model, the current chapter of the study provides an alternative conceptual approach for analytical purposes. Section 2.1 identifies two major strands within the existing literature to specify the relevant concepts for analysing the case study organizations to identify the key research questions and proposes a theoretical model to answer the questions. The next section 2.2 details the concepts that make up the model and their significance in literature. The final section 2.3 locates the gap in the prevailing and indicates the ways in which the study responds to the prevailing gap in literature.

2.1 Institutional logics: Institutional complexity and Institutional entrepreneurship

Institutional logics are overarching sets of principles that prescribe "how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed" (Thornton, 2004: 70; Friedland & Alford, 1991). Such logics guide the behaviour of actors within a field and render their actions "comprehensible and predictable" (Lounsbury 2002: 255; Tracey et al, 2011). They enable actors to deal with ambiguity by placing emphasis on certain issues, identifying which of these are significant and require managerial awareness and designing of potential solutions (Thornton, 2002). The boundaries of organizational fields are demarcated and maintained by one or more shared institutional logics (Greenwood and Suddaby 2006; Tracey et al, 2011). Organizations experience **institutional complexity** "whenever they confront incompatible prescriptions from multiple institutional logics" (Greenwood et al, 2011: 375). Generally, multiple logics are confronted by organizations some of which may be compatible while others may be incompatible. (Friedland & Alford, 1991; Kraatz & Block, 2008; Selznick, 1949). This causes great difficulties for the organizations exposed to them To the extent that the, the extent of which is determined by the incompatibility of different logics. **Institutional entrepreneurs** "mobilize resources to transform or create institutions that favor [their] interests" (Pacheco et al., 2010: 975; DiMaggio, 1988; Fligstein, 1997; Rao, Morrill, & Zald, 2000; Maguire et al., 2004; Khavul et al, 2013). Institutional entrepreneurs not only create new institutional environments but also transform existing institutional environments (Phillips et al., 2004). They initiate change in motion (Greenwood et al., 2002). They may be individuals, organizations, or groups of organizations (Khavul et al, 2013). The case study organizations adopting the Grameen model have been operating in the community finance sphere in their respective countries and confronted the dual logics of community development and sustainability which may seem somewhat difficult to reconcile and hence confronted

institutional complexities. In accordance with the definition of institutional entrepreneurship, these were organizations which mobilized resources to create new institutions to serve their interest which was to address the problem of financial exclusion. They played a significant role in transforming an institutional environment where the less privileged were not considered as creditworthy. Hence, institutional theory is a useful lens for analysing the case study organizations to analyse the interplay of such logics and the organizational response to the challenges in balancing them.

Several influential studies have emphasized the importance of building multi-level theories in organizational research (House et al. 1995, Klein et al. 2000, Tracey et al., 2011). Institutional theory has been predominantly concerned with the macro processes related to institutionalization. Nevertheless, many authors have stressed on the importance of understanding the micro dynamics of institutional activity. Some of the earlier work highlighting this point was by Meyer and Rowan (1977), Zucker (1991) and DiMaggio and Powell (1991). However, there has been a renewed emphasis on such processes in recent studies indicating their significance (Barley and Tolbert, 1997, Powell and Colyvas, 2008, Tracey et al., 2011). Powell and Colyvas (2008), for example, contend that there is much to be gained from examining micro-processes. This micro-level analysis, according to the authors, leads to a richer and a more contextualised understanding of the manner in which "organizational participants maintain or transform the institutional forces that guide daily practice" (Powell and Colyvas, 2008: 2) The current research incorporates this factor by examining the **micro-processes** that have influenced the institutional activities. This has been achieved by an in-depth analysis of the institutional complexities, the first dimension of the theoretical framework. Furthermore, the theoretical framework integrates the **macro-level**

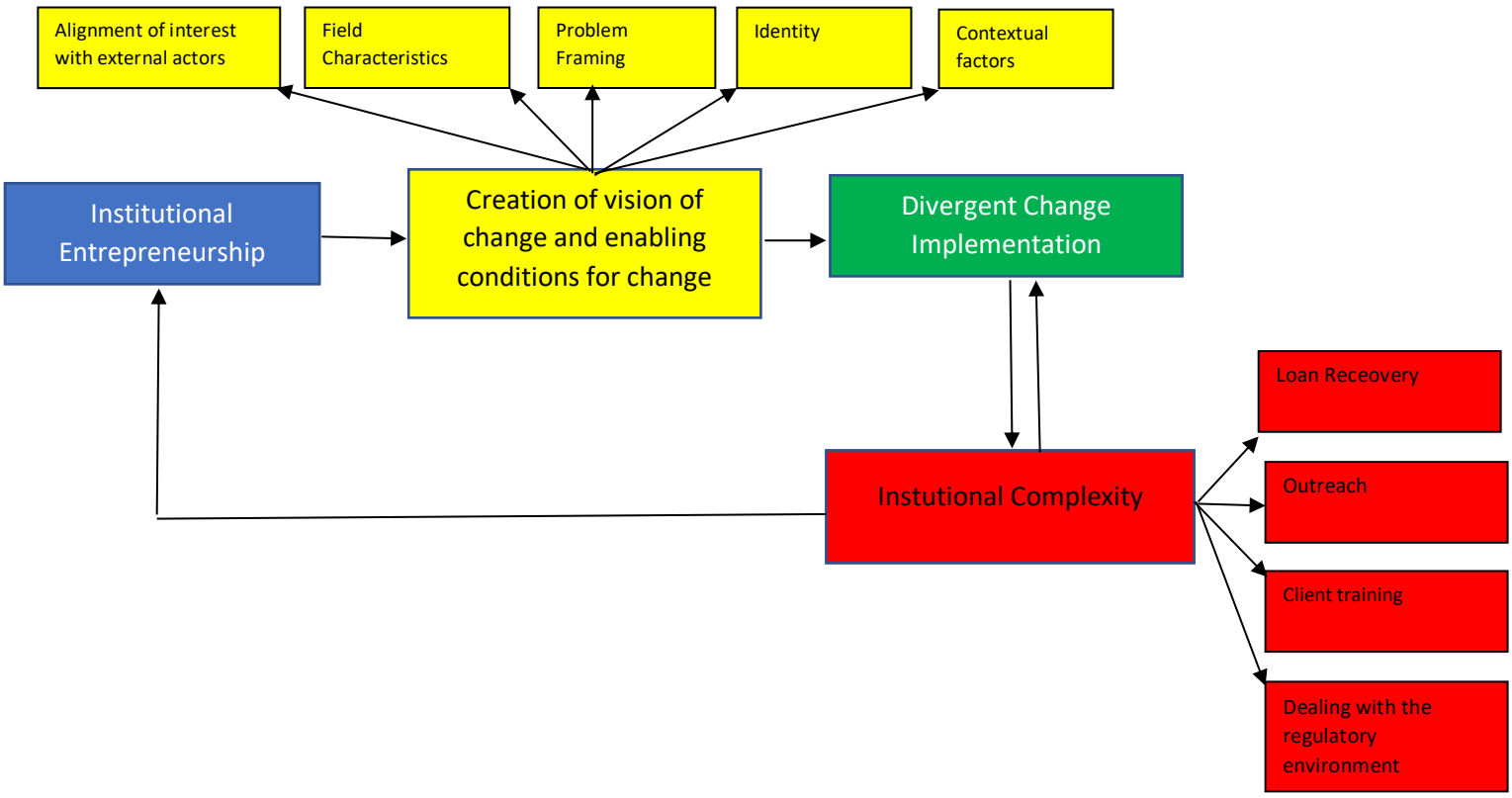
analysis of components underpinning the process of institutional entrepreneurship, the second dimension of the theoretical framework.

In the backdrop of foregoing analyses, the paper offers some comparative perspectives in order to seek answers to the following central research question:

*'What is the nature of the **institutional challenges** of implementing the Grameen in the UK and the USA?'*

As pointed out above, the paper analyses nine case study institutions and the institutional entrepreneurs, which have introduced such projects (the brief details of which are provided in Table 1.1.- Chapter 1).

Figure 2.1 Theoretical framework model



The central research question that the study addresses is ***'****What is the nature of the* ***institutional challenges*** *of implementing the Grameen model in the UK and the USA?'*

As can be seen from Figure 2.1 above, the model for the theoretical framework in this study aims to understand the institutional complexities faced by institutional entrepreneurs (the case study organizations) in adopting the Grameen model in the context of developed countries. Battilana et al. (2009: 72) defines institutional entrepreneurs as ''agents who initiate and actively participate in the implementation of, changes that diverge from existing institutions, independent of whether the initial intent was to change the institutional environment, and whether the changes were successfully implemented''. The framework is thus inspired by the model proposed by Battilana (2009) to show the process of institutional entrepreneurship. The degree of success that institutional entrepreneurs are able to implement divergent change not only depends on how they create their vision of change but also enabling field level and contextual factors for implementation of the change. The framework thus uses some key conceptual factors (relevant to understanding the data) associated with the notion of these factors highlighted in yellow. According to the model, the institutional entrepreneurs also need to be able to deal effectively with institutional complexities in order to implement divergent change successfully. The concept of institutional complexity is linked to how multiple logics are balanced by institutional entrepreneurs in achieving core operational objectives highlighted in red. The central goal of the case study organizations revolves around the efficient provision of microfinance services. Greenwood et al., (2011) contend that research into institutional complexity must be unambiguous about the sources of incompatibility. Thus, in order to identify such sources of complexities and to understand how the case study organizations deal with the demands of multiple logics, it is imperative to analyse and link the concept of institutional complexity discussed above to the core operational objectives of the institutional entrepreneurs. The sources of such institutional complexities are thus highlighted in red. The

sequencing of the chapters will begin with an examination of the institutional complexities as this is helpful in understanding how the process of institutional entrepreneurship has responded and adopted to such complexities (which will be explored in the following Chapters). The analytical framework proposed in Figure 2.1 is unique because it combines the concepts of Institutional complexity and Institutional entrepreneurship in a systematic manner to analyse the process of adoption of the Grameen model in the UK and the USA. This is unprecedented as this issue has not been approached from the perspective of institutional logics prior to this study. Thus, it makes an original theoretical contribution to the field of microfinance by utilizing this analytical framework to study the experiences of the chosen case studies. In addition, it also provides an interesting option for researchers who are interested in conducting similar studies into the progress of Grameen in the future in the UK and the USA of Grameen or the adoption of the model in other countries. The proposed framework can also be useful for analysing the adoption of other microfinance models other than that of Grameen. Given the analytical framework, the research objectives are outlined in Table 2.2 below

Table 2.2 Research Objectives

Research Objectives
• Analyse the relationship between the core operational objectives of case study projects and the institutional complexities that they experience. • Explain the nature of differences in operational and strategic issues between institutions adopting the model in the UK and the USA. • Explain whether the differences in operations of case studies in the UK and USA reflect the variation of their regional socio-economic contexts. • Deduce the kind of variations which exist in the operations and the activities of case study institutions in terms of both intra-country and cross-country comparison vis-à-vis their immediate goals, program area of focus and strategic actions. • Investigate whether such variations are arbitrary, or do they indicate some set of fundamental dynamics. Consider to what extent do existing theories account for an underlying pattern of variation, should there be any. • Explore the strengths and limitations of the various strategies adopted by management of the case study institutions in UK, USA and Bangladesh. • Clarify the relevant policy implications emanating from the extant study.

2.1.1 Institutional complexity

The current section addresses the broad microfinance literature on operational issues and the confronting functional challenges. The analysis is divided into some major areas of strategic themes which are of research interest to the current study. In each area, the key theories and

the underpinning debates encompassing these areas are identified, which are then used to guide the study to answer to the aforementioned research questions with respect to the selected case study institutions.

The central goal of the case study organizations revolves around the efficient provision of microfinance services. Greenwood et al., (2011) contend that research into institutional complexity must be unambiguous about the sources of incompatibility. Thus, in order to identify such sources of complexities and to understand how the case study organizations deal with the demands of multiple logics, it is imperative to analyse and link the concept of institutional complexity discussed above to the core operational objectives of the institutional entrepreneurs. As has been pointed out above, microfinance institutions in the UK are termed as "Community development Financial Institutions". The term "community development" alludes to the **community logic** these organizations have to reach out and provide their services to the financially excluded in a fair and responsible way. This is in turn is expected by all relevant stakeholders to lead to strong regeneration impact within the area they are serving in. On the other hand, the term "Financial Institutions" reflects the **market logic** of providing such services in a sustainable manner. The concepts perceived to contribute to such institutional complexities in MFI institutions in the extant literature are now discussed below with respect to the core functions identified:

The tensions created by the aforementioned dual logics in an MFI is reflected in the concept of **"Microfinance Schism"** in literature which highlights two opposing strands of thought on the significance of sustainability for the efficiency of MFIs from the point of view of MFI researchers and practitioner (Woller et al., 1999, Morduch, 2000). The **Institutionists** emphasize the importance of a financial systems approach whereby revenue from the program should be able to cover at least the operating costs and financing cost with the revenues

generated from the program (Murdoch, 2000; Woller et al, 1999; Brau and Woller, 2004). This paradigm originates from a study by Gonzalez-Vega (1994) that concludes that institutional sustainability is key to effectively provide financial services to the poor and financial self-sufficiency is essential for achieving institutional sustainability (Brau and Woller, 2004). This view is reinforced by Hollis and Sweetman (1998) who compared six microcredit organizations of 19th-century Europe to identify the institutional designs required for success and sustainability. The authors found that organizations reliant on donor funding were more fragile and lost focus more rapidly in comparison to those organization getting funds from commercial sources.

The other group, the **Welfarists**, postulate that financial self-sufficiency is not necessary for attaining sustainability (Morduch, 2000, Woller et al., 1999). They stress on the depth of outreach and their primary concern is to enhance welfare of MFI clients. As such, Welfarists are more reluctant than the Institutionist in compromising these goals in favour of achieving other goals such as financial self-sufficiency (Hollis and Sweetman, 1998; Woller et al., 1999; Morduch, 2000; Robinson, 2001; Hermes, 2007; Sheremenko, 2011). The MFI donors are viewed as social investors by the welfarists. According to the Welfarist approach, these investors are willing to accept zero financial returns in favour of higher intrinsic/social returns (Sheremenko, 2011). The debates about the Institutionist approach and the Welfarist approach has become increasingly relevant as donor finance has begun to dry up.

One of the key factors closely associated with sustainability is loan recovery. Yunus clearly places significant emphasis on high recovery rates for replication of the Grameen model. As he states, “In replicating Grameen, one must remember from the beginning that, if recovery rate is not near 100%, no matter how good it looks, it is not Grameen. All the strength of

Grameen comes from its near perfect recovery performance" (Yunus, 1998: 126). The GB approach operates on two central innovations**:** Peer Group Lending and Weekly meeting. These features (listed below) enable GB to overcome adverse selection and moral hazard experienced in the mainstream banking sector.

Peer Group Lending is a centrepiece of the GB model, which involves division of a large group of villagers into 5-member groups. It has significant advantages in terms of lower cost of monitoring and screening loans and debt repayments enforcement. To systematically establish, Grameen firstly Grameen I, a system where in which two members of a group firstly obtain their loan (Rogaly et al, 1999). Once all instalments are paid on time as per the original agreement, the initial disbursements are then followed 4 to 6 weeks later by loans to two other members within the group and subsequently an additional 4 to 6 weeks later, by a loan disbursed to the chairperson of the group. This system is known as the 2:2:1 staggering (Aghion and Morduch, 2005), and served as an incentive to enhance loan repayment.

Weekly Meetings is the second core feature of the GB model. These meetings entail a great degree of discipline and formality (Rogaly et al, 1999). These are held in the presence of the all members of a 'centre'— usually comprising of 6 to 8 groups consisting of five borrowers (Jain, 1996). The objectives and process of the meetings are entwined. Borrowers repay instalments at such meetings and discussions and engagement amongst borrowers are encouraged and fostered which leads to substantial learning within and across groups. The meetings are considered to be of pivotal importance in ensuring high recovery rates, improving transparency and function as a mechanism for effective monitoring of clients. Grameen II has

retained this system of weekly meetings from Grameen I thus showing the emphasis GB places on the building of social capital[2] (Vulkan et al., 2013).

The banking sector traditionally suffers from problems of asymmetric information that leads to moral hazard[3] and adverse selection[4] concerns. The banks, being the provider of loans, act as a principal and the borrower (micro-entrepreneur/potential client of micro-lenders) as an agent in loan transactions (Lean and Tucker, 2001). Under a market characterized by "perfect" conditions, such transactions do not incur any costs to either parties as market failure is avoided. Nevertheless, in reality, market conditions are imperfect. From the lender's viewpoint, when it has imperfect information regarding the underlying attributes of the project and the organization skills of the borrower, it may lead to the issues of adverse selection (Stiglitz and Weiss, 1981). The borrower may also fail to perform effectively, consequently leading to problems of moral hazard. This, in turn, may accelerate cost for banks as they struggle to efficiently screen borrowers' ventures, eventually leading to a situation where it is too costly for banks to efficiently monitor borrower projects which, in turn, may lead to a gap in the provision of debts (Bester, 1987; Bester and Hellwig, 1989; Binks and Ennew, 1996; Lean and Tucker, 2001).

The information asymmetry dilemma thus may result in good lending prospects being denied by providers; it may also cause lenders to provide loans to poor prospects (Altman, 1968). The first problem is regarded as a Type II Error whereas the second is viewed as a Type I Error in

[2] a term which refers to the social networks, informal structures and norms that facilitate individual and collective action (Halpern, 2005)

[3] the tendency of a person who is imperfectly monitored to engage in dishonest or otherwise undesirable behaviour (Mankiw, 2008a). This is applied here in the context of the lender not being able to fully monitor the borrower.

[4] The tendency for the mix of unobserved attributes to become undesirable from the standpoint of an uninformed party (Mankiw, 2008b). This is applied here in the context of the lender not being able to distinguish between good and bad borrowers.

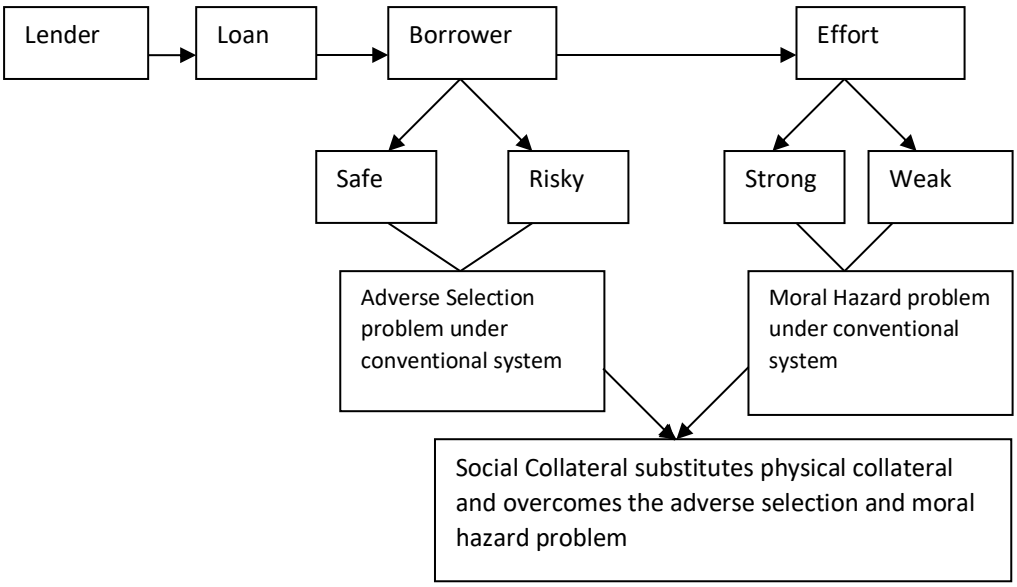
Altman's risk categories (may be seen as correspondingly relevant in the instance of potential borrowers of MFIs, as is illustrated in Figure 2.2)

Figure 2.2- Altman's risk classifications

		PROVIDER THINKS	
		Good prospect	Bad prospect
FIRM KNOWS	Good prospect	√	Type 2 x Error
	Bad prospect	Type I x Error	√

However, the GB's group-lending methodology characterized by self-selecting groups has aided it to deal with such problems in Bangladesh. Potential borrowers can utilize local knowledge to select best partners who are typically close neighbours. The group responsibility enshrined in the peer group lending technique thus allows safer borrowers to be grouped together while riskier borrowers have no alternatives but to form their own groups. This process is known as "Assortative matching" (Aghion et al, 2005). Problems of moral hazard may be addressed by the feature of self-selection of groups as monitoring of borrower activities is made easier for the groups following the take up of loans. Physical collateral is therefore substituted by social collateral, as non-repayment of loans results not in the appropriation of physical assets by the lender, but rather in the social penalization of the defaulter by others working in the group and the wider community. (Goldberg et al, 2003). The schematic model in Figure 2.3 below outlines how Grameen Model addresses the Adverse Selection and Moral Hazard Problem

Figure 2.3 The Grameen model and mitigation of problems of asymmetric information



A number of factors have been identified in literature as influencing loan recovery. Some studies such as Besley and Coate (1995), Wydick (2001) have specially focused on the importance of social ties in their respective studies. This was further confirmed by Al-Azaam (2012) who found that peer monitoring, group pressure and social ties as major factors which have influenced recovery rates. Fernando et al. (2020) investigated data from a Mexican MFI and found that social ties as a major factor driving repayment rates up. Along similar lines , Stiglitz (1990) and Varian (1990), Banerjee *et al.* (1994), Aghion (1999) and Chowdury (2005) have discussed theoretical models which highlight the joint liability feature of group lending models which enables them to encounter moral hazard problems. Ghatak (1999; 2000) and Gangopadhyay *et al.* (2005), discussed how such features help to overcome adverse selection problems. Other important factors which have been identified in literature are the frequency of payments Field and Pande (2008), flexibility of repayment, Shankar (2007) and the extent of

maturity and cohesion in groups (Hauge, 2010) and lending design (Kodongo and Kendi, 2013).

A closely associated factor to recovery rates in microfinance strategy is selection of clients. As discussed above, Grameen's model clearly dictates that clients must self-select each other to form groups Furthermore, the emphasis on women is highlighted by the fact that currently nearly 97% of Grameen Bangladesh clients are women (Grameen.com, 2020). The importance of gender has been highlighted in several studies. Brana (2013) studied a portfolio of 3640 MFI clients in France and concluded that gender is a key factor in comparison with other factors with respect to the amount of credit provided. This is supported by D'Espallier et al (2013) found that a focus on women is interlinked with peer group lending, global orientation, smaller size of loans, and legal status of MFIs. A number of studies focus on the issue of gender targeting with respect to the default rates experienced by MFIs taking into account institutional conditions (Pitt and Khandker, 1998; Brau and Woller, 2004; Engler, 2009; D'Espallier et al., 2011; Chakravarty & Pylipiv, 2013; Boehe and Cruz, 2013). The study will explore the selection strategies of the case study institutions, the reasons behind adopting such strategies and also the implications of different strategies for the sustainability of the projects.

Along with sustainability and loan recovery, outreach is the most pertinent operational objectives pointed out in MFI literature. It is centred on getting an appropriate number of clients who genuinely lack access to entrepreneurial finance. It can incorporate a number of factors including the degree of lending in deprived communities, extent of lending to women and group lending activities and average loan size (Mersland and Ström, 2009). There is strong demand for microcredit in most developing economies (Sheremenko, 2011). In Bangladesh, this is highlighted by the mushrooming number of MFIS alongside the prominent microfinance institutions such as Grameen, BRAC and ASA. This trend of high demand is also common in

the rest of the subcontinent, Russia, Central and South America and increasingly Africa. However, the extent of demand for such services in developed countries is unknown and the belief that there is a potentially substantial market led to the emergence of the projects in the UK and the US. However, the presence of good institutions in such countries may be a hindrance to the outreach efforts according to a study by Churchill (2019). Hence, it is important to understand the factors which influence this demand. This study will consider analysis of the foregoing factors attaching pertinence to the views of the management of these organizations.

A major dimension of outreach objectives is training. Karnani (2007) asserts that majority of the global poor lack expertise, inventiveness and hence an understanding of how to grow their business. He further argues that borrowers would be in an inferior position after taking loans as the aforementioned factors will cause the return on the investment from loans to be less than the amount which needs to be paid back to the MFI by the borrower. In an effort to build up the skills and expertise repertoire of the borrowers, many of the MFI projects in the UK and USA have offered some form of training and advice as an important part of their services. Several studies have attempted to assess the impact of business training on MFI clients in various contexts. Karlan and Validivia (2011), for example, showed using the example of a Peruvian group lending program that training had no discernible effect on key factors such as business, revenue, profits or employment. Interestingly, the study found that the training did have positive impacts on business knowledge improvement and client retention rates. Drexler et al. (2014) found that simplifying training may increase effectiveness for less sophisticated individuals. However, overall, very few studies have found business training programs to have significant impact on sales or profitability (McKenzie and Woodruff, 2014). Business training is thus a contentious issue in microfinance as academics and practitioners argue about its

viability in different contexts. This research will analyse the client training aspect of the case study projects and resulting implications for institutional complexity.

An important factor in achieving outreach objectives is the regulatory environment surrounding the MFI project. Hubka and Zaidi (2005) argue that regulation can be used to attain important objectives such as the elimination of unfair competition from public institutions and enhancing the business environment. There tends to be less regulation in developing countries compared to industrialized nations. Some authors even feel that the regulatory framework for monitoring MFI activities is inadequate in such countries (Campion, 2002). A comparative study of the regulatory framework for Asian MFIs recommended implementation of prudential regulatory environment for MFIs similar to the banking sector which it pointed out was much needed particularly for NGO-MFIs which showed inadequate internal controls, ownership and governance structures (Haq et al., 2008). Several authors reason that high regulation imposes costs and prevents growth of microenterprises in industrialized countries compared to developing nations (Meehan, 2004; Bredberg and Ek, 2011). This research will analyse the regulatory dimensions of the case study projects and resulting implications for institutional complexity.

2.2.2 Institutional entrepreneurship

Organizational fields are "structured systems of social positions within which struggles take place over resources, stakes, and access" (Maguire et al. 2004: 658; Bourdieu, 1990). The concept of institutional entrepreneurship highlights such tussles and the ways in which relevant actors shape and influence their institutional contexts (Beckert, 1999; DiMaggio, 1991; Fligstein, 1997; Lawrence, 1999; Maguire et al. 2004).

Battilana et al. (2009: 72) defines institutional entrepreneurs as ‘‘agents who initiate and actively participate in the implementation of, changes that diverge from existing institutions, independent of whether the initial intent was to change the institutional environment, and whether the changes were successfully implemented’’. The case study projects adopting the Grameen model were in the organizational field of social finance and at the forefront of the CDFI movement in their respective countries. As such, they adhered to logics borrowed from both the social and financial sector and confronted institutional complexities as a result of it. The role of GB as an “Institutional Entrepreneur” is well documented as its practice of using a peer group lending model and providing financial access to the unbanked poor in Bangladesh. This practice was unprecedented in Bangladesh and the GB activities transformed the microfinance industry, paving the way for other organizations to provide microfinance services using the same model. The other case study organizations in the study may also be classified as institutional entrepreneurs as they adopted the GB model which was predominantly being used in developing countries and rarely used in the context of developed countries.

In this section, the study will use, to an extent, the analytical framework suggested by Greenwood et al (2011) to systematically analyse institutional complexities faced by the case study organizations identified in the first part of the project and their responses. It will take the following factors into account into the analysis of the case study institutions:

Tracey et al. (2011) highlighted the significance of the concept of legitimacy supported by an alignment of interest with external actors in analysing strategic response of institutional entrepreneurs. Suchman (1995: 574) defines this concept as “a generalized perception or assumption that the actions of an entity are desirable, proper and appropriate within some socially constructed system of norms, values, beliefs and definitions”. Organizations adhere to certain logics to obtain approval and legitimacy from pertinent external actors in their

institutional environments which in turn guide their course of action and strategies (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Khavul et al, 2013). Maguire et al. (2004) argued along similar lines when they view that one of the key aspects of success for institutional entrepreneurs is the manner in which they link their innovative projects to behaviour and interests of other relevant actors in a field designing the projects to fit in with the field circumstances.

Some authors stress on the conscious advancement of such strategies for legitimizing institutions (Zilber 2002; Maguire and Hardy 2006, Tracey et al, 2011). Power and influence are one of the other key factors to this process. The selection and prioritization of certain logics will be achieved by those with greater authority and influence. Greenwood et al. (2011) suggested a number of approaches to analyse the link between power and institutional complexity. The first approach emphasizes the role of ownership. Lounsbury (2001), for instance, showed how variation arises in the staffing of recycling programs at colleges and universities. A relevant finding was that publicly funded universities aligned their strategies with requirements of the government on which it relied heavily for finances. In general, a number of studies reflect upon an organizations response to institutional complexity being influenced and shaped by the need to align interest with relevant external actors (Dobbin et al., 1993; Edelman, 1992). The second approach focuses on the concept of "specificity" of logics (Goodrick and Salancik, 1996). This implies that the degree of discretion that can be exercised to balance competing logics by organizations is closely linked to the specificity of logics (Thornton and Ocasio, 2008). For instance, Quinn et al., (2009) found that academic institutions had limited scope in choosing how to comply with established rules and criteria. This suggests that strategic behaviour by organizations is inhibited by high specificity of logics. On the contrary, organizations may have more leeway in dealing with institutional complexity when logics are vague and lack specificity. This significantly enhances the organizations ability

to reframe problems, develop innovative solutions and amalgamate structures and practices in response to the institutional complexity (Greenwood et al, 2011). In the context of MFI research, Helmig and Pinz (2014) report that there have been very few studies addressing the importance of partnerships and networks, pointing out the study by Caudill et al. (2009) as an exception. This study will address this gap looking into the significance of such alliances.

An important construct of institutional analysis is the field level structure, as is viewed by Wooten and Hoffman (2008). Fligstein (1997) reasoned that the use of certain expertise and strategies by an institutional entrepreneur is linked to the formative stage of the organizational field. The nature of the institutional complexity encountered by organizations is thus primarily given shape by the evolving processes within an organizational field (Scott, 2008). Comparison and contrasting of "emergent" and "matured" fields received prominence in current literature (Anand & Peterson, 2000; Garud et al., 2002; Greenwood et al., 2002; Child, Lu, & Tsai, 2007; DiMaggio, 1991; Lawrence, 1999; Lounsbury, 2002; Lawrence et al., 2002; Maguire et al., 2004; Phillips et al., 2000; Purdy & Gray, 2009; Wooten & Hoffman, 2008; Greenwood et al, 2011). Emergent fields are often exemplified by unpredictability of conflicting logics, as relevant actors tend to favour certain logic suitable to their material interests or normative beliefs which results in the fluctuating significance of particular logic (Greenwood et al, 2011). Such fields are likely to be characterized by "narrowly diffused" and only "weakly entrenched" institutional practices (Lawrence et al., 2002; Maguire et al, 2004). On the other hand, matured fields tend to develop stable priorities between different logic (Hoffman, 1999), in a constant struggle for supremacy (Abbott, 1988; Dunn & Jones, 2010; Reay & Hinings, 2009; van Gestel & Hillebrand, 2011; Greenwood et al, 2011). Institutional practices in such fields are extensively diffused and widely accepted (Lawrence et al., 2002; Maguire et al, 2004: 659).

The foregoing argument originates from an assumption that tensions between competing logics have been resolved at the field level. This, in turn, leads to a solitary central logic prevailing

over others thus increasing the predictability of institutional complexity at the organizational level (De´jean et al., 2004; Garud et al., 2002; Lawrence & Phillips, 2004). A change in the social context may enable institutional entrepreneurs to effectively activate a new logic or reprioritize existing ones (Lok, 2010; Greenwood et al, 2011). New situations to which the organizations must react to are created as the institutional complexity unravels. Thus, the type and degree of institutional complexity depends upon the field level structure within which they are positioned. The field level structure thus leads to all-embracing principles being programmed in dominant institutional logics which are enshrined in formal procedures and actions of an institution (Dacin, Munir & Tracey, 2010).

There has been recent research input on identity as an important factor in organizational response to institutional complexity (Glynn, 2008; Dobbin & Kelly, 2007; Kalev et al., 2006; Dutton & Dukerich, 1991; Elsbach & Kramer, 1996; Fox-Wolfgramm et al., 1998; Gioia & Thomas, 1996; Lok, 2010; Meyer & Hollerer, 2010; Creed, DeJordy, & Lok, 2010; Kodeih, 2010; Kraatz & Block, 2008; Rao et al., 2003). Identity may be conceptualized as a set of claims to "institutionally standardized social categories" (Greenwood et al. 2011: 346, Glynn, 2008; Kraatz & Block, 2008; Pratt & Kraatz, 2009; Thornton, Ocasio & Lounsbury, in press; Whetten & Mackey, 2002: 397). It is about membership in a distinct identity at the organizational field level (Glynn, 2008; Kraatz & Block, 2008; Pratt & Kraatz, 2009; Mackey, 2002: 397). For instance, the term "Accounting firm" or "Bank" results from a category which is socially set and comprising of certain field level processes (Kennedy, 2008). Organizations may want to project themselves in certain ways to appear to fulfil such a criterion. This plays an important role in aligning themselves with national institutions and in the process gaining increased legitimacy.

The link between interests, agency, and institutions is a focal point of institutional entrepreneurship. DiMaggio (1988: 14) stated ""New institutions arise when organized actors with sufficient resources *(institutional entrepreneurs)* see in them an opportunity to realize interests that they value highly". Institutional entrepreneurs guide processes in order to discover opportunities, frame concerns and problems, develop counterfactual thinking and reacting swiftly to any change in the institutional environment. They are at the forefront of institutional change and lead efforts to inculcate novel and innovative processes into social structures (Rao et al, 2000; Tracey et al. 2011). Rao's (1998) study of the formation of a consumer watchdog organization revealed how successful framing strategies may lead to ascendant frames which appeal to a wide-ranging audience including governments, professions and other organizations. The study also showed how losing frames either exit, migrate or convert to the ascendant frame. Comparable trends could be noticed in the US chemical industry when formation of self-regulatory institutions was aligned with the notion of enhanced efficiency and environmental protection (King & Lenox, 2000; Lenox, 2006). Such framing strategies cleverly associate legitimacy for new forms and practices by carefully amalgamating new designs and philosophies with narratives which are generally accepted (Pacheco et al., 2010).

2.3 Conclusion

Several studies have revealed the importance of the helpful socioeconomic impacts (in terms of factors such as gender empowerment and poverty reduction) that programmes adopting the Grameen model have had in Bangladesh (Khandaker, 1998; Zaman, 2004; Naved, 1996; Hashemi et al, 1996; Newaz, 2000). The experiment has been adapted across five continents (Aghion et al, 2005). The Grameen model, usually applicable to developing countries, is increasingly being used in developed countries like the US and UK, despite their differing socioeconomic contexts. In the U.K and U.S, the microfinance sector has been termed as community development finance to reflect their common purpose to fill gaps in access to

finance for businesses who find it difficult to access the fail to access it from mainstream financial institutions (McGeehan, 2006).In the US several generic studies found the Community Development Financial Institutions (CDFIs) as successful in business growth development, job creation , enhancing participants' incomes, generating self-confidence and improving community participation (Anthony, 1997; Balkin, 1989; Clark et al., 1999; Edgcomb et al., 1996; Himes & Servon, 1998; Light & Pham, 1998; Servon, 1999; Kolodinsky, 2006).

Copisarow (2000) promoted the necessity for application of microcredit technology in the U.K as she pointed out that numerous households lack access to financial products and services in areas suffering from high deprivation. Research suggested that self-employed individuals appeared to face great difficulties in obtaining finance from banks (Whyley et al, 2001). In response to such projected needs, microcredit schemes based on Grameen model emerged in the late 1990s. The initiatives included the *Street-UK,* which operated in Birmingham, the *Full Circle* fund, in Norwich and the *East End Microcredit Consortium* (EEMC) project in East London. In 1998, Women's Enterprise Employment and Training Unit (WEETU) started running the *Full Circle Fund,* modelled on the Grameen peer lending programme in response to the growing marginalization of women in the economy of Norwich and surrounding areas. The EEMC was set up as an experiment to enable greater understanding of the effectiveness of the Grameen model in the context of UK. In terms of objective it sought to identify the need for accessible finance for women who wished to develop their income-generating ideas into reality. It was initiated by an institutional entrepreneur, Faisel Rehman, a former intern at the GB. He wanted to use his experiences with the organization to address the issue of financial exclusion in the UK. It was based on a 'hub and spoke' model wherein the EEMC was the hub offering lending and administering loans, whereas the role of the spokes was taken up by three

local community organizations *Streetcred*, *Homeless family unit* and *Account3* involved in direct and support, outreach work and operating the peer group model (Ramsden, 2008). The following year *Street-UK* was founded, inspired by the success of a Polish scheme known as *Fundusz Mikro*. It sought to adopt the Grameen Style group-lending in order to provide access to finance for low-income, self-employed people and very small businesses, not viewed creditworthy by banks.

All of the foregoing UK initiatives have faced significant challenges since their inception and have responded in different ways. Some of them have ceased operations while others continue to thrive after undergoing major transformations. *EEMC* for example, metamorphosed into a new organization known as Fairfinance (Ramsden, 2008; Account3 website, 2015). However, despite all such challenges being faced by the preceding microfinance organizations *Grameen in the UK* was launched in Scotland early in 2014 in the UK. The scheme enjoyed micro-lending support from Grameen Bank and Tesco; was also backed by funding from the Scottish government and local entrepreneurs. *Grameen Scotland* operated in Glasgow, North Ayrshire, West Dunbartonshire and Inverclyde. However, despite the initial enthusiasm, the organisation closed down in 2019.

There is an element of similarity in the story of microfinance in the US. Most initiatives adopting the GB model have faced numerous challenges due to inefficiencies and high default rates (Richardson, 2009). Majority of American micro lenders have adjusted to this reality by ceasing to offer group lending programs (Freemark, 2005). Research on failures of the attempted initiatives to copy the Grameen model in the UK and US has been scanty. One such a study conducted by Taub (2005) was on a project know as *Good Faith fund* initiated in Pine Bluff, Arkansas in 1988, an attempted cloning of the Grameen model. He noted that transfer

of Grameen model to the project failed due to substantially high default rates, causing the project to shift to individual lending.

However, *Grameen America* (GA), as founded by Yunus himself in 2008, has been exceptional. Since its inception, GA has become one of the prolific lenders in the US (Leiberman et al, 2012). It has steadily expanded each year, growing from 500 borrowers at the end of 2008 to 124000 by December, 2019. It has created 131000 jobs and managed to achieve a repayment rate of around 99%. It has also expanded rapidly, operating currently in fifteen US cities (GA Website a, 2019**).** The steady progress of GA has not gone unnoticed in the prominent mainstream media with several outlets reporting on its expansion, exceptional repayment rates and prospects for growth in the USA (Economist, 2011; Chau and Dayan, 2014; MSNBC, 2014). A report by Dewan (2013), for instance noted, how microfinance had boomed in the post-2008 period, leading to an increase in more than triple the number of borrowers. Indeed, GA had developed rapidly into a microfinance leader since its inception. Several reports have also reflected on the individual accounts of positive experiences of the GA's clients (Dewan, 2013; Blanchard, 2014; O'Brien, 2014; Fremson, 2014).

There appears to be avoid in current literature in respect to the applicability of the Grameen model in different contexts with respect to the experiences in the origin country. Only few papers have used comparative studies to reflect on the challenges encountered in achieving target objectives for initiatives adopting models originating in developing countries (Taub, 1998; Schreiner et al, 2001, Schreiner and Woller, 2003; Giusti and Estevez, 2011). Examples of such studies by Bernstein (2014) and Saeed (2014) are generic and have no focus on a particular context or use specific case studies, thus lacking in detail.

Several studies indicate the need for future research in this area (Khavul, 2010; Khavul et al. 2013; Bernstein, 2014). Khavul (2010) asserts that there has been limited research on MFIs from a management perspective in order to investigate operational issues. She goes on to point

out examples of several research themes and questions that can be explored by management researchers. First is the diffusion and institutionalization of practices and second is sustainability and survival. The first element involves investigating the institutions and forces driving the adoption of new lending practices and the abandonment of old lending practices. The second element is concerned with analysing how microfinance organizations assess threats to sustainability and factors influencing their survival over time (Khavul 2010:67:68). Sonfield (2012) also points out the limited prior scholarly research with this focus and suggests an agenda for needed future research. He asserts the need for more factual information to be developed through scholarly work pointing out that, "Very few scholarly or other analyses of *American* microfinance programs have been conducted and reported" (Sonfield, 2012: 7).

This work seeks to fill in that gap by analysing the challenges faced by case study organizations in implementing the Grameen model in achieving their objectives in Bangladesh, the U.S. and UK and the organizational response to such challenges. The analysis of such initiatives is relevant given the renewed focus on Grameen's efforts in both the UK and USA. The thrust is to synthesize a consistent and coherent argument about the nature of the differences in markets in Bangladesh, the U.K. and the US. Utilizing several case studies, it analyses various aspects of their operational features and performance criteria in respect to the original goals. It identifies the contexts in which this model can be successful in achieving its objectives. Keeping all this in perspective it offers comparative nature of the institutional complexities faced by the parent program in Bangladesh (where the model originated and remains functional) as against those of more recent efforts in the US and UK, which this study addresses itself to examine. It identifies how institutional entrepreneurs adopting the Grameen model in the developed countries, balanced different and sometimes conflicting logics over the periods of their operation.

CHAPTER 3 GRAMEEN MODEL: EMERGENCE AND EVOLUTION

Introduction

The current chapter analyses the socio-economic and political context in which Grameen emerged and evolved in Bangladesh, USA and UK respectively and their implications. This is deemed necessary to obtain a holistic view of events and circumstances leading to the emergence and surrounding the development of case studies before going into more detailed analysis in the following chapters. Section 3.1 traces the origins of the Grameen model, analysing its socioeconomic impacts in Bangladesh, which have enabled it to earn significant international recognition leading to its replication in many other countries. Section 3.2 seeks to analyse the economic and ideological paradigm along with the socio-economic circumstances which influenced the rise of Grameen in the USA. It divides the events surrounding the birth and evolution of the US case studies into three periods; the mid-80s to late 90s during which the organizations adopting the Grameen model emerged and evolved; the late 90s to mid-2000s during which microfinance underwent significant transformations and finally the contextual and policy events which has affected US microfinance post-recession. Section 3.3 examines the socio-economic and political context which led to the emergence and evolution of Grameen style initiatives in the UK. In doing so, it distinguishes between two key periods: the late 90s-2005 during which most of the UK case studies emerged and post-2005 during which such microfinance organizations either ceased or underwent major alterations and new initiatives rose to prominence.

Figure 3.1 below provides a summarized timeline of the emergence of the case study organizations and the key socio-economic and policy events linked to their evolution.

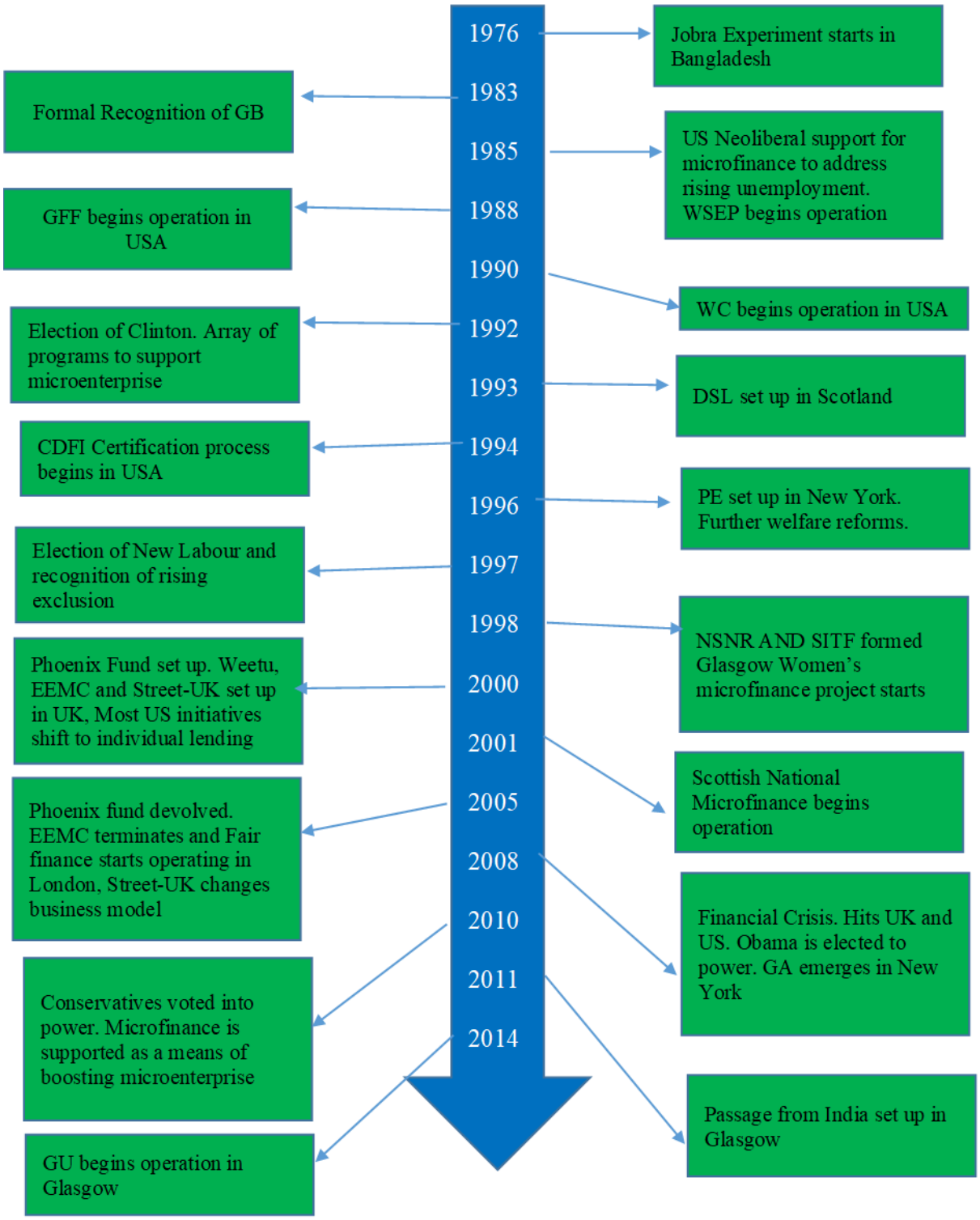


Figure 3.1 Timeline of emergence of case study organizations in UK, USA and Bangladesh

Figure 3 shows that GB emerged in Bangladesh with the Jobra experiment and rose quickly to prominence in 1983 as it received formal recognition as a bank. The early success of model did not go unnoticed in the US as it resonated well with the Neoliberal ideologies of successive governments from the 1980s. The concept of microfinance of self-employment (as an alternative to the growing poverty and unemployment and an answer to rising welfare bills) was thus considered to be intuitively appealing and led to considerable support from the government. This gave rise to a number of microfinance initiatives some of which sought to adopt the Grameen model. The industry was furthered strengthened and formalized by Clinton who not only played an important role in the piloting of one of the earliest Grameen style initiative (GFF) but also implemented a number of legislations in favour of community finance. However, most of the US initiatives adopting the Grameen model changed their model to emphasize individual lending and business training or terminate operations in light of their experiences in the late 90s. In the UK, Clinton's "Third way" also played an influential role in inspiring New Labour's policy as the concept and identity of CDFIs (originally conceived in the UK) was imported to the UK in 1999 to address the growing unemployment, social and financial exclusion. The New Labour policies also resonated well with EU microfinance agenda of assisting vulnerable groups such as women and immigrants. Thus, Grameen style projects emerged during the late 1990s in the UK. However, support for community development finance in the UK waned as a result of number of factors, the principle amongst them being a lack of long-term sustainability (including the Grameen inspired projects) during 2004/05. Thus, a major source of funding, the Phoenix Fund was devolved to RDAs, which were decentralised and hence free to pursue their own agendas. As a result, there was overall sharp decline in support for CDFIs during this period (GHK consulting, 2010). This resulted in the UK case studies either ceasing operation or changing their models in a quest for survival and sustainability. Interestingly, this mirrored the situation of most Grameen style US projects

in earlier periods which encountered similar fates (one of the US case studies PE was an exception to this trend and continues till date). However, a financial crisis affecting both the UK and US in 2008 reversed the fortunes of CDFI industry in both countries as demand for their products and services increased as a result. There was ensuing political support from both the Obama and Cameron Administration which promoted microenterprise as a key factor for economic revival in both countries. The post 2008 period also saw the emergence of GA in the US which has a rapidly rising profile in the industry with a steadily increasing clientele base. In UK, the most recent initiatives which have emerged are WEvolution (formerly known as Passage to India) set up in 2011 and Grameen in the UK (GU) which started operating in early 2014. The following sections will now explain these events in greater details.

3.1 Grameen in Bangladesh

3.1.1 Context of emergence

The microfinance movement had its origins to the Grameen Bank's pioneering activities in Bangladesh. The contextual impetus driving the rise of the Grameen model was a drought and famine affected country which killed 1.5 million people (Macfarlane, 2002). It all started when Yunus came across the 21-year-old Sufia Begum who resided in Jobra village near Chittagong University where he taught. Yunus had learnt that Sufia was being exploited by local moneylenders who provided her a loan of 25 cents and charging approximately 10% every day which was in turn being used by her for making bamboo stools. These stools were sold by her for a price which was substantially under their projected market value. This resulted in the initiation of an action-research project by Yunus in 1976 in a remote village, now named the *'Jobra'* experiment. The experiment revolved around group-based credit delivery with peer monitoring to deal with the relief and rehabilitation needs of post-independence Bangladesh. Yunus had thus mobilized 42 individuals suffering from similar problems of poverty and

exploitation and lent them amount equivalent to $27. Yunus had realized that the model could be replicated across the country when all of the borrowers had paid back. Yunus had subsequently attempted to convince banks into providing uncollateralised loans to the poorest of the society. Yunus efforts failed owing to the reluctance of the banks which raised issues of viability of lending smaller amounts. Early cynics had also raised concerns about such provisions increasing level of indebtedness amongst the poor (Yunus and Jollis,1998; Zhang et al. 2004; CDF, 2006). Yunus responded to such challenges by establishing Grameen Bank (GB) which was based on the same principle as his earlier experiment and founded on the vision of providing micro-loans without collaterals to micro-entrepreneurs. The Bank received formal recognition in 1983 when the government passed legislation permitting it to accept deposits.

The lending objectives include extension of banking services to poor women and men, elimination of abuses by means of money-lending, overturning of vicious circle of "low income, low savings, low investment, low income" and rotate the above into an expanding system of "low income, credit, investment, more income, more credit, more investment, more income" (Sherraden, 2014: 109). The process would embody enhancement of self-employment prospects for proper utilisation of manpower to make them more resourceful, induction of the disadvantaged populace within some organizational format that they can understand/operate, and harnessing the socioeconomic and political strengths through mutual support (Barua, 2006).

The GB's core service is to offer loans. The borrowing GB clients are also its shareholders. GB forwarded a cumulative disbursement of US $18,079.49 million in loans, as of November, 2015. It has 8.79 million members. It operates in 81392 villages, with a coverage of over 97%

of villages in Bangladesh. People with less than half an acre of land get access to GB loans; 97% of its borrowers are women (Grameen-info.org, 2016)

3.1.2 Socioeconomic Impact

Several studies have pointed towards the role played by institutions adopting the GB model in poverty alleviation in Bangladesh. Household level data was utlized by Khandaker (1989) to examine gender implications and the cost-effectiveness of BRAC[5], Grameen and the Rural Development-12 project and other microcredit programmes in Bangladesh, in comparison to other poverty alleviation programs. The study revealed that for whereas household consumption increases by 18 takas for every 100 taka of loans forwarded to a woman; the figure reduces to 11 takas if the same amount was lent to the opposite sex. The study also estimated that moderate poverty reduces by approximately 15 percent, and ultra-poverty by 25 percent, for members who have been with BRAC up to three years. The results are similar for both the Grameen and BRDB[6] members.

Consequent studies by Murdoch (1998, 2004), Zaman (2004), Copestake et al. (2005) and Develtre and Huybrechts (2002, 2005), Chowdhury (2007) and Kuhinur and Rokonuzzaman (2009) and Momen et al. (2011), have reinforced the findings in terms of positive effects of GB style microcredit program on poverty alleviation.

Furthermore, many studies on the MFIs have reflected on the effect they have on addressing issues of female vulnerability through empowerment. Naved (1994) used participatory rural appraisal methodology to evaluate the impact of participation in a MFI program in Manikganj, Bangladesh, and concluded that access to credit enhanced the status of a woman as result of

[5] Bangladesh Rural Advancement Committee (BRAC) is one of the world's largest non-governmental developmental organisations based in Bangladesh.
[6] Bangladesh Rural Development Board (BRDB) is a government agency for rural development and poverty alleviation.

her perception as the bread winner of the family. These findings were supported by other studies such as Hashemi et al. (1996), Newaz (2000) and Zaman (2004). Recent studies seem to concur with the positive results of the earlier studies. Basher (2007) and Khan and Rahman (2007), for example, reveals that GB develops its members from being inert recipients of credit to dynamic agent in social and commercial facets of life.

The arguments of the studies bring forward the positive effects of microcredit on empowerment in Bangladesh; these appear to overshadow those who have reservation about its impacts. This is based on the following considerations: (i) The central theme around which the studies showing the positive impact are based appear to revolve around the notion of enhanced status as a result of improved access to credit (a crucial household resource). This is both instinctively appealing and resound well with the extant academic research on households' bargaining models. (ii) The emphasis on female control over loans, a key element of the sceptics' argument, does not take account of the fact that credit goes into the entire income pool of the household, all the members of which mutually participate in the loan investment decision (Zaman, 2004).

The preceding analysis indicates that the GB's group lending model has several attributes which has enabled it to respond effectively to the asymmetric information problems experienced by conventional financial institutions in advancing loans to Bangladeshi micro-entrepreneurs. This along with the considerable social and economic impacts on its clientele of Grameen style programs has led to the adoption of the GB model in many countries, including the UK and the USA (Aghion et al, 2005).

3.1.3 Limitations of the Grameen Model

Despite the enthusiasm about Grameen, several authors have questioned studies (such as those mentioned in the previous section) that have shown the positive impact of Grameen on poverty alleviation mainly on the basis of the existence of some of form of selection bias (Karlan 2001, Armendáriz & Morduch 2005; Alexander-Tedeschi and Karlan 2006; Banerjee, Duflo, Glennerster and Kinnan 2009; Karlan & Zinman 2010; Roodman & Morduch 2014). Armendáriz and Morduch (2005) noted, for instance, that microfinance programs do not randomly pick borrowers they want to work with but rather carefully select borrowers on basis of incalculable factors such as greater entrepreneurial attitude and enhanced business networks. Therefore, concluding that microfinance programs are having a positive impact on poverty alleviation on the basis of comparison of borrowers with non-borrowers without incorporating such factors into the analysis may simple be wrong. Furthermore, there have been other questions related to the extent of Grameen's outreach. Amin at. al (2003), for example, used GB data from 229 borrowers' households and concluded that even though GB is successful at reaching the poor, it fails to a great extent in reaching the extreme and vulnerable poor, the group which is most susceptible to destitution. Furthermore, analysing GB data, Chowdhury (2005) found that the effectiveness of the loans diminished in the long term. There have also been questions raised about the group lending approach adopted by Grameen. Using a case study in Bolivia, Ladman and Afcha (1990) showed that there can be difficulties in getting borrowers to perform specific roles such as that of the group leader who have to devote a lot of time towards duties such as the arrangement of meetings and monitoring of group members. Costs associated with monitoring and enforcement of contracts can be prohibitive even if borrowers live near each other. Secondly, unforeseen environmental disasters such as the flood of 1998 in Bangladesh can mean that the lending process can collapse as borrowers struggle to pay back loans. Thirdly, according to some studies, individual lending seems to be more

profitable and appealing to organisations with the objective of achieving financial sustainability compared to group lending. This is not only attributable to higher amounts of loans issued but also to significantly reduced costs of administration (Armendáriz and Morduch 2000, 2004; Cull and Morduch 2007). Fourthly, the individual lending approach appears to be more effective in serving mature clients who seek larger amounts of loan enabling institutions using such approaches to be more profitable (Tseng, 2011). Finally, when viewed from the lens of Sen's capability approach, by ensuring access to credit and networks, the Grameen model may possibly lead to a higher degree of individual freedom in terms of capabilities and opportunities. Such advantages are often shown in terms of concepts such as enhanced female empowerment in various aforementioned studies. However, these benefits may be offset by potentially significant disadvantages. Poverty stricken borrowers enter into strict contracts which obligates them to pay loans back in regular intervals. The ability to adhere to such contracts vary depending on a range of factors ranging from personal characteristics to environmental and economic factors. Often, it is the poorest who suffer not only because they have less money but also lower ability to transform investments into successful businesses (Hulme & Mosley 1996; Hulme and Moore, 2007). Failure to repay loans has serious implications for the borrowers and implications for freedom as repossessions take place (Hulme and Moore, 2007). Karim (2011), who studied, microfinance in the context of Bangladesh reports that it is common for defaulting borrowers' possessions such as houses, chicken or food items to be seized and sold by fellow members of a borrowing group. Therefore, there is a risk that microfinance may further suppress Bangladeshi women by an endorsement of an exploitation of traditional cultural values (Goetz and Gupta, 1996, 2001; Montgomery et al., 1996; Rahman, 1999; Levin, 2012). Along similar lines, Morduch (1999:6) questions claims of empowerment by contending that women "are mediators between male household members and the bank." and points out that "the lending mechanism can operate

under the prevailing patriarchal norms of the village society and the positional vulnerability of women."

3.2 Grameen in USA

3.2.1 The influence of neoliberalism

Microfinance began to bloom in the 1980s in the US as the socio-economic and political contexts unfolded in the US. The established banks began to fold up branches in deprived neighbourhoods which compelled the local population to use the services of pawn shops or other informal lenders for financial services (Light and Pham, 1998). There was an intensification of unemployment problems as a result of rising globalization and the resulting outsourcing of jobs (Blau, 1999; Rosen, 2002; Jurik, 2005). This was worsened by an ineffective health care system care system which did not provide adequate protection to the poor and government policies such as cutbacks of farm subsidies and import quotas which lead to reduced viability of farming. This made life particularly difficult for rural families for whom it was challenging to find alternatives (Jurik, 2005). Welfare expenditures has always been a contentious subject in US politics. There was a cutback in welfare expenditures during both Reagan and Bush tenure in the 1980s as a result of their high cost and perception as being contrary to capitalist philosophy of encouraging innovation and competition. Microfinance (including the Grameen style Microfinance Programs) thus began to surface as a method for combatting the situation of rising unemployment and the consequent reliance on welfare provision (Srivastava, 2010). These initiatives were viewed as an effective tool for stimulating enterprise and alleviate poverty in the process.

One of the earliest organizations to adopt the Grameen model was the Women/s Self-Employment Project (WSEP) in Chicago in 1985. The adaptation of the Grameen model by

WSEP was known as the Full-Circle fund. Its organizational mission was to enhance income and self-sufficiency levels of women by encouraging self-employment as a means of poverty alleviation. Further, it aimed to achieve this by means of microfinance and entrepreneurial training and business development services (Schreiner and Sheraden, 2007). WSEP's effort to provide microfinance for low income welfare dependent women did not go unnoticed as its achievements were recognised as it consequently received the Chicago Spirit Awards. It also paved the way for other similar projects aimed to enhance financial access to deprived regions (Liou, 1998). Thus, the Good Faith fund was established in Arkansas by the then Governor Bill Clinton as a result of the high numbers of poor in that region. The objective of the fund was to encourage self-employment by providing them with microfinance on "good faith" with no collateral requirement (Auwal, 1996: 39).

By 1990s, microenterprise promotion along with such microcredit initiatives were considered to be among the premier strategies to enhance economic development and tackle unemployment and social exclusion (Anthony, 1997; Balkin, 1989; Clark et al., 1999; Edgcomb et al., 1996; Himes & Servon, 1998; Light & Pham, 1998; Servon, 1999; Kolodinsky, 2006). In 1993, an analysis by SBA revealed that small businesses (those with less than 20 employees) produced a high proportion of new jobs (4.1 million) compared to a loss of jobs in medium (850000) and large (500,000) firms (Burrus, 2005). Furthermore, significant demographic transitions had also led to greater attractiveness and viability of self-employment as an alternative. These included: (a) higher proportion of women in work, many of whom considered self-employment as an effective way to balance work and family priorities; (b) rapidly growing number of immigrants who faced culture barriers less likely to be in employment thus considering self-employment as an alternative; (c) an aging population increasingly turning to self-employment as a way of earning additional income and (d) finally rural families affected by rising unemployment and unwilling to migrate turning to self-

employment as a means to continue living in their neighbourhoods (Burrus, 2005). These trends thus paved the way for more microfinance organizations to emerge in the US in the 90s.

Microfinance had gained even more relevance as a result of reduction of welfare expenditure during the Clinton era when several social programs such as the Job Opportunities and Basic Skills (JOBS) Training program Aid for Families with Dependent Children (AFDC) and the Emergency Assistance (EA) program were replaced by with Temporary Assistance for Needy Families (TANF) and greater restrictions imposed on criteria for eligibility of recipients (Srivastava, 2010). Furthermore, the enthusiasm that Clinton had for the Grameen model as shown by his earlier support for the GFF in Arkansas was evident in his Governments policy during both his presidential terms (Schreiner and Morduch, 2002). Major drives to the industry thus followed in 1992 after the enactment of the first legislation for the development of microenterprise under the SBA demonstration program which consequently went on to be permanent (Carr and Tong, 2002). Further, a milestone in the history of community finance was the 'the Reigle Community Development and Regulatory Act' which was passed in 1994 that led to the formation of the official organizational identity "Community Development Financial Institution" or CDFI attributed to certified organizations which operated in the sphere of US community finance. The CRA act of 1977 was reinforced by the enactment of this legislation as it encouraged commercial banks to gain CRA credits by lending to CDFIs operating in deprived neighbourhoods which under normal circumstances would be less viable for it to operate in (Jurik, 2005). It was thus mutually beneficial for both banks and CDFIs as banks were able to comply with their obligatory CRA requirements and CDFIs could obtain funds to operate smoothly (Hawke, 2002). Such policies led to the development of a number of MFI initiatives some of which endeavoured to use the Grameen model. Project Enterprise (PE) was one such example. Inspired by the achievements of WSEP, it opened its doors in New

York in 1996 and was the first institution to offer microloans without collaterals in the city (Counts, 2008; PE website, 2016).

3.2.2 Paradigm Shift

Despite the initial enthusiasm, most initiatives adopting the peer group lending model either ceased operation or shifted to individual lending by the end of the decade. For example, WSEP had experienced a number of operational issues in adopting the model to an urban American context. These challenges included: (i) Serving a population which was much less dense and more dispersed compared to developing countries resulting in the escalation of costs (ii) Difficulties of establishing Grameen like centres as a result of clients being reluctant to attend group meetings who are unwilling to step beyond limited community boundaries to establish a large network of borrowers. (iii) A welfare system which created disincentives for borrowers to earn income and build assets (factored into the eligibility criteria for receiving welfare) and increased client risk of losing out on benefits. (iv) A combination of the above factor made marketing Grameen style loans extremely challenging (Cohen, 1989). WSEP shifted to individual lending before eventually terminating operations due to a lack of funding (Westal et al. 2000; Counts, 2008). An evaluation study by Taub (1998) revealed that GFF had experienced similar difficulties to WSEP. Such difficulties led to low repayment rates (48%) and volumes of clients both of which were key factors in GFF not being able to achieve any semblance of self-sufficiency (Taub, 1998). Consequently, the GFF also had changed its model to emphasize individual lending and training for employment before being phased out eventually (Schreiner, 1999; Harms, 2005). Working Capital were able to recruit substantial number of clients in its initial periods of operation due to the prevailing economic environment characterized by high unemployment and financial exclusion. During the late 90s it experienced a steep decline in demand as a result of greater prosperity and availability of credit. Consequently, many of its hubs and affiliates began to collapse as it was unable to recover even

half of its operational costs. Working Capital responded to such problems by restructuring its products to emphasize individual lending and increasing the size of loans (Ashe, 2000). Another notable example of a change in lending strategy was Accion International, which attempt to adopt the peer group lending model early on in its operations in 1991 but later shifted to an individual lending model (Fairbanks, 2008; Accioneast.org, 2016).

Several studies have reflected on numerous reasons for the difficulties of operating the group lending model in an American context (Edgcomb et al., 1996; Taub,1998 and Ashe, 2000). Schreiner and Woller (2003) pointed out four key reasons which lead to great challenges for the adoption of the group lending model in a US context. Firstly, a lack of social capital in industrialised country such as US means that markets are characterized by impersonal nature of transactions unlike the markets of developing countries often frequented by the same clientele who are involved in day to day bargaining. Furthermore, people often do not find it necessary to extend their relationship network beyond families as they rely on employment and welfare programs for sustaining their livelihoods. Woolcock (1999) postulates that individuals need to be constantly in touch with another to form effective levels of social capital. Thus, the high mobility of the American population compared to developing countries may also contribute towards problems of adopting peer group lending. The second challenge is associated with the diversity of the US population. GB's groups are usually composed of members coming from similar ethnic, religious and cultural backgrounds who speak the same language (Bengali). This is in turn makes it easier to operate and manage such groups compared to the US where clients often come from diverse backgrounds which may reduce the social capital. Thirdly, US programs are frequently reluctant to enforce the system of joint liability (i.e. making members liable for default of other members in the group) (Bhatt, 2000; Hung, 2001). This is an interesting area of contention because GB has also phased out joint liability in 2001 with the introduction of Grameen 2 which has replaced the earlier version Grameen 1.

Finally, the credit market is more established and pervasive in the US and hence provides alternatives to potential clients to obtain individual loans through other sources (such as credit cards). This means that many borrowers may be reluctant to take the risk of forming groups with borrowers and be liable for the potential default by any group member. A domino effect may ensue as potentially safe borrowers may be inclined to default to evade paying for others (Besley & Coate, 1995; Paxton, Graham, & Thraen, 2000).

As explained above, most of the programs responded to the challenges of adopting the group lending model by shifting their emphasis to individual lending model and client training (Schreiner and Murdoch, 2001). By the end of 2002, out of the 554 MFIs operating in the field, 356 organization provided only training services while out of the remaining 198, 182 provided individual lending whereas only 36 had some peer group element in their products (Burrus, 2005).

3.2.3 Developments post-recession

In spite of the efficiency and sustainability problems plaguing the US microfinance institutions outlined in the previous section, microfinance has continued to thrive as a result of socio-economic and political circumstances unfolding in the US. Poverty remains a pertinent problem in the US society with the official poverty rate being almost 15% in 2014 (approximately 46.7 million live in poverty in 2014 according to official sources) (US Census Bureau, 2016). To compound the problem, 34% of poverty affected households are female headed households while 1 out of 5 children live in poverty (GA website, 2016). The poverty figures have been static since a number of years and have been markedly higher for African Americans and Hispanic population (Pimpare, 2014). Pimpare (2014) argues that the census figures can be misleading and if poverty was to be considered as a more dynamic measure incorporating

people moving in and out of poverty over sustained periods, the problem is much more chronic with figures around 32%.

Microfinance is conventionally viewed as targeting the poorest of the poor suffering from low levels of education. The recession meant that many MFIs could expand their clientele base to meet the requirements of an emerging middle-class clientele base (without access to adequate assets and resources), many of whom were well educated. However, it may have also resulted in a mission drift of such MFIs (Keng, 2009). Finally, there has been growing recognition and awareness of rising financial exclusion, particularly the significant numbers of "unbanked" Americans with substantially low-income levels lacking access to financial resources. A study by the Federal Deposit Insurance Corporation (FDIC) in 2009, for example revealed that around 8% (approximately 8 million households are "unbanked". Another 19% (approximately 21million) are "underbanked" with limited access to products and services of mainstream financial institutions (Knowledge@Wharton, 2011).

Thus, in congruence with such emerging socio-economic issues and growing demand and awareness of microfinance as an alternative, there has been significant political support from the Obama administration. This was evident in the earliest period of Obamas tenure with the passing of American Reinvestment and Recovery Act (ARRA) of 2009. The predominant objective of the ARRA was to preserve and create employment opportunities in the aftermath of the financial recession (MacDonald et al., 2012). The legislation enabled $730 million to be awarded to SBA to be used for the objective of supporting microenterprise. This was a significant amount given that the SBA had issued approximately $3.2 billion in 2007 (Maltby, 2009). $50 million out of this $730 million fund was specially designated for utilization for SBA's Microloan program (Keng, 2009). Further, there was approval of $24 million in additional grants for micro-lenders which offered the provision of financial training and

assistance to their clients. In addition, ARRA led to the creation of a larger sum of potential funding for CDFI certified micro-lenders worth $100 million from US Treasury Department's CDFI fund. Community Development Block Grant (CDBG) program was allocated $1 billion worth of funding which meant that local governments were endowed with additional funds which could potentially be invested in microfinance projects (Accioneast, 2009). The following year saw the enactment of Dodd-Frank Wall Street Reform and Consumer Protection Act designed to support micro lending through forming alliance with larger institutions (Lawrence and Truglio, 2013). This was the contextual backdrop in which Grameen America emerged in 2008. Despite the challenges faced by its predecessors and their eventual termination or shift to different lending models, *Grameen America* (GA), as founded by Yunus himself in 2008, has been exceptional. Since its inception, GA has become one of the prolific lenders in the US (Leiberman et al, 2012). It has steadily expanded each year, growing from 500 borrowers at the end of 2008 to 42780 by Jan, 2015. It has created 51335 jobs and managed to achieve a repayment rate of around 98 to 99%. It has also expanded rapidly, operating currently in eleven US cities (GA Website a, 2015**).** The steady progress of GA has not gone unnoticed in the prominent mainstream media with several outlets reporting on its expansion, exceptional repayment rates and prospects for growth in the USA (Economist, 2011; Chau and Dayan, 2014; MSNBC, 2014). A report by Dewan (2013), for instance noted, how microfinance had boomed in the post-2008 period, leading to an increase in more than triple the number of borrowers. Indeed, GA had developed rapidly into a microfinance leader since its inception. Several reports have also reflected on the individual accounts of positive experiences of the GA's clients (Dewan, 2013; Blanchard, 2014; O'Brien, 2014; Fremson, 2014).

GA has been steadily expanding since its inception and has been recognised as one of the prolific lenders in US microfinance (Lieberman et al., 2012). GA operates in eleven cities and has grown from serving 500 borrowers at the end of 2008 to currently serving 64295 clients.

3.3 Grameen in UK

3.3.1 Rising social and financial exclusion and the New Labour era

The socioeconomic contexts and political environment in which initiatives replicating the Grameen model have emerged in the U.K are now analysed. The integral roots of the UK community finance sector dates back to 1960s with the establishment of community credit unions (Brown *et al.* 2003; Collin *et al*. 2001). However, the real impetus for the CDFI movement was in the late 1990s with a change in political environment in the UK, preceded by certain changes in the socioeconomic contexts that required policy initiatives in the socio-financial sector.

Over the years, inequality has steadily risen in Britain; some geographical regions have been more prone to poverty than others. Britain has experienced since the late 1970s a marked rise in the geographical concentration of poverty; disparity between rich and poor people has also been consistently rising (Green, 1994; Rogaly et al, 1999). Factors such as a lack of safe shelter, inferior diets, ineffectual social relations or incapability to exercise influence over events in the local community had a noticeable impact on many households. Research has revealed that relative poverty can accelerate the frequency of incidence of illness and early death (Wilkinson, 1996). Socioeconomic analysis of data on absolute poverty pattern amid 1979-1995 revealed an 8% increase in poverty in terms of real income for the most deprived 10 (Hills, 1998). As can be seen from Figure A.1 shows that the numbers of low-income households (i.e. those with income below 60% 0f the median) has constantly risen from 7.6 million in year 1979 to 13.4 million in 2000.

Unemployment is typically viewed as a central attribute of exclusion and the likeliest cause of poverty in Western Europe (Rogaly et al, 1999). An in-depth analysis by Joseph Rowntree Foundation (JRF, 1997) in Britain, Germany and Sweden found that unemployment became

more unbearable with prolonged duration. Loneliness, seclusion and a loss of dignity was reported by various respondents in these three countries. They depended on family and friends for company and support, feeling a lack of empathy and discriminatory attitude from their wider communities. Moreover, British individuals who suffered long term unemployment were more likely to be unable to pay for basic needs and hence in greater danger of incurring severe financial liabilities. In both Sweden and Germany some indication of 'social exclusion' were observed, but the evidence is more discernible and prevalent in Britain (Joseph Rowntree Foundation, JRF, 1997).

Amartya Sen (1997) contends that unemployment is at least a pertinent cause of poverty as poor income, as it has a profound influence on various aspects of poverty. These include loss of confidence, sadness and increased family conflicts. Unemployment in UK seems seem more marked in some areas than others. For example, a report revealed that unemployment in Birmingham exceeded the national rate by more than two times in 2000. This problem has also been pervasive in other areas such as Tower Hamlets. Such problems are further accentuated with regard to the high percentage of ethnic minorities groups such as Black, Bangladeshi and Pakistanis who live in such regions. Department of Work and Pension (DWP) figures have consistently indicated that unemployment rates for ethnic minority groups are significantly higher than that of their white counterparts (Inman, 2014). Furthermore, the fact that female entrepreneurs have always been the central focus of the Grameen model and the persistently high unemployment rates amongst this population rendered the initiatives adopting the model as an attractive proposition for regeneration funders keen to address such issues. The provision of microfinance and promotion of self-employment was an obvious choice for moderating such problems; naturally it gained increasing momentum and received substantial consideration from both the government and funders.

A detailed survey was carried out in three areas of London; the report examined the access to banking services and also the usage of substitute (costlier) services. This study suggested that `financial exclusion` is associated with inadequate income of households, costly sources of credit, substantial amounts borrowed to pay for everyday living expenses, lack of savings, lack of access to the inexpensive fuel tariffs. Furthermore, it is also linked to apprehension about debt, reliance on means-tested state benefits, caring obligations that limit the ability to work and employment uncertainty and low-income professions (Dayson, 2004). Empirical research also upholds such findings on access to credit and debt among low income families in the UK households (Bridges and Disney, 2002). Further, one research study suggested that micro-enterprises in underprivileged communities are most likely to be affected by financial exclusion (Collard at al, 2001). The Annual Review of the Bank of England (2002) confirms that fewer self-employed people in low income communities had personal accounts compared to the relatively more affluent regions. The numbers dwindle even more for the number of individuals with business accounts. The lower incomes earned by enterprises in disadvantaged areas predictably made it more problematic to borrow money; for setting up new ventures with lower individual savings, it was even more difficult still to obtain start-up capital (BoE 2002; Collard et al 2001; Dayson, 2004).

The return in 1997 of Labour Party to government dawned a new era in the British desire to combat poverty and social exclusion. The CDFI movement gained impetus after Labour's re-emergence to power. The NGOs and civil society groups consistently pressurized the new administration to meet its commitments under the 1995 UN Copenhagen summit. Microfinance was then increasingly viewed by the Labour government as a powerful means of tackling poverty and social exclusion. It integrated the growth of CDFIs into its regeneration policies by assisting the institutions through grants and incorporating tax incentives to encourage investment into the sector. The government soon established the Social Exclusion Unit to

address some of society's most complex issues. The Policy Action Team (PAT) reports from 1998 onwards were initiated with the purpose of providing crucial foundational elements for the National Strategy for Neighbourhood Renewal.

The government's delineation of socioeconomic problems as social exclusion in accordance with its prominence given to financial exclusion (Giddens, 1998; Levitas, 1998; Byrne, 1999, Affleck and Mellor, 2006); as well as weight attached to economic exclusion (Cameron and Davoudi, 1998; Hills et al., 2002). An integral factor of the government's social inclusion agenda was to boost employment through the means of paid work. Nevertheless, it also understood the significance of encouraging self-employment[7], small businesses and social enterprises within deprived communities. It also realized further that there was a serious lack of entrepreneurial culture amongst the disadvantaged communities which depended too much on traditional economic institutions for creation of jobs (Giddens, 1998).

Core problems affecting such disadvantaged neighbourhoods were viewed as such as lack of employment, enterprises and community services. The reasoning was social impact would be maximized for such localities by boosting entrepreneurship. Along similar lines, a study by the Small Business Service (SBS), revealed that start up rates in deprived neighbourhoods are approximately ten times less than those in the high-performance regions (SBS, 2002). The significant weight attached to community development by the government originated from a firm belief that there was great potential for enterprise growth with adequate financial and technical support (Social Exclusion Unit, 2000)

This identification of the multiple facets of financial and social exclusion and a tremendous commitment to encourage entrepreneurship in underprivileged regions led to a favourable

[7] Self-employment is projected to offer clear advantages over waged employment including flexibility, universality (even illiterate and poor people can exploit inherited skills), overcoming rigidity of waged employment and offering a way out of welfare dependency among others (Yunus, 1998).

environment of increased impetus of government support for community finance projects in the late 1990s amongst which was organizations that wished to adapt the Grameen model in delivering microfinance to disadvantaged groups. Thus, the UK adoption of microfinance as a tool for fighting social and financial exclusion was inspired by the US Clinton Administration's "Third Way" which viewed financial inclusion as way of developing enterprise and boosting competition to revive the economy and reform the welfare system (Giddens, 1998; Marshall, 2004). The idea of the organizational identity of CDFI conceptualised in the US in 1994 was adopted officially by the UK government in 1999 (NSFNR, 1999). In addition, a critical issue enabling the growth of the case study UK CDFIs was the launch of the Phoenix Fund in 1999, the objective of which was to deal effectively with social and financial exclusion particularly in disadvantaged areas (GHK, 2004). The fund was administered by the Small Business Service (SBS). It was utilised to sponsor CDFI loan funds and processes by grants. The main purpose of such schemes has been to address the mounting problems of poverty[8], social[9] and financial exclusion[10] in neighbourhoods where they operate.

Copisarow (2000) advocated the need for application of microcredit technology in the U.K as many households lack access to financial products and services in heavily concentrated areas of high deprivation. Research has reinforced a belief that self-employed people are very critical of banks and many found it difficult to raise finance they became considerably interested in

[8] Poverty is defined in relative terms as the experience of living in a household with a level of income or wealth below than that is necessary to purchase the range of goods and services considered insufficient for living by the standards of a majority in a particular reference group (Rogaly et al, 1999).

[9] Social exclusion is defined as the processes which bring about a lack of range of citizenships. Economic citizenship includes access to good quality employment and to financial services. Political citizenship refers to the capacity to influence processes of decision-making that affect one's own life: being able to change the rules. Social citizenship includes a sense of belonging as well as an ability to accumulate and maintain supportive social networks (Rogaly et al, 1999).

[10] Financial exclusion is defined as exclusion from particular sources of credit and other financial services including insurance, bill-payment services and accessible and appropriate deposit accounts. (Rogaly, 1999)

micro-lending schemes (Whyley et al, 2001). In response to such projected needs, microcredit schemes based on Grameen model emerged in the late 1990s. The initiatives included the *Street-UK,* which operated in Birmingham, the *Full Circle* fund, in Norwich and the *East End Microcredit Consortium* (EEMC) project in East London. In 1998, Women's Enterprise Employment and Training Unit (WEETU) started running the *Full Circle Fund,* modelled on the Grameen peer lending programme in response to the growing marginalization of women in the economy of Norwich and surrounding areas. The EEMC was set up as an experiment to enable greater understanding of the effectiveness of the Grameen model in the context of UK. In terms of objective it sought to identify the need for accessible finance for women who wished to develop their income-generating ideas into reality. It was initiated by an institutional entrepreneur, Faisel Rehman, a former intern at the GB. He wanted to use his experiences with the organization to address the issue of financial exclusion in the UK. It was based on a 'hub and spoke' model wherein the EEMC was the hub offering lending and administering loans, whereas the role of the spokes was taken up by three local community organizations *Streetcred*, *Homeless family unit* and *Account3* involved in direct and support, outreach work and operating the peer group model (Ramsden, 2008). The following year *Street-UK* was founded, inspired by the success of a Polish scheme known as *Fundusz Mikro*. It sought to adopt the Grameen Style group-lending in order to provide access to finance for low-income, self-employed people and very small businesses, not viewed creditworthy by banks.

In Scotland, an important phase of the emergence of community finance began with a formation of Developing Strathclyde Limited (DSL) in 1993 in order to counter social and financial exclusion in deprived neighbourhoods in Glasgow. Soon after in the same year Glasgow Regeneration Fund (GRF) was established with the objective of providing microfinance to boost entrepreneurship in underinvested regions of Glasgow (Gorbals, Govan, Greater Easterhouse, Castlemilk, Drumchapel, Glasgow North, the East End and Greater Pollok). The

Glasgow Women's Microcredit Project (based on the Grameen model), was set up in 1997 as a sub-fund of the GRF and was operated by the DSL in co-operation with the Wellpark Enterprise. This pilot project ended in 2001 and was viewed as having achieved target objectives. Consequently, DSL in conjunction with the Scottish Enterprise launched the National Microfinance Program in 2002 (Wellpark was no longer involved in this initiative) (DSL Business Website, 2016).

The preceding analyses has revealed how the socio-economic circumstances surrounding poverty, social and financial exclusion in Britain had unfolded in the 1990s. The new administration in 1997 recognised the pervasive poverty and social exclusion plaguing societies across the UK and hence provided a conducive environment for various socio-economic initiatives to initiate operations. A number of CDFIs surfaced as a result in UK, some of which were inspired by the Grameen model.

3.3.2 Developments post 2005

A significant shift in government policy towards community finance transpired in 2005. A core factor of government funding and support was the potential sustainability of such projects. For example, actual or potential viability was a key factor assessed for application of CDFIs for the Phoenix fund. In addition, this was also an important objective of another government initiative *Community Investment Tax Relief* (CITR) introduced in 2002 which enabled CDFIs to access loans at reasonably lower levels of interest. In order to achieve accreditation, a CDFI had to demonstrate that "'the promotion of enterprise, economic development and social inclusion in disadvantaged communities [is] its main goal', had an established record of performance and 'viable plans for long-term sustainability' (HMT, 2001:14; Appleyard, 2008). The CDFI sector was greatly dependent on the Phoenix fund for support, as 60 CDFIs received approximately £42 million (SBS, 2005). Moreover, 30 CDFIs would be non-existent without the fund and

approximately 40% of all operational cost of almost 40 CDFIs was covered by the fund (GHK, 2004; Ramsden, 2005).

There were two important policy changes that affected the trajectory of UK microfinance in 2005/2006. Firstly, the Phoenix fund was terminated and responsibilities for CDFI funding was devolved from the SBS to Regional Development Agencies (RDAs). This could be attributed to the fact that most of the CDFIs were not able to demonstrate their long-term viability as per the original conditions of much of the funding and support they had received. All of the foregoing Grameen inspired UK initiatives have faced significant challenges since their inception and have responded in different ways. Some of them have ceased operations while others continue to thrive after undergoing major transformations. *EEMC* for example, metamorphosed into a new organization known as Fairfinance (Ramsden, 2008; Account3 website, 2015). Studies reveal that RDAs were much less supportive of CDFIs than the SBS and more stringent with regards to issue of long term sustainability (Appleyard, 2008; Aase, 2014). An analysis by GHK (2010) revealed that the funding during the RDA period was much less than that of that earlier Phoenix funding. Thus, there may have been a policy contradiction between what the government expected from the CDFIs (i.e. long-term sustainability) requiring scale and sustainability on a national context whereas the decentralisation of CDFI support implied that policy emphasis was confined to a local level (Aase, 2014). Secondly, there was microfinance policy shift with a greater emphasis on personal lending (Appleyard, 2008). This was evident in the 2005 budget. The Pre-Budget report had identified access to affordable credit as one of the three major areas including access to banking and money advice for effective tackling of financial exclusion. The Budget report acknowledged that many households depend on the alternative credit market where products usually had Annual percentage rates greater than 100% and CDFIs had an important role in redressing the balance (HMT, 2005). However, much of the government funding and support for community finance

waned in this period. As a result of the aforementioned policy changes, many CDFIs including the aforementioned UK case studies struggled to obtain funds as a result of low levels of self-sustainability which consequently led to their closure or had undergone major transformations adopting different business models to survive. In Scotland, despite the Scottish National Microfinance program being termed "a success" by an evaluation report in 2005 (Policy Research Network: 50), it was terminated in 2007 owing to funding constraints (DSL Business Website, 2016).

Nevertheless, the financial crisis in 2008 had reversed the situation to a significant extent as financial institutions tightened their lending policies which in turn led to a substantial rise in demand for CDFI loans from individuals and businesses. This also led to the introduction of the Enterprise Finance Guarantee with the objective of encouraging banks to lend to small businesses who were unable to provide the required bank collateral. The election of the Conservative government marked the beginning of some important changes which had relevant implications for the CDFI industry. The government reorganized forces in relation to the development of the CDFI industry. Local Enterprise Partnerships (LEPs) took over from RDAs in 2011/ 2012 and Social Exclusion Task Force was replaced by Office for the Civil Society in 2010 (Helm & Asthana, 2010). The Enterprise Finance Guarantee was restructured to specially assist CDFIs. There was a discernible change in rhetoric in the Conservative manifesto with a focus on reduction of deficits and taxes and significant weight attached to supporting small businesses. Microbusiness and self-employment seem to be in vogue and political limelight. Microbusinesses was labelled as "the lifeblood" of the economy by David Cameron who assured early on during his tenure to remove obstacles for their development (Dellot, 2014: 14). This Conservative rhetoric has resonated well with a number of initiatives that have been launched since its election in 2010. The Regional Growth fund (RGF) totalling £3.2 billion was introduced with the purpose of allocating grants to boost private sectors projects and jobs

particularly in areas that are reliant on the public sector for job creation (Gov.uk, 2015). The New Enterprise Allowance scheme (NEA) and the Start-up Loan Scheme (SUL) were set up to assist and encourage the unemployed who desired to start their own business. Big Society Capital, the world's premier financial institution dedicated to providing financial support to social sector organizations was launched in 2011. It is evident that such initiatives had an important effect as the CDFI sector experiences major growth since 2011 with enhanced levels of professionalism and sustainability (Aase, 2014).

In Scotland, microfinance has developed sporadically post 2005 with Scotcash, a prominent CDFI which provides personal lending at affordable rates being launched in 2007. Subsequently, Passage from India, an initiative based on a variant of a group lending model (the Self-reliant/ SRG from India) was launched in 2011. This has been rebranded and launched as WEvolution in 2014 after having received Government funding in 2013. The most recent initiative based on the Grameen model is Grameen in the UK (GU) which began its operations in 2014 targeting clients based in Glasgow, North Ayrshire, West Dunbartonshire and Inverclyde.

Thus, it may be deduced from the above that the microfinance policy environment surrounding the UK case study initiatives may be divided into two distinct periods. The first period 1998/99 to 2004-2005 saw the emergence of several CDFIs including the case study organizations owing to the Labour government support the most significant of which was the Phoenix Development fund. The second period (post 2005) saw increased recognition and importance attached to the debt problems plaguing the UK society exacerbated by predatory lending and CDFIs providing personal lending products were viewed as a part of the solution. However, there was a gradual waning of political funding and support of CDFIs as many were perceived to have performed below expectations with respect to outreach and sustainability. This situation was reversed by the financial crisis in 2008 which caused the demand for CDFI finance to

surge. It is perhaps important to note that the Conservative government supported microfinance but promoted it as a tool for boosting small business. This was unlike the 1997 Labour era which had projected a more socially oriented brand of microfinance as a means of addressing the social and financial exclusion with a much greater emphasis on issues of gender and ethnicity. The common factor during both government's tenure, however, has been a perception of microfinance as an alternative to the welfare state.

3.4 The role of credit unions

A notable common factor in both the UK and the USA is the backdrop of the credit union movement in the emergence of microfinance in the UK and USA as both GU and GA have been inspired by the movements. GA aspires to become a credit union in the US while GU authorities believed that the strong credit union culture in Glasgow would contribute to strong demand for their services. A credit union may be defined as financial cooperative which is owned and controlled by its members and operated on a not-for-profit basis (O'Sullivan and Sheffrin, 2003). The membership usually ranges from 30 to 100 individuals. Members' savings may be used to secure a loan or some form of small household assets such as cow or goat or a bicycle may also be used as collaterals to guarantee loans. Local financial resources can be mobilised effectively by credit unions due to flexibility of savings and competitive interest rates compared to banks. The small size of a credit union enables members to effectively manage it as they willingly devote all or part of their time to run the union and can easily access information about reliability of individuals (Tseng, 2011). However, the credit unions have some disadvantages as well. These may include, often having inadequate funds to meet shortfalls in liquidity, problems with risk diversification, prone to inflation and damage caused by the economic reverses of members (Adams, 1999). Despite such problems, there has been a strong history of communal banking in the UKA and the USA. In the USA, the movement dates back to the 2008 when St. Mary's Bank of Manchester and St. Mary's Cooperative Credit

Association was established] by French-speaking immigrants. Membership was limited to "groups having a common bond of occupation or association, or to groups within a well-defined neighbourhood, community or rural district" by the Federal Credit Union Act 1934. Credit unions have continued to grow steadily since their inception in the US (Wilcox and Dopico, 2011; Hayes and Duren, 2019). In the UK, co-operatives or mutual organisations such as building societies date back to the 18th century. Mutual societies were formalised under the Friendly Societies Act 1819 prior to the welfare state and were established to meet the requirements of a burgeoning urban working class. This involved pooling of small regular individual payments for shared communal benefits. Building societies were set up with the objective of building local houses by pooling resources from members. The first credit union (Derry) was formed in the UK in 1960 by six members who pooled their savings. The number of credit unions have had increased steadily over the years as the credit union membership in the UK almost doubled from 562,000 in 2004 to nearly 1.04 million in 2012 (Jones, 2013).It is perhaps important to note given the emergence of GU in Glasgow, that credit union membership and coverage has remained strong as one in six Glaswegians is a credit union member. There also exists 100 credit unions in Scotland with 33 operating in Glasgow (ScottishCU, 2021; Cucity, 2021). At Grameen in the UK, it was felt that a strong credit union culture and a history of communal banking in Scotland would contribute towards the demand for its services prior to launch. This stemmed from a belief that most credit unions were becoming increasingly formal like banks in their approach as they check credit histories and required bank statements from prospective clients. Further, credit unions often do not provide extensive services for business loans and usually have strict requirements of clients to save for a certain period of time before any credit could be provided to them. It was reasoned that many potential clients of GU did not meet such requirements[11].

[11] (ME#6, 2014)

Conclusion

The analysis above indicates the key differences between the emergence of the GB and UK and US case studies. GB was much more aimed at classical poverty alleviation as it surfaced in the contextual background of Bangladeshi poverty and famine in a war-ravaged economy. This is naturally different to the context for the emergence of most US microfinance initiatives, the primary objective of which was to utilize microcredit to promote microenterprise development rather than classical poverty alleviation. The Grameen Philosophy of motivating the poor to become self-employed and self-reliant was resonant with the Neoliberal US Capitalist ideology of free market and competition. In the UK, although poverty and social exclusion was a key theme along with microenterprise development in the earlier Labour era's support for microfinance, this changed over the years with the current Conservative government promoting microcredit as a means to boost small businesses rather than the more socially oriented brand of microfinance endorsed by earlier regimes. This orientation in both UK and US in both countries is also evident in the fact that the policy emphasis is on microcredit to develop microenterprise rather than on extensive microfinance services (i.e. savings and insurance), important tools to address the vulnerability of the poor in developing countries (Srivastava, 2010). A common continual theme prevalent amongst the UK and US policies has been the perception of microfinance as a tool to address rising welfare expenditures. This contrasts with Bangladesh where microfinance was viewed as a tool for improving the economic livelihoods of the poor (in the absence of a welfare state) and protection from exploitative moneylenders.

CHAPTER 4 RESEARCH DESIGN AND METHODLOGY

Introduction

A systematic and well-ordered analysis of the data in any investigative work prerequisites clearly defined research design and premeditated methodologies. Precisely for this purpose the study in the current chapter intends to lay down the basic framework of research and set of methodologies that may well be relevant or useful for taking the objectives of the study forward. With such ends in mind the sections below (4.2—4.7) place in view the interpretative paradigm, perspectives of theory, research strategies and the methodological tools, stages of research and the rigour needed in the process of research and analysis. A key focus has been to ensemble the research objectives in sequential order with a view to explain the process of research. An inherent idea has been to delineate conceptual frontiers of the themes relevant, enabling the analyst to offer insights and schematize crucial aspects of the decisions taken in the process of research. The limitations of the research design and methodology introduced in the chapter have also been identified towards the end, with added notes on mitigation steps taken (section 4.8).

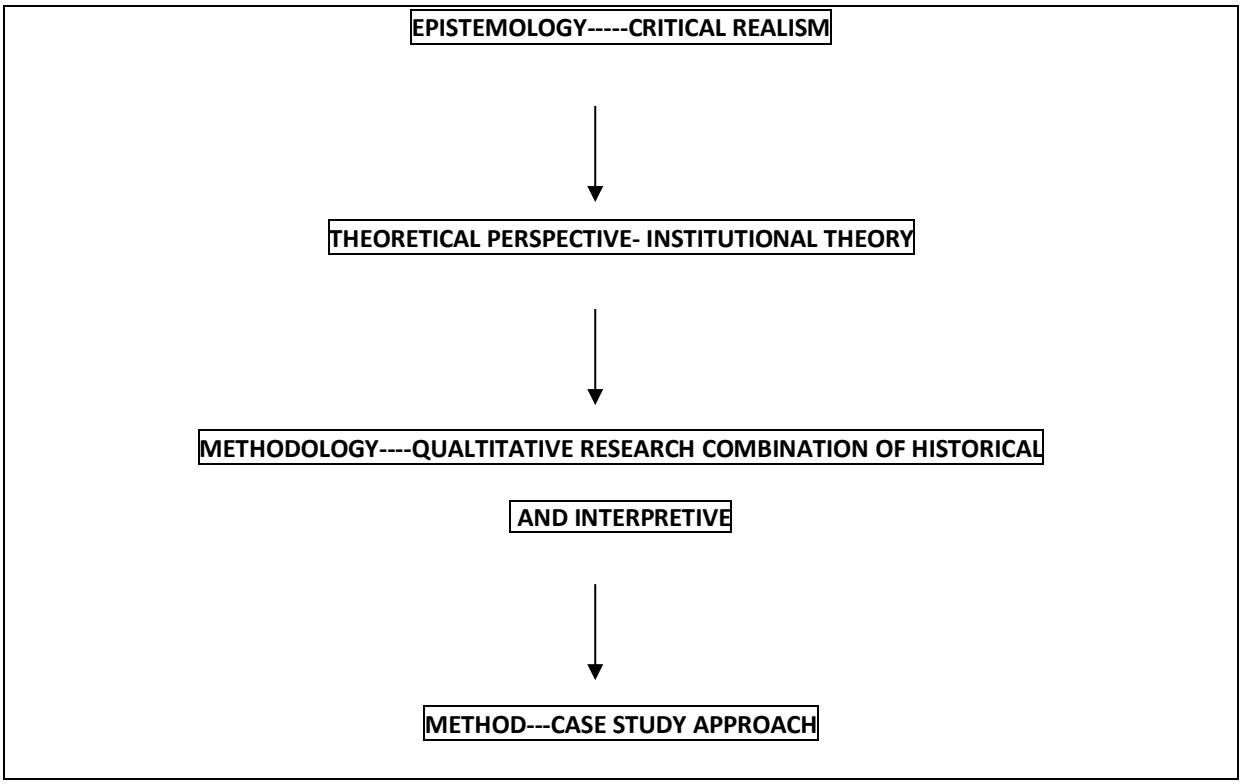
The gendered multi-culturally situated researcher approaches the world with a set of ideas, a framework (theory, ontology) that specifies a set of question (epistemology) that he or she then examines in specific ways (methodology, analysis) (Denzin et al., 2003). That is, the researcher collects empirical material bearing on the question and then analyses and writes about them. Every researcher speaks from within a distinctive interpretive community that configures, in its special way, the multicultural, gendered components of the research act (Denzin et al, 2003). In this regard, Crotty (2003) identifies the following four key questions:

1. What *methods* do we propose to use?

2. What *methodology* governs our choice and use of methods?
3. What *theoretical perspective* lies behind the methodology in action?
4. What *epistemology* informs this theoretical perspective?

The four key elements of the foregoing questions (relevant to the current research) are interlinked, as is shown in Figure 4.1 below:

Figure 4.1 Elements of the research process



Each of the above elements requires exposition and is addressed in the following sections: interpretive paradigm, theoretical perspective, research strategies and methodological tools.

4.1 Interpretive paradigm

A critical realist paradigm is more suitable to the research process given the nature of the research question. Critical realism is typified by a stratified ontology consisting of the empirical, the actual and the real (Bhaskar, 1978). The empirical domain is where observations

take place experienced. Nevertheless, events which transpire in the actual domain may not be observable or interpreted in a theory laden and subjective manner which may lead to different connotations on the part of observers. Events take place as a consequence of mechanisms which exist in the real domain (Easton, 2010). In accordance with such a view, social phenomena may be explained as being "both causal (as does the positivist) and interpretive (as does the hermeneuticist)" (Collier, 1994: 167). This provides an opportunity to reconcile understanding and explanation (Welch et al, 2011). This approach discards the notion of sensory observation as being the solitary source of explanation. It assumes transcendental realist ontology and an interpretivist epistemology contending that causality can be understood by unobservable mechanisms (Easton, 2011; 119; Welch et al, 2011). The actuation of a mechanism depends on the conditions it operates in. Hence research needs to incorporate the spatio-temporal context effectively (Welch et al, 2011). A high degree of importance is attached to causality in terms of the analysis. A positivist approach assumes causality to be dependent on existence of regularities or law-like generalizations for interpretation and prediction. The most significant problem with this approach is a continual conjunction of variables is not a causal explanation rather “simply an atheoretical statement about the world” (Easton, 2010: 118). Interpretivism, on the other hand, may not also be a suitable approach as it rejects the possibility of detecting causality. Thus, in the context of the current research, critical realism is deemed to be a better alternative compared to other paradigms such as positivism and interpretivism. Positivism is focused on regularities, models of regression based on various types of variable and a quest for law-like generalisations whereas interpretivist studies emphasize interpretation and vivid descriptions over the notion of causality. The core tenet of critical realism is that causal language may be used to explain concepts and used in tandem with thinking (Easton, 2010). Causality is defined by (Sayer, 1992: 104) as “To ask for the cause of something is to ask ‘what makes it happen’, what ‘produces’, ‘generates’, ‘creates’ or ‘determines’ it, or, more weakly,

what ‘enables’ or ‘leads to’ it”. Under this view, objects or entities form the theoretical foundational units for an explanation under critical realism. In a microfinance context, these objects would include things such as the case study organizations, borrowers, the relationships (for example- amongst borrowers or between borrowers and the organizations), attitude/ changing ideas of the management etc and have casual powers and liabilities causing events to occur under certain conditions which the researcher attempts to investigate. Critical realism originates from epistemic fallacy, the separation of ontological statements (what we say exists- the real) and epistemological statements (what we can understand about what exists or the real). There must also be a differentiation between transitive and intransitive knowledge. Thus, the transitive component includes theories of structures and events which we attempt to explain the intransitive aspect. Critical realists postulate a difference between the real world (which is not possible to observe and occurs independent from our perceptions, theories and constructions) and the observable world (which we are able to interpret and construct through our viewpoints and experiences). Observable events are caused by unobservable structures which necessitates that these structures be understood for research questions to be answered. The main research question addressed by this thesis is the nature of the institutional challenges of adopting the Grameen model in the UK and the USA. In the context of this research, it is observable is that the Grameen model is difficult to adopt in the context of developed countries such as the UK and the USA. However, Grameen America stands out as an exception out of nine case studies across the UK and USA which has seemingly been able to deal with institutional complexities well and be a successful institutional entrepreneur.

4.2 Theoretical perspective

Institutional logics are overarching sets of principles that prescribe “how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed” (Thornton, 2004: 70; Friedland & Alford, 1991). Such logics guide the behaviour of actors within a field

and render their actions “comprehensible and predictable” (Lounsbury 2002: 255; Tracey et al, 2011). They enable actors to deal with ambiguity by placing emphasis on certain issues, identifying which of these are significant and require managerial awareness and designing of potential solutions (Thornton, 2002). The boundaries of organizational fields are demarcated and maintained by one or more shared institutional logics (Greenwood and Suddaby 2006; Tracey et al, 2011). Organizations experience institutional complexity “whenever they confront incompatible prescriptions from multiple institutional logics” (Greenwood et al, 2011: 375). Institutional entrepreneurs “mobilize resources to transform or create institutions that favor [their] interests” (Pacheco et al., 2010: 975; DiMaggio, 1988; Fligstein, 1997; Rao, Morrill, & Zald, 2000; Maguire et al., 2004; Khavul et al, 2013). Institutional entrepreneurs not only create new institutional environments but also transform existing institutional environments (Phillips et al., 2004). They initiate change in motion (Greenwood et al., 2002). They may be individuals, organizations, or groups of organizations (Khavul et al, 2013).

The current study adheres to the interpretation of institutional entrepreneurship whereby it is viewed as ‘‘agents who initiate and actively participate in the implementation of changes that diverge from existing institutions, independent of whether the initial intent was to change the institutional environment, and whether the changes were successfully implemented’’ (Battilana et al., 2009; Sharma, 2010: 168). Research in the study focuses on case study organizations which used the Grameen Bank (GB) model. The model is unique and is considered pivotal in the worldwide emergence of microfinance as an effective tool for addressing financial exclusion.

The GB model is typically used in developing countries; but currently it is also being replicated in high income economies of the developed world such as the UK and US with varying degrees of success. The award of Noble Peace Prize in 2006 and numerous other international awards

to the pioneer of the model Professor Yunus and GB provide sufficient evidence of a worldwide acclamation and recognition of the model. The focus on this model is necessary because of the community development and market logics associated with it which may seem difficult to reconcile, particularly in the context of a developed country. It is also interesting to compare and contrast the experiences of the institutional entrepreneurs adopting the model in the context of high-income countries such as the UK and USA to the country in which the model originated and still thrives (Bangladesh). The case study projects adopting the Grameen model have been operating in the community finance sphere in their respective countries and confronted the dual logic of community development and sustainability which may seem somewhat difficult to reconcile and hence confronted institutional complexities.

In accordance with the definition of institutional entrepreneurship, these were organizations which mobilized resources to create new institutions to serve their interest in dealing with the problem of financial exclusion. They played a significant role in transforming an institutional environment where the less privileged was not considered as creditworthy. The fundamental question in the study deals with institutional complexities faced by such institutional entrepreneurs in adopting the Grameen model and their strategic response to such complexities.

4.3 Research Strategies

The study will employ a qualitative case study approach. A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2003). The case research methodology is viewed as both appropriate and essential where either theory does not yet exist, or where theory exists but the environmental context is dissimilar, or where cause and effect are in doubt or involve time lags (Stuart et, al, 2002). How institutional entrepreneurship and the resulting complexities of adopting the Grameen model is

conceptualized, understood and interpreted is greatly influenced by socioeconomic context and cultural attitudes in the regions in which the case study organizations operate in. This contextual significance is even more relevant for the current study as it analyses the adoption of the model which has originated in the backdrop of a developing country and is being applied in the contrasting context of developed countries. A critical realist case study approach is congruous with the institutional theory perspective adopted in the study, which is concerned with "clearly bounded but complex phenomena such as organizations, inter-organizational relationships or nets of connected organizations" (Easton, 2010: 123).

There has been a recent call in literature for more qualitative research into organizational phenomena (Bluhm et al, 2011), a view that is coupled with a strong plea for adoption of a qualitative approach in the study of strategy and organizations such as this (Graebner et al. (2012). The rationales for adoption of such a line of thinking are**:**

(i) A key purpose in qualitative approach such as this is to capture the subjective life experiences and interpretations of the informants. The institutional entrepreneurs in the UK and the USA have been engaged in significant efforts to address financial exclusion in their respective societies adopting an innovative model. This study attempts to understand how they perceive the reality and experience of using the model to perform this noble task.

(ii) In cases where there is a lack of clear theory and a limited scope for current theory to be developed, it warrants a qualitative approach. This is relevant for the current study because it has been pointed out in the literature review that there have been very few studies with this focus and the current study fills a literature gap and addresses the void in the theoretical contributions. Thus, a qualitative case study methodology is appropriate for this case study because the central phenomenon, institutional entrepreneurship in the context of an emerging

field, microfinance in UK and USA, is not well understood or documented (Marshall and Rossman, 1995).

(iii) The qualitative approach used in the current study is well-suited to investigating the processual factors in such organizations as the research may deal with multi-layered situations (often entrenched in subtle social relationships) and the temporal dynamics and the causal mechanisms associated with them in an effective and comprehensive manner (Gephart, 2004; Bluhm etl, 2011). The extent that social existence involves uncertainty, accounts of that existence ought to be able to tolerate those ambiguities and contradictions. This method incorporates these factors better than quantitative methods (Maykut and Morehouse, 1994).

(iv) Along similar lines, qualitative research is seen as particularly important for management research (Gephart, 2004), which is trans-disciplinary in nature. This line of reasoning is particularly relevant as the current research on Grameen model that incorporates a number of concepts borrowing from diverse fields such as economics, finance, organization and sociology.

(v) Finally, analysing and connecting all such factors mean that the resulting theory is likely to incorporate several abstract concepts which a qualitative approach may be able to better elucidate as the main advantages of qualitative data lies in their "vividness, concreteness, and richness" (Miles and Huberman, 1994; Graebner et al, 2012: 279). A qualitative case study method is suitable because it is appropriate for producing managerially relevant pertinent insight, as research is undertaken in close communication field professionals who navigate actual management situations (Amabile et al., 2001; Leonard- Barton, 1990; Gibbert et al., 2008).

4.4 Methodological Tools

The study uses a combination of *interpretive* and *historical* methods. These tools are employed to understand institutional changes. From such a perspective, each method may be better suited to analyse certain dimensions of change. Institutional change regarded as a major swing in conventional views is best analysed with interpretive methods, while change conceived as a complex process is best explained by historical methods (Suddaby and Greenwood, 2009). However, analysts opine that most exemplary papers use a combination of approaches to achieve a more rounded and all-encompassing understanding of the process of change. The study follows this approach to deduce the impact of complex change processes involving economic, social and political factors on the different aspects of organizations (both observable and unobservable). Such an approach incorporates a combination of historical and interpretive methods to address the research questions raised. According to Welch et al (2011) a historical methodological insight resonates well with the philosophy of critical realism as it is linked to the contextualised explanations which look to elucidate why and how events take place.

4.5 Research Stages

The study holds on to a process of case study research. Stuart, et al. (2002) suggested such a work plan and process involving five critical stages, as is illustrated below in **Figure 4.2 and Figure 4.3.**

Figure 4.2 Stages of case study research

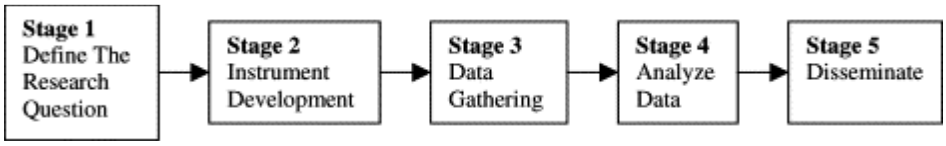
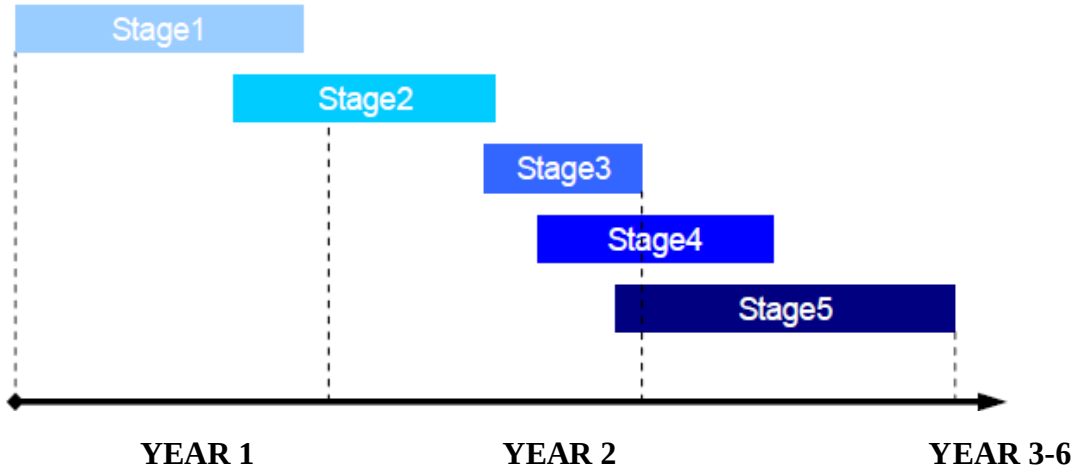


Figure 4.3 Work Plan



Stage1 involves defining the research question and then the case-based investigator needs to develop measurement instruments to capture data for future analysis.

Stage2 steps in conducting case research and develop a research instrument and select appropriate field sites.

Stage3 engages in data gathering via selected quantitative and/or qualitative methods.

S*tage4*, fundamental to research task, requires analysis and evaluation of the data and finding the best way of presentation.

Stage5 involves final writing up of the dissertation, with preferred course may be, as advised by Yin, R. (2003), multiple-case designs over single-case designs, enabling greater generalisability of the research findings.

This study also takes its lead from Eisenhardt (1989) who breaks down the case study research process (Stage 1 – 4 above) even further into eight steps, as is listed below in Table 4.1:

Table 4.1 Case study research Steps

Steps	
1	Getting started
2	Selecting Cases
3	Crafting Instruments and Protocols
4	Entering the field
5	Analysing data
6	Shaping Hypothesis
7	Enfolding literature
8	Reaching closure

Whilst following the above steps the current research has adapted itself to the following lines of methodological thoughts:

4.5.1 Getting Started- Importance of well-defined focus

Mintzberg (1979: 585) writes: "No matter how small our sample or what our interest, we have always tried to go into organizations with well-defined focus to collect specific kinds of data systematically" Gephart (2004) supports this assertion as he points out that a lack of focus in qualitative research may lead the research into wrong directions. In line with the above reasoning, the current study has conducted an extensive literature review and identified the central focus on understanding institutional complexities of adopting the Grameen model in the context of developed countries and the response of the institutional entrepreneurs in tackling such challenges. The research questions, goals and objectives have been stated explicitly which in turn has guided the data analysis and research outcomes. Gephart (2004) also points out that where research questions are provided, the essential concepts associate with the questions are often poorly defined that results in ambiguity. The current study attends to this by clearly deconstructing and defining all concepts relevant to the questions.

4.5.2 Selecting Cases

Sampling of selected cases is a key step forward. However, the rationale for selection of case studies should be clearly stated so as to enable the reader to comprehend the underlying reasoning for the selection of cases **(**Gibbert and Ruigrok, 2010; Cook & Campbell**,** 1979). Moreover, sampling must have theoretical focus, which conveys the sense that the selection of cases must be appropriate and relevant for elucidating and elaborating interactions and logical reasoning between notional constructs (Eisenhardt and Graebner, 2007). Single case studies may be useful for elaborating the prevalence and evolution of a phenomenon (Siggelkow, 2007). However, a multiple case design is more preferable as it provides a more solid foundation for building theories as a result of groundedness, accuracy and generalizability

(Yin, 1994; Eisenhardt and Graebner, 2007). Such designs facilitate comparisons which help to identify whether research outcomes are distinctive to a particular case or reliably applicable to several cases (Eisenhardt, 1991).

In the current study, purposive sampling has been used to select nine case studies, which have tried to adopt the model (or a variant of the model) in the context of the UK and the USA (All case studies have been listed previously in Table 1.1 and brief details of each organisation have been provided in the Appendix). All of these cases studies are community development financial institutions as no bank has recently looked to adopt the model in the context of the UK and the USA.

4.5.3 Crafting Instruments and Protocols

Research in a study such as this entailed artful crafting of available mechanisms and protocols. Eisenhardt (1989) noted that the triangulation made possible by multiple data collection methods leads to stronger corroboration of constructs and hypotheses, particularly pointing to the combining of qualitative and quantitative evidence. Triangulation enables the researcher to investigate the same phenomenon from various angles (Denzin & Lincoln, 1994; Jick, 1979; Pettigrew, 1990; Stake, 1995; Yin, 1994; Gibbert and Ruigrok, 2010).

Case study research can involve qualitative and/or quantitative data, i.e. each disjointedly or in combination of both (Yin, 1984). For the current research, quantitative data from various sources such as annual reports, research reports or any relevant documents archiving relevant information has been used to compare with qualitative data obtained from interviews. This helped in enlightening relationships which did not seem apparent initially. This also proved helpful in avoiding misleading patterns in the qualitative data. Furthermore, findings are strengthened when qualitative evidence is substantiated by quantitative data.

4.5.4 Entering the field

Research in a microfinance field as is proposed in the current study may involve overlapping and adjustments. An overlapping in data collection is important as it provides the researcher with flexibility in assorting and cumulating of data and then enabling adjustments that can be made during the data collection process (Eisenhardt (1989). Field notes are suggested as equally important means of achieving the process of overlap and adjustment (Eisenhardt, 1989). In accordance with such a process, an initial impression of the broad themes after each interview was written down and then compared with the actual transcripts.

There is also further recommendation requiring additional adjustments that can be made to data collection instruments, such as the addition of questions to an interview protocol or questions to a questionnaire, which may well be helpful to probe developing themes (Eisenhardt, 1989). This was practiced during the current research. An example of this is that the questions placed to the management of the UK case studies were framed according to the response of the Grameen Trust authorities whom I had interviewed until then. Similarly, the following interviews that had been conducted with management staff of US organizations had incorporated the views of the interviews conducted earlier and the issues raised by interviewees.

4.5.5 Data Collection and Analysis

A critical realist case study approach necessitates data collection related to current and past events to identify the causal mechanisms behind the key phenomena being studied while still paying the attention to any concerns with construing the data connected to the real entities and their features (Welch et al., 2011). A critical realist can utilize both deductive and inductive cycles of data collection (Easton, 2010). This strategy is followed in the current study. Prior

constructs and potential causal mechanisms have been identified from extant literature and inductive data has been used to contrast and compare such concepts. Data collection and analysis procedures are similar to an important previous critical realist study of institutional entrepreneurship (Leca and Nacacche, 2006).

However, further refinements are in order which are in accord with the needs of the current study. Key informants are viewed as the most insightful professionals of an organization with respect to the phenomena under study, as is suggested by Bluhm et al. (2011). The importance of loan officers who interact directly with clients as an important source of insights and information are emphasized in this context, as these personnel may be the most important link for certain research designs as they manage the relationship that MFIs projects have with the clients (Khavul, 2010). The key research question and theme around which the study revolves are the concepts of institutional entrepreneurship and institutional complexities of adopting the Grameen model in the context of developed countries. How such themes are perceived vary according to the personal interpretations of the institutional entrepreneurs concerned which in turn is influenced by the socio-economic and cultural context in which these projects operate.

There is then the contextual nature of studies such as this, which is best analysed by using interviews (Myers, 2008). Such a view is echoed by analysts who point out that interviews are an effective method of data collection, particularly if the phenomenon being studied is highly periodic in nature (Eisenhardt and Graebner, 2007). As such, primary data has been collected by conducting semi-structured interviews (details provided below in Table 4.1) with the institutional entrepreneurs who endeavoured to adopt the model and key decision makers within case studies chosen for their knowledge of the strategic management processes, group dynamics, and interactions. It is also viewed that informant bias caused by retrospective sensemaking or image management can be addressed by selecting interviewees from different

hierarchal levels or from other relevant organizations to get a different insight into the same phenomena (Eisenhardt and Grabener, 2007). Thus, in order to incorporate this strategy, some interviews were conducted with experts from the Grameen Trust (the arm of Grameen responsible for replication of the model worldwide).

In order to alleviate analytical bias another key strategy suggested is to synthesize retrospective and real-time cases (Eisenhardt and Graebner, 2007; Leonard- Barton, 1990). The importance of such strategies for complex macro level studies in analytical processes also found emphasis for strategy formulation and innovation (Langley, 1999). The current research followed this strategy. Retrospective cases include former MFI projects (such as *Street-Cred* and *Full-Circle*, none of which no longer exist), but both of which tried to adopt the Grameen model. The inclusion of both MFIs has enabled the researcher to get a deeper insight as a result of additional informants, with an added advantage of greater number of cases. Such retrospective perceptions enabled the researcher to comprehend the manner in which institutions surfaced, sustained and faded away (Welch et al, 2011). On the other hand, real-time cases such as *Fair Finance* and *Street-UK* have proved very useful as they seemingly shifted to a different model; yet the data may very well be used to analyse the longitudinal nature of institutional changes and the strategies revolving around such changes. The study was defined in terms of national boundaries and restricted to data collection in 3 countries (UK, USA and Bangladesh) (Ruef and Scott, 1998; Greenwood and Suddaby, 2006; Khavul et al., 2013).

All interviews have been conducted face to face. The interviews have been recorded for ease of storage and transcribing (with the exception of one interview where notes were taken instead). This method seems particularly effective at producing data which deal with topics in depth and in detail, based on informants' priorities and are flexible (Yin 1994; Fontana and

Frey 2003; Bryman, 2004; Denscombe 2007, Siwale et al., 2007, Maykut and Morehouse, 1994, LIewellyn, 2001).

In contrast to other methods, face to face semi-structured interviews puts the interviewer and the interviewee as coequals reducing ethical concerns, making the interviewee more of an *"informant*" than a respondent (Yin, 1994). Such a method is also recommended for its ability to capture "*raw data*" as compared to structured interviews that are based on past theory (Glaser and Strauss, 1967). There is the ability in this method to gain access to the *"unsolicited data*", (general chat) after the actual interview of which most researchers have found at times to be very resourceful and truthful than the recorded data as one would not achieve this through most methods (Bryman, 2004).

Interviews varied between 40 minutes to 2 hours and averaged 1.5 hours. The research adopted the strategy, as is suggested by Miles and Huberman (1984: 233), to address informant bias caused by reconstructive rationality. The researcher was cautious not to impose preconceived concepts or notions to influence the response of the informant (Gibbert and Ruigrok, 2010). The questions were designed in accordance with suggestion of Blaxter et al (2006) to keep them clearly structured and relevant for research objectives. The questions were also relevant to the research purpose in order to promote validity (Gray, 2009). About 15 to 20 questions were asked in each interview. Some questions were standard and were asked to all the management personnel associated with the case studies. Some additional questions were asked which varied according to the response of the interviewee. An illustrative list of questions is included in the Appendix (Table A.6). 20 interviews were conducted with 17 interviewees, out of which 14 were microfinance executives and board members of the US and the UK projects. The remaining 3 interviewees were microfinance experts from GT. They were chosen because of their deep knowledge and expertise on the global replication of the Grameen model. It was not possible to interview clients of the organisations as access was not granted due to concerns

about confidentiality. Table 4.1 below shows the profile of the interviewees and the organizations they belong to:

Table 4.1 List of Interviewees

Interviewees	Position	Organization
Microfinance Executives (ME # in the text)		
ME # 1	Founder and Director, Board member, Former Co-ordinator (EEMC)	Fair finance/ EEMC
ME # 2	Founder and former Co-ordinator	Street Cred
ME # 3	Founder and Former Director	Street-UK
ME # 4	Manager	Account 3
ME # 5	Chief Executive Officer (former)	Grameen in the UK
ME # 6	Chief Operating Officer (former)	Grameen in the UK
ME # 7	Founder and Co-ordinator	Passage from India/WEvolution
ME # 8	Former Director of Loan Fund	Full Circle Fund
ME # 9	Chief Advisor	Grameen America
ME # 10	National Director	Grameen America
ME # 11	Senior Manager (Operations Support)	Grameen America
ME # 12	Branch Manager (Long Island City-New York)	Grameen America
ME # 13	Former Executive Director	Project Enterprise

ME # 14	Former Director of Programs	Project Enterprise
Experts (EX # in the text)		
EX # 1	Managing Director and Board Member	Grameen Trust, Grameen America
EX # 2	General Manager	Grameen Trust
EX # 3	Head of Training	Grameen Trust

The data analysis comprised of four phases explained below:

Phase 1- A narrative account was developed (Eisenhardt & Bourgeois, 1988, Maguire et al., 2004), which established the chronology of the crucial events surrounding the projects adopting the Grameen model in the context of UK and the US tracing their emergence, progress and evolution since inception.

There are several purposes for using a narrative strategy. Firstly, it serves as a device for organizing data (Eisenhardt, 1989). It is useful for integrating an analytical perspective in order to identify initial analytical themes and deduce causal linkages (Pettigrew: 1990:280). Some analysts postulate that organization theorists often have to decide on theorizing processes within a narrative framework or a generalizing analytical model (Whipp & Clark, 1986:17-18). However, others contend that the research may be structured in ways to integrate both analytic and narrative schemas, even suggesting that such an approach may be appropriate for theoretical papers based on institutional logics which is a key theoretical perspective in the current study (Hassard and Decker, 2014). This approach, known as analytically structured history, forms an integral strategy in this paper. It is a method which is used to construct

narrative from organizational archives. It maintains narrative as a key source of analysis, emphasizing concepts, events and causal linkages (Hassard and Decker, 2014). This strategy thus drew upon all relevant existing research, internal documents, reports and media coverage. It assisted the researcher in getting a broad understanding of the important events which had transpired shaping the activities of the institutional entrepreneurs since the projects began. A **temporal bracketing strategy** was used to identify key transition phases for the case studies to compare and contrast the changes in strategy and context (Van de Ven and Poole, 2007). Phases are described as "relatively distinctive and coherent clusters of activity, temporally bracketed, and organized around common themes (Abbott, 1984 and 2001; Langley and Truax, 1994; Suddaby and Greenwood, 2009: 184). Institutional theorists are increasingly cognisant of the reality that institutions are an outcome of intricate layers of historical challenges, crises and attritions (Cooper et al., 1996; Suddaby and Greenwood, 2009). The paper acknowledges these factors and in accordance with suggestions by Alford (1998), it pays significant attention to the historical context and the actual social processes and interactions that are associated with the data (Alford, 1998: 122). The temporal decomposition strategy provides stimulating insights for the analysis of such processes. This decomposition facilitates the study of how strategic actions in one period is linked to the other and the role of the evolving contexts (Langley, 1999). In doing so, the paper responds to calls from authors such as Barnett and Burgelman (1996) who suggest that strategic research should emphasize how strategy has evolved rather than being prescriptive about implementation of strategy (Langley et al, 2007).

Phase 2- The study identified key themes based on the existing literature in order to construct relevant questions. This helped me to locate key actors within the field who were institutional entrepreneurs leading the process of introducing the model in the UK and USA. I then corroborated my understanding of the major events established in our narrative account in Stage 1 with the interviewees. As mentioned above, the study followed a purposive sampling

process in accordance with qualitative case study research principles. The data was being analysed simultaneously as it emerged and additional interviews was being conducted on the basis of this concurrent research.

Phase 3- At this stage, the study grouped the interviews according to the organizations they are linked with. For example, Interviews with ME#1, ME#2 and ME#4 were grouped together as they were all associated with *EEMC*. Similarly, all interviews from the Grameen Trust authorities were grouped together.

Coding is the process of condensing data sets into analysable units by creating categories from the data is known as coding (Atkinson and Coffey, 1996). Coding has been used to examine the data and group them according to major themes. This was principally an inductive process of open coding of focusing on interviews which reflected on the process of introduction of the Grameen model by the case study projects, the operational challenges they had faced and their responses to such challenges. This helped to compare and identify patterns (Kvale, 1996), locate any inconsistencies in the data and interrogate data in a more systematic manner (Yin, 2003; Maguire et al., 2004). Further, this process was important to avoid "data asphyxiation" (Pettigrew, 1990). N-Vivo software has been used in this research project to ease and facilitate data storage and analysis.

Operational features were often compared across the cases in my study for in depth analysis. In doing so, the goal was to avoid information processing bias. Some of the common pitfalls have been mentioned as jumping to conclusions despite having limited data (Kahneman & Tversky, 1973), being swayed by the vividness in the data (Nisbett & Ross, 1980) or by more influential respondents (Miles & Huberman, 1984) or overlooking fundamental statistical properties (Kahneman & Tversky, 1973). The key to avoid such problems, according to Eisenhardt (1989), is to look at data in many ways. In accordance with the principle suggested

by Eisenhardt (1989), two strategies were adopted in this regard. Firstly, a category was chosen and then similarities and differences were identified within and across groups. Examples of this are categories such as loan recovery and sustainability in Chapter 2. Secondly, various data sources were considered as well when comparing data. So, an example is when a manager mentioned about a certain aspect of their operation during an interview, this would be compared to published qualitative and quantitative data in a research report. This enabled finding to be more robust if a trend from one data source was supported by patterns from the other. However, divergent patterns can cause the researcher to synthesize findings through an in-depth analysis of the interpretation of the differences (Eisenhardt, 1989). Informant bias is another potential problem of the qualitative approach being adopted in this study (Gardener et al., 2012). A number of strategies was adopted to address this issue in accordance with suggestions by Eisenhardt and Graebner (2007). Real-time and retrospective data has been collected by utilizing interviews of both current and past management of case study projects. In addition, data has been triangulated by comparing interviews of independent evaluative experts and miscellaneous archival sources such as research reports.

Phase 4- The study, at this stage, clustered the data according to responses to the primary questions (Lofland, 1976; Battilana and Dorado, 2010). This helped to ascertain broad emergent themes without introducing premature analytical bias.

Phase 5- Retroduction is a core epistemological process in critical realism. It involves incessantly moving back and forth in the research process until epistemological closure can be achieved (Dubois & Gadde, 2002). The outcome of this process was to identify causal mechanisms to answer the research question.

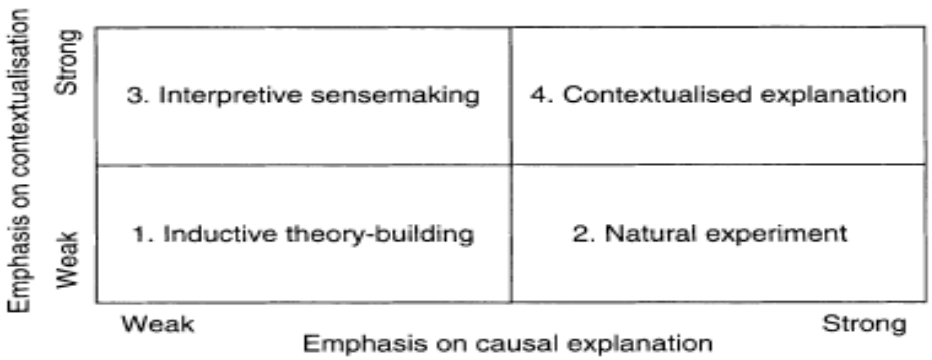
4.5.6 Shaping Hypothesis

Shaping of hypothesis in research and the use of related theoretical constructs are major challenges facing analysis. Efforts have been underway in tracking down emergent trends, patterns and relationships amongst variables both within and across cases. The goal is set to build a theory which fits the data closely. Precisely that is suggested by analysts for use of tables and visual devices to encapsulate case evidence for demonstrating depth and detail (Eisenhardt and Grabener, 2007). Tables can be used to condense a significant amount of qualitative data and present in an effective and lucid way. Such tables may be important for creating a strong connection from qualitative evidence to theoretical testing of research finding. Such tables have also been used effectively in previous research studies (Graebner, 2004; Gilbert, 2005; and Zott and Huy, 2007). Thus, tables have been used to summarize and elucidate findings in the current study based on the constructs used (Miles & Huberman, 1984; Sutton & Callahan, 1987; Eisenhardt, 1989)

A verification process is often suggested to deduce whether the emergent relationships fit with the evidence in each case (Eisenhardt, 1989). There is also a reasoning that different cases should be considered as experiments which confirm or disconfirms the relationships (Yin, 1984). Cases which confirmed the relationships is used to augment the validity of the findings and the cases which disconfirmed anticipated relationships is considered as an opportunity to refine and extend the theory (Eisenhardt, 1989). An example of this is *Street-cred*, which experienced low recovery rates even though it served only female clients unlike other case studies in the study such as GB and *Full Circle*. Looking at the data more closely revealed that the selection procedures at *Street Cred* were different to other organizations which may be an important cause of the differences in recovery rates. This was validated by the microfinance officials at *EEMC* who identified selection strategies as a crucial factor resulting in low

recovery rates at *Street Cred*[12]. Piekkari et al. (2011) distinguish between four types of methods of theorizing from case studies: inductive theory-building, interpretive sensemaking, natural experiment and contextualized explanation. They go on to place the different methods on a spectrum (ranging from weak to strong) based on emphasis on contextualization and explanation. This is illustrated in the Figure 4.4 below.

Figure 4.4 Four Methods of theorising from case studies



(Source: Piekkari et al., 2011).

As can be seen from Fig 4.4, contextualised explanation can be an effective way of theorizing from case studies, as it balances trade-off problems between contextualisation and causal explanation with a strong emphasis on both unlike the other methods. This method is based on the contention that contextual richness is retained rather than eliminated by causal explanations produced by case studies. The positivist interpretations of causation with its emphasis on regularity and abstraction from time and place is ignored in favour of a more nuanced understanding that appreciates the evolving nature of the cause and effect relationship (Piekkari et al., 2011). In adopting this approach to theorising, the study balances the trade off between

[12] (ME#1, 2014)

the emphasis on internal validity in positivist studies and the focus on thick descriptions in interpretive paradigms.

4.5.7 Enfolding literature

As research enters into a mature stage, it is pertinent to enfold the emergent trends and relationships. The study takes care to constantly compare and identify similarities and contradictions with the existing literature. Any similarity was seen as promoting internal validity, generalizability and a deeper conceptual level in the theory. Eisenhardt (1989: 11) writes, "The juxtaposition of conflicting results forces researchers into a more creative, frame breaking mode of thinking than they might otherwise be able to achieve. The result can be deeper insight into the emergent theory and the conflicting literature, as well as sharpening of the limits to generalizability of the focal research." This is the approach which was followed in the current research as any contradiction of the findings with the extant literature was taken an opportunity to sharpen theory.

4.5.8 Reaching closure

The case study research process is particularly useful for generating original theory. Fresh insights often emerge as a result of collocation of conflicting or inconsistent evidence (Cameron & Quinn, 1988). The continuous process of this alignment of contradictory or paradoxical evidence has greater potential in producing insightful theories than armchair axiomatic reasoning (Bartunek, 1988). The construction of theory from case study research is significantly iterative in nature (Eisenhardt, 1989). Throughout the process, the research went back and forth between different stages as new data emerged. For example, the research questions were continuously refined as more cases were analysed and cross compared. Theoretical saturation was achieved when there was insignificant additional learning from

either adding more cases or further iteration between theory and data (Glaser and Strauss, 1967).

4.6 Limitations

Research in fields like MFIs originating from a developing society moving through continents across shores and being replicated in totally differing setting of developed societies cannot but have some limitations. In research such as this there are obvious constraining issue areas akin to cultural variations, differences in social milieu, and more importantly disparities in economic contexts. There may also be incompatible practices in operational spheres. For instance, research using data collected from loan officers may be subject to bias as such officers' face increasing pressure to highlight the positive aspects of their organization, a point specifically made in a relevant study (Khavul, 2010).

However, in the context of the current research, such pressures did not subsist for the four UK case studies, as the projects are no longer in existence. For other case study organizations, the questionnaire has been carefully designed and structured to avoid any kind of bias. The use of retrospective interviews presents an additional challenge, as data may be affected by poor memory or self-serving interests of participants (Barley, 1990; Golden, 1992; Laurila, 1997; Suddaby and Greenwood, 2009). These were addressed in a number of ways. Firstly, there was a focus on verifiable details and actions, rather than principles or meanings (Golden, 1992). Secondly, data was triangulated using multiple sources wherever possible (Jick, 1979). There were some issues which could have been better explored if clients were interviewed. However, this was simply not possible for case study institutions which no longer exist and access was denied for clients for others citing confidentiality and sensitivity as factors. The study is also very contextual in nature which limits its generalizability to a certain extent.

Nevertheless, the complex and interconnected nature of processes unfolding over time necessitated an approach which focused on a specific number of case studies. Another limitation revolves around the specificity as the study focuses on projects adopting the Grameen model. The distinctive nature of the model along with its unique adoption and application in the context of high-income economies such as the UK and USA may have significant implications for the process of institutional entrepreneurship.

As the research uses semi-structured interviews as a key source of data, it faces the issue of the double hermeneutics (as is suggested in Woodside et al., 2005). This refers to the additional dimension of intricacy as a result of the researcher having to interpret the interpretations of the interviewee. This in turn may be influenced by the entirety of a researcher's background, education, experience, social status (Hammersley and Atkinson, 1983; Maxwell, 1992, Bluhm et al. 2011). Indeed, a qualitative research of this nature may be fraught with issues of reflexivity. Reflexivity may be defined as the scrutinization of personal opinions, attitudes and beliefs over the entirety of the research process and how research may have impacted by these factors. This involves questioning one's own assumptions embedded into the researcher's mind which may cause bias in understanding or interpreting findings. Finlay (1998) stresses that this demands honesty from the researcher who should have the ability to accept that he/she is a part of the process and has the ability to influence it. For this research, this involved constantly weighing up all dimensions of a finding whether positive or negative.

In addition to these issues, there are number of weaknesses/ limitations associated with using critical realism as an interpretive paradigm. It could be criticised on the ground of being too realist by interpretivists and not being sufficiently realist by positivists. It can be often difficult to understand for a non-specialist audience. Critical realism is a meta theory which does not offer a comprehensive procedure for doing social research. It may be considered as more of a philosophical position consisting of three layers: empirical data, the theories that we use to

explicate this data and metatheoretical stance behind our theories. Being pretty mindful of the foregoing limitations, a scrupulous effort has been made in the succeeding chapters to hold on to the conceptual blueprint of research design and methodology set out in the present chapter.

CHAPTER 5 INSTITUTIONAL COMPLEXTIES- UK CASE STUDIES

Introduction

The study herein analyses the institutional complexities faced by the MFI initiatives in UK in implementing the Grameen model towards achieving their objectives at a micro-level. In the backdrop of diagnosis offered and analytical gaps identified in the literature review, the following key research question is addressed in the current chapter:

'What is the nature of the institutional complexities of implementing the Grameen model in UK?'

In addressing the above key question, this chapter draws on the experiences of seven organisations, six of which operated the Grameen model in the past and two of which adopted the model recently (However, it should be noted that one case study adopted a variant of the model) and evaluates the adaptability of the Grameen model in UK[13]. The case studies are briefly detailed in Table 5.1 below.

Table 5.1 Brief details of the UK case study organizations

Name of organisation	Periods in which Grameen model/variant of group lending model was used	Periods of operation
Street-UK	1998-2004	1998- present
Street-Cred	1999-2005	1999-2009
Account 3	1999-2004	1999-present
East End Microcredit Consortium (EEMC)/ Fair finance	1999-2005	EEMC- 1999-2004 Fair finance- 2004- present
Full Circle Fund (Weetu)	1998- 2013	1987-2013
Grameen in the UK	2014-2018	2014-2018
WEvolution	2011-present	2011-present

It is worth noting that EEMC has metamorphosed into a new CDFI known as Fair Finance and WEvolution offers a variant of the peer group lending model. Furthermore, the outreach organizations responsible for providing the loans on behalf of East End Microcredit Consortium (EEMC) were Street-Cred and Account3.

Chapter 5 is structured as follows:

Section 5.1 explains the institutional complexities of the loan recovery process at the UK initiatives. Section 5.2 explores the regulatory constraints faced by the case study organizations and their implications. The client training methods at the case study organizations are analysed in Section 5.3. The challenges and issues surrounding the outreach efforts of the MFIs are scrutinized in section 5.4. In each section, the study follows a chronological approach in firstly analysing the retrospective case studies (i.e. the case studies which operated the model in the past) followed by looking at the more recent case studies. The conclusion sums up the findings and reflects on further research.

5.1 Loan Recovery

This is the first element of the theoretical framework (provided in Figure 2.1- Chapter 2). For replication of the Grameen model, Yunus clearly emphasized recovery rates (Yunus, 1998). "In replicating Grameen," as he states, "one must remember from the beginning that, if recovery rate is not near 100%, no matter how good it looks, it is not Grameen. All the strength of Grameen comes from its near perfect recovery performance." (Yunus, 1998: 181). A key strength of Grameen peer group lending is its ability to overcome adverse selection and moral hazard problems that conventional mainstream financial institutions face. This is exemplified by Grameen's recovery rate which has consistently been very high since inception. The recovery rates for year 2002 to 2020 have been consistently high and currently stands at 99.85%[14] (Grameen Bank, 2020). The annual recovery rates for the past UK case studies along with a brief summary of potential reasons in Table 5.2 below.

[14] See Table A.1 (Appendix).

Table 5.2 Potential reasons for high/low loan recovery

Case studies	Recovery Rate	Self-Selection	Focus on Women	Potential reasons for high/low recovery rate
Street-UK	63%	✓	×	Lack of risk diversification, Low group cohesion, Diverse background of clients, Improper usage of loan funds, High percentage of male clients
Street-Cred	60%	×	✓	Client selection by development workers, Ineffective debt collection practices, Cultural Issues
Account 3	96%	✓	✓	Features of the lending program similar to Grameen model with respect of self-selection and focus on women
Full Circle	96%	✓	✓	Features of the lending program similar to Grameen model with respect of self-selection and focus on women

Table 5.2 is now explained in greater details. Some of the core reasons attributed to the high recovery rates achieved by Grameen Bangladesh is the focus on self-selection and women. Member know each other for a long period of time in close knit neighbourhoods which enables them to be a good judge of other borrowers. There is also a focus on women as Grameen piloted

the program with mixed gender membership and found male members to be non-compliant with the usage of loans and repayment. Unlike Grameen, recovery rates were consistently low for several UK programs. One of these was Street-UK, for which the recovery rates were about 63% (shown in Table 5.2 above). The experiences of Street-UK are thus contrary to the Grameen model. The Street-UK management felt that clients were coming together for the sake of getting the loan rather than genuinely knowing and trusting each other[15]. The selection process was thus weakened by the disjointed nature of groups at Street-UK. Members were often detached and knew each other for a brief period; the strength of the bond amongst the borrowers hence suffered as a result in comparison to the nature of the relationships formed amongst GB members whose relationships were long lasting due to being familiar with each other for long periods and living next to each other. Thus, social collateral did not replace physical collateral as is expected under circumstances where GB model is implemented.

ME#3[16] points to an absence of social cohesion as a key factor behind the low recovery rates at Street-UK. Copisarow (2004) also underlined the corrosion of customary communal bonds in an earlier study. This has surfaced as a major worry owing to weakening family attachments; which in turn has adverse implications for insulation against risk for individual family members. Studies in the US have shown similar patterns (Schreiner and Woller, 2003; Schreiner, 2001). It is particularly relevant in the UK, as it shows that social capital is habitually fragile in the western world. People in the west, most often than not, make their livelihoods from wage-earning or official/public support, without the necessity of forming an endured socioeconomic bonding.

It is impossible to compare the UK with Bangladesh (where high recovery rates have been achieved) without considering the difference in the contextual scenarios. In a country like

[15] (ME#3, 2014)
[16] (ME#3, 2014). A.13 (Appendix) provides background on *Street-UK.*

Bangladesh where social linkages exist within the marketplace, people trade/haggle over prices every day, whereas in comparison clients in UK often are diverse, making it difficult to form homogeneous groups. Hofstede identified an important dimension for analysing national culture: the level of individualism or collectivism prevailing in a society (Hofstede, 1980; Hofstede, 2011; Hui & Triandis, 1986; Kagitcibasi, 1997; Sinha & Verma, 1987; Triandis, 1995). The one company approach on the basis of which Hofstede derives his findings on an entire culture has also been challenged by several authors (Graves, 1986; Olie, 1995).The theory has also been criticised by authors such as McSweeney (2002) as being overly reliant on questionable assumptions such as generalisation about national factors based on a limited number of questionnaires. Along similar lines, Schwartz (1999) also questioned the legitimacy of surveys to estimate cultural differences across regions. Dorfman and Howell (1988) questioned the practice of using individual assessments to make overall conclusions about an entire community. Furthermore, variables such as Uncertainty avoidance (the extent to which a society feels susceptible to uncertain circumstances and act accordingly to avoid such situations) may be highly transitory and heavily influenced by the time in which the questionnaires were completed (Sondergaard, 1994; Newman, 1996). Despite the criticisms mentioned above, Hofstede's research has been highly popular amongst academics and practitioners compared to other models (Furrer et al., 2000; Ross 1999; Sondergaard 1994). Hofstede's methods were backed by a rigorous design, systematic data collection and clear rationales (Jones and Alony, 2007). A bibliographical analysis conducted by Sondergaard (1994) comprised of 61 replications. Majority of the studies were in line with Hofstede's predictions. Other studies have been developed with the purpose of testing relevancy have also confirmed the accuracy of Hofstede's four dimensions (Jones and Alony, 2007).

It is thus useful to understand the differences in socio-cultural milieu which seemingly influence the adoption of this model in UK and Bangladesh using Hofstede's framework.

Collective communities are exemplified by a strong socio-kinship bonding between members who prioritise collective objectives over individual goals which in turn guides the actions and behaviour of the members (Hui & Triandis, 1986; Triandis, 2001). Contrastingly, individualism is characterized by autonomous members where individual goals dominate collective objectives (Hofstede,1980; Hofstede, 2011; Schvaneveldt & Behnke, 2012). UK was found to be the most individualist country in the world by one study (Alleyne, 2009). This is confirmed by an analysis by the Hofstede Centre which scored countries according to their level of individualism on a scale of 0-100. The study rates UK as one of the most individualist societies with a very high score of 89, and points out how individualist thinking is prescribed and reinforced in British children from an early age. It also reflects on the pervasive nature of the 'ME' culture in the UK society fuelled by enhanced prosperity and a proliferating consumerist culture (The Hofstede Insights, 2020). On the other hand, Bangladesh is considered to be a collective society with a very low level of individualism as shown by its low score of 20.

This is shown by Figure 5.1 below.

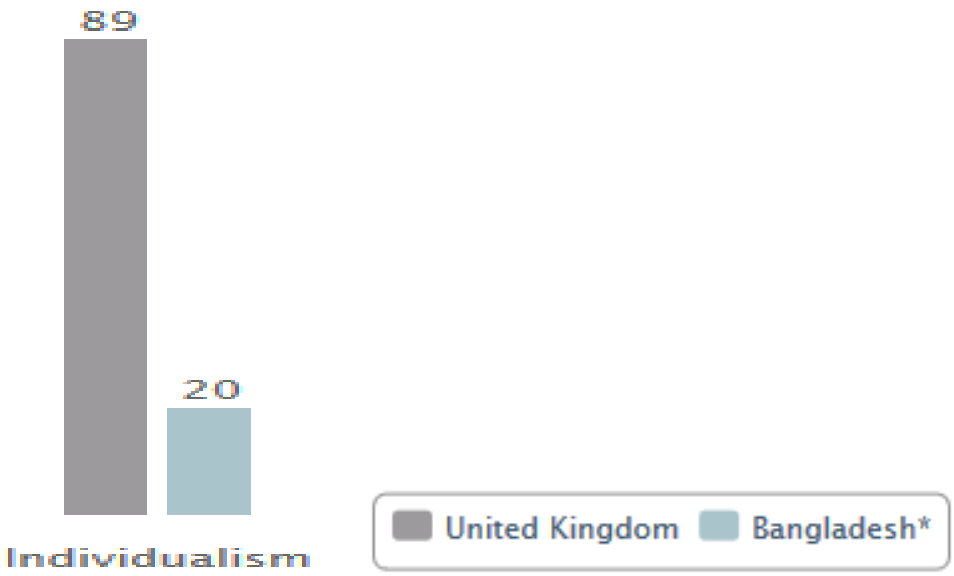


Figure 5.1 Individualism in UK and Bangladesh

(Source: The Hofstede insights, 2020)

This can be attributed to the loyal nature of relationships in the Bengali society based on strength of association between extended families or networks. In such societies, there is a strong sense of responsibility towards other members and transgression at the cost of collective goals is considered to be a disgrace (The Hofstede Insights, 2020). It follows that the 'moral responsibility' that Grameen model requires individual members to undertake on behalf of all group members resonates very well with the collectivist nature of the Bangladeshi society. Further, the threat of censure by the society if one does not act in accordance with the collectivist objectives of the group and the community seems to be more credible in the case of a collectivist country such as Bangladesh and hence may lead to enhanced repayment rates for GB. The counterargument to this line of thinking may be that some of the initiatives (for example, Street-Cred and Street-UK) worked with many clients originating from collectivist societies such as Bangladesh and Pakistan (which according to the Hofstede Centre has an even lower score for individualism at 14) but still failed to thrive. The immigration assimilation hypothesis may be relevant to understanding this phenomenon. According to this theory, migrants' length of stay is proportional to growing approval for the host country's culture and a corresponding reduction in the traditional culture of the origin county (Gupta, 1975; Al-Mubarak & Adamchak, 1994; Ayçiçegi-Dinn, & Caldwell-Harris, , 2011) Most of the migrant client served by the UK MFIs were second or third generation UK citizens who had lived in the host country for a reasonably long period which meant that they possibly identified more with the individualism ascribed by the UK society rather than the collectivism of their respective host countries, hence rendering the use of the Grameen model ineffective.

In the case of Street-UK, there was also a high concentration of risk, meaning that people in the same borrowing circle often develop relationships, being involved in similar kind of

business both prior to and after joining the group and are exposed to the same risks. Diversification of risk by group members being engaged in different types of businesses may make sense from a financial perspective. However, the essence of Grameen model is to naturally allow the groups to self-select and form without dictation vis-a-vis any aspect of group formation. The emphasis is on ensuring the formation of social collateral within the groups. Thus, Grameen model has no restriction concerning the types of businesses the entrepreneurs may start; members of the same group can also get involved in similar kinds of businesses if there be substantial demand within that particular area for a specific type of product or services[17]. Innovative solutions are also required to resolve demand-supply issues sometimes. One interviewee, cited the example of production of milk in certain regions of Bangladesh as a common business taken up by group members. In such areas, supply of milk may exceed demand and drive prices down and make it unprofitable for borrowers who supply milk and hence unsustainable for Grameen to lend to such borrowers. In such cases, Grameen motivates the borrowers to take loan for purchasing milk and supplying it to towns which need the product thus improving the overall supply-chain for milk in the entire region. Nevertheless, Grameen does encourage diversification to clients enabling them to engage in ranges of business[18] . As listed in Table A.2 (Appendix A) shows that Grameen members in a group diversify risk by participating in trading of various products and services which range from paddy husking to rickshaw purchase.

The recovery rates for the Full-Circle Fund has been approximately 96% throughout the course of its operation[19]. The high recovery rates of the Full-Circle Fund (which was operated by WEETU) should be treated with caution, given the low number of clients that subscribed to the

[17] (EX#3, 2013)
[18] (EX#1, 2013) (EX#3, 2013)
[19] Collected by Author

service. Unlike Street-UK, diversification was not an issue for Full-Circle as clients would form groups because of personal connections rather being in a similar kind of business[20].

Annual recovery rates[21] for Street-Cred and Account3 were 60% and 96%. The former management of EEMC attribute a number of reasons for this low recovery rate that Street-Cred experienced. These include clients not valuing the groups and feeling responsible for making payments towards the group, lenient collection practices in terms of lack of enforcement by Street-Cred and the quality of businesses started by the clients. Furthermore, Street-Cred adopted a practice of cash collection during the group meetings. It was felt that this was a laborious process of collecting repayments and the higher collections were from automatic collection methods[22]. The selection method practiced by Street-Cred may have been another major reason for the poor recovery rates. The practice was for the development workers to select the members of a group, as Street-Cred found it difficult to get clients to self-select each other and form groups[23]. This represents a marked deviation from the self-selection process of the Grameen model, a core feature creating awareness and responsibility among group members that helped it to overcome asymmetric information problems leading to high recovery rates in Bangladesh.[24]. The willingness to form groups is also an indication of the necessity and urgency on the part of borrowers to be involved in the process. If an individual is needy, there will be greater effort from the borrower into forming an effective group[25]. Not unsurprisingly most of the Street-Cred clients did not attach any importance to the group nor felt an obligation to repay the loans as group members were selected by development workers of Street-Cred. The cultural issues at Street-cred were also problematic. Women from particular ethnic minority groups were very difficult to work with because traditionally they carry a more

[20] (ME#8, 2014)
[21] Collected by Author
[22] (ME#1, 2014)
[23] (ME#2, 2014)
[24] (EX#1, 2013) (EX#2, 2013)
[25] (EX#1, 2013) (EX#2, 2013)

passive approach to work, not actually encouraged to go outside their home. The local indigenous population was also a group particularly hard to work with because many came from families unemployed for 2/3 generations, were entirely reliant on the benefit system, and suffered from lost hope and confidence[26].

Account3 was the other outreach organization used by EEMC. In contrast to Street-cred, Account3 had managed to achieve a high recovery rate. Interestingly, the features of the program that Account3 ran was more similar to Grameen in comparison to Street-Cred as they were getting clients to self-select to form groups and their service was entirely focused on women. However, it is important to note that the management of Account3 feel that the high recovery rates is more attributable to the fact that the clients looked up to Account3 as the peer and relied on the organization rather than the social collateral effect produced by the lending model[27].

An interesting similarity between most of the UK projects achieving high recovery rates was that all of them adopted a model more akin to Grameen's where members of a group self-select each other. Street-UK was an exception to this because its annual recovery rate was low (63%) even though it practiced self-selection. However, a fundamental difference between the three schemes (Street-Cred, Account 3 and Full-Circle) and Street-UK is that the other schemes offer their credit to women-only groups, while Street-UK offered its loans to both sexes[28] (approximately 65% men). A focus on female membership is an important factor which is attributed to the high recovery rates achieved by Grameen, given the fact that membership of women has increased exponentially for GB, currently stands at a staggering 97% (Grameen

[26] (ME#2, 2014)
[27] (ME#4, 2014)
[28] (ME#3, 2014)

Bank, 2020). This is recognized as one of the main reasons that Grameen has been able to maintain high recovery rates during its operations[29].

Yunus himself rested his faith in gender empowerment and perceives women as better borrowers in general than men. His experiences in Grameen substantiate his belief that women were much more judicious in usage of loans than men who were often foolish and bent on wasting the money immediately on financially impractical activities, including entertainment of friends or other forms of amusements. He also came to recognize the noticeable improvements in the socio-economic conditions of the children if women, rather than men, received the loans. Such a phenomenon Yunus attributed to the basic expertise women gained over many years being deprived in a poor family[30]. Even at Street-UK, over the course of its operations, women have been better at repayment than men lending further credence to this argument[31]. Thus, although Street-UK practiced self-selection methods for clients it deviated from the Grameen practice of forming groups with predominantly female clients. This may be one of the causes for its poor recovery rates during the group lending phase.

It is interesting to compare GU's recent experiences of using the model to the retrospective case studies. The lending process at GU started with the self-selection of 5 individuals. Their training requirements were then assessed by GU which tailored and provided it according to their needs. During the training, members committed to building savings. After completion of the training, each member was provided with a business loan worth £1000 which may be used either to initiate a business or invest towards an existing business. The members were then required to meet with a lending officer at meetings which were held weekly and pay weekly

[29] Studies undertaken by Grameen confirm that women perform better in repaying their loan compared to the opposite sex (Yunus, 1998).
[30] Dr. Muhammad Yunus, Founder and Managing Director of Grameen Bank in his writings advises any replications of the Grameen model to focus services on the poorest women (Yunus, 1998). This clearly was not followed by *Street-UK* who had a larger proportion of men in their groups.
[31] (ME#3, 2014)

agreed instalments. If all agreed instalments were paid back on time, the group members became eligible to progress on to larger loans worth £2500 in Year 2 and £5000 in Year 3. Group members could open bank accounts with Tesco Bank or Royal Bank of Scotland (RBS) if they did not already have existing bank accounts. Each group was represented by a Chair and Vice Chair. The business proposals along with their probability of success were mutually discussed amongst group members following which a joint decision was made on the approval for the loan application by the Chair along with the GU loan officer. The interest rate in year 1, 2 and 3 were 23.95%, 20.95% and 17.95% respectively. Importantly, the group members only undertook moral responsibility for each other's action, and were not thus financially accountable for the default of any group members[32].

The process at WEvolution is based on the self-help group (SHG) model of India. The groups are called self-reliant groups (SRG), which is thought to be a more relevant label in the local context. There are two types of SRG formed at WEvolution. The first is a version where the SRG works towards a collective business jointly owned by all the group members with the profits to be collected by a person nominated by the group and any employee of the business would also get a wage for their services. The second version is where all members have their own separate businesses but belong to the same group. In both cases, a system of joint liability is followed for loans whereby members are financially responsible for the default of any members within the group. WEvolution also expects members to contribute regularly towards a common savings pot. However, it does not dictate any specific amount for this purpose.

The annual recovery rate at Grameen was 82%[33]. The figures seem somewhat underwhelming compared to GB especially given the low number of clients which were being served at GU and appeared to indicate major problems with loan recovery. This is even more apparent GU

[32] (ME#5, 2014)
[33] (ME#6, 2016)

continued to experience dwindling loan recovery which caused it to close down in 2018. There could be a number of reasons for this. The most important factor leading to difficulties in recovering loans may be the difficult context that GU was operating in. This includes regulatory factors which undermine the nature of operations and cause distortions from the original model. Regulations prevented weekly meetings from being held at houses of the client as per the original model so they were held at small shops or spaces which are often confined and not convenient for attendees. This often led to reluctance on the part of clients to participate effectively and reduced the learning effect from attending the meetings. The regulatory restrictions also led to other issues. One such difficulties in loan recovery may also be associated with the fact that unlike GB, GU was often unable to form groups around closely-knit communities as outreach work is based on shops or other commercial locations. This is because of the non-marketing license that GU has which restricted it from approaching clients directly in their homes or other gatherings. Although members know each other, they are often dispersed across locations which reduces the strength of the association of the groups. A senior manager contrasted this to a Bangladeshi community where outreach is often based around the clients' homes enabling the Grameen model to derives its strength from the close association between local neighbours. This, in turn, leads to cohesive groups and enhanced accountability. It was also noted that centre meetings at GB are often held at different homes to minimize the side effects of indiscipline such as poor attendance spreading across groups. At GU, in contrast, centre meetings were often held at the same location consecutively as a result of a lack of availability of space which led to problems of indiscipline permeating across groups. A positive aspect of meetings at GU was that loan instalments are collected electronically as it enhances security and provides a safe method of conducting transactions. However, an interviewee points out that this may also result in indiscipline if clients make payments using such methods and become reluctant to attend meetings. All such problems may have

contributed towards a subsiding of the peer pressure effect perceived to be generated by the model[34].

Furthermore, GU stood out as a sole exception in the Grameen's global replication efforts of the model as it serves a high proportion of men. This aspect of GU also runs contrary to non-Grameen microfinance initiatives worldwide which implement the group lending model. This was thus, a significant point of contention with the authorities of the parent organization as it clearly contradicted Professor Yunus' philosophy. Thus, GU was perhaps repeating the same mistake of offering loan to both genders, a strategy used by past case studies such as Street-UK. It is also worth pointing out that GU did not operate mixed groups unlike Street-UK (which segregated the members into groups consisting of purely male and female clients). This may have caused further problems increasing the chances of male members dominating the group. It is worth pointing out here that an earlier adoption of the Grameen model in the UK such as the Full Circle Fund which focused entirely on women had near perfect recovery rates. Another key difference between the Full Circle fund and GU is that whereas the former served a mostly homogeneous clientele base comprised of English white females, the latter served a much more diverse background which consisted of clients from Asian, African and European origin. the latter This may have made the model more difficult to operate for GU given that GB, in Bangladesh, has utilised the model to serve clients who come from a homogeneous ethnic and cultural background**.**

WEvolution has only forwarded 4 loans since it began its operation in 2011, all of which has been paid back on time. As the number of loans forwarded is negligible, the current study does not incorporate WEvolution's loan recovery performance into the analysis.

[34] (ME#6, 2016)

5.2 Outreach

Most projects in UK such as *Street-UK*, *Full-Circle* and *Street Cred* had used conventional marketing methods to promote their services and recruit clients. Methods such as leafleting, newspaper advertisements or networking with existing community organizations were used by these projects[35]. Networking with existing community organizations was seen as advantageous as it would ensure access to an existing set of clients. However, in some cases, such organizations did not cooperate. The behaviour of such organizations was perceived by some respondents as a fear of losing their clients to the microfinance projects[36]. The methods used were significantly different from the parent program in Bangladesh where a series of projection meetings are held with potential clients usually in the presence of a community leader and door to door marketing by Grameen outreach workers[37]. Such projection meetings involved a depth of conversation not possible in the context of UK for some projects such as *Street-UK* as a result of funding constraints[38]. In addition, some projects viewed door-to-door marketing as intrusive and inappropriate in the context in UK[39]. However, it is interesting to note that, the marketing strategy of *Account3* was viewed as effective by ME#1, the former coordinator of its parent organization *EEMC*. *Account3* had managed to hit its target in terms of recruiting client even though the targets were quite modest. The marketing strategy adopted by *Account3* revolved around outreach work done by an experienced multilingual outreach team who had previously worked with a large number of potential clients in related projects. They had links and access to schools, nurses and health centres where they went and held promotions. Most importantly, according to the *Account3* management, door to door marketing was a central strategy of their promotions and most of their clients were successfully recruited through this

[35] (ME#3, 2014) (ME#2, 2014) (ME#8, 2014)
[36] (ME#2,2014)
[37] (EX#1, 2013) (EX#1, 2013)
[38] (ME#3, 2014)
[39] (ME#2, 2014)

method. The factor which was crucial in the success of this method was that the outreach workers lived in and belonged to the same community and was trusted by the community they were approaching. Clients had often referred to outreach workers as a 'friend' in feedback forms enquiring about marketing. This allayed the fears of other project managers that such an approach may be intrusive. Another advantage that *Account3* had was that it was already providing training services such as driving instruction courses which meant that group lending clients would prospectively bond around such services[40] .

However, the most significant outreach challenge for the case study MFIs has been that the extent of demand for such services in the UK has been low as evidenced by the experiences of the case studies[41]. The demand for microcredit in most developing economies is strong (Sheremenko et al., 2012). This is highlighted by the mushrooming number of MFIS in Bangladesh alongside the prominent microfinance institutions such as Grameen, BRAC and ASA. This trend of high demand is also common in the rest of the subcontinent, Russia, Central and South America and, increasingly, Africa. Thus, the UK experience stands in contrast to such regions. Tables 5.4 and 5.5 below show the number of loans disbursed for *Street-UK* and *Full-Circle Fund*.

Table 5.4 Street-UK 2002 to 2008 - Cumulative Loans

Year of operation	2002	2003	2004	2008
Cumulative Loans provided	74	154	259	2272

[40] (ME#4, 2014), (ME#1, 2014)
[41] (ME#1, 2014)

Table 5.5 Full Circle Fund 1999 to 2008 Cumulative Loans provided

Year of operation	Cumulative Number provided
1999	11
2000	40
2001	51
2002	69
2003	84
2004	101
2005	106
2006	108
2007	109
2008	111

Table 5.6 Outreach figures (actual vs estimated)

Organizations	Projected Demand	Estimated population reached through marketing	Maximum Number of loans disbursed Demand
Street-UK	20000	N/A	259
Weetu Full-Circle	190000	6000	111
EEMC	N/A	4000	250

EEMC had suffered a similar fate only being able to forward a maximum of 250 loans across the consortium[42]. This also contrasts with the GB experience in Bangladesh, as there is vast demand of loans[43] by Grameen's massive expansion of branch and its widespread coverage.

There can be various factors leading to such low demand for group loans in UK, as opposed to the high demand prevalent in Bangladesh. One such factor may be the risk attitude of women who remain more averse to debt, as opposed to their male counterpart in Western countries[44]. Projects such as *Street-UK* and *Full-Circle* had used joint several liability systems which was used in the older version of the GB model, Grameen I (no longer being used under its current version Grameen II) which meant if one clients did not make their loan repayment it expected the rest of the group to make that payment good (Pearson and Watson, 1997). This may have deterred potentially risk-averse clients from taking the loans. According to one interviewee,

[42] See Table 5.6
[43] See Table A.13
[44] (ME#2, 2014) (ME#4, 2014)

many clients were not culturally prepared to take on the loans, which meant that they had to accept the responsibility of a loan default by another group member[45].

However, projects suffered low demand even if they did not have joint liability system. *Street-Cred* and *Account3* are such examples. Both projects had a system whereby clients were only "morally" responsible for each other[46] and clients would be individually financially accountable for the loans[47]. Furthermore, both projects had a progressive lending system whereby existing clients would have access to higher amounts of loans in the next period if they fulfilled all their obligations[48]. About 80% of the client bases were not interested in taking on further loans. This was attributed in case of *EEMC* to the original loans not being used for the purpose they were being taken for[49]. A similar trend was observed at *Full-Circle*.

The *Account3* management felt that clients who were doing well enough to repay the money easily did not feel the need to incur additional cost by borrowing more signifying an extent of debt aversion and a certain level of discomfort about the group lending system amongst the existing clients[50]. It was also believed that demand was inhibited because clients were not really interested in the circles as a result of a fear of their ideas being stolen by someone else within the group. There was also disinclination towards sharing information with others particularly if their businesses were not performing very well. This had resulted in the circle meetings being ineffective. According to ME#1, there must be benefits to clients if groups are to be convened and in *EEMC'*s case, most clients did not view forming groups as beneficial to their objectives. In addition, formation of groups also led to higher costs in terms of time and effort invested in

[45] (ME#3, 2014)
[46] (ME#2, 2014)
[47] (ME#1, 2014)
[48] The initial amount lent was £500 and then if loan was repaid this would be increased to £1000 and eventually £2000 in the following periods.
[49] (ME#1, 2014)
[50] (ME#4, 2014) (ME#1, 2014)

monitoring (as the groups were not strong) and thus became a laborious process[51]. The demand problem was further exacerbated by the interest rates charged at *Account3* which was approximately 25%. This was labelled as an "administration fee" and was fixed regardless of the period the loan was taken for. The problem with this fee was that, firstly, it was perceived as quite high by most of the clients and secondly, there was no incentive of paying the loan back quicker. This meant that the cost was prohibitive for clients who wanted the loan for a shorter period and hence caused discontent. It is interesting to note that the core principle of interest rate policy for GB replication efforts has been to keep the rates at a tolerable level for borrowers to ensure profitability of their projects. It is believed that this strategy would assure viability of both Grameen and the borrower projects[52]. This may be in contrary to prominent MFIs such as Compartamos where interest rates have been levied at a rate which is higher than what is required for cost coverage and reinvestment for the development of the organisation (Santos, 2012; Sacchetti and Borzaga, 2020)

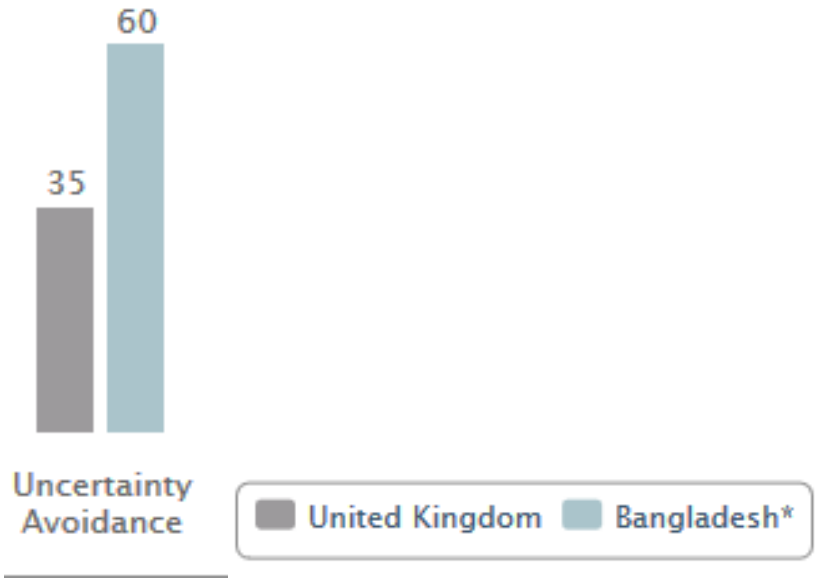
The contrasting cultural context between UK and Bangladesh may also have important implications for demand for Grameen loans. One of the core attributes of the Grameen model is the weekly meetings which are used to build social networks and solidarity amongst group members. The high level of individualism prevailing in UK society, as explained earlier, means that the such features may be less appealing to British clients in comparison to their counterparts in the developing countries. Further, almost all respondents in the study pointed out the booming demand for either predatory lending services or other forms of inappropriate financing with high interest rates compared to the low demand for Grameen style loans which was being offered. In addition to the aforementioned theory of individualism, two other concepts known as uncertainty avoidance and indulgence developed by Hofstede (2011) is

[51] (ME#1, 2014)
[52] (EX#1, 2013)

important to understand the differences in nature of demand. Uncertainty avoidance shows the extent to which a society feels susceptible to uncertain circumstances and act accordingly to avoid such situations (Hofstede, 2011). The level of uncertainty avoidance in the UK and Bangladesh is shown in Figure 5.2 below.

Figure 5.2 Uncertainty Avoidance

(Source: The Hofstede insights, 2020).



The contrasting levels of uncertainty avoidance between UK and Bangladesh means that the British society is more comfortable with the unpredictability of future events while Bangladeshi communities may feel a greater need for microfinance and the associated savings services offered by GB which can be used as a cushion in the event of any unforeseen calamities. The other concept of relevance to the current research is that of Indulgence. This is defined as the extent to which people attempt to resist inherent cravings and inclinations based on their upbringing. Comparatively weaker control is termed as “Indulgence” while

reasonably strong control is labelled as "Restraint". The levels of indulgence in UK and Bangladesh as revealed in a study by the Hofstede Centre are shown in Figure 5.3 below.

Figure 5.3 Indulgence

(Source: The Hofstede insights, 2020).

As figure 5.3 above suggests, UK can be considered as an indulgent society as result of its high score of 69. This may be an important explanation for the booming growth in the UK for inappropriate finance such as payday loans[53], despite high charges associated with such services in comparison to the entrepreneurial microfinance offered by the case study MFIs. The ease and availability of such services means that they are likely to be used in the UK to gratify immediate needs regardless of how important they may be. On the other hand, Bangladesh is classified as a restrained society (as underlined by its low score of 20) with a low penchant for indulgence. In such societies, future prospects are likely to be valued much more than the

[53] Many respondents noted the spiralling growth of payday lenders in the study (ME#4, 2014), (ME#2, 2014)

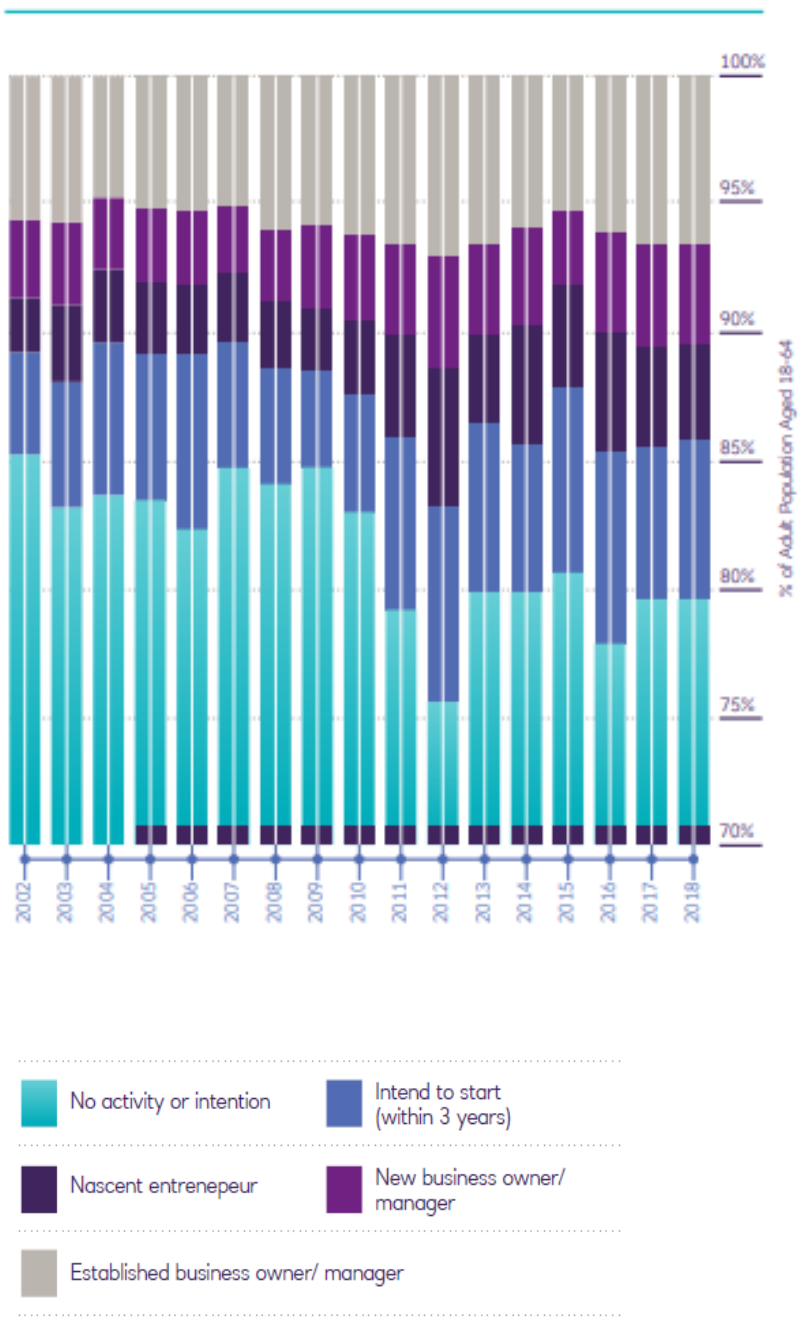
gratification of immediate desires. As a result, there exists a great demand for entrepreneurial microfinance in order to invest and save for a better future.

The low demand for Grameen style loans may also be attributed to the scale and nature of entrepreneurial activity in the UK. One interviewee attributed the low demand to the low scale of entrepreneurial activity in the UK[54]. This seems to be backed up by evidence. The *Global Entrepreneurship Monitor* (GEM) is an international study providing estimates of entrepreneurial attitudes, activity and aspiration in the UK with France, Germany and the US. Figure 5.4 below published by GEM shows that the UK entrepreneurial population has been around 15-20% since 2002. (GEM UK Report, 2018). The study estimates the total early-stage entrepreneurial activity or TEA as "the sum of the nascent entrepreneurship rate and the new business owner-manager rate – without double counting" (GEM UK Report, 2018:29). This estimate is relevant to understanding the nature of demand for Grameen-style loans as it is early stage entrepreneurs who are most likely to be interested in this kind of product. The GEM report reveals that the UK TEA rates has historically hovered between 5 to 8% reaching a peak of 10% in 2012 declining since then (in the period 2002-18). This has been significantly less than that of US which has between 10% and 15% in the same period (GEM UK Report, 2018).

[54] (ME#1, 2014)

Figure 5.4 Participation in Entrepreneurship in the UK by most established stage of entrepreneurial activity, 2002 to 2018

(Source: GEM UK report, 2018)



Account3 management also attributes the low demand to the general entrepreneurial environment in the areas they operate characterized by a lack of role of models arising from a

perception that men may be better placed to run businesses than women. The clients would often keep businesses under their spouse's names and in general lacked drive to put themselves forward[55]. The lack of entrepreneurial drive in females compared to their male counterpart was also revealed by a report published by the Global Entrepreneurship Monitor shown in Table 5.7 below.

[55] (ME#4, 2014)

Table 5.7 Entrepreneurial Attitudes in the UK among households in 2016, 2017 and 2018
(Source: GEM UK, 2018)

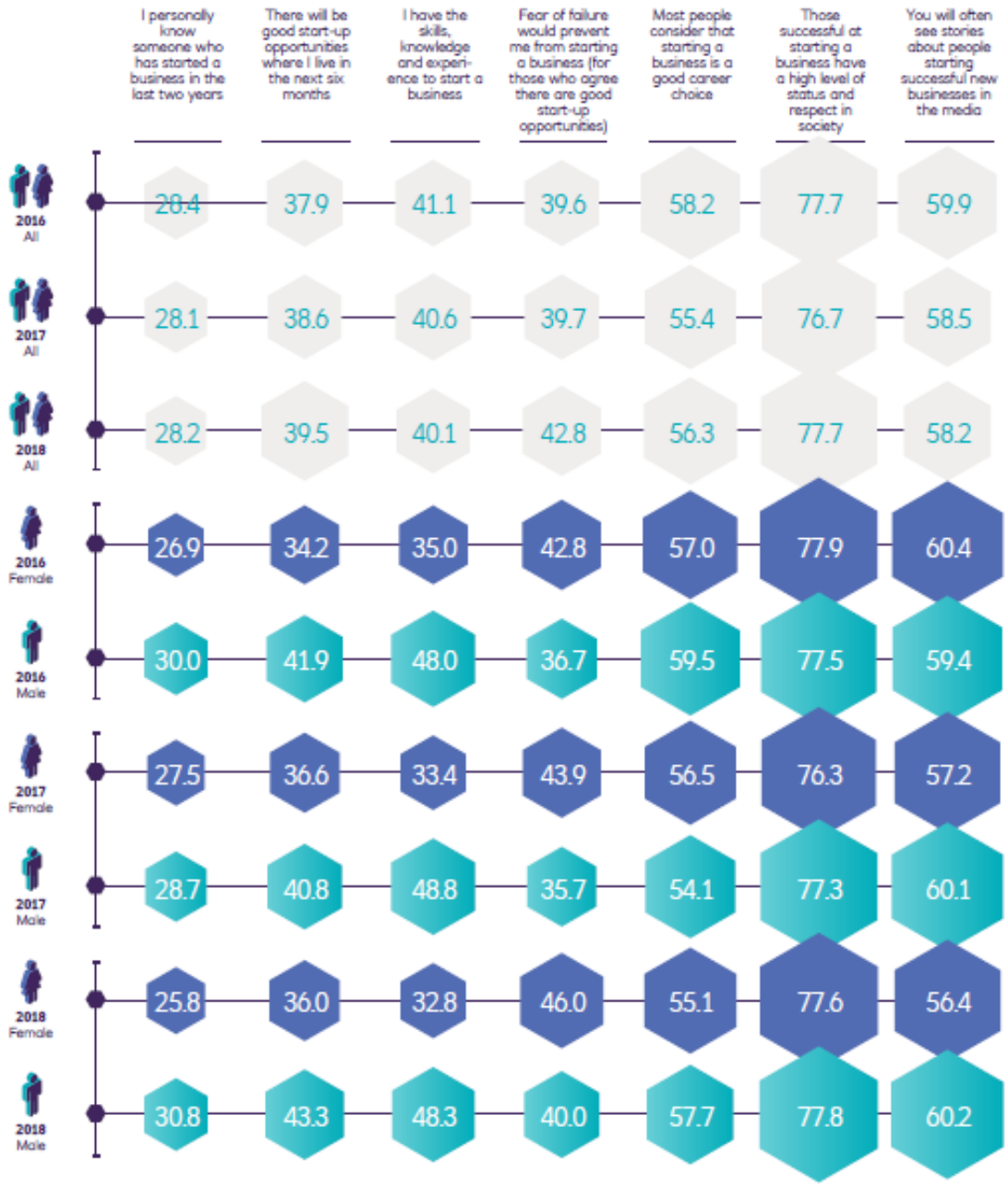
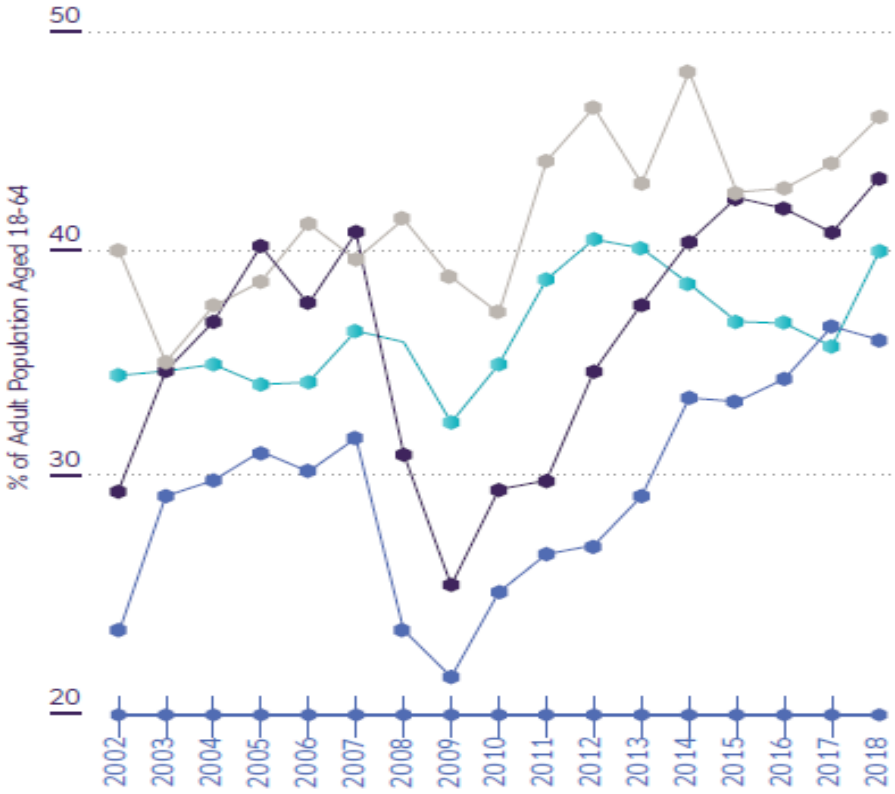


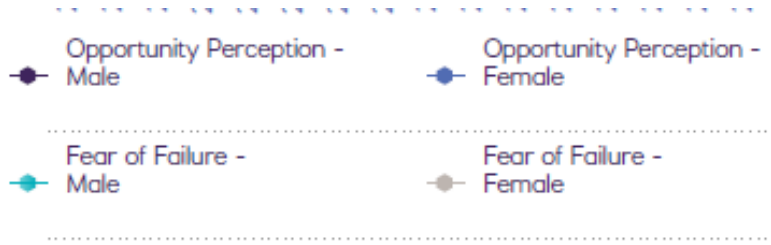
Table 5.7 above illustrates that men are more positive in comparison to women in all the attributes studied. The difference is particularly pronounced for self- confidence in possessing skills and expertise required to start a business and fear of failure. The GEM study interpreted the results as an indication that women may be more risk conscious than men. The study also noted that opportunity perception amongst both men and women have continued to be low in the period between 2002 and 2018 hitting record lows in 2009. Across the same period, fear of

failure has been constantly higher for females in comparison to males across the same period whereas opportunity perception has been lower (GEM UK report, 2018). The trends are illustrated in the Figure 5.5 below. These findings are consistent with the low demand for Grameen style loans offered at the UK projects. Many such projects also tended to focus their services on women and it is unsurprising that they experienced low demand given the subdued nature of entrepreneurial attitude amongst the female population in the UK shown by the data above.

Figure 5.5 Male and female attitudes towards Good Opportunities and Fear of failure (2002-2018)

(Source: GEM UK, 2018)





Prohibitive childcare costs were also suggested as an important factor causing low demand by two interviewees, both of whom were involved in management of *Street-Cred* and *Account3*[56]. Indeed, the *Full-Circle fund* incorporated this factor into their strategy by hugely incentivizing the loans by making childcare contingent on having a loan. However, this failed to generate higher demand for the loans[57].

Grameen's vast expansion in Bangladesh may be due to the fact that Bangladeshi women have little option given the paucity of employment opportunities and prohibitive social contexts, but to gamble on a business venture with the start-up loans provided by Grameen in in search of a better life. Such conditions are linked to the notion of necessity-entrepreneurship (i.e. launching a business as a result of lack of availability of employment opportunities) which is associated with the country-level income (GEM, 2004). The country level income level is linked inversely with the degree of necessity-entrepreneurship. This implies that countries such as Bangladesh are likely to experience a much higher level of necessity entrepreneurship compared to developed countries such as UK. One respondent involved with the management at *Street-Cred*, explained importance of necessity driven entrepreneurship, citing the example of African refugees (as these clients did not have access to welfare support) who she found to be the most committed and successful [58].

[56] (ME#4, 2014) (ME#2, 2014)
[57] (ME#8, 2014)
[58] (ME#2, 2014)

A perceived absence of incentives to graduate from welfare to work intensifies the demand problems further as it compels people to function in the 'grey' economy as they are concerned that access to benefits payments will be lost[59]. Indeed, a lack of interim support for clients who wish to set up their businesses formally and escape poverty was pointed out by ME#2, Street-Cred's former senior manager. This is echoed by ME#4, *Account3* manager, who pointed out the need for a mechanism to provide transitional support assuring potential clients continued access to welfare support until their business reach a certain level of profitability[60]. The aforementioned argument was further reinforced by the experience at *WEETU* with *Full-Circle Fund*. Around a third of the clients were women with children who are likely to have access to housing, medical and several other benefit payments which would prevent them from considering the option of accessing the loans with a view to start-up a business due to the fear of losing such payments[61]. Interestingly, an interviewee at GT drew an analogy between a lack of welfare to work incentives in UK to a Grameen program designed especially for street beggars in Bangladesh known as the Struggling [Beggars] Members program which was introduced in 2002. Under the program, beggars are motivated to become borrowers at Grameen and gradually become self-reliant. One of the important features of the program is that members are not forced to give up begging. However, they are motivated to borrow and become involved in additional income generating activity like door to door selling of goods or even at the location of begging (Alam and Getubig, 2010). This feature has not prevented it from becoming a successful program[62].

[59] In Illinois, USA, a micro-finance institution avoided this situation by getting a special exemption from the governor of state which allowed welfare recipients who took out micro-loans to be covered by welfare in the interim period until they could get their small personal business off the ground (Yunus, 1998).
[60] (ME#5, 2014)
[61] Many quickly calculate the amount of welfare cheques and insurance coverage they would lose by becoming self-employed and conclude there is nothing to be gained by it (Yunus, 1998). (ME#8, 2014).
[62] (Hussain, 2013)

However, there are those who disagree that welfare benefits are a significant factor inhibiting demand. ME#1, for example, contends that only a small percentage of the UK unemployed population is entrepreneurial and for those who are entrepreneurial the welfare system is not a stumbling block[63]. *Street-UK* operated a Department of Work and Pensions program called new enterprise allowance, encouraging people on benefits to set up businesses on their own account and provide loans and a very short income bridge so that they can continue to receive benefits for 13 weeks while they are setting up their business. The *Street-UK* management acknowledges that a sizable proportion of clients of such programs are genuine entrepreneurs. There is, however, a fear or perception that such programs may create a false incentive for people to gamble on entrepreneurship even when they lack the necessary motivation and expertise to be successful in doing so. This may be attributable to the ease of obtaining such loans which may lead to opportunistic behaviour by potential borrowers without a significant commitment to their business. This issue may have led to inflated demand for business loans.

Other demand side factors include low savings, inadequate financial literacy or insufficient insurance protection due to its non-availability or its high charges. Further to this there is also an advanced private sector characterised by intense rivalry, which reduces the probability of small business survival specially compared to developing countries (Copisarow, 2004). A research report, for example, shows a large proportion (55%) of small and medium sized business enterprises (SMEs) do not survive the first five years (RSA, 2014).

The recent case studies have also faced similar issues with low demand. During the inception of the project, Grameen Trust (GT) (the advisory body for global replications of Grameen) had initially estimated the projected demand to be substantial for GU's microfinance products. The estimated figures are provided below in Table 5.8.

[63] (ME#1, 2014)

Table 5.8 GU's outreach targets

	Pilot estimates	Revised targets
Year 1	400	100
Year 2	800	400
Year 3	1500	500

The original targets were later on revised during the initial period of operations (also provided in Table 5.9). This shows the problems that GU were encountering in achieving outreach objectives. GU, at the time of writing, were behind the revised targets. As can be seen from Table 5.9, the targets were quite modest and the fact that GU were struggling to meet such targets indicated the operational challenges of reaching out effectively to the target audience. The main method of outreach adopted by GU is referral through community organizations and councils. There were differences in ideologies of the GU management with respect to this method of outreach. This seemed to be attributable in part to the different professional backgrounds of the management staff. Those with a professional background in development associated with replication of Grameen in various countries favoured a more direct approach compared to those with a background predominantly in commercial banking. One such staff member noted that it is much easier to implement the model in countries such as Turkey and Mexico where he had previously worked. In those countries, it was possible to implement the original Grameen style of marketing which is to hold mini meetings at shops, cafes or various public spaces. The direct method was perceived to produce better results as potential clients

could be motivated by Grameen staff to take on the loans. It was felt that this was a more effective method than referrals from council or community organizations where management often had their own agendas and were less interested to co-operate with GU. Further, managers of such organizations may have been less effective in convincing potential clients of taking on Grameen loans and about the nature of benefits associated with being GU clients. Such problems that GU has confronted in dealing with external organizations is not unlike the experiences of previous UK organizations such as Street-Cred described above.

A key challenge was to motivate people to form groups. It was often time consuming as approaching the clients and getting them to form groups may take from 3 to 6 months. There was often a lack of awareness or understanding of the Grameen model on the part of many clients who are approached. There were issues of trust as clients often view Grameen as commercial moneylenders who want to sell their loans and potentially impose charges that may be hidden. Language and culture may also be barriers as GU staff have been meeting with potential clients from varied national backgrounds. However, a significant stumbling block is fear of losing out on welfare payments. A pilot study conducted by GT revealed that potential clients were particularly wary of losing housing benefits as a result of participation in the program. The data indicated this problem as well. GU comprised of 95% ethnic minority clients most of whom are migrants (without recourse to public funds) and 5% Scottish nationals who have such access. GU used an online software program which calculated how much clients are likely to lose out on by becoming self-employed for various hours of work and often many clients did not feel incentivised enough to take on the risk of becoming self-employed. The management staff noted the difference in attitude amongst different ethnicities with respect to this issue and pointed out that this problem is particularly relevant to the Scottish population that they were targeting. Clients from an African background were much more inclined to be

involved in self-employment even if they were only relatively better off in doing so[64]. The fact that Grameen found it difficult to attract potential clients on unemployment benefits may also be evidenced by the fact that majority of their clients were already self-employed and not on such benefits. In addition, the ethnic minorities were more well versed about the Grameen model and microcredit as a result of such models being pervasive in their respective countries in general which helped in reaching out to such communities.

Word of mouth referrals from existing clients was the most productive source for new recruits. A pastor who introduced Grameen to the congregation members in church based in Bridgeton was cited as one such example. However, a challenge was the unavailability of spaces for group activities (which cannot take place at homes due to regulations). This meant that unlike GB, groups had to be based around shops or commercial places rather than around houses which may compromise cohesion. It is interesting to note that GU had a high number of male clients in contrast to the parent organization and all global replications of Grameen. The inclusion of male members appears to be a contentious issue about which GT has expressed reservations. However, the legal team of GU has advised against an all women focus as it may be deemed as discriminatory under current UK regulations[65]. There was a proposal from some of the GU management to implement mixed groups which was rejected by Grameen. An additional reason noted for accepting male clients at GU has been the numerous difficulties in meeting even the revised outreach targets in light of all the aforementioned issues. Gradually, the number of males began to rise at GU and at one point was higher than women which caused tensions with the parent organization. GU wanted to address this problem and thus adopted a proactive approach to recruiting females and a reactive approach to recruiting male clients[66]. At the time of writing, females formed 53% of the GU clientele base.

[64] (ME#5, 2016)
[65] (ME#5, 2014; 2016)
[66] (ME#6, 2016)

WEvolution also has a similar strategy to GU in terms of reaching out to their clients as it relies on referrals from partner organizations. However, there are differences in the way which it actualizes this strategy. It requests partner organizations to refer at least two women. Two specific criteria are sought when selecting women which are (i) They must have leadership qualities (ii) They must be eager to transform their lives. WEvolution wants the women to work in pairs as the benefits are that they can support each other or if one client wants to give up the other can continue with the process. Subsequently, a cohort is formed combining such women from various organizations who are then trained for a three-day period spread over three weeks. After this these clients are expected to venture out and form the groups themselves. There are also differences in nature of clients with GU owing to as the organization ascribes higher priority to empowerment and social inclusion rather than the financial exclusion aspect. There are 25 groups at WEvolution comprising of 125 members out of which 116 are female and the remainder are male. Interestingly, unlike GU, WEvolution clients are predominantly indigenous Scottish White population (95%) while the rest comprise of immigrants.

Initially, there were no official targets due to the small size and informal nature of the project. However, WEvolution received funding from the Scottish government which has enabled it to set a target of 20-25 groups. Some groups formed initially disintegrated due to inappropriate training from external organization while others were perceived to have achieved successful outcomes as they were in employment or used the training as a pathway to further education. Unlike GU, WEvolution management does not discount the notion of more direct modes of marketing but adoption of such strategies will depend on other factors such as staff capacity. For example, approaching potential clients at supermarkets is being considered as a potential future strategy. The target and nature of clientele base at WEvolution also appears to be different to GU. Social inclusion and empowerment as goals are prioritized over addressing financial exclusion. This results in the recruitment of many clients who may not be considered

as conventional entrepreneurs. Such clients may suffer from a lack of confidence or health issues but still have a great appetite for transformation in their lives and are thus likely to benefit from the group process.

The aforementioned low number of clients and difficulties in reaching modest targets indicates that there are operational challenges in recruiting clients. The key difficulties noted by the management are (i) The Welfare system in the UK which provides some safety net and sanctions incremental earnings by micro-entrepreneurs. The WEvolution management were keen to ascribe the blame on the system rather than people citing that current arrangements do not provide adequate incentives to potential micro-entrepreneurs to let loose their aspirations but rather holds them captive. (ii) The second challenge involves the lack of availability of spaces which constrains the ability of the groups to engage in activities. WEvolution has addressed the problem of isolation and constrained spaces by introducing hubs. These hubs are spaces hired by the organization which are used by clients to meet up on a weekly basis and use it as their workspace. This strategy was firstly successfully trialled at Inverclyde as it led to an acceleration in the formation of groups at WEvolution. Subsequently, additional hubs were opened in Inverclyde and Dundee. (iii) WEvolution tried to work with other organization to obtain client referrals as such organizations were perceived to hold the trust of local people as they have worked with them over a sustained period of time. Similar to GU and the past case studies, WEvolution has also found it difficult to obtain referrals through external organizations as the management of such organizations often act as “gatekeepers” and are insecure about losing their own clients to WEvolution which may have potential implications for their funding. The organizational field environment is thus often not that of co-operation but competition. (iv) The management pointed out the individualistic nature of the Scottish society as a major impediment to the development of the SRG movement. People were perceived to lack social networks and connections to form groups. Potential clients would often be interested in forming

groups but unable to do so as they did not know anyone within the community thus making self-selection into genuine groups to be very difficult. Formation of self-selected groups is taken for granted in India or Bangladesh, however in the UK context appears to be extremely difficult. (v) Finally, the bureaucracy and paperwork (such as permissions) required to start even a basic small business was noted as a major barrier[67]. According to the WEvolution management, there is an acute lack of opportunity and conducive business environment for micro-entrepreneurs to trial their ideas as a result of burden of regulations. Food cart business was noted as on such example where a number of different permissions are required before one can operate a business.

The modest targets and the difficulties in achieving them indicate the importance of welfare to work incentives as a major impediment to recruiting native clients on such programs. It is worth noting the differences in demographics of the clientele base of GU and WEvolution. GU had a clientele base comprising of immigrants (95%), most of whom are African. In contrast, WEvolution's clientele base consists mainly of Scottish White female (95%) and very few immigrants. The nature of programs at GU and WEvolution are very different with a much less emphasis on loan on the part of WEvolution and a much greater focus on other factors such as training and empowerment. While there is a loan component in the WEvolution the take up for this had been very low with only four loans being forwarded. The loans are a central attribute of the GU program on other hand and has very few take ups from the indigenous Scottish population. The implications might be that Scottish clients think that group engagement may be beneficial to them where they may learn from each other and are empowered by such processes. However, they are less inclined to taking up loans a result of fear of losing out access to welfare and also lack the social networks to be involved in income generating activities characterized by the individualistic nature of the Scottish society. The high take-up of GU

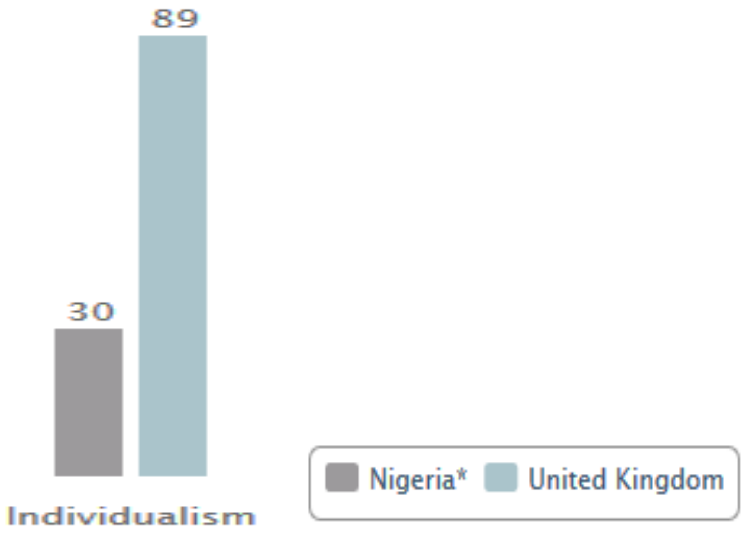
[67] (ME#7, 2014;2016)

services by immigrants (many of whom without access to welfare support) may indicate the nature of aspirations that they have when come to the UK which is often economic and the collective characteristic of such communities where social networks of friends or families may be utilized for entrepreneurial purposes.

A key common impediment to outreach efforts mentioned by both the management of GU and WEvolution is the individualistic nature of the Scottish society. It is suggested that the indigenous clients are often reluctant to become members as they lack social networks and friendships within fragmented local communities to form effective groups. While the number of clients is generally low for both GU and WEvolution, GU in particular, has struggled to get the indigenous population to sign up for its program. As has been mentioned before, GU's clients are predominantly made up of African immigrants with the most common country of origin being Nigeria. It is thus worth understanding the differences in culture between UK and Nigeria with respect to the extent of individualism or collectivism in both countries. The extent of individualism is compared between UK and Nigeria as revealed by the study is below in Figure 5.6

Figure 5.6 Individualism in UK and Nigeria

(Source: HOFSTEDE INSIGHTS, 2020)



As can be seen from Figure 5.6 above, Nigeria has a much lower score indicating that it is a highly collective society. There are a number of studies which highlight collectivist nature of African economies. Plateau (2000), for instance, revealed that successful individuals within such societies are often distrusted and cajoled into sharing their revenues. The wealthy are often collectively penalized in the form of social banishment, loss of prestige or even brutality. Witchcraft is commonly used by some communities to penalize materialism. This in turn stems from a fear that cohesiveness of the community will be compromised by the achievement of an individual who may desire to leave the community or be reluctant to share his/her profits (Gorodnichenko and Roland, 2012). Baland et al. (2007), Comola and Fafchamps (2010) and Jakiela and Ozier (2011) documented how individuals in African communities are inclined to conceal information about their savings in fear of the aforementioned censure from the community.

Conversely, according to the above study, UK is considered one of the most individualist nations in the world. The demand from Nigerians for GU's services compared to the originally perceived target of the indigenous clients may thus imply that the collectivist nature of the Grameen model built on existing social collateral in communities may appeal to them and be more relevant to that community. The fact that WEvolution have a much higher proportion of indigenous clients may be attributable to the fact that such clients are aware of the individualistic nature of the society they reside in but still feel that they can benefit from WEvolution's process which (unlike GU) does not make it mandatory for them to obtain loans but trains them on how to build cohesive relationships in the community. Such a feature may be less relevant for Afro- Asian communities such as the Nigerian society that GU serves where such strong relations are already present (as evidenced from the low scores of individualism in the above study) and it is more a financial rather than a social need due to the economic nature of their aspirations.

5.3 Regulatory Environment

Sustainability is difficult to achieve based solely on lending to micro-entrepreneurs. GB recognized the importance of savings by incorporating savings within its processes. Grameen I regulations, for example, stipulated a certain percentage of savings for each member to be credited at group meetings held every week. Additionally, a proportion of the loan amount is charged for the "group fund", whilst a certain amount is deducted on the basis of the loan size for the "emergency fund". The group operates the fund which provides a supplementary source of 'loanable funds' for the poor when an agreement is mutually made. GB overlooks the emergency fund which may be utilised as an insurance should there be any default in the event of death or illness or calamities (Khandaker et al, 1994). The group account system is no longer functional under Grameen II and has been replaced by a special savings into which borrower must credit money and also a voluntary savings account which provides interest income

(Vulkan et al., 2013). Thus, an important feature of this strategic shift at Grameen was its immense focus on savings mobilization as an integral part of its lending, which provides a vital internal source of fund for on-lending. An insightful study pointed to three perceived needs of the underprivileged in terms of financial management (Collins et al., 2009). **Dealing with the basics is the** management of cash flow to reorganize fluctuating income streams into a reliable consistent flow in order to meet daily requirements**. Risk Management is** coping with emergencies may require significant sums of money and have an adverse effect on the financial situation of a household**. Accumulating significant sums** for personal expenses such as weddings. Another study (Wright, 2010:1) posited that the following financial services are required in order to satisfy such needs. A current savings account which enables clients to credit and draw out expediently, an emergency or a general loan fund which can be obtained and paid back swiftly. The list also includes recurring, commitment or contractual savings products or multi-purpose loans. Studies have acknowledged the enormous success of Grameen II in designing and developing its products to meet such requirements (Wright, 2010).

Grameen used its experience to redesign its system to incorporate a number of new savings products. Amongst these were: (i) Public deposit services which were utlised to mobilize funds not only from its poor members but the relatively well off in the villages. (ii) Another popular service is the "Grameen Pension Savings" which lets members to save up for the long-term for significant expenses, such as education or weddings of family members (Rutherford, 2006). (iii) Last is the provision of individual passbook savings accounts and contractual savings products that enables clients to save "up" or "down". The broad range of products on offer at GB thus met a set of diverse needs from both existing and potential clients. It assisted GB in its outreach efforts by attracting new clients as a result of the benefits of these products. It also helped to retain GB's existing set of clients amd motivated the return of drop-outs or defaulters to repay and reparticipate in the program.

Thus GB's savings mobilisation has played a crucial role in enhancing its organizational growth and liquidity. However, for UK MFIs a significant stumbling block is the inability to open such savings accounts as CDFIs are not permitted to do so by the government[68]. Unlike, GB which is a bank in Bangladesh, the MFIs in UK are CDFIs, usually registered as charities, which do not have the permission to operate savings accounts of their clients under current UK regulations. It may be crucial to integrate savings mobilization into MFIs programs for the following reasons: (i) It may be a comparatively economical source of capital for onward lending (Robinson, 1995; Murdoch, 2000). (ii) Some studies indicate that insufficient savings may be a more important factor impeding business development than a lack of access to finance (Berger and Udell, 1998; Bates and Bates, 1997). (iii) Savings facilities enable poor households to smooth consumption over time and they may also use such savings for investing rather relying on other lenders. (iv) Savings accumulation cultivates self-restraint and discipline into borrowers leading to substantial entrepreneurial learning. Thus, it may be argued that a savings program should be an essential component of both subsidized and viable MFIs in UK.

In terms of recent experiences, GU has also faced the above problem as it is not allowed under UK regulations to mobilize savings. As it is unable to mobilize savings, GU uses its banking partner Tesco to offer clients savings facilities. This is an important factor as GU currently borrows on the money market for forwarding loans. If GU were allowed to mobilise savings, it could have used the fund for onward lending. This is a problem which has been previously outlined by Christen & Rosenberg (2000) and Arun (2005) in different contexts which has prevented firms from accessing a steady stream of funds at lower costs. Moreover, appropriate regulations that permit institutions such as GU to attract deposits from their clients may enable to achieve sustainable growth and develop alliances with the banking sector, enhancing their

[68] (ME#4, 2014) (ME#2, 2014)

operational network and improving their control and reporting standards in the process (Arun, 2005). There are other advantages in addition to this. It is likely to enhance outreach efforts as clients may be attracted towards savings facilities and also acts as an insurance against urgent needs such as illness and the loan is not diverted for such purposes. It advises clients to save regularly however, unlike GB, it is not a mandatory part of the program.

The key regulatory body that GU and WEvolution must deal with is the Financial Conduct Authority (FCA). FCA had introduced a regulatory system which discriminates between low and high-risk applicants. The purpose was to invest higher levels of resource to protect vulnerable consumers from the activities of high-risk firms (subjecting them to more stringent regulatory standards and requirements in terms of supervision, reporting and factors such as capital requirements). At the same time, the objective was to ensure appropriate levels of intervention for low risk firms. The system incorporated a provision for a 'limited permission' regime for low risk applicants which provides benefits in terms of lower threshold requirements, supervision, reporting and assessment fees. GU had applied initially for this interim license as a consumer credit provider for approximately two years following which it had applied for a full license. Crucially, GU had applied for a non-marketing license which restricted its ability to approach clients directly. It was classified as a low risk lender as a result of the low interest rates it charges, not offering individual loans and not having the ability to mobilize savings. Applying for a direct marketing license risked GU being classed in the same high-risk category as a provident or doorstep lenders which charge extortionate rates. Under current legislations, it would be categorized as a "Domestic premises supplier". "Domestic premises supplier" is defined as "a supplier who: a) sells, offers to sell or agrees to sell goods, or; b) offers to supply services or contracts to supply services, to customers who are individuals

while the supplier, or the supplier's representative, is physically present at the dwelling of the individual." (FCA, 2016: 18)

Some of the GU management thus contended that, given the regulatory circumstances, liaising with community organizations for referral as the main outreach strategy was appropriate in the context of a developed Western nation where direct marketing methods may be seen as intrusive and a breach of a right to privacy[69]. Others felt that a more direct approach where potential clients may be met and explained the features of the model is far more effective. Moreover, such an approach is thought to be more resonant with Grameen principles of emphasis on going to the clients rather than clients coming to the organization. It may be mentioned, however, that GU staff did offer presentations at community organization affording them the opportunity to speak to the public directly. But obtaining invites for such presentations was often difficult as some organization were suspicious of its intentions as a moneylender while others were simply apathetic to GU's cause. As a result of its non-marketing license, GU relied on referrals from external community organizations for expanding its clientele base. A senior manager pointed out that this is a time-consuming process which often produced poor results[70]. This is similar to the experience of most previous case studies.

GU was unable to focus its services on women as it had been advised by Clifford and Chance (a partner legal firm) that it may be discriminatory under current UK regulation. Some interviewees disagree with this as they feel it is a misinterpretation of the sex discrimination legislation. It is argued that there are exemptions within the legislation for voluntary or third sector groups to offer gender focused services[71]. There seems to be substance in this argument as several former UK case studies such as Street-Cred, Account 3 and Full-Circle have offered

[69] (ME#5, 2014; 2016)
[70] (ME#6, 2016)
[71] (ME#8, 2014)

an exclusive service to women previously without encountering any legal problems. A key factor in outreach targets being revised downwards during the initial periods of GU's operation was the time-consuming process of ensuring compliance with relevant UK legislation. Legal recourse had to be incorporated into the loan agreement in contrast to Grameen methodology. Anti-money laundering laws require GU to verify applicant's address and the permission to work in the UK. This is also a point of contention as GT officials feel that the process is too time consuming and complicated.

However, not all regulations have a negative impact on operational processes. A significant issue cited by the GU management is compliance with the customer complaints process outlined by FCA. An interview cited the example of a client not being able to pay several initial instalments as a result of sudden illness. Under conventional Grameen methodology, she would be allowed to reduce instalments and let the payments continue for a longer period of time which would lead to a costly accrual of interest charges. However, a core operational requirement under the current FCA regulations is the fair treatment of consumers. The FCA guide sets out six principles that firms should adhere to. Two particular principles listed as Outcome 1 and 4 are relevant to the aforementioned situation. Outcome 1 is defined as "Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture" whereas Outcome 4 is explained as "Where consumers receive advice, the advice is suitable and takes account of their circumstances" (FCA 2016: 12). GU, as a responsible lender, has thus restructured the loan to avoid complaints and the ensuing discontent from the FCA, It issued a new loan for the client to pay off her dues and rescheduled the new loan over another 52 weeks to reduce weekly instalments to eliminate arrears and preserve the clients credit records.

An important feature of the Grameen model is a visit to the home of the borrower which takes place before the loan is disbursed. This is an essential element of the model as it enables the organization to (a) confirm that clients are residing permanently in the address provided (b) check whether clients in the same group is living in the same vicinity (c) assess the social status of the borrower. However, home visits were not possible under the license that GU had. According to the regulations, GU had to write to the clients to ask for permission and give 28 days' notice if it wanted to visit the house. This rendered the process cumbersome and lengthy and also exposed it to difficult situations where clients may refuse this permission citing various reasons including privacy. This means that it has to rely on paperwork for all of the above listed purposes which may make the process prone to error. The borrower's house is often used as a venue for weekly meetings with borrowers at GB and other global Grameen replications. This option was eliminated for GU as a result of the aforementioned regulations. GU thus often held such meeting in the borrower shops where space is constrained and often has limited sitting facility. This results in the borrowers rushing to complete the meeting affecting group discipline. The process of formation of social collateral is thus hindered and may lead to less cohesive and geographically dispersed groups.

WEvolution has also applied successfully for a consumer credit license from the FCA for the microfinance component in its program. However, much of the aforementioned regulatory issues are less relevant for it as much less emphasis is placed on the financial element of the program with the predominant aim being to enhance social collateral in the community with finance being one of various tool of achieving this aim. This is unlike GU programs which revolved around the loan as a central factor. The crucial difference, thus, is that at GU program participation hinged on members taking a loan while at WEvolution obtaining a loan is not a prerequisite to membership. Rather, WEvolution avails microfinance as an option for supporting any self-reliant group (SRG) members who thinks it may be beneficial for them.

This means that WEvolution is not under any pressure to forward a specific number of loans. Hence unlike GU, WEvolution does not have clear targets and the ensuing pressure for forwarding loans.

The regulatory regime had detrimental effects on the operational processes of GU, in particular, owing to the lack of flexibility. The findings seem to resonate with a number of other studies which have revealed regulations to not having the desired impact. Jansson and Wenner (1997), for instance find that in Latin American and Caribbean countries, regulations are often incongruous with the delivery methods adopted by MFIs which causes differential biases in terms of requirements such as capital adequacy, documentation and provisioning which in turn leads to high cost for the MFIs. Similarly, Singhe and Luche (2020) find that regulations have created obstacles for MFIs to fulfil their mission of financial inclusion. Such costs would be justified if regulations are found to have the desired impact on the financial performance and outreach of the MFIs. Some studies have found regulations to have no such effect on these factors. Hartarska, & Nadolnyak, (2007) and Mersland, & Strøm, . (2009) have analysed global datasets of MFIs to conclude that regulation has no beneficial effect on performance and outreach of MFIs. Other studies have, in fact, concluded that regulations may have an undesired impact on outreach. A study by Cull et al. (2011), for example, revealed that profit-oriented MFIs reacted to greater regulation by reducing outreach to women and clients that are expensive to reach.

It is nevertheless important to note that a lack of regulation may leave clients vulnerable to unscrupulous conduct of MFIs. Numerous people have suffered in Bangladesh due to dishonest behaviour or ineptitude of unsupervised and obscure institutions (Wright, 2000). Perhaps, the best solution in the UK, lies in designing a regulation regime that permits MFIs to mobilise savings but at the same time have safeguards in place to protect clients from opportunistic behaviour. The system needs to incorporate the differences in nature, processes and ambitions

of organizations operating in UK microfinance industry which consists of a wide array of organizations from predatory lenders which are purely profit oriented to organizations such as WEvolution which place a great emphasis on the welfare of clients. A one size fits all approach to regulations will clearly put unfair burdens on organizations with a strong lean on Welfarist objectives. A tiered approach which recognizes the difference between bank and non-bank providers and also differentiates between different types of MFIs may thus be beneficial. The advantages are that such a system may allow MFIs to progress between tiers and provides a convenient regulatory environment distinguishing between different types of institutions (Berenbach & Churchill, 1997; Meagher, 2002; Arun, 2005; Pedrini et al., 2016).

5.4 Client Training

A major difference between the UK case studies and GB lies in the area of business training. GB does not provide any specific business training or any kind of specialized advice[72]. The management of Grameen Trust (GT), point out there are cost implications of providing such training and deem it superfluous as there is a lack of credible evidence proving the value of such training. Some projects provide such training regardless of whether clients require it or are interested in it[73]. In such a situation, clients may feel patronized as a result of such provision which may have an undesired effect. Grameen thus assumes that the borrowers know best. "Continuous training program" is the only form of training that Grameen provides—a training that is quite different to the programs provided in UK. It's a brief training for the borrowers provided prior to the approval of loans. It educates and creates awareness amongst the borrowers about the methodology, responsibilities, credit delivery and recovery systems of

[72] It is believed that entrepreneurs have inherent expertise which will be gradually enhanced with experience. Thus, valuable resources should not be wasted on teaching new skills (Yunus, 1998).
[73] (EX#1, 2013)

Grameen[74]. This training is distinguishable from those of the replication efforts in UK comprising provisions on business and financial topics. Most of the schemes provided financial literacy training free of charge. The client training scheme of *Full Circle Fund* may be cited as a case in point. *Full Circle* clients had to undergo two stages of business training "Enterprise for me" and "Skills for me" before making up their mind up about whether to take a loan. The *Street-Cred* clients also were required to train on subjects related to financial literacy. A 40-module business training manual was provided to clients consisting of topics, which were deemed essential for business start-ups. In addition, business training was provided by development workers. It was believed that this would reduce development workers' preparation time for meetings.

One major learning lesson from the *EEMC* experiment was to realize that it is quite complex to set up a business for micro-entrepreneurs in the UK as it requires massive growth and scale extremely quickly relative to one's income. This is in contrast to the situation in Bangladesh where most of the microfinance go to existing entrepreneurs who have a trade-able activity that they just scale[75]. This means that UK projects such as *Street-Cred* had to provide additional training support other than finance with respect to setting up a business, navigation of the welfare system and HMRC and various regulatory requirements—all of which added to the cost of providing the service and created pressure on sustainability. When *Street-UK* was initiated such training was not deemed essential (Copisarow, 2000), but within a few years of operation it introduced an advice service free of charge, adding pressure on sustainability, as the service proved not to be cost-effective[76].

[74] (EX#2, 2013)
[75] (ME#1, 2014)
[76] (ME#3, 2014)

However, some interviewees pointed out the intricate nature of the UK business environment where micro-entrepreneurs have to be mindful of licensing and tax regulations. This is in sharp contrast to Bangladesh where business environment is much more relaxed for borrowers to establish their businesses. As a result of the divergence in business conditions, some organizations in UK felt a need to persist training clients irrespective of the cost. Interestingly, the main incentive driving membership at the *Full Circle fund* was not for the loan but the training and support provided. This is evidenced by the fact that a substantial number of participants in the training never borrowed once the training had been completed.[77] Similar is *Street-Cred* experience where just 23% (162 out of 685) of the total *Street-Cred* clients graduated to be granted loans after completion of their training. Nevertheless, there appears to be discord about the extent of training required. Some believe that micro-entrepreneurs operate at a basic level of the economy and need elementary knowledge while others are in favour of more detailed training[78].

Contrary to the practices of GB, there were training services provided free of charge to the GU clients during the pilot phase. This training was deemed to be necessary as a result of the complexity of regulatory and the business environment in the UK. The training was provided for 2 hours a day for five days and consisted of topics such as operating bank accounts, budgeting and operating a business, planning income and expenditure and different aspects of the business regulatory environment. An interviewee pointed out that in contrast to GB, GU did not deal in cash which the management felt, necessitated that the micro-entrepreneurs be provided training on managing bank accounts in order to ensure that adequate funds are available in the account to clear weekly instalments to GU[79]. This clearly contradicted the Yunus philosophy of entrepreneurs not needing training and emphasis on "doing by learning".

[77] (ME#8, 2014)
[78] (ME#2, 2014)
[79] (ME#5, 2016)

Unsurprisingly, the training program at GU was redesigned following the pilot phase. The management felt that a lot of the training was surplus to requirements. They realized that a large part of the clientele base (approximately 90%) were existing businesses and it would be patronizing to teach them about running businesses and operating accounts as they were already much experienced at doing it. Hence, GU changed the system to that of a "needs based assessment"[80], where appropriate training is then tailored according to the needs of the individual. The stance of the management of WEvolution is quite similar to the pre-pilot phase of GU with the business regulations in the UK being thought of as burdensome compared to developing countries. Training is perceived to be advantageous for the group members in terms of overcoming such barriers.

The rationale of providing entrepreneurial training has been questioned by numerous authors such as MkNelly et al. (1996). Yunus (1999), in particular, regards entrepreneurial skills as innate and stresses that such abilities cannot be taught. Along similar lines, Banerjee and Newman (1993) and Paulson and Townsend (2004) also place the greater emphasis on financial exclusion encountered by potential entrepreneurs. Training requirements will differ depending on the stage of the business owned by the entrepreneur such as awareness, pre-start up, start up, growth and maturity (McMullan and Long, 1987, Monroy, 1995; Gorman and Cunningham ,1997; Bridge et al. 1998; Henry et al. 2005). Gorman and Cunningham (1997), in particular, urged careful consideration of the perception of entrepreneurial characteristics and the processes to enhance them. It is thus necessary for an MFI to clarify its purpose of training clients before investing in entrepreneurial education. Balkin (1992: 141) postulates that the objective of entrepreneurial training "is to provide the practical knowledge to do the myriad of little things it takes to start and sustain an enterprise." Hence it is relevant to distinguish between whether the purpose is to "start" or "sustain" the business of the trainees. A large

[80] (ME#5, 2016)

segment of the training at the pilot stage at GU covered topics aimed at clients starting a business.

Thus, GU's refinement of its training methodologies was in line with the above reasoning as it realised that most of its client were existing businesses which have a degree of knowledge and experience making this segment of its training mostly irrelevant to its audience. It thus changed its methodologies to focus on into its internal principles and procedures which in turn made its training methodology more congruent with the parent organization. There may be a case for GU clients to be provided with entrepreneurial training to sustain their businesses. Some studies reflect on such training needs for women particularly in the area of financial literacy (Goodwin and Voola, 2013). Landvogt (2008), for instance, argued that the distress, despair and discomfort that women correlate with money requires extensive provision of financial literacy training. However, to make training pertinent, provision would require specialist support tailored to the nature of the different businesses of the clients. Given the diversity of the nature of clientele businesses and the demographics of the clients that GU serves, this was difficult and costly to provide. It can also be difficult to justify given that several studies show that such initiatives are often ineffective in attaining their objectives (Scrheiner and Murdoch, 2001; Oosterbeek et al., 2010, Karlan and Valdivia, 2011)

Conclusion

Despite the difficulties in adapting the Grameen model, it is difficult to conclude that the GB model cannot be used effectively in the UK context, because some crucial elements that played an integral role in Grameen's success in Bangladesh are conspicuous by their absence in most of the UK case studies. These missing elements must be viewed from a strategic and environmental perspective. Peer group lending and the savings mobilization (vital for organizational growth and sustainability) are the key links in the Grameen strategies. An effective implementation of Grameen model has some fundamental operational preconditions

for the peer group lending including primarily female borrowers, self-selection, substantial demand for loans, savings mobilisation and good loan recovery performance.

For MFI initiatives in UK, some of these seem absent such as self-selection for *Street-Cred* and group cohesion and mainly female borrowers for GU and *Street-UK* resulting in low loan recovery for both projects. The inability to mobilize savings (due to the prevailing regulatory environment) and the consequent constraints of generating internal funds for additional lending is a factor which has affected all MFI initiatives in UK. In addition, either one or more of the following factors suppressed demand for all the projects causing significant problems. These intertwined factors, comprises a comprehensive welfare system with insufficient interim assistance, intricate business environment in which the micro-entrepreneur functions (compelling MFIs to provide expensive training regimes irrespective of cost), borrowers who are reluctant to undertake risk and individualistic nature of the UK scoiety. In addition, regulatory impediments cause distortions from the original model making operations even more challenging. This is particularly relevant for GU as it was unable to adopt the marketing approach consistent with the original model as management were wary of being classed as a high-risk applicant under existing regulations or being perceived as an abusive lender to prospective clients. Regulations also caused additional distortions in other important areas such as loan recovery by preventing home visits an essential part of the original model and affecting the cohesiveness of groups. Moreover, meetings had to held at confined spaces reducing their effectiveness and worsening problems of indiscipline. Regulations also have adverse impact on the nature impact on outreach as interpretations of the sex discrimination legislations lead to a loss of female focus. The overall impact may have worsened as GU grappled with combined effects of all the regulatory problems and responded to it be taking on more male clients to meet outreach targets. Such developments were clearly in contradiction to the essence of the Grameen model. The discussion above pointed out the need for a bespoke

regulatory approach that is tailored to different types of MFIs and their organizational ambitions. Moreover, given the heavy emphasis on Welfarist objectives, regulations may also allow such organizations to mobilize savings with appropriate safeguards in place to protect consumers. Many organizations including GU and WEvolution adopted the method of obtaining referrals from external organizations which was difficult due to the conservative attitude of such organizations. The differences in the demographics of the clientele base between GU and WEvolution indicates that it was difficult for GU to enrol indigenous clients onto its program as a result of the loan being a mandatory and core component. The regulatory issues also made it harder for GU to operate effectively as a result of this emphasis on loans. All of the aforementioned factors posed significant institutional complexities for GU which led to its untimely demise. WEvolution may been able to survive thus far as a result of its non-emphasis on loans and lesser pressure and complexities. These factors appear contrary to Grameen experiences in Bangladesh, thus contributing a substantial degree of institutional complexity in GB model's replication in UK.

Yet, it cannot be construed that the GB model has proved ineffective in the context of high-income economies. Contrarily, Grameen's experiences in USA (as will be analysed later) support the view that the model may enable combating financial exclusion in the context of a developed country GA has expanded steadily in the USA since its inception in 2008. Some interviewees in the current study believe, the Grameen model may offer effective means of combating financial exclusion as the socioeconomic contexts unveils in the UK[81]. Future researchers may explore a comparative perspective of the GA's replication efforts in the USA, which may suggest further avenues for research.

[81] (ME#3, 2014) (ME#4, 2014)

CHAPTER 6 INSTITUTIONAL ENTREPRENEURSHIP- UK CASE STUDIES

Introduction

Institutional entrepreneurs are perceived to instil "changes that diverge from existing institutions, independent of whether the initial intent was to change the institutional environment, and whether the changes were successfully implemented'' (Battilana et al., 2009: 72). This Chapter considers the same case studies as the previous chapter, most of which MFIs have undergone major transformations since their inception, the most significant of which are a change of lending models and target clientele.

The study in the present chapter analyses the contextual factors which have triggered such changes. It explains how the field characteristics and circumstances influenced the framing of problem by the institutional entrepreneurs. It outlines the process in which the institutional entrepreneurs mobilized allies in order to accomplish their missions. It delineates the respective organizational identities, templates and strategic visions and the corresponding implications for the institutional entrepreneurship process. More specifically, it offers a macro-level perspective how the MFIs in UK responded to the institutional complexities at the micro-level as identified in the previous chapter in the light of the emerging context in which they were operating.

As per diagnostic perspectives outlined and analytical gaps indicated in the literature review in the Chapter 2, the current chapter addresses the following principal research question**:**

'What is the nature of the process of institutional entrepreneurship of implementing the Grameen model in UK?'

Content-wise, the Chapter is divided into five sections. Section 6.1 identifies the key contextual factor affecting the operations of the MFIs and their links to the evolving organizational strategies. Section 6.2 analyses the comparative nature of problem framing between the respective MFIs and how this evolved with the emerging field level characteristics and circumstances. Section 6.3 contrasts the organizational templates and strategic visions with respect to Institutionist and Welfarist goals adopted by the MFIs and their ramifications. Section 6.4 examines the dynamics of alliances formed by the MFIs with external actors in overcoming institutional complexity. Section 6.5 shows the role of identity and how this influences the institutional entrepreneurship process of adopting the Grameen model in UK. The conclusion sums up the findings and envisages future developments in the field.

6.1 The Emerging Context: Rise of Predatory Lending and Welfare to work incentives

There has been a low demand for Grameen-style loans in UK, which some micro-lending authorities such as ME#4, ME#2 and ME#5 attribute to the activities of predatory lenders, as their presence increased substantially during the periods of their operation. The potential micro-lending clients are often attracted to predatory lending due to the ease and speed of the process. Many abusive lenders make the lending process very easy with little paperwork such as application forms etc. This is appealing for prospective clients as they are reluctant to fill out detailed forms because of the complexity and time required to do so. In addition, clients are also hesitant about revealing sensitive personal/financial information, even though using the services of abusive lenders comes at a high price as clients are charged extortionate fees/interest. Many clients are vulnerable and simply fail to realize the extent of exploitation they will have to suffer as a result of having to pay such rates and become swayed by the immediate ease of obtaining such loans. One respondent compared the ease of obtaining payday loans with the difficulties of getting Grameen-style loans which require hard-work in

terms of coming together in groups, attending meetings and taking moral, sometimes financial responsibilities for default of the loan (ME#2). When comparing the process with predatory lenders the potential clients perceive the Grameen loans as risky (ME#2). A Bureau of Investigative Journalism (BOIJ) study revealed that payday lending had experienced swift growth even through recession. Although Wonga is the most prominent amongst such firms, it is not the only firm to benefit from the rapid boom in the industry. The study revealed that the top ten companies which offered short-term payday loans (some of which charged up to 7000% APR) had a collective revenue of £800m which was an increase of approximately 41% from the last three years (Warren, 2013). Furthermore, the study traced 1427 short-term lending stores in UK, Scotland and Wales, meaning that there was approximately one such store for every seven bank or building society.

The study, however, analysed only the dominant national chains, leaving aside many smaller and independent operations (Warren, 2013). Concern is on rise how these payday lenders often cluster around the most deprived locations causing further exploitation in such areas. A BOIJ study, for example, showed that the payday lending stores are often disproportionately situated in areas of poverty[82]. In addition to the high interest and fees charged by the payday lending firms there remains a great concern about debt collection practices of the payday lenders. Payday lenders often exploit clients by abusing procedures such as Continuous Payment Authority (CPA), a method by which firms can take out a succession of payments from a client's bank account without obtaining prior approval for each transaction; even firms can repeatedly take various amounts of money from their account without any notice. These practices have caused the Financial Conduct Authority (FCA) to implement new rules requiring that lenders engage with borrowers to find out what is wrong after two failed attempts at using

[82] London Borough of Lewisham is one such example. The Department for Communities and Local Government (DCLG) identified it as one of the most deprived borough. It approximately has 7.6 stores per 100000 residents (Warren, 2014). Other boroughs with high store concentrations found in the study included Barking and Dagenham which also suffers from a high level of deprivation.

the CPA to obtain payments (Osborne, 2013). The phenomenal growth of high cost lending industry is attributed to the speed and ease of the borrowing process and to the sophisticated marketing techniques used by such lenders to attract clients. It is difficult for UK CDFIs to compete with such marketing both in terms of scale and scope as they simply lack the money to do it (ME#2). The situation gets worse still by illegal, unregulated loan sharks who tend to abuse their clients.

Another key contextual factor which has been highlighted by the management of all the case study organizations as a major impediment is the issue of welfare to work incentives. The previous Chapter revealed how all the case study organizations have struggled to target the indigenous population who have been reluctant to participate in such programs owing to fear of losing out on benefits such as Job Seekers Allowance, Income Support and in particular, Housing Benefit. Universal Credit (UC) is a policy introduced by the UK government in 2013 with the intention of restructuring the benefits system. Under this system, six means tested benefits including the aforementioned benefits has been streamlined by amalgamating into a single payment (Institute for fiscal studies, 2014). This has been gradually rolled out across the country with the intent of completion by 2021.

A principle objective of all microfinance initiatives is to stimulate self-employment by providing finance to potential micro-entrepreneurs. It is thus imperative to assess the nature of impact that such policies have on self-employment. The purpose of the Universal Credit policy has been to smoothen the transition in and out of benefits and make work pay. However, since its introduction, the policy has been criticised by many as having an adverse effect on poverty particularly affecting employed parents or second income earners (Joseph Rowntree Foundation, 2012; Resolution Foundation, 2013; Savage and Jayanetti, 2018). However, the most significant impact may be on the self-employed who may be discouraged by the new system. The previous system enabled self-employed individuals on low incomes to claim

Working Tax Credits to enhance their earnings like employed. Under the universal credit system, the benefits being claimed by self-employed individuals will be attached to a "minimum second income floor" (an expected level of earnings") (David, 2011; Dellot, 2014, Caraher and Reuter, 2019). Evidence indicates that a substantial number of people are claiming this (O'Connor, 2013). The implications are that if they earn below this level, they will not receive additional UC to offset the gap while if they earn above this threshold level, their UC payments will reduce immediately. An analysis by Dellot (2014) revealed that the earnings of a large proportion of self-employed (approximately 37%) is below the threshold making it potentially extremely difficult to claim under the current system.

The reason being attributed to such policy is the inclination of the government to motivate people to grow their businesses rather than just surviving by relying on state support. This focus on high growth business comes at a cost of ignoring entrepreneurs who may enjoy the flexibility of working for themselves or doing business as a pleasure activity which in turn may have other beneficial effects such as improvement of mental health. This in turn thus has important negative implication for those organizations which may be targeting or serving such clients. WEvolution, for example, targets individuals who are not considered as traditional entrepreneurs driven for growing their business but may involve themselves in such activities to bring about positive changes in their lives. In addition, it may take time for self-employed to grow their businesses to a level when state support is no longer required. The government recognizes this to an extent by putting into place a 'Start-Up Period' within the current system which prevents the self-employed from being liable from reaching the minimum income floor for a year. However, this may simply be not long enough as many businesses take longer to be established (Dellot, 2014). By penalizing those have put in the effort to grow their businesses to the extent of minimum income floor immediately after such a period lapses and discouraging

those on low income the policies seem contrary to the perceived “fairness” they are projected to bring.

In addition, the universal credit system makes it much more complex and harder to navigate for the self-employed. The UC system requires claimants to be interviewed by the Job Centre during which they have to provide invoices, business plans and several statements evidencing their intention to grow their business and become “gainfully self-employed”. If unable to prove this, the individual will be compelled to seek alternative routes of employment by the adviser. This has been criticised as it leaves the process vulnerable to the subjective evaluation of the adviser who may lack genuine understanding of the specific business that clients want to be involved with. Another problem is that the UC system does not incorporate fluctuation of earnings as it uses monthly assessments of one’s earnings. This means that a claimant who has a consistent income is likely to be better off than the more common case of a self-employed individual whose income oscillates between periods. This has resulted in Social Security Advisory Committee (SSAC, an independent statutory body) to urge the Department for Work and Pensions (DWP) to reassess how fluctuating income from self-employment is dealt with (SSAC report, 2014).

Furthermore, self-employed individuals will have to submit monthly information detailing their income under the UC system as opposed to filling out an annual tax return thus leading to increased bureaucratic hassle (Alaekson et al., 2015; Caraher and Reuter, 2019). Such problems with the UC policy provision may thus cause existing businesses to increasingly cease trading, discourage potential micro-entrepreneurs to starting their own business and make self-employment an exclusive domain for the elite for whom access to finance is not an issue anyway (Dellot, 2014; Rampen, 2015). Research confirms the reluctance on the part of many to become self-employed although there is a clear desire to do so. A research report (Going Solo) by the charity Citizen’s Advice, for example, revealed that 40% of the UK workforce

would prefer to be self-employed but only 15% were self-employed in 2015 (Citizens advice, 2015). In addition, the average income of the self-employed has experienced a decline in the last two decades (Patterson, 2014; TUC, 2018). All these factors may thus made it extremely difficult to target the indigenous clients looking to be in self-employment for both the past case studies as well as the recent case studies such as GU.

6.2 Field Characteristics and Problem Framing

Three distinctive ways are identified in which institutional entrepreneurs can frame their vision for change (Battilana et al., 2009). First is 'diagnostic framing', which revolves around ascribing blame by detecting inadequacies of current organizations or the wider field and existing institutional designs (Suddaby & Greenwood, 2005). Second is 'prognostic framing', which is about projecting an institutional practice as an improvement to an earlier design. It causes the institutional entrepreneur to be involved in de-legitimating existing institutional designs supported by rivals (Creed, Scully, & Austin, 2002; Suddaby & Greenwood, 2005), and legitimating to relevant external actors or possible associates. Finally, there is 'motivational framing', which requires presenting convincing logics of supporting the newly promoted idea (Misangyi et al., 2008).

Some of the UK case studies used diagnostic framing to present the problem of financial exclusion in the context of the locations in which they were operating. EEMC and its component organizations, for example, based in the East End of London, widely viewed as a particularly deprived region presented the problem as a lack of access to entrepreneurial finance for women and suggested the problem was even more chronic for the predominantly ethnic minority population they were aspiring to reach out to. WEETU, in a similar vein, used diagnostic framing to highlight the feminisation of poverty in UK in terms of lack of

employment and networking opportunities, lower wages, skills and training and projected how Full Circle was developed in response to growing marginalisation of women in Norwich and surrounding regions in Eastern UK (Pearson and Watson, 1997). Street-UK, however, originally framed the problem in a slightly different manner to the aforementioned organizations. The founder institutional entrepreneur Rosalind Copisarow postulated that microfinance in industrialized countries is not about classic poverty alleviation rather about supporting the development and sustainability of small businesses and to support clients operating in the informal "grey" economy to transition to the mainstream (Copisarow, 2000). Copisarow (2000) also used prognostic framing to identify ten key areas in which the existing financial institutions were failing to meet the potential demand from micro entrepreneurs insisting that there was a market gap for a specialized institution such as Street-UK to provide such services. She also used elements of motivational framing to provide compelling reasons in terms of desirable outcomes such as enhanced levels of business survival, self-esteem and confidence, skills, income and social networks for borrowers. She further pointed out the success of a Polish counterpart organization (Fundusz Mikro) that she had founded with similar visions.

However, the rapid growth of the high cost lending industry outlined in the previous section coupled with the institutional complexities of adopting the Grameen model (as explained in the previous chapter) led to a significant change in strategic vision of some micro-lending projects. The suggested concept of "specificity" of logics (Goodrick and Salancik, 1996) may have relevance in this context. It may be inferred that the extent of discretion that can be used to balance competing logics by organizations is closely related to the specificity of logics (Thornton and Ocasio, 2008). Strategic behaviour of organizations may be inhibited by high specificity of logics; when logics are vague and lack specificity, they may have more leeway in overcoming institutional complexity. This significantly enhances the organizations' ability

to reframe problems, develop innovative solutions and amalgamate structures/practices in response to the institutional complexity (Greenwood et al, 2011). When the UK CDFIs adopted the Grameen model, the problem of financial exclusion was interpreted by the microcredit projects mainly as a lack of access to entrepreneurial finance; the model was then adopted as a way to address the problem. In the wake of numerous challenges and experiences with the application of the model (as discussed in the previous Chapter) and burgeoning activities of abusive lenders, the financial exclusion problem was reframed by ME#1 and Street-UK as that of combating abusive lending. It is reasoned that the use of certain expertise and strategies by an institutional entrepreneur is linked to the formative stage of the organizational field (Fligstein, 1997). The field of community finance was at an embryonic stage when the UK case studies adopting the Grameen model began in the late 1990s. In fact, the industry body Community Development Financial Association (CDFA) was established in 2002 a few years after the case studies started operations. Hence the organizational field was very much at a formative stage and the processes, strategies or organizational templates were yet to be established. This is in contrast to countries such as Bangladesh where initiatives which replicated the Grameen model had an idea of processes to be implemented and possible challenges to be encountered as cues could be taken from the Grameen experiences.

Thus, the emergent field of community finance field in UK was characterised by "narrowly diffused" and "weakly entrenched" institutional practices (Lawrence, Hardy, & Phillips, 2002; Maguire et al, 2004). As mentioned in the previous chapter, some of the projects such as Street-Cred did not adhere to the core features of Grameen model. In this case the source of the complexity may have been the lack of implementation of self-selection strategy which was contradictory to the essence of the model Street-Cred desired to adopt. The community logic was prevalent as Street-Cred aspired to help the micro entrepreneurs in the region it was operating in, however, the market logic of delivering finance in a sustainable manner was

compromised as loan recovery was poor due to deviation from the original model. By the time the EEMC ceased and Fair Finance emerged, relevant lessons were incorporated into its practices by the former administrator of EEMC, ME#1, who was its managing director. The learning outcome from the pilot at EEMC was that the demand for entrepreneurial loans was not as high as was expected and also the fact that such loans have to be of significant size and require ancillary services such as technical advice and training to make the clients' businesses grow quickly and be sustainable, which in turn substantially increases the cost for the CDFI. The microfinance solution in UK, according to ME#1, was thus about tackling predatory lending rather than providing entrepreneurial loans[83]. The Grameen model, piloted at EEMC, was thus discarded. The predominant objective at Fair Finance was to address financial exclusion and exploitation amongst the deprived communities in the UK providing personal and business loans at reasonable interest rates.

Interestingly, as ME#1 views, if the clients were offered a personal loan rather than business loans at EEMC, it would have been inundated with demand. The level of demand for personal loans is much higher compared to business loans at Fair Finance supporting this assertion[84]. Fair Finance has expanded quickly and 2 branches have achieved sustainability, with 3 others moving towards sustainability (at the time of writing). On an average, it takes about 3-years for each branch to become sustainable. This success is attributed by the management to appropriate designing of products, accurate pricing and targeting of clients and collaboration with apposite organizations[85]. The organizational field had thus matured to an extent that group-lending practices were deemed to be redundant for the UK context and the priority of the market logic dictated that more conventional methods are used. Hence at Fair Finance, a

[83] (ME#1, 2014)
[84] (ME#1, 2014)

[85] (ME#1, 2014)

more conventional risk assessment methodology is used whereby credit search is conducted on clients.

However, unlike mainstream financial institutions, it has a more sympathetic approach as loan applications are not rejected as a result of bad credit history. Rather, the search provides an overview of client's financial situation and indicates the ability to repay or manage existing debts. At the core of the Fair Finance's success in terms of improved default rates, client retention rates, its simultaneous growth and expansion has been the fact that it has emphasized on building strong relationships with its clients with the help of dedicated loan officers. In trying to achieve scale and sustainability, this focus was not compromised as the face-to-face element of its operation has always been prioritised. The loan officers are given a limit of maximum number of clients to work within a year by the managing director. An inverse bonus policy is adopted whereby if this limit is exceeded, then the salary is reduced by a proportional amount. This runs contrary to the conventional banking logic of encouraging higher number of clients per staff to increase profitability. Fair Finance's strategy was thus divergent from orthodox tactics focusing on transactional lending to a greater emphasis on relationship-based lending. The market logic was therefore compromised to a degree by Fair Finance but not to an extent which would impact on its sustainability and a greater significance has been attached to the community logic with the continued emphasis on building one-to-one relationships focused on understanding client needs.

Along similar lines, Street-UK changed its model to provide personal loans for protecting clients from abusive lenders**,** which together with improved delinquency management and underwriting criteria, have led to a much improved loan recovery rates. This also led to positive changes in the demand for loans, delinquency levels and operational sustainability for the project. The money is now being lent against a known cash-flow rather than a speculative cash-flow proposed by an entrepreneur unlike the previous system resulting in lower risk. Street-

UK has made significant progress since then doubling the number of loans in 2008 since this strategic shift reaching operational sustainability and generating surpluses in 2008/09 [86]. It has continued to increase number of outlets serving clients and has inaugurated its fifth outlet. The management attributes this success to a change in the market that Street-UK serves and the loan products it provides. The new lending model is geared towards smoothing an individual's cash flow requirements[87]. In addition to change in the lending model, Street-UK developed the Street-serve service which was a back office financial software management-service supplied to other CDFIs. This was successful and had generated a surplus subsidizing the lending operations over the years. Thus, the new lending model was predominantly focused on displacing predatory lenders, rather than providing entrepreneurial loans. According to the management, approximately £15m had been lent to clients since the changes saving clients almost £4.5m in fees and interest relative to loans that they would have taken otherwise[88].

Both the recent case study organizations' strategic aspirations seem to be in accordance with the concept of mimetic 'Isomorphism' proposed by DiMaggio and Powell (2002). Isomorphism refers to a situation in which organizational designs and practices in different organizations are similar. Mimetic isomorphism refers to situations when the senior management of an organization willingly aspire to follow another exemplary institution (Biesenthal et al, 2018). It follows that GU desired consciously to follow the unique peer group lending technique adopted by Grameen in order to utilize it effectively in an UK context. WEvolution, on the other hand, was inspired by the Myrada model in India and aspired to adopt the collective aspects of the Indian SHG system.

It is worth investigating what framing strategies the recent case studies adopted. The WEvolution management note the fragmented nature of the Scottish society in areas of high

[86] (ME#3, 2014)
[87] (ME#3, 2014)
[88] (ME#3, 2014)

deprivation characterized by high levels of isolation. They contrast the nature of this deprivation typically construed as mental images of unemployed, criminal or lazy individuals reliant on generous welfare regime with that of India where underprivileged areas are often associated with a lack of hygiene. It is suggested that people in such communities in the UK often perceive themselves as "bad" which in turn adversely affects their self-worth and confidence. It is believed that the collective process of SRG model will help such people break such generalizations and consider themselves as producers or individuals who add value to the ecosystem rather than simply being mere consumers or recipients. The WEvolution authority stress that the sense of aspiration and mutual support generated by the collectivist nature of the model is a core factor with loans playing a supplementary role. It may thus be inferred from the above that WEvolution uses elements of diagnostic, prognostic and motivational framing to project financial and social exclusion problems. It uses diagnostic framing to highlight inadequacies of current institutional designs which the management insist are compartmentalized specialized services for addressing problems of financial exclusion or issues of mental health or social isolation. Prognostic framing is then used as WEvolution is proposed as an alternative arrangement to existing institutional arrangements, a unique one stop service which provides an integrated solution to financial and social exclusion amalgamating all elements of such services under a single umbrella. Motivational framing is also used as WEvolution brings to the fore the SHG model through which it looks to empower the self-reliant group and envisages individuals acting as independent entities within the group and promotes this as an unprecedented way for individuals to work together in an UK context[89]. The way in which WEvolution uses framing is thus consistent with the Myrada model which it is inspired from. The core mission statement of Myrada is "Building appropriate local people's institutions" which emerges from a conviction that the underprivileged should be

[89] (ME#7, 2014; 2016)

afforded the opportunity to build their own institutions which should be valued. The integrated nature of the WEvolutions's organization aim and operations also resonates well with the versatility of Myrada's ambitions. Some of its core objectives are: (i) to enhance the sustainability of livelihoods of poor through developing institutions, strategies and skills, (ii) improve the quality of life and environment by achieving the appropriate balance between natural resources and genuine needs of people, (iii) help guide and shape public policy in favour of the deprived and finally (iv) to build and foster community network and linkages (Myrada.org, 2020). Although WEvolution is open to both male and female members, there is a specific focus on women in its framing approach. This is evident from the high proportion of women on its board and staff team. It is also apparent from its marketing materials such as video and photos and testimonials of clients on its website. WEvolution authorities attribute this focus to the fact that about 80% of single parent households are led by women and a priority on this particular gender is required to address issues of family breakdown, health and economic inequality. It is also interesting to look at GU's framing approach. The mission statement of GU on its official website, stated:

"Grameen in the UK offers financial support by providing micro-credit business loans to thousands of people who are currently not served by any mainstream financial services. The goal is to improve the economic situation of the most financially disadvantaged in the UK, initially in the West of Scotland, on a sustainable basis. We provide a real opportunity for change, enabling individuals to begin to help themselves, their families, their communities and to challenge the cycle of poverty and welfare dependency in the UK." (Grameen in the UK, 2017)

GU thus used diagnostic framing to point out the inadequacies of the mainstream financial services in meeting current demand for loans from micro-entrepreneurs. The statement further pointed out the intention of GU to challenge poverty and unemployment by inspiring Scottish people reliant on welfare to be involved in self-employment. However, GU's operational experiences and the aforementioned difficulties of outreach initiatives amongst the native

residents has significant implications for the nature of this framing. Magnusson et al. (2008) proposed the concept of Contradiction which make apparent the deviation of reality from rhetoric (Goodwin and Voola, 2013). This is evident in the fact that GU's clientele base was predominantly formed of immigrants whereas the program's mission was clearly aimed at the indigenous population reliant on welfare provision to a great extent. It may mean that the problem of financial exclusion needed to be subtly reframed by GU more in terms of meeting the needs of sole traders (which comprise over 90% of GU's current clientele base) locked out of the existing financial system unable to obtain loans rather than native audiences looking to start their own small business and give up on welfare in the process.

Interestingly, GU adopted a generic non-gender biased frame in contrast to the parent organization. This is attributable to legal advice provided to GU which prevents it from marketing products specifically for women. Microfinance has been promoted as a way of galvanizing women. MFI initiatives focusing exclusively on women have been traditional been seen as cornerstones of poverty alleviation and gender egalitarianism (Kabeer 2009; Armendariz & Morduch 2010; Rai & Ravi 2011). Some global MFIs have even been formed with the distinct goal of "empowering women" (Copestake et al. 2005: 4). Global institutional entrepreneurs in the field such as Bancosol and Grameen have remained committed to their focus on women (Armendariz and Morduch, 2010). Professor Yunus, in a speech in 2012, highlighted the female focus of the Grameen model where he pointed out the main difference of Grameen with conventional banks. One of the key differences he noted in that speech was that conventional banks served a predominantly wealthy male audience whereas Grameen focuses its services on poor women (Tedx Talks, 2012). GU's orientation was thus contradictory to the essence and philosophy of the original model. One may argue that it has been forced to an extent into this position by the interpretation of existing legislation and the corresponding legal advice it has received. There are some reflections in the extant literature

which seems to resound well with this issue. Okin (1989:10-13), for example, postulated that 'false gender neutrality' in theories and public polices often risked concealing or unintentionally reinforcing gender disparities (Bubeck 1995; Folbre 2001; Robeyns 2003; Hobson & Fahlén 2009). Goodwin and Voola (2013), along similar lines, criticised the gender-neutral orientation of Australian microfinance policy for not incorporating within it the perceived effects of gender on an entity through gendered institutions, philosophies or prospects.

WEvolution is not as reliant as GU on existing social collateral between individuals to form successful groups. Rather it acknowledges the disjointed nature of the UK society and seeks to build cohesion amongst clients with an appetite for change in their lives. The subsequent process may or may not produce successful entrepreneurs but the ultimate goal is to empower them and build their skills and confidence. Microfinance is just one of the tools to achieve this goal. At WEvolution, ambitious micro-entrepreneurs with specific needs for microfinance are more likely to referred to organizations such as GU or commercial banks. On the contrary, GU starts with aspiring entrepreneurs and builds on existing relationships by requiring clients to self-select into groups.

There is a distinction made between "central" and "peripheral" organizations in the extant literature. The former is usually considered to have greater size and status. A higher status may lead to an amplification of institutional pressures arising from higher prominence as a result of media coverage (Den Hond & De Bakker, 2007; Greening & Gray, 1994; King, 2008; King & Soule, 2007; Rehbein, Waddock & Graves,2004; Rowley & Moldoveanu, 2003). Conversely, Peripheral organizations, may not be subject to the same levels of institutional demands and - the nature of their reactions to such complexities may thus be considerably dissimilar to central organizations. (Davis, 1991; Galaskiewicz & Wasserman, 1989; Greve, 1998; Kraatz, 1998;

Westphal, Gulati, & Shortell, 1997; Westphal & Zajac, 2001; Zuckerman, 1999; Greenwood et al., 2011). Although Grameen is a central organization in a global context as a result of the great media coverage of Professor Yunus and his numerous awards and accolades, all the case study organizations including GU were peripheral in a local context. This may be attributed to the relatively modest targets which the organizations struggled to attain.

6.3 Alignment of Interest with External Actors

Battilana et al. (2009) postulates that the ability to mobilize allies and garner support in implementing divergent change is central to the process of institutional entrepreneurship. The institutional entrepreneur behind EEMC and Fair Finance, Faisel Rehman initially negotiated with Environment Trust (at the time an established development Trust in East London) for support believing that the Grameen model would work in the context of UK. The trust provided him with a limited time to prove that the concept would work. Finding it difficult to convince potential funders, he used £4000 from his own credit card to lend to clients and in the process formed four groups. Once he established a track record, he was able to form a consortium comprised of Welfarist development organizations. The consortium appealed to component organizations as the objectives were consistent with the needs of their clients. Account 3, for example, was a well-established women's enterprise agency which were interested because of a perceived need of small loans for some of its clients. This enabled him to secure funding worth £50000 from a local regeneration project (Cityside SRB5). With a 25-loan record and formalisation of the consortium enabled Faisel to convince Natwest to lend £20000 of its community fund bond. It was mutually beneficial as the consortium received finance and NatWest was able to fulfil community development commitments as part of it corporate social responsibilities. A major source of the funds then came through the Phoenix fund which was initiated by the then Labour Government to tackle social exclusion in disadvantaged areas such

as East London. By 2004/05, numerous challenges surfaced and the resulting underwhelming performance of the pilot projects adopting the Grameen model meant that funding support had dried up including the Phoenix Fund which ended in 2006 (Brown and Nissan, 2007). Faisel adjusted by aligning his strategies accordingly and going on to establish Fair finance. For the first four years of Fair Finance's operations, funding was difficult to obtain. Faisel had used personal finances, small loans from friends and family and few grants with a view to demonstrate the effectiveness of the model without scaling up the operations. From 2008/09 period, it started to grow rapidly when two different types of funding were sought: first was funding from banks on commercial terms to scale its loan book and second was to pursue funding from investors who would assist in scaling up operations in terms of working capital and expansion. It may be noted here that it was perhaps quite difficult for Faisel to coalesce with commercial banks. This is due to the fact that by agreeing to collaborate the bank would ideologically accept its failure in serving a certain population and also cooperate with a relatively new organization with a limited track record. In addition, the profit maximization and purely Institutionist philosophy of the bank would be in contradiction with the social business model of Fair Finance. It is notable that two of Britain's largest commercial banks, Barclays and RBS had refused to support Fair Finance in 2011 (Wilson, 2011). However, Fair Finance was soon able to secure a funding package worth £3m inclusive £1m of debt finance underwritten by Santander of half a million from BNP Paribas and Société Générale, two of France's leading lenders. The deal was considered an unprecedented landmark as it was the first commercial microfinance deal in Western Europe which could be utilised to tackle financial exclusion (BNP Paribas, 2011). Significantly, the strong orientation of Fair Finance towards the market logic proved to be appealing to the investors. This is evident in the following statement by Ian Fisher, Chief Country Officer for Societe Generale in the UK:

"We understood very quickly Fair Finance would always be constrained if relying solely on grants and donations. We therefore wanted to make a genuine commitment to support a sustainable business model that

would enable them to support many more entrepreneurs in the future, and we felt this was the best means to doing so". (Societe Generale, 2011)

The structure of the deal was considered as a "game changer" in the area of social impact investment as the crucial component was the £750,000 patient capital underwritten by social investors to cover costs including potential defaults which made it attractive for banks to be involved in the funding process. In addition to the social impact, another incentive for these socially minded investors was that they would recover their investments within 7 years and gaining 5% interest per annum as long as a surplus is generated by Fair Finance. According to the financial strategist behind the deal, it was once again Fair Finance's emphasis on the market logic that was the key factor enabling the deal to be successful (Cheng, 2011). This is apparent from the following statement:

"*They saw it as an end to the begging bowl for the charity – no more charitable donations. As businesspeople it really appealed to them. The philanthropists we presented to got the concept right away. They were very taken with the idea that an investment strategy could be used and their money could be recycled*." (Cheng, 2011)

Thus, Fair Finance was able to successfully obtain both types of funding as social investors have bought into the ethos and ideology of Fair Finance along with its impressive track record of efficient provision of services. The returns for investors have been capped at 5% per annum for a ten-year period. Such a strategy resonates well with the community logic as a higher level of return for investors would imply charging higher interest rates to clients. Fair Finance has resisted the temptation to charge an interest rate which is slightly below the market and undercut rivals. Rather its interest rates, in congruence with its community logic, has been substantially below its competitors (Hawkins, 2014). Fair Finance addressed the problem of financial exclusion by offering personal loans at reasonable rates. It took a leading role in promoting financial transparency and accountability in the CDFI industry by publishing its first disclosure report of all its lending activities. Furthermore, it pioneered online disclosure of all its lending activities (Fair Finance B, 2020). This level of accountability and transparency was unprecedented in the CDFI industry. Such unique features of Fair Finance made it more

credible and consequently attracted higher investments over the periods of its operations. Important links were established with key organizations such as environment trust which in turn helped to build relations with housing associations and attract funding support from the banking sector. Another aspect of the alignment strategies was in terms of building productive referral systems. Business Lending at Fair Finance picked up since late 2007 as a result of Fair finance's collaborations with local business advice agencies (Nissan and Thiel, 2008). Other noteworthy alliance was with housing associations such as EastendHomes for a project known as 'Money Matters'. The project focused on helping clients with a range of issues such as rent arrears, debt counselling and arranging repayments. It is pertinent to note that the nature of the service offered was different than typical government sponsored schemes providing a generic service as it was more personalized and customised to client needs. This was effective in combining the community logics of addressing financial exclusion by means of debt advice and assisting housing associations in lowering rent arrears and the market logics of generating a consistent source of income (as funding support was provided by these associations). In addition, the market logic was enhanced by the fact this partnership opened up another source of possible avenue of income as debt ridden clients of the association could be served by Fair Finance.

The Street-UK also noted that effective provision of MFI services in the context of industrialized countries requires a collaborative approach from MFIs, the government and the voluntary sector. In 1999, Rosalind Copisarow placed a proposal to serve the needs of small businesses which lacked access to mainstream finance to Esmee Fairbairn Foundation, a major independent grant-making foundation in the UK. The foundation approved the proposal and made a grant worth £1.329 one of the largest in its history. The strong focus on sustainability shown by Street-UK's ambition of achieving a self-sustaining institution using an innovative model such as Grameen and the projected outreach appealed to Esmee as it resonated well with

its stated objective of "investing in organizations that aim to deliver both a financial return and a social benefit" (New Economics Foundation, 2004; Esmee Fairbairn Website, 2020). Street-UK also benefitted from funding from the Phoenix Development fund. Street-UK established the project "StreetLab" in 2002 for policy and advocacy activities which included projects with Community Links and Inland Revenue to decipher impediments for self-employed people to transition from informal to mainstream economy, the results from which influenced policies of both the Social Exclusion Unit and Inland Revenue.

An evaluation carried out NEF concluded that there was evidence of value added to policy area generated by this component of Street-UK's service. However, this value added was not found to validate its high cost funded by an internal subsidy (NEF, 2004). This caused it to be discarded eventually. A notable partnership Street-UK developed in 2003 in response to its outreach problems was with Pertemps Employment Alliance, a subsidiary of a national employment agency which had referred a substantial number of clients to Street-UK. However, the aforementioned problems of using the Grameen model soon led to frictions between Esmee and Street-UK as the core targets of sustainability and outreach set out in the proposal were far from being achieved. Alliance with external organizations was difficult as a result of its Institutionist goals of becoming a nationwide organization in a short span of time which was viewed as arrogant by other CDFIs (New Economic Foundation, 2004). Apart from developing personal loans products, Street-UK also developed a new way of aligning with other CDFIs. It used the comparative advantage it had from its pioneering experience of providing MFI services by developing a wholesale service known as "StreetServe" for selling to other CDFIs. The comprehensive service was particularly appealing for new entrants into the CDFI industry as it incorporated functional support in terms of dealing with enquiries, performing credit checks, management of loan disbursements, repayments, monitoring and processing

comprehensive credit control functions. This enabled Street-UK to deal with institutional complexity as the sustainability logic was helped by the fact that the service had a high number of subscribers as sales made a significant portion of its trading income[90]. In addition, the development logic has been attained as the service is helping other CDFIs to provide efficient services hence leading to more comprehensive tackling of financial exclusion.

At WEETU, the institutional entrepreneurs faced similar struggles to the above organizations in initiating the Full Circle project. Erika Watson, one of the founders found it particularly difficult to obtain funding as forwarding loans without collaterals seemed to be a radical concept which was unacceptable to many social investors. She eventually managed to raise £80000 from sources such as the community fund, Natwest and the European Social Fund. A major source of the funds like the other case study organizations, came through Phoenix Development Fund. One of the early collaborative initiatives was with Women's Self Employment Project (WSEP), a CDFI based in Chicago which had adopted the model effectively in the context of an industrialized countries such as USA. The mission and identity of WEETU resonated well with the WSEP'S goals of empowering women through cooperative action and WEETU learnt a great deal from this partnership (Pearson, 1998). It subcontracted the management of loan to a specialist organization Charities Aid foundation (CAF) for effective monitoring and management (Pearson, 1998). Partnerships were developed with other projects such as Enterprising Women's network, a business advice and mentoring service, which was also a source of business contacts for Full Circle clients (Pearson and Watson, 1998).

This was followed by an innovative partnership with Childminding matters an organization which offers advice and support services for childminders and parents across Norfolk. Clients of the organization were offered mini-loans of £60 to assist new childminders in meeting

[90] (ME#3, 2014).

registration costs which was connected to the core loan product offered at Full-Circle to enable to start or develop their businesses[91]. Long term sustainability was viewed by WEETU as networking and partnerships with relevant organizations in terms of developing concurrent services in other regions and also engaging with organizations such as credit unions and LETS (Local Exchange Trading Schemes) to offer enhanced savings and barter services (Sweetman, 1997). In order to implement this strategy and align itself with relevant external actors, WEETU had later on developed a full credit toolkit providing for £15000 to any organisation wanting to replicate or develop the programme. This innovation had important implications for sustainability of the project as well as establishing a network of peer lending providers that can target isolated communities; yet it failed to take off as subscription was low in general[92]. In 2011, it was successful in a bid for obtaining funds from Barclays Community fund. WEETU's mission was aligned with the fund's objective of providing accessible and affordable credit in deprived regions. The joint project sought to enhance the lending program and one of the core components of this change was a removal of peer group lending and a shift to individual lending for entrepreneurial loans. However, the changes had limited impact with debt aversion being noted as a major issue in achieving outreach objectives (Transact.org, 2013). The Full-Circle project faced similar problems to the above organizations as it experienced a funding constraint owing to the cessation of important sources of funding streams such as the Phoenix Development Fund and it continued to lobby for additional funding (Flemons, 2008). However, it struggled in an environment where larger more corporate providers were increasingly favoured at the expense of smaller localized providers. Moreover, the change in the funding environment was also characterized by an increased emphasis on payments by results. Frictions arose between funders and such projects due to discord about what constitutes as results; the

[91] (ME#8, 2014)
[92] (ME#8, 2014)

funders were often viewed as rigid and lacking contextualized understanding of the situation. Unlike organizations such as Street-UK and EEMC/Fair Finance above did not make the strategic shift towards providing personal loans and ceased operation.

As for the recent case studies, the strategy for WEvolution to interact with potential allies is to "infect" the institutional environment and inspire other organizations to start their own SRGs. As has been mentioned before, it has been difficult for WEvolution to mobilize allies in its field due to the conservative and protective attitude of management of some of these organizations who act as "gatekeepers". This also makes it difficult for it to recruit clients through such organizations. This is one of the reasons which has led to the WEvolution management considering alternative avenues for recruiting clients in the future. WEvolution recognizes the importance of savings as enhancing the collective element of its model. It has addressed the regulatory challenge of savings mobilisation by partnering with Airdrie Savings Bank which is UK's only independent savings bank. All SRGs across Scotland could operate savings accounts at this bank since 2015. The alliance with the bank was possible due to networks of one of the senior board members who is a retired banker and has been responsible for starting four banks in the UK. The approach from WEvolution was to get authorities from the bank to come to the organization and spend time talking to the clients and understanding what they do. Subsequently, the organization received approval from the bank as they wanted to support such activities in the community. The option of savings account has been popular with the clients as evident from the high subscription.

In addition, WEvolution has an academic collaboration with Glasgow Caledonian University (GCU) to assess the nature of impact it is having on clients. Interestingly, the management have not struggled to obtain funding for the project despite the fact that WEvolution is a peripheral organization and has an ambiguous organizational identity. This may be attributable to the fact that its institutional identity seems to have hold substantial appeal for funders as it is seen as a

novel way of working with people which may lead to notable social impact for beneficiaries. The major sources of funding are the Scottish Government and Church of Scotland. The Scottish Government has provided significant funding for the project as the mission of the project to enhance self-reliance and build the confidence of the Scottish population to make them more resilient fits well with their vision of a Fairer Scotland. Church of Scotland has supported the project as its parent organization with an ambition of promoting SRGs in poorest regions suffering from multiple deprivations which have very few churches in operation. Other Churches have also been supportive with St Meddens Church of Scotland in Troon and St Quivox Church in Ayr having raised funds to support the SRG movement. Churches have also provided spaces for the hubs that SRG clients use to meet up.

WEvolution is also working with the Scottish government in a policy and advocacy capacity. It has, for example, communicated to the government the nature of difficulties it is facing with regards to issue of welfare to work incentive. However, currently most decision-making powers on this issue is assigned to the Westminster administration. More powers are expected to be devolved to the Scottish government in the future which may be helpful for the organization. A notable strategy by the management has been the development of a social franchise model to mobilise potential allies. This is a replication toolkit (inclusive of organizational training) which is being developed at WEvolution which is to be sold to organization who are interested to start SRGs in their specific regions. This has yet to be fully officially launched, however there has been substantial initial interest. Ten organization from all over the UK have already attended Do it yourself (DIY) sessions (projected to be a part of the social franchise model being developed) at WEvolution following which additional sessions have been requested. More organizations are scheduled to attend such sessions at the time of writing. Further, this strategy seems to harmonise well with the WEvolution's organizational ambition of

influencing the institutional environment as organizations in Glasgow, Manchester and Wales have gone on to start their own SRGs after they received training from WEvolution[93].

The distinguishable feature of GU's identity is its direct affiliation with parent organization which has resulted it in acquiring the original brand name "Grameen" which is well known globally. This along with the involvement of Professor Yunus had given it initial recognition affording it a comparative advantage over any other new entrant in the field. This had meant that GU had on board some high-profile partners even before it started operating formally. However, despite prestige of the Grameen label it was difficult for GU directors to obtain support from commercial banks convincing them provide funding for lending to poor at a time when the banks were tightening their lending criteria at a time of recession. The process of communicating and networking with the banks was a lengthy process as a result of this reluctance.

Eventually, Tesco Bank agreed to provide loan capital finance and valuable support in terms of website development, general banking, compliance and legal services. Importantly, it had provided savings accounts facilities (which also paid out interest) to the clients without background checks as they found Grameen's vision to be in line with their Corporate Social responsibility agenda of supporting the local community. It was mutually beneficial for GU and Tesco as Tesco's CSR drive could receive a boost through their association with the prestigious Grameen brand while Grameen received support for their clients and financing capital for organizational development. Furthermore, Tesco's involvement along with the prestige of Professor Yunus and the Grameen brand lured other high-profile partners such as Royal Bank of Scotland (RBS), GCU and Clifford Chance. RBS offered GU clients a foundation business account without any background checks for which there was no charge imposed for an initial period of 2 years.

[93] (ME#7, 2014; 2016)

GU had an academic collaboration with GCU to evaluable impact of its activities on the Scottish society. Crucially, GCU had provided space for GU's office activities free of charge saving it a substantial amount in operating costs. Clifford Chance acted as a pro-bono legal adviser to GU. The management attribute the Grameen label to the copious amount of initial funding support it had received from various organizations. They acknowledged that it would have been extremely difficult for a new organization without the label to get such funding and support. Wholeplanet foundation, for example, which supports microcredit replications globally had provided GU with generous grant funding worth £50000 in year 1 followed by £100000 in the next two years[94].

In addition, the various aspects of GU's mission and activities had resonated with other charitable organizations. GU had thus received funding support from Gloag Foundation which supports anti-poverty projects in the UK. They have also received grant funding for a loan officer's salary from Moffat foundation which had similar objectives for people living in Ayrshire. GU also worked with charities for obtaining client referrals. One such example, Heart for the City, is a charitable ministry of social revival, a core aim for which is to support asylum seekers and refugees to integrate into the society. The fact that GU comprised of 95% immigrant population showed that the program may have been beneficial for those new into the country and hence provided a source of referrals for charities such as this to achieve their objectives.

Institutional entrepreneurs have to deal with various actors in order to implement divergent transformations in the field. Thus, they need to identify proponents, adversaries and other actors relevant to their initiative (Scully & Creed, 2005). They may come across opposition from "Institutional defenders" who are likely to gain from the current state of affairs and hence oppose change (DiMaggio, 1988; Levy & Scully, 2007). Battilana et al. (2009) postulate that

[94] (ME#5, 2014; 2016)

such trends are even more noticeable if the suggested divergent transformations implemented by the institutional entrepreneur have consequences for the organizational advantages and status of the opposing actors in the field. As has been mentioned above, GU and WEvolution have encountered difficulties dealing with external organizations for referral and working in co-operation to benefit the community. It may be difficult to label such organizations as classical "Institutional defenders" per se as they do not directly oppose the activities of the case study organizations. However, by declining to work with GU and WEvolution, they benefit from the status quo in terms of retaining exclusive access to their clients. This, however, may not be in the interest of their clients as they are not made aware of the extensive products and services at their disposal from the case study organizations.

Furthermore, institutional entrepreneurs often project and promote narratives and relate historical events to develop a storyline to delineate villains and heroes placing such characters as central to the development of a field (Morrill & Owen-Smith, 2002; Zilber, 2007). Exemplary stories are thus utilised to illustrate the organizational landscape and relating exceptional local anecdotes or narrative to generic issues (Meyer & Rowan, 1977). This is evident in the strategy of both case study organizations. For, GU, the story of Professor Yunus and the successful replication of the Grameen in the local context of first Bangladeshi village Jobra has been reemployed numerous times to drive home the need for such a model in various contexts including the UK. In addition, institutional entrepreneurs commonly suggest a theorization of such narratives (Morrill & Owen-Smith, 2002), which in turn has the potential effect of making their argument seem coherent and hence more appealing to a wide range of audience (Greenwood et al., 2002). In GU's case, the theorization of the Grameen story boils down to the proposition that the poor are creditworthy and adequately skilled to be successful entrepreneurs. It is not hard to imagine why this story is intuitively attractive for organizations which have poverty alleviation as their core objective. Similarly, WEvolution also uses the

symbolic stories of the successes of the SHG model to achieve its objectives. One such example is a blog linked to its official website which incorporates the symbolic and inspiring story of Lijjat Papad (an Indian organisation established in 1959 by seven females to make and sell poppadum which has currently expanded to approximately 42000 employees. The blog goes on to the point that the distinctiveness of the business which lies in the fact that all the 42000 women own a share of the business consistent with the model advocated by WEvolution (Passage to India group, 2011). The theoretical implication of such narratives may be that success, self-reliance and well-being is possible if community feelings are harnessed and members are empowered through the formation of SRGs.

An important related concept relevant to understanding alignment strategies is that of legitimacy. The definition of legitimacy is a hotly contested topic in literature (Parsons, 1960; Maurer, 1971; Dowling and Pfeffer, 1975; Pfeffer, 1981; Pfeffer and Salancik, 1978) with some emphasizing the evaluative aspect while others focusing on the cognitive dimension (Meyer et al., 1983; DiMaggio and Powell, 1991). The current research adopts the interpretation of legitimacy by Suchman (1995: 574) who defines it as a "generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions". Suchman (1995) distinguishes between legitimacy is sought by organizations for credibility and continuity. Both WEvolution and GU as new organizations may have encountered "liability of newness" (Freeman et al. 1983: 692; Stinchcombe, 1965:148). This is associated with implementing unprecedented systems and the challenge of gaining approval for the appropriateness of the method and or their own acceptability as an establishment. It follows that the case study organizations have till date been seeking legitimacy for credibility given their newness and have been successful in doing so as they have negotiated support from various quarters particularly in their initial stages. Moral legitimacy is centred on whether a given action is socially acceptable rather than

beneficial to the evaluator (Aldrich and Fiol, 1994; Parson, 1960; Suchman' 1995). The case study organizations have been successful in gaining moral legitimacy given the ideologically appealing nature of organizational ambitions. Scott (1977) and Scott and Meyer (1991) propose that moral legitimacy may also be gained in the form of evaluation of techniques and procedures. The novelty and uniqueness of the methodologies adopted by GU and WEvolution may also have been important in gaining moral legitimacy. In GU's case, it has clearly benefited from personal legitimacy gained through the involvement of Professor Yunus. It is a form of moral legitimacy earned through the enchanting personality of individual leaders. Weber (1978: 245) cites the example of "moral entrepreneurs" who play an influential role in unsettling the status quo. Thus, personal legitimacy may have afforded Yunus the credibility to reinforce the theory that poor are creditworthy despite an economic context characterized by recession in which contrasting beliefs are held by mainstream financial institutions. However, Suchman (1995) contends that moral legitimacy also incorporates important elements such as evaluation techniques, procedures, outputs and consequences. The initial euphoria for GU along with the moral and personal legitimacy gained through the Yunus and Grameen branded may have receded over the years through a closer examination of the inherent contradictions, techniques and procedures along with the negative consequences for outcome and consequences. This may have resulted in its eventual closure in 2018.

6.4 Identity

Identity features as an important factor in organizational response to institutional complexity[95]. Definition and redefinition of identity is pivotal to building sustainable alliances (Rao et al., 2000). It may be conceptualized as a set of claims to "institutionally standardized social

[95] (Glynn, 2008; Dobbin & Kelly, 2007; Kalev, Dobbin, & Kelly, 2006; Dutton & Dukerich, 1991; Elsbach & Kramer, 1996; Fox-Wolfgramm et al., 1998; Gioia & Thomas, 1996; Lok, 2010; Meyer & Hollerer, 2010 Creed, DeJordy, & Lok, 2010; Kodeih, 2010; Kraatz & Block, 2008;Rao et al., 2003).

categories"[96]. It is about membership in a distinct identity at the organizational field level[97]. Recent studies distinguish between "collective" or "institutional" identity and organizational identity (Glynn, 2008; Kodeih and Greenwood, 2014). The former is considered as being an affiliate of a social category while the latter includes central and unique claims of how the organization views itself to others in that social class. It follows the case study organizations had an institutional identity of being a "Community Development Financial institution" in the UK. This term is used to encompass a broad category of organizations that provide responsible community finance by the industry body (formerly known as Community Development Financial Association or CDFA).

This institutional identity and membership to the industrial body enables them to access various forms of public and private funding earmarked for social enterprises operating in the community finance sphere in the UK. CDFA membership also facilitates policy and advocacy initiatives aimed at influencing the government and other relevant stakeholders in addition to enhanced networking and marketing opportunities (Responsible Finance A, 2019). This is unlike Grameen Bangladesh, for example, which has an organizational identity of being a Microfinance institution, a more refined term used to denote organizations that provide finance to microenterprises. It is pertinent to note that the field of community finance in the UK is under constant redefinition struggle owing to the diverse and fragmented nature of the products that CDFIs provide. The industry body, for example, the erstwhile "Community Development Finance Association" has most recently renamed itself "Responsible Finance". The organization attributes this to the fact that the original name did not clearly convey the nature of the services provided by its members and was not comprehended well (Sharman, 2015). The

[96] (Greenwood et al. 2011: 346 Glynn, 2008; Kraatz & Block, 2008; Pratt & Kraatz, 2009; Thornton, Ocasio & Lounsbury, in press; Whetten & Mackey, 2002: 397)
[97] (Glynn, 2008; Kraatz & Block, 2008; Pratt & Kraatz, 2009; Mackey, 2002: 397)

confusion over the institutional identity is also perhaps revealed by the changing definition of the term CDFI. CDFIs were previously defined by Responsible Finance (former CDFA) as "sustainable, independent organisations which provide financial services with two aims: to generate social and financial returns. They supply capital and business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or underserved markets" (Nissan and Thiel, 2008: 8). CDFIs have now been relabelled as "Responsible Finance Providers" and the current definition is that Responsible finance providers have the following attributes: "1) **Increasing access to finance-** Serving customers not supported by mainstream lenders, 2) **Mission-driven-** Social enterprises re-investing profits to deliver economic and social benefits 3) **Treating customers fairly-** Clear and transparent about the costs of borrowing, lending only to those who can afford to repay and ensuring customers get the best deal and the best outcome 4) **A personal service-** A supportive approach, with decisions made by people for people 5) **Quality-assured and professional-** Meeting all Financial Conduct Authority requirements and complying with the Responsible Finance Code of Practise" (Responsible Finance B, 2020). It can be noted from the above that the former definition was much narrower acknowledging only those organizations that provide entrepreneurial finance. The current definition resonates very well with the experience of the case study organizations and encompasses organizations providing broad range of services including entrepreneurial and personal loans. The exclusion of the term "sustainable" from the current definition is also congruent with all the institutional complexities that many UK CDFIs including the case study organizations have experienced in their quest for sustainability. The case study organizations had an organizational identity at their inception which distinguished them from others within the same social category as "CDFIs using the innovative Grameen model to provide entrepreneurial loans". WEETU Full-circle's organizational identity was even more refined as it was heavily gender biased with its services focused entirely on women.

Thus, microcredit initiatives adopting the Grameen model projected an organizational identity which resonated well with the regeneration agenda of the then Labour government, supportive of community development finance as an aspect of community regeneration. The aim was to provide credit to poor communities for stimulating local enterprise, thereby reducing dependency on state support (Affleck and Mellor, 2006).

CDFIs were seen as part of a new, more socially receptive economics, which through the development of social, community and local enterprise will sustain local economies, and support local communities[98]. The multiple dimensions of socioeconomic exclusion and a desire to promote entrepreneurship in deprived areas led to a conducive environment of increased momentum of government support for community finance projects in the late 1990s amongst which were initiatives replicating the Grameen model in delivering microfinance to deprived communities. This is evidenced by the fact that all the case study organizations were recipients of the Phoenix Development fund specially earmarked for achieving regeneration objectives of the then Labour government. Addressing financial exclusion through the provision of microfinance and promotion of self-employment thus gained increasing prominence and resonated well with the policies of the government and funders alike. Regeneration was thus at the core of the identity of the case study organizations when they adopted the Grameen model. However, in the wake of the aforesaid numerous challenges faced by these initiatives meant that such regeneration efforts were largely unsuccessful leading to declining funding support. CDFIs such as EEMC/Fair Finance and Street-UK reacted to the difficult funding environment by changing their core organizational identity to that of "Responsible Finance Providers promoting social justice and transparent lending (i.e. combating the malice of abusive lending)"

[98] (Conaty et al., 1998; Guene and Mayo, 2001; Affleck and Mellor, 2006).

as their distinctive selling proposition rather than the regeneration identity that the predecessor organizations were trying to project[99]. This change of identity also led to modifications in their stated missions. Street-UK's original mission, for example, was to "to help poor, financially excluded micro entrepreneurs who wish to help themselves" (Copisarow, 2004). This has currently been changed to "providing support to financially excluded individuals with tailored financial services on a sustainable basis" (Street-UK website, 2020). This change has enabled the case study organizations to serve a broader client portfolio for services for which clearly there was a great demand as evidenced by the booming predatory lending industry along with the emergence of a handful of successful community finance initiatives aimed at tackling such lenders. This helped them towards their welfare logic in terms of achieving much greater outreach and addressing wider needs. Furthermore, the change in identity also enabled these organizations to traverse beyond the realm of entrepreneurial finance aligning themselves in the process with important external players and providing diverse products tailored to the needs of the local community, thus enhancing the welfare logic. One example of this is the collaboration of Street-UK with Local Authorities, Housing Organisations and Regional Consortiums in providing affordable home finance for financially excluded individuals.

Organizational names are an important distinguishing indicator of organizational identity. Names which resonate well with the current institutional philosophy and practices are likely to be selected by organizations (Czarniawska &Wolff, 1998; King et al., 2010; Gioia et al., 2010). The Full-Circle project was heavily associated with its parent organization WEETU (Women's Employment, Training and Enterprise Unit) characterized by strong focus on the services to the female entrepreneurial population. The fact that female entrepreneurs have always been the central focus of the Grameen model and the persistently high unemployment rates amongst this

[99] (ME#1, 2014) (ME#3, 2014)

population rendered initiatives such as WEETU adopting the model as an attractive proposition for regeneration funders keen to address such issues. It is notable that the Full-Circle project had attempted to redefine its organizational identity by discarding the group lending requirements and operating as a "CDFI to use individual lending model to provide entrepreneurial loans" in a late effort to boost outreach. However, the impact of this change was limited (Transact.org, 2013). The change of identity and associated mission to providing personal loans like Fair Finance and Street-UK was perhaps difficult and a step too far for the Full-Circle project given its strong affiliation with its well-established parent organization WEETU (founded in 1987), heavily rooted in its gender-based identity and mission. One may argue that even EEMC and its component organizations were heavily gender biased. However, in contrast to WEETU, EEMC could be treated as a relatively young and loose consortium of disparate organizations for piloting an innovative model, the lessons of which was incorporated into the off-shoot organization, Fair Finance.

In terms of the recent case studies, WEvolution's organizational identity is based on the Indian microfinance model which revolves around the concept of forming self-help groups (SHGs). It is inspired by the work of Myrada, an Indian NGO which aims to contribute towards poverty alleviation, gender empowerment and social inclusion. The model WEvolution uses is based on collectivism as the loan is provided to the group rather than the individuals. The business is owned by the group which makes crucial decisions on how to invest the loan and other enterprise activities. Unlike the Grameen model, the group members take collective moral and financial responsibility for the loan in the event of a default. This is the collectivist element of the process within the group which is perceived to be unique and unprecedented in the UK institutional environment and an effective way of dealing with the individualistic nature of the UK society. It is difficult to assign WEvolution an organizational identity of purely a

community development financial institution or a charity or an anti-poverty organization as result of the integrated nature of services it provides. Rather it is viewed by the management as a counter cultural and disruptive movement, the core function of which is to generate wealth and opportunities for its clients. It is thus unlike the aforementioned organizations (i.e. CDFI or charity) as it attempts to provide an umbrella of sometimes disparate services such as financial inclusion or issues of social connectedness, mental health and confidence rather than providing a specialized service for a particular element.

Interestingly, the institutional identity of WEvolution has been refined as it has progressed to suit the environment that it is operating in. WEvolution was initially termed as "Passage to India" when a group of Scottish women from the organization first visited India to observe SHGs in operation. This was changed to "Passage from India" after the group came back. This label emerged from origin and sentimental value of the women experiencing the Indian SHGs first-hand. The groups were called SHGs in congruence with the original model and to highlight the collective nature of the model. However, the name of the project was then changed to WEvolution as it was realized that potential clients were often not able to identify with the name, many of whom had not travelled or had no experience of India. These clients were informed about the origin and the history of the model but what was relevant to them was the current context in which the model was being applied. When selecting a new name, the management consciously avoided the attaching the term "woman". This is because although it wants to focus its services on women, it is still open to working with men. An agency was appointed to come up with a name which reflected the nature of the organizational ambitions and clientele it wished to serve, following which the organization was labelled WEvolution. The name self-help group or SHG was changed to self- reliant group (SRG) after a certain operation period at WEvolution. This is attributed to the fact that the term "self-help" was often

associated by potential clients with issues of mental health or alcoholism in an UK context. While clients with such issues were more than welcome at WEvolution, it was at a risk of being ignored by a large group of potential clients which did not have such problems but could still benefit greatly from its services. Thus, the word "help" was dispelled and replaced by the word "reliant" to better express the nature of services and organizational aspiration that WEvolution has. The term "self" was preserved, however, to underline the collective element of the group process[100]. The changing of terminology appears to indicate the peripheral nature of WEvolution and the emergent feature of the its field as it is loosely connected to the original organization by the virtue of being inspired by it. This means that they are unlikely to be under the same pressure as central organizations to reassert current practices from the source organization (Davis, 1991; Galaskiewicz & Wasserman, 1989; Greve, 1998; Kraatz, 1998; Westphal, Gulati, & Shortell, 1997; Westphal & Zajac, 2001; Zuckerman, 1999; Greenwood et al., 2011). WEvolution is registered as Scottish Charitable organization (SCIO). It is a Community interest company (CIC) which has a credit consumer license obtained from the FCA. The management are considering applying for membership of Responsible Finance (the industry body for Community Development Finance Institutions, previously CDFA) as membership would enable WEvolution to receive a significantly discounted fee for its credit consumer license. Membership may also enable it to network with similar minded organizations and hence influence the institutional environment in the UK.

GU management perceived its institutional identity as being more aligned with that of a CDFIs. However, the GU board had been considering applying for Responsible Finance membership which was thought of as beneficial bringing in further funding. GU also had future plans to apply as a bank in the long term which depended on it proving operational sustainability over

[100] (ME#7, 2016)

a sustained period. The organizational identity of GU centred around it being one of the only two organizations in the UK which sought to use the peer group lending model to address financial exclusion. In addition, it belonged to a very small number of community finance organizations which was willing to forward loans without conventional assessments of backgrounds or credit scores of its clients. Thus, the model relied on social collateral or the bonds between group members. Unlike WEvolution, GU provided loans to individuals who decide how to invest it their own separate business and hopes that individuals may benefit from the group processes such as weekly meetings where it can lead to inter-group learnings as a result of sharing of experiences.

GU was more central compared to WEvolution as a result of its direct link to the parent organization so it had more institutional pressure to reassert its practices. This meant that GU had to adhere to essence of the original model which is the peer group lending and requires members to form groups to be eligible for loans. This had proved to be the most difficult challenge. Some of the management felt that numbers would grow rapidly if GU were to offer individual loans. However, as a result of its strong links to the parent organization, it may be extremely difficult for GU to respond to its institutional complexities by simply shifting to lending models based on individual loans or offering personal loans. This is unlike previous UK organizations which did not have any such attachment to the parent organization and thus were relatively much more peripheral. Those organizations thus had less pressure and more leeway to respond to institutional complexities by changing their lending models and redesign the institutional entrepreneurship process.

Both GU and WEvolution's institutional identity is slightly ambiguous as they cannot be classed as CDFIs (although both had been considering application for membership to

Responsible Lending) nor as banks. It is important to note the difference in prestige and status between the models the organizations are based on. Grameen (on which GU is based) is globally more recognised than the Myrada/SHG model (on which WEvolution is based on) as a result of replication around the world and its founder who has won the Nobel prize and numerous other accolades including the US congressional gold medal. The achievements of Myrada on the other hand is more recognised in a local and national context in India with its founder Aloysius Fernandez being awarded Padmashri (a prestigious National Award) by the Government of India in 2000 for his contribution to social development. The GU organizational identity incorporates the name of the original model indicating its direct connection to Grameen and thus benefits from the global prestige and status of the parent organization. WEvolution, on the other hand is loosely inspired form the Myrada/SRG model which itself is relatively well known compared to Grameen. This means that it is less likely to enjoy the similar privileges compared to GU in terms of its status which in turn made it more challenging to obtain funding and mobilize allies. Former studies have noted status as an influential factor in the formation of institutional strategies. Durand and Szostak (2010), for example, reflected on how an actor's stature enables him/her to combat status quo in a field and bring about desirable change. Professor Yunus emphasizes the message that poor are creditworthy and that Grameen model is an effective way of addressing poverty at a UK speech during GU's inception (WatchGCU, 2012). Yunus's global standing may have enabled him to credibly deliver this message to social investors and allies despite the experiences of previous UK organizations which failed to utilise the model effectively and the existing economic and institutional environment in which banks were increasingly tightening their lending criteria. However, this message was not eventually backed by GU's performance in terms of repayment rates, outreach and operational sustainability, given the institutional complexities mentioned in the Chapter.

Another potential problem for GU may have been the dilution of its identity by offering the loans to both sexes. All its website materials including mission statements, for example, indicated the generic nature of this marketing. It thus consequently served a large proportion of male clients (almost 50%). This stood in contrast to the original model and all global replications of Grameen rendering GU's identity incongruous (with that of the parent organization) and hence potentially less credible to potential clients and relevant stakeholders.

6.5 Organizational Template and Strategic Vision

As has been pointed out in Chapter 2, **Institutionists** attach greater importance to the market logic whereas **Welfarists** emphasize community development over sustainability. The EEMC and its component organizations followed a Welfarist approach towards service provision relying heavily on external funds for continuity[101]. By the time EEMC devolved and led to the formation of Fair Finance, the cessation of policy support by the government and termination of important sources of funding such as the Phoenix Development fund required a change of strategy for operational survival and sustainability. Fair Finance achieved this by redressing the balance between the Institutionist and Welfarist approach. It adopted a sharper focus on sustainability along with its Welfarist goals of addressing financial exclusion. In its website, for example, Fair Finance identifies itself as a Social Business (Fair Finance A, 2020). Social Business is defined by Yunus as a non-loss, non-dividend company structured to address a social problem. It is financially sustainable with any profits generated going into the expansion and development of the business rather than paid out in dividends to owners. Unlike profit maximizing firms, the principle objective is not to maximize profits (although there is a significant weight attached to generating profits). On the contrary, unlike non-profits, it is not

[101] A key institutional entrepreneur involved in establishing Street-Cred for example perceives sustainability as a buzzword created to persuade funders to contribute more towards the MFIs (ME#2, 2014).

heavily reliant on charitable donations with a strong emphasis on being self-sustainable (Yunus, 2009; Yunus et al., 2010; Yunus, 2011). Fair Finance identifies sustainability as a core operational objective but retains welfarist objectives of being a responsible and transparent lender. It is also noted that all profits are reinvested for the development of the company rather than being retained by shareholders unlike a conventional business (Fair Finance A, 2020). The major shift was the offering of personal loans as a core product as opposed to group loans which the consortium was piloting earlier. This was in line with its sustainability goals as evidenced by the great demand from clients which in turn may be attributed to the ease of access, affordability of the loans and flexibility of terms and conditions.

The Street-UK has consistently maintained an Institutionist financial systems approach towards service provision, attaching great importance to financial sustainability. This was evidenced by its lofty ambitions of building a fully self-supporting national institution with 20,000 clients borrowing £40 million within 7 years. These figures turned out to be unrealistic due to the institutional complexities explained in the previous chapter. The focus on sustainability is also evident from the opening loan amount, set by the organization to £2000 (Copisarow, 2004). This was in contrast to the much smaller initial loans of £500 being offered by EEMC (Please see Table 6.1 below for comparison). This follows from the fact that it is much costlier to administer smaller loans compared to larger amounts.

Table 6.1 Starting Loan amount for Case study MFIs
[Based on data from Copisarow (2004), fair finance website (2014), QSA (2005), ME#1 and ME#5, 2014]

Projects	Strategic Perspective	Starting Business Loan
Street-UK	Institutionist	£2,000
Street-Cred	Welfarist	£500
Account 3	Welfarist	£500
Full Circle	Welfarist	£500
Fair Finance	Institutionist	£2,000

The Street-UK's objective was to combine elements of revenue maximization models and cost minimization models adopted by MFIs globally to achieve maximum impact in terms of outreach (Copisarow, 2000). Street-UK's modest loan volumes for its group lending program resulted in low interest/fees from lending which were inadequate to recover costs. This caused subsidy requirements to exceed beyond tenable levels and compelled a strategic focus on capitalizing on economies of scale (Copisarow, 2004). Street-UK thus shifted to offering personal finance in order to combat abusive lending for organizational survival and sustainability. This was in accordance with the basic philosophy of the organizational business model as such loans were cost effective to provide as a result of the much lower time and effort required to disburse compared to group loans (lot of time and effort needed for monitoring and supervision). Revenue was also higher as a result of enhanced demands and increased interest income.

Isomorphism refers to a situation in which organizational designs and practices in different organizations are similar (DiMaggio and Powell, 2002). It follows that there was an element of isomorphism in the change in strategy by these organizations as they realized the great boom in demand for personal loan products that payday lenders were offering and the success of award winning CDFIs such as Moneyline which offers personal loans in North West UK, Midlands, Yorkshire and Humber & Wales since 2001. The institutional entrepreneurs decided to offer similar products themselves making it easily accessible for clients. The isomorphism seems to be evident from not only the type of the products which are offered but also the business models and marketing approach which is used. The social business model at Fair Finance seems to have been inspired by Moneyline's model which is not set up for making profits for shareholders but ensures costs are covered by income from lending. Moneyline's success has not gone unnoticed as it has been hailed by politicians in the Welsh assembly for

its role in tackling financial exclusion. It has also received consecutive awards for responsible lending in 2011 and 2012 (Moneyline-UK, 2020). Along similar lines, an evaluation report by Street-UK noted Moneyline's (and a few other community reinvestment trust) suc6cess in developing personal loan products as a way of achieving sustainability and recommended a similar path to achieving viability for Street-UK. This was clearly incorporated into following business strategies. The report also stated that there were important lessons to be learnt from existing money lenders in terms of product marketing and packaging (Copisarow, 2004). Consequently, Street-UK also adopted a more corporate look and design to its branches similar to professional lending organizations. The website of Fair finance markets the personal loans in a remarkably similar way to lenders such as Moneyline showing the weekly instalments and interest rates and fees that the potential clients is likely to incur. However, it also refines the marketing by outlining how it is much cheaper compared to abusive lenders by providing a comparison table. Thus, both organizations have been conscious not to compromise the Welfarist objectives by setting interest rates at reasonable levels and offering flexible terms and conditions. The aforementioned report by Street-UK, for example, cautioned against predatory lending practices which include setting high interest rates and "constant capitalising of interest and unlimited escalation of the principal amount owed." (Copisarow, 2004: 26). Fair Finance, on the other hand, lists being transparent (being open and honest about its activities) and responsible (offering accessible and affordable credit) as core operational objectives on its website.

The WEETU Full-circle project seemed to subscribe to a Welfarist approach. Although founders recognised the importance of institutional sustainability from a financial systems perspective, sustainability was perceived by them as long-term benefits of the female participants of the program (Pearson and Watson, 1997). Sustainability, in this case was thus not conceptualized in a narrower sense of covering operational costs but a broader perspective

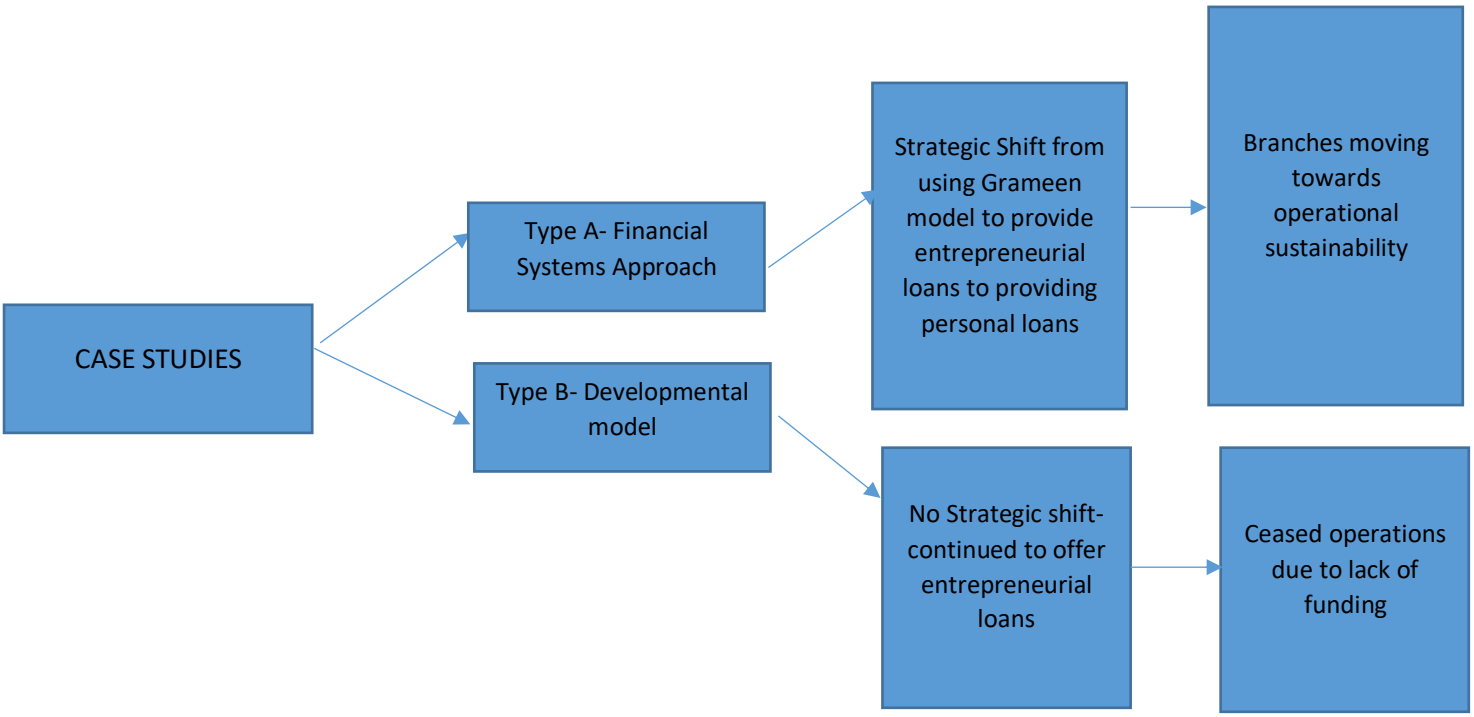
of getting the clients out of welfare dependency hence leading to long run benefits such as saving taxpayers' money (Pearson, 1998). In a report published much later by WEETU, it conceded that operational sustainability was unattainable and sustainability was viewed by it in terms of social collateral. The concept of "mission driven sustainability" was thus prioritized over operational sustainability in the report which according to the author should be measured by the extent to which the project can demonstrate social impact and good outreach (Flemons, 2008: 22). Institutional complexity may complicate the ability to adhere to institutional prescriptions because "the adoption of a policy or practice that sends a favourable message to one audience may simultaneously send an offensive message to another" (Heimer, 1999: 18; Kodeih and Greenwood, 2014: 7). In this case, such a perception of sustainability may have been appealing to organizations whose missions and goals are aligned with such views however some social investors who require tangible evidence of progress may have found it difficult to accept. The project thus eventually ceased to exist as the parent organization WEETU, providing the transactional training and development support for the borrowers, discontinued owing to funding concerns, including emerging issues between WEETU and funders such as funding environment that resulted in the funding infrastructure for the type of training that WEETU provides to change to payment on results. The debate between WEETU and funders revolved around what should constitute as effective results. This new funding environment prioritized large corporate training providers and left little space for small localized organizations like WEETU[102] .

The foregoing analyses suggest that the MFIs can be divided into two distinct types based on their strategic actions, as is depicted in Figure 6.1 below. Projects like Street-UK and Fair finance follow a financial systems approach with a significant focus on achieving long-term

[102] (ME#8, 2014)

sustainability. These projects piloted the Grameen model for several years and implemented a strategic shift focusing on personal loans. This shift can be attributed to the meteoric rise in abusive lending during the period of operation for both projects, which in turn led to a realisation of the senior management that microfinance can be used as a tool for displacing such lenders and offer clients increased protection from being charged extortionate rates. Contrarily, projects such as Street-cred and Full-Circle fund adopted a developmental model, relying entirely on external funding for sustaining operations. These projects did not adopt the strategic shift to providing personal loans implemented by Street-UK and Fair Finance. As a result, such projects struggled owing to an increasingly competitive funding environment where larger more corporate providers were increasingly favoured at the expense of smaller localized providers. Moreover, the change in the funding environment was also characterized by an increased emphasis on payments by results. Frictions arose between funders and such projects due to discord about what constitutes as results; the funders were often viewed as rigid and lacking contextualized understanding of the situation. These projects did not make the strategic shift towards providing personal loans and ceased operations.

Figure 6.1 Institutionist vs Welfarist Approach



In terms of the recent case studies, the key differences between GU and WEvolution in terms of organizational template and strategic vision is outlined below in Table 6.2

Table 6.2 Organizational template and strategic vision (GU AND WEVOLUTION)

Analytical findings	GU	WEVOLUTION
Strategic Vision: Poverty alleviation, women empowerment, self-sustainability	Strong emphasis on both Institutionist and Welfarist objectives Clear focus on sustainability, i.e. covering operational expenses; branch sustainability to be achieved within 4-5 years, serving 1500-2000 clients which is confirmed by the senior management during the interviews.	Predominant Focus on Welfarist objectives as sustainability perceived by the management mainly as the long-term welfare of clients. However, Institutionist goals are also considered important as WEvolution is trying to reduce its heavy reliance on grants by developing branding panel for SRGs, marketing the SRG products and a social franchise model.
Business Model	Social Business	Non-Profit
Operation Period	5 years	10 years
Clients	Predominantly African immigrants (95%)	95% indigenous Scottish White, 5% ethnic minorities
Key Context	Individualist nature of Scottish society/ Lack of Welfare to work incentive as a major impediment to outreach efforts	Similar problems to GU
Gender Focus	High proportion of men (47%) (inconsistent with GB's philosophy/strategic approach)	100% women
Field Position	Peripheral	Peripheral
Problem framing	Non-gender based generic framing of financial exclusion as targeting of people left out by mainstream financial services	Framing of financial exclusion as feminisation of poverty (Focus on single mothers)
Organizational Identity	Characterized by power, size and status of the parent organization (Grameen)as a global beacon for peer group lending. However, identity diluted by non-gender based generic framing unlike parent organization	Based on Myrada which is not involved in the UK effort. The original name Passage to India rebranded as WEvolution to suit local context. This along with the leads to a fact that it is a peripheral organization less distinctive identity.
Recovery rates (annual)	82% (at the time of interview)	N/A (negligible number of loans)
Outreach	281 clients (even behind modest revised target of 400 clients by April 2016)	125 clients (recently set annual targets of 20-25 groups which has not been achieved at the time of writing)

Table 6.2 will now be explained in detail. Organizational sustainability is perceived by the WEvolution management in several different ways. A heavy lean towards the Welfarist perspective is apparent as greatest significance is attached to the notion of sustainability in terms of long terms benefits of the clients. The most notable achievement is thus regarded as clients feeling empowered enough to be able to manage their groups and lives for sustained periods without the intervention of the WEvolution authorities. The emphasis on Welfarist objectives is also ostensible from the very reasonable interest rates which are charged on the loans. There is three parts to the process in which the interest rate is set at WEvolution. The first £200 borrowed is kept interest free for 10 months, the second phase is up to £2000 interest free for the first 12 months and 3% interest on the remainder for a next 6 months. Finally, another phase of £5000 which is loaned at 7% over the base rate of interest set by Bank of England (which has been quite low recently) The authorities prefer the loan to be interest free with the view that its often the high interest rates that push people into poverty. The reasonable charges are attributable to zero borrowing costs for WEvolution as the source of loans are unconditional grants. However, nominal rates are charged with the intention of reducing reliance on grants[103].

Despite the significant attachment to the Welfarist view at WEvolution, there is growing importance on the Institutionist perspective as well as the management realize that the organization is heavily dependent on grants. Thus, the management are developing strategies with the objective of enhancing operational sustainability. Revenue generating systems are thus being put into place with retail merchandising of SRG made products assuming a central role. A branding panel has been established with the purpose of assessing the quality and brands of the SRG products. Whilst SRG members are allowed freedom to sell to whomsoever they wish, WEvolution is contracting these products out and selling them online and at weekend markets.

[103] (ME#7, 2016)

The management realise that this aspect of their operations will be crucial and hence there is significant emphasis on factors such as pricing, volume and identifying right market for SRG products within the current organizational training. WEvolution obtains a commission on the products sold and expects this section of their operation to grow and expand over the following years generating healthy revenues for it in the process.

WEvolution is also in the process of developing a social franchise model which entails the provision of training and related materials to external community organizations which may be interested to start their own SRGs across the UK. There will be a fee for this service which will contribute towards generating revenues for WEvolution. Initial interest has been high with several organizations already attending DIY SRG training sessions (for which there is a fee) and going on to start their SRGs. The management hopes to include these DIY sessions as part of the social franchise model in the future[104].

GU had clear Institutionist goals with precise targets for outreach and an ambition of achieving operational self-sufficiency. While the initial target for achieving this was 3 years by getting 1500 clients within that period. This had been revised in light of GU's experiences of the difficult regulatory and environmental context it operates in. Under the revised target, GU hoped to recruit 1350 clients by the end of Year 4 who will be on a mixture of Tier 1, 2 and 3 loans giving them a projected income of about £20000 which would have covered their operational costs of approximately £150000.

GU had a strong focus on Welfarist perspective as is evident in the tiered interest rate that it charges. The interest rates are 23.95%, 20.95% and 17.95% for Year 1. Year 2 and Year 3

[104] (ME#7, 2016)

respectively. Initially it was 17.95% across the loans, however it was realized that this was not enough to cover the cost of forwarding the loan including training and administrative costs. The strong emphasis on Welfarist objectives was reflected by the fact that GU's interest rates were substantially less than other subprime lenders operating in the same field which charge much higher interest rates in the range of 100-160%. The small size of loans means that such organizations often charge a higher interest rate in their efforts to become self-sustainable and administrative fees as interest revenue is low. However, it is difficult for GU to adopt similar strategies due to its Welfarist objectives and their desire to be like Grameen which does not impose any such charges or unreasonably high interest rates. Instead GU hoped that clients will progress on to the higher Tier 2 and Tier 3 loans leading to higher interest revenues which may be then be used to subsidize losses in the earlier years. Under the revision, GU had modest targets of 9 Tier 2 loans a month[105].

Although it had future ambitions of becoming a bank, GU was during the period of its existence, neither a bank nor a CDFI. This ambiguous institutional identity that GU has may have significant implications for the regulatory impediments it was experiencing. As a licensed credit consumer, it was dealing with FCA regulations which are likely to be stringent as they are designed primarily to protect consumers from abusive lenders. Unlike those lenders however, GU held a strong Welfarist view evidenced in its relatively low interest rates, flexible terms and conditions, empathetic approach towards members who are struggling to repay. Although such an approach is laudable, it made it extremely difficult for GU to achieve its Institutionist ambitions of achieving operational self-sufficiency. An example of this regulatory dichotomy that GU faced is the restriction to visit homes which risked it being classed as a high-risk lender. Clearly such regulations are designed as a precautionary measure against the

[105] (ME#5, 2014; 2016)

malice of predatory lending but not suited to the objectives of an institution such as GU which wanted to use home visits as a means of fostering social collateral in a community rather than purely selling loans. From the clients' perspective it may also be costly and inconvenient to attend meetings at distant venues rather than in their own communities. Another evidence of distortions caused by regulatory problems may be the issue of gender focus. As has been discussed before, sex discrimination legislation in the UK has resulted in GU being legally advised not to offer its services purely to women in contrast to the original model. It seems ironic that GB's purpose of offering its services to women was to protect them from being discriminated against and empower them to make decisions. Being able to offer women focused services in a Scottish context is relevant as a result of high proportion of single parent families headed by women. Surely, provisions should be in place for organizations such as GU to be able to offer gender focused services without any significant legal implications. Thus, regulatory barriers make it even more difficult for GU to operate the model smoothly in an already challenging environmental context. The inability to mobilize savings placed further restrictions as this would have enabled it to use the funds for onward lending and save substantially on borrowing costs. The advantage that GU had is the substantial and sustained initial support it was receiving from several organizations in terms of funding. It had no overhead costs except wages for example as it had been provided with free office space by GCU. This support was crucial as it gave GU time and patient capital to learn from its experiences and adjust and tweak operations according to the context in which it operated in. However, unfortunately, GU could not take advantage of this initial breathing space as it suffered the outcome of the aforementioned deviations from the parent model in terms of poor loan recovery, thus causing it to perish in 2018. In terms of outreach efforts, GU's problems may have been compounded by the fact that the Scottish population which was the original target clientele had not formed the mainly clientele base. This is attributed to the fact that they

are mainly disincentivised by the current welfare system and the nature of the society characterized by a high level of individualism. GU's clientele base predominantly consisted of African migrants and some other ethnic minorities. This indicates that aforementioned contextual and regulatory difficulties may have limited selection to ethnic minorities which is a much smaller proportion of the Scottish population (about 3% Asians and 1% Africans according to the 2011 Scottish census) compared to the originally perceived target of indigenous Scots. Although Grameen is a central player in the field of microfinance in a global context, GU was peripheral in an UK context and very much in its infancy trying to learn from its experiences and adapt to its context accordingly. A significant challenge for GU was always to move to a more mainstream and hence central position in the UK community finance field. This, in turn, needed GU to deliver credible and robust performance in terms of key performance factors such as recovery and outreach. However, as discussed earlier, it was unable to even meet the relatively modest targets it had set itself and ceased operations.

Conclusion

As a way of summing up it may be re-stated that the MFIs in UK faced numerous institutional complexities in adhering to the Grameen model. When it comes to the past case studies, along with the difficulties of providing group-based loans, the emerging context of booming predatory lending led to a strategic shift to the provision of personal loans from providing Grameen style entrepreneurial loans. This shift was implemented by organizations adopting a financial systems approach with a strong emphasis on the market logic (Street-UK and Fair Finance). The analysis also shows that these organizations either used diagnostic framing to structure the problem of financial exclusion originally as either feminisation of poverty and a lack of female entrepreneurial access to finance or prognostic framing to identify areas in which existing financial institutions were generally failing to meet the market gap for entrepreneurial

finance. These MFIs (Street-UK and Fair Finance) shifted to providing personal loans used prognostic framing to reframe the problem of financial exclusion as that of combating abusive lending.

The organizations that managed to survive and expand had a strong alignment towards market logic characterised by their respective business models. This strong orientation towards the market logic and the resulting emphasis on the sustainability was appealing to potential allies including social investors and hence enabled the organizations to form effective alliances to achieve their objectives. The institutional identity in the field of community development finance has undergone significant transformations due to the emergent nature of the field, the unravelling of the field context and the resulting institutional complexities surrounding the case study organizations. Street-UK and Fair Finance were able to redefine their organizational identities to align themselves with their new framing and strategic visions but retain their organizational identity at the same time.

On the other hand, WEETU did not implement a shift to providing personal loans, despite a late move to individual lending and eventually perished along with its parent organization in a constrained funding environment. It attempted to refine its organizational identity during the latter years of operations. However, it was unable to bring about similar changes to identity as the other case studies given its affiliation to the well-established parent organizations entrenched in its strong identity based on gender and mission of addressing female poverty. Its organizational template was characterized by a development model where sustainability was perceived as "mission-driven" and viewed not purely as covering operational costs but achieving long term benefits such as motivating clients out of welfare dependency and saving taxpayer's money. This line of thinking, although laudable, failed to strike a chord with funders particularly during the latter periods of its operation when the novelty of its organizational

identity wore off and institutional complexities began to be exposed and led to its eventual demise.

The extent of predatory lending and the consequent exploitation of millions of borrowers in the UK meant that the service provided by CDFIs such as Fair Finance and Street-UK are commendable, as they have continued to offer borrowers reasonable rates of interest and protection from being exploited by predatory lenders. The numerous awards and recognition achieved by Fair Finance, in particular, supports this view. The abusive designs and practices of predatory lenders have led to immense criticism amongst the mainstream media and campaigners which has steadily risen over the years.

The UK government finally took belated notice of the criticisms of the system pf predatory lending and introduced regulatory measures to bring about scope meant for competition, accountability and transparency in the payday lending industry. Payday loans costs are capped at 100 per cent of the amount of the loan. Furthermore, new creditworthiness standards were introduced, which required all types of lenders to make more efforts to ensure customers could make repayments without profound changes in their wider financial situation. This has caused the number of payday lenders to fall from 106 to 88 from 2016 to 2019 and significant changes in business models within the industry (Noonan, 2019; FCA, 2019). The most noticeable of these was the previously high-flying Wonga, which collapsed in 2018 struggling to adapt to significant regulatory changes, and being forced to pay out significant amounts in compensation.

However, despite these changes, demand for such loans is likely to be unaffected by the reduced availability and continue to surge. There are fears that such changes in the payday lending industry and a lack of viable alternatives along with an unchanged high level of demand from potential clients may leave them exposed to illegal loan sharks. Lenders may also be

compelled to use the services of illegal money lenders including online firms operating from beyond the boundaries of UK. This would obviously put them at a greater risk of exploitation.

In the backdrop of these changes, the role of CDFIs such as Fair Finance and Street-UK is likely to become even more important in providing suitable access to finance. However, they are predominantly branch based and require a lot of funding and support to cope with the challenge of deterring potential clients from using the services of dominant payday lenders CDFIs such as Fair Finance and Street-UK provide a reasonable and low-cost alternative to consumers and represent means of filling the market gap as regulatory environment unfolds in the UK and drives out some of these high cost payday lending firms out. Thus, the government should not only think about imposing regulations on existing payday lending firms but also provide policy and funding support to such CDFIs to help plug the gap created as a result of the newly introduced regulations.

Unlike some of the past UK case study organizations, GU was unable respond to the institutional complexities by altering its framing or organizational identity as a result of its strong links to the parent organization. WEvolution, conversely, may have enjoyed this privilege as it does not have such links. It has already demonstrated this by changing the label and hence the identity of the organization to suit local tastes. As the above research has pointed out, future development in the welfare regime incorporating the full roll-out of the Universal credit is likely to make it even more difficult for such organizations to target indigenous clients.

Both organizations had successfully aligned themselves with relevant actors as a result of different factors, particularly in the initial phases. WEvolution, for example, seemed to have aligned itself with the Government by the virtue of the intuitively appealing way in which it has theorized the problem of socio-economic exclusion that it aims to address whereas a large part of GU's effective alignment with important local and international actors may be attributed

to the globally imminent status of the parent organization and personal legitimacy of Professor Yunus. As the case study organizations matured and progressed on to a more advanced stage of operations, the concept of consequential legitimacy became more relevant. It has been defined by Meyer and Rowan (1991) as being gained on the basis of organizational accomplishments. It thus follows that having gained moral legitimacy and support for the initial period of their operations the case study organizations moved on to a critical stage where consequential legitimacy may have been sought from relevant stakeholders such as funders or government. This in turn depended on achieving the appropriate outcomes in terms of factors such as repayments and outreach. However, there are potential difficulties as some socially oriented outputs are difficult to measure. Meyer and Rowan (1991: 55) for example, note that "the technical properties of outputs are socially defined and do not exist in some concrete sense that allows them to be empirically discovered". The ambition of WEvolution, for example, is not about forwarding loans but rather to build community cohesion and empower individuals. The methods which should be adopted to measure such outcomes is contentious and open to interpretations. In such situations, the concept of procedural legitimacy may become more pertinent (Scott, 1992). Sound systems and processes are, in such cases, used as a basis of evaluating whether the organizations are making substantial progress in achieving their objectives. Appropriate implementation of peer group techniques in line with the parent model may have been one form of gaining such procedural legitimacy for GU. The non-gender biased framing of the problem by GU may have been a problem for some stakeholders as it is inconsistent with the original model. Such inherent contradictions in the framing and identity of the organisation along with difficult social and regulatory context (some of which may have been responsible for such contradictions) led to numerous institutional complexities in recovering loans and achieving outreach objective. This, in turn, may have caused GU to compromise procedural and consequential legitimacy and eventually perish in 2018.

CHAPTER 7 INSTIUTIONAL COMPLEXITY: US CASE STUDIES

Introduction

This chapter addresses the operational challenges confronted by the US microfinance institutions (MFIs) in applying the Grameen model. However, it limits it's focus on two case study organizations, viz. *Grameen America* (GA) and *Project Enterprise* (PE). Whilst choice of such analytical focus may sound somewhat arbitrary, yet there is ample rationale for such selection of US MFIs.

The operation of the Grameen Bank (GB), as visualized and productively run by Yunus in Bangladesh made an impact worldwide. USA, the leading developed western nation, was among the first to discern the appealing features of the GB model. The striking rich-poor socioeconomic divide in the US, the incapability of the deprived—especially the blacks and ethnic minorities—to access fund/credit were among the noticeable facets that trapped many Americans in poverty. In contrast, the GB model placed an emphasis on combating poverty mixing a balance of communitarian principles built on social collateral and on the importance of innovative entrepreneurship, the cornerstone of the capitalist economy (Taub, 2003). Consequently, Yunus, along with the Grameen model, has enjoyed broad positive media attention, earned substantial honours across US socio-political spectrum and extensive awards and laurels in the US.

This provided setting for the emergence of a number of MFI initiatives in the US which sought to adopt the GB model, even though not many could sustain their efforts and previous studies attest to this. One of the earliest attempts to replicate the model within the urban American context was by the Full-Circle fund, a peer lending program started by 'Women's self-employment project' (WSEP) in 1985, an off-shoot of the South Shore Bank (Liou, 1998).

Another attempt to adopt the model in a rural context surfaced in 1988 when the *Good Faith fund* in Arkansas was started by its former Governor Bill Clinton (elected later as US President) with the goal of poverty alleviation and promoting entrepreneurship (Zephyr and Yunus, 2004). In 1994, the number of MFIs adopting the model rose to over two dozen (Counts, 1996). However, most earlier studies point to numerous challenges of adopting the model, including low client demand, poor recovery rates, regulatory issues and high costs (Counts, 1996, Zephyr and Yunus, 2004; Bhatt and tang, 2002; Painter, Bhatt and Tang, 2001; Schreiner and Woller, 2001; Lieberman et al, 2012). Owing to such problems, most organizations have either terminated operations or moved to commercialised models based on individual lending (Freemark, 2005). One of the earlier notable US MFI initiative has been *Accion International*, which distinguished itself as it endeavoured to adopt the Grameen model since the inception of its operations in 1991; yet soon it shifted to an individual lending model (Fairbanks, 2008). On its website, *Accion* states explicitly that it has found individual lending to be more appropriate in the US context (Accioneast.org, 2013).

The PE, in contrast, which began in 1996, made a sustained journey; it designed its operations on the Grameen model. It was the brainchild of a philanthropic social investor couple (Nicholas and Debra Schatzki) who were inspired by Grameen and its successes. On inauguration, PE was the sole MFI in New York which provided loan with no requirements from clients in terms of collaterals or credit histories (PE website, 2015). Its operations were continual, though it was a relatively small organization in terms of the number of clients (200), operating from its single branch office in South Bronx. The operations at PE was terminated in 2016.

However, the GA, founded by Yunus himself in 2008, has proved even more exceptional. Since its inception, it has become one of the prolific lenders in the US (Lieberman et al, 2012). It has steadily expanded each year, growing from 500 borrowers at the end of 2008 to 132000 by

2020. It has created 139000 jobs and managed to achieve a repayment rate of around 99%. It has also expanded rapidly, operating currently in fifteen US cities (Grameen America A, 2020**).**

Keeping in sight the sustained nature of their functioning both the US MFIs—GA and PE (both of which operated in the same city, were active for a part of time of this study and survived for around 12 years and 20 years respectively) —an effort is made in the current chapter to examine the operational features, actions and the strategies of the two US case study organizations. As per diagnostic perspectives outlined and analytic gaps indicated in the literature review in the earlier chapter, the current chapter addresses the following principal research question**:**

> *'What is the nature of institutional challenges of implementing the Grameen model in USA?'*

The study seeks to provide insights into how effective the US MFI managers proved to be in adopting the Grameen model in their particular contexts to balance conflicting dual logics of sustainability and development. The insights gained will hopefully assist future projects adopting the Grameen model in the developed countries to traverse through uncertain contextual circumstances and attain their organizational objectives.

Content-wise, the chapter in six sections examines the effectiveness of methods the US institutional entrepreneurs adopted. Section 1 analyses their loan recovery process and how their differing approaches have led to varying degrees of success. Section 2 elucidates the factors affecting their outreach efforts and how their marketing methods have evolved over the periods of the operation. Section 3 considers how staff recruitment and training methods were developed and refined over the years. Section 4 identifies the regulatory impediments that both organizations have faced and their implications. Section 5 compares and contrasts the client

training methods adopted by the US MFIs. The conclusion (Section 6) sums up the findings and suggests areas for more research and policy reflection.

7.1 Loan recovery

The current section addresses the comparative nature of loan disbursement and recovery process of both GA and PE. The diagrams below outline the loan process both the GA and PE adopted:

Figure 7.1 The GA lending process

(Source: based on Lieberman et al. 2012 and interviews with GA management)

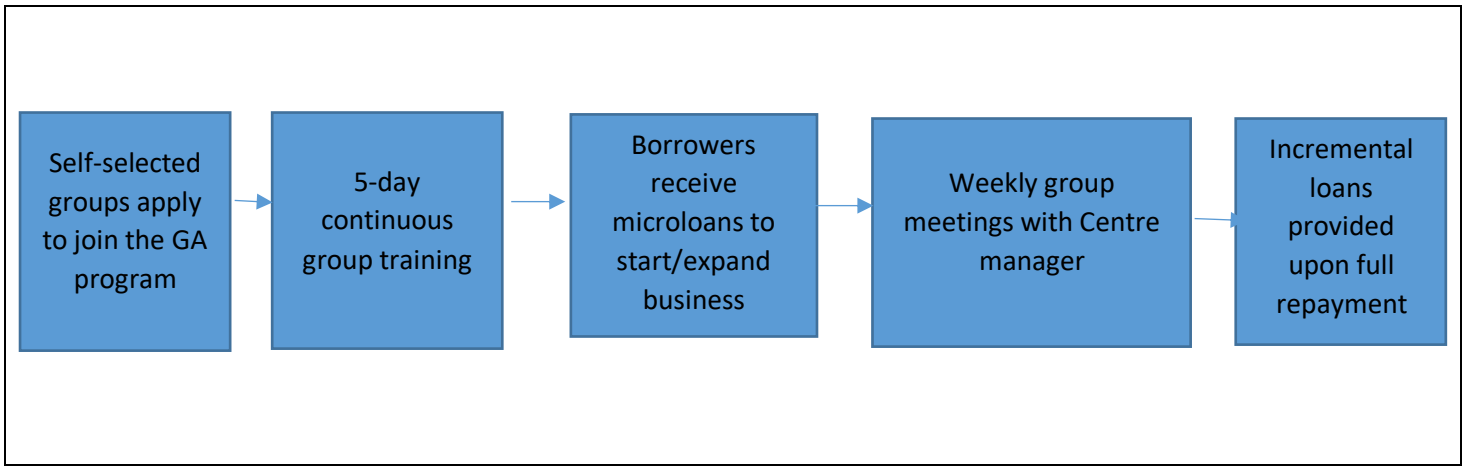
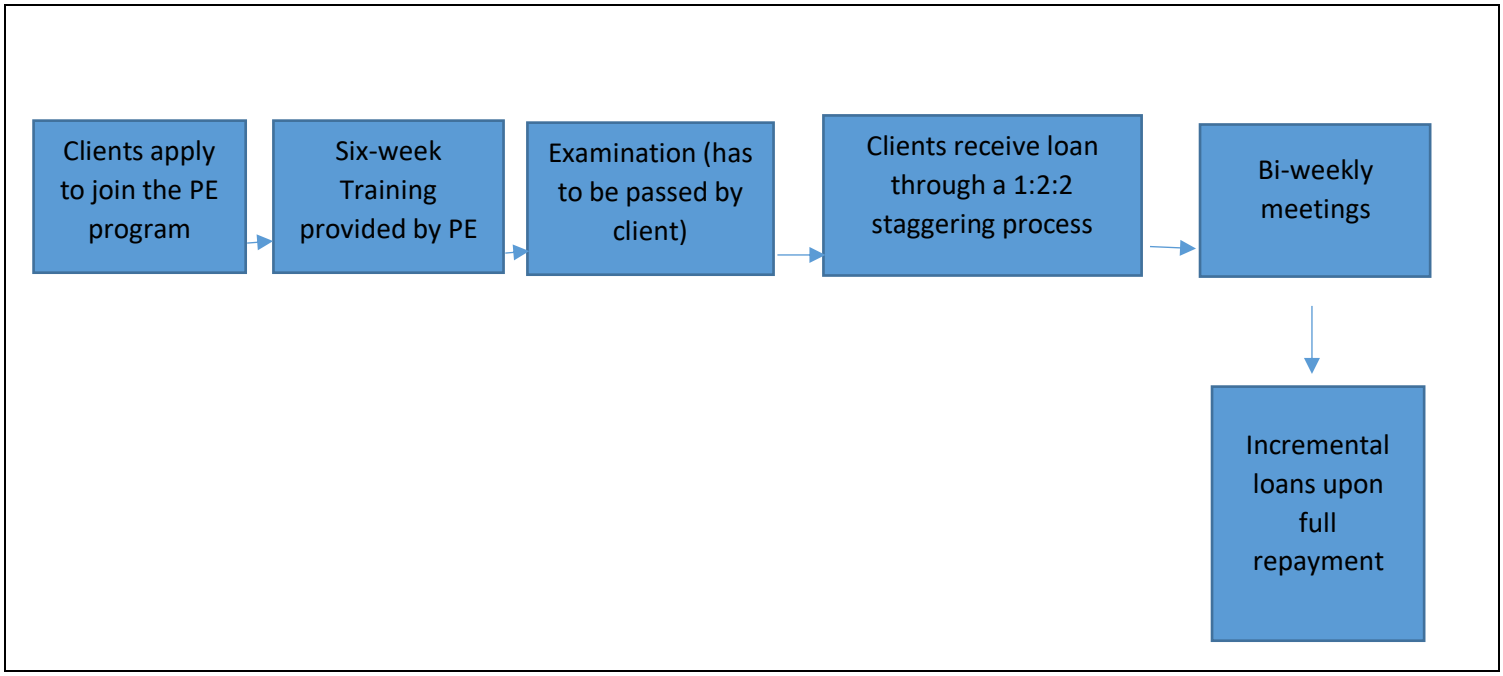


Figure 7.2 The PE lending process

(SOURCE: BASED ON INTERVIEWS WITH PE MANAGEMENT AND PROJECT ENTERPRISE A, 2015)



As is shown in Figure 7.1**,** at GA self-selected groups applying for loans have to attend continuous group training, lasting for five days. Following this training, the GA forwards them for loans. The borrowers then have to attend a weekly meeting with the centre manager where they pay back an agreed part of their loans. Upon full repayment, the borrowers can apply to receive incremental loans. Figure 7.2 summarizes PE's lending process. Clients applying for loans at PE have to attend a six-week training followed by an examination which they need to pass in order to be eligible for the loan. Once the loan is provided, they have to attend bi-weekly meetings in which business training is provided. Once borrowers have fully repaid, they can apply for incremental loans.

The US MFIs traditionally have struggled to attain high recovery rates and control arrears (Edgcomb, Klein, and Clark, 1995; Bhatt & Tang, 2001, Tang & Painter, 2001; Schreiner and Murdoch, 2001). PE had been plugged by similar problems as the recovery rates have been

consistently low (the annual recovery rate, at the time of interviewing, was 60%). However, the GA since its inception has been able to achieve exceptionally high recovery rates, similar to its parent organization in Bangladesh as annual recovery rates for GA has been maintained consistently above 99%.

The GA authorities cites this achievement to a number of factors. *First* is the peer pressure, generated by the group lending model. Such a pressure is created by the fact that a centre may lose access to incremental loans when group members fail to pay back, a pressure that prevails not only at the group level but also at the centre level which comprises of up to 60 borrowers (i.e. twelve groups). If one or two borrowers fail to be regular with their loans, the reputation of the entire centre is at risk and the chances of getting incremental loans for all 60 borrowers are reduced. Hence there is an incentive for not only borrowers within the group but also other borrowers in a centre to create peer pressure to repay the loans[106] . *Second* is the importance of the weekly meetings where the GA staff collect instalments from members, and clients discuss the problems and prospects associated with their businesses. Past studies have revealed the social value of such meetings for clients in the context of Bangladesh (Larance, 1998). Testimonials also reveal the relevance of such meetings for the GA clients as some deem the sharing of ideas and the creation of social networks to be as important as the loan component (Kiviat, 2009). The high frequency of the meetings assure that the borrowers and centre managers are constantly in touch with each other assisting in regular monitoring of borrowers' business activities and personal situation. The meetings are also important for GA to assess the regularity and discipline of its clients. Even if a borrower struggles to pay back his/her regular attendance at the weekly meetings is seen as an evidence of honesty and commitment to the relationship with GA and inclination to pay back the loan by the management. This also positively influences the other members of the group in certain ways. An example provided by

[106] (ME#12, 2014)

GA authorities was that when a borrower fails to repay but shows his/her commitment by being regularly present at meetings and conveys genuineness about reasons for delays in repayment, other group members sometimes agree to repay the instalment on their behalf and request the borrower to repay in the following weeks[107] . Interestingly, at GA the meetings are sometimes used by borrowers for selling merchandise to other borrowers which is an additional source of business for them[108].

Annual recovery rates for PE are provided in Table A.7 (Appendix). As the Table shows, the recovery rate for PE had been on the decline and been very low since 2008. The reasons for this, as cited by PE authorities, were: (i) the impact of financial recession on the business activities of its borrowers; (ii) a lack of adequate infrastructure to monitor the expanding loan portfolio, including staff inadequacy and technology constraints to deal with high number of clients. (iii) The PE authorities also bemoan a lack of a "natural" community in an industrial nation such as USA compared to the developing countries such as Bangladesh in which Grameen model is believed to succeed[109].

Such views are confirmed in research findings, as formation of social capital can be effective when group members commonly belong to a neighbourhood that is underpinned by homogeneity, meaningful relationships and communications (Gomez and Santor, 2001). This in turn leads to effective peer pressure under a group lending resulting in high recovery rates. Previous studies have shown how a lack of social capital leads to improper screening and sanctioning of members under a group lending model in the US (Taub, 1998; Bhatt and Tang, 1998). Unlike the typical GB lending scenario of a closely knit community the clients at PE are sometimes dispersed across neighbourhoods which make it difficult and costly for staff to enforce repayment in the event of a default.

[107] (ME#10, 2014)
[108] (ME#12, 2014)
[109] (ME#13, 2014)

The GA operates in the same city as PE and has successfully expanded since its inception in 2008, despite the impact of recession. The extents of necessity of the loans seem to render the crux of analysis when comparing PE and GA's success in terms of recovery rates. GA's recruitment strategy has continually focused on the lowest rung of the communities with a particular strategic emphasis on female Hispanic entrepreneurs. This has resulted in their clients (95%) comprising predominantly of Hispanic immigrants who genuinely lack access to financial services but are entrepreneurial in nature. They have a high level of necessity characterised by a lack of alternative access to either financial means or government welfare payments. This seems to be pertinent given that much of earlier research mentions access to welfare programs in the US as a major impediment for MFIs as safety net provided may dampen entrepreneurial spirits and discourage one to operate a business (Novogratz, 1992; Schreiner and Murdoch, 2001; Lieberman et al., 2012). The seemingly higher level of necessity experienced by GA clients thus may compel them to preserve their relationship with Grameen by being regular at meetings and ultimately paying back the loan instalments.

In contrast, PE's recruitment has focused on African Americans (88%) who may not have the same level of necessity. Most of PE's clients had access to government welfare which provides them with a safety net should they fail to repay the loans and links with PE are severed. The lack of necessity on the part of such clients has resulted in a significant diversion of PE's strategy from the usual Grameen procedures of the weekly borrower meeting. At PE, meetings are held only bi-weekly at the branch office. Furthermore, crucially the content of PE's meetings were significantly different from Grameen's. Whereas Grameen's meetings are mainly for collecting loan instalments for borrowers and discussing prospects and challenges associated with borrower business activities, PE's meetings were used for business training

where each week the borrowers are provided with lectures on various business topics[110]**.** This is an important deviation from Grameen's practices.

The location of the meetings is another important deviation as well; GA meetings are held at easily accessible convenient places like houses of the clients, whereas PE's meetings are held at the PE branch[111]. This has significant implications because a branch has an operational area consisting of numerous neighbourhoods. While it may not be a problem for people living in neighbourhoods near the branch, those that are living in the distant neighbourhoods may find it costly and inconvenient to attend such meetings and consequently may be reluctant to do so. Such problems become even more relevant for members who have not received a loan or those who have already received their loans as they then need to be motivated to turn up at the meetings. Contrastingly, GA's clients are required to visit the main branch office only very few times annually. The PE authorities recognize this difference and insist that the changes have been made due to contextual differences in how Bangladeshi and American markets operate[112].

PE has a system whereby the eligibility of clients for loans depend on their attendance levels at meetings (six months prior to application for loan). The amount of loan varies positively with the level of attendance. However, despite this incentive to encourage attendance at the meetings, the PE authorities note that the attendance level of borrowers declined drastically when they adopted a similar weekly meeting system implemented by Grameen. GA, on the other hand, has implemented the same system to the original GB model without compromising attendance levels of borrowers. This may be an indication of the lower level of necessity experienced by the PE clients as they may be disinclined towards attending such meetings.

In addition, PE has a system of the loan application being reviewed by means of a four-stage process whereby it is reviewed twice by the borrowers and the centre (comprising of a number

[110] (ME#13,2014) (ME#14, 2014)
[111] (ME#11,2014)
[112] (ME#13, 2014)

of groups of borrowers) followed by two levels of reviews by the staff. It had a 1:2:2 staggering process which means loans are forwarded to the next two group members only when the first borrower pays back a certain proportion of the loan[113]. This usually means a lengthy wait before loans can be disbursed to the second and third group member (even longer for the fourth and fifth group member). PE authorities state that clients in the same group often do not require the loans simultaneously. Nevertheless, this may also show the lack of urgent necessity on the part of borrowers.

One of the central attributes of Grameen's system is that clients need to self-select the members of their groups which should consist of borrowers they trust and have known a sufficiently lengthy period. Most groups at PE are formed through self-selection when clients get together and know each other via the six-week group training prior to the disbursement of loan[114]. The PE authorities reason that it is difficult for groups to be formed naturally through the community similar to the Grameen process because borrowers are disinclined towards being accountable for each other. This made the process at PE questionable as the peer pressure is unlikely to prevail in circumstances where borrowers have known each other for a short period of time even if self-selection by clients is being practiced[115]. This is clearly relevant as past research shows if group members are less likely to interact outside their microcredit context, it leads to significant increases in transactions costs and reduced efficacy of socio-economic sanctions in the event of loan defaults (Hung, 1998; Schreiner and Murdoch, 2001; Lieberman et al., 2012).

Another deviation of PE's strategy is to offer services to both men and women as opposed to the usual GB practice of focusing entirely on women. The proportion of men in PE's

[113] (ME#13, 2014)
[114] (ME#14, 2014)
[115] (ME#13, 2014)

membership was 40% (at time of interviews) while GA's membership comprises entirely of women. The male clients at PE include army veterans or those coming out from prison centres and found it difficult to get jobs in under-resourced communities[116]. This is an important distinction given the fact that GB (at a very early stage of its operation) tried to pilot a system consisting of both men and women but soon realized that men were often overpowering women within the groups affecting their decision-making and also been wasteful with the loan which ultimately had an adverse effect on repayment rates. As a result, GB decided to focus its services on women (Yunus, 1998). Its American counterpart, GA, has followed in this footstep to have a client base comprising entirely of women. Research also shows that repayment rates are often enhanced if borrowers believe that the lender organizations are stable and long lasting (Gonzalez-Vega, 1998; Bates, 1995, Schreiner and Morduch, 2001). This may have relevance for the comparison between GA and PE as the former has been markedly proactive in its approach and steadily expanding its operations across the US while the latter has never really grown since inception experiencing a decline in its already low clients base in the last decade final leading to its termination in 2016. Naturally, customers may feel more inclined to repay loans to a thriving organization like GA rather than an organization such as PE which was struggling to survive. A comparative analysis of the recovery rates at GA and PE is summarized below in Table 7.1 below.

[116] (ME#14, 2014)

Table 7.1 Loan Recovery

	GA	PE
Repayment	High	Low
Reasons authorities cited	• Peer pressure and the prospect of losing out on incremental loans incentivise clients • Weekly meetings focused on building solidarity & loan recovery.	• Adverse impact of recession on borrowers' business activities • Inadequate staff and technology constraint • Lack of a 'natural' community
Analytical findings	• Self-Selected groups apply to join the program before the process starts. • Mostly Hispanic clientele immigrant base, bonded by similar culture, language and professions, with no access to welfare programs, but have higher levels of necessity	• Most groups are formed during 6- week training prior to loan disbursement • Mostly African American clients with access to welfare programs • Bi-Weekly meetings consist of entrepreneurial education

7.2 Outreach

The current section analyses the client recruitment practices of both the US MFIs. GA originally attempted to recruit clients by using orthodox approaches such as approaching clients directly in cafes, laundries, saloons, bus stands, convenience stores and schools by distributing leaflets and speaking to them. However, such an approach proved difficult to most clients as it

was a completely new concept for most of them; many were often suspicious about GA's objectives. Given the relatively low interest charged by GA, the prospective clients would question GA's intention in offering collateral free loans fearing that there may be an implicit fee or charge incorporated into the process. These issues often resulted in such recruitment initiatives being ineffective. GA also tried to approach community organizations with access to potential clients but this was also unsuccessful. Earlier Grameen also tried to focus its recruitment on local Bengali communities but this failed as a result of a general lack of interest and other factors such as of expectations of higher loan amounts[117].

GA then shifted its strategic focus on recruiting clients from within the Hispanic community. A number of the initial sets of clients were recruited when members of staff contacted potential borrowers amongst their own friends and family network who were engaged in business. This helped to build and foster trust as such individuals were interested and willing to listen to the staff sharing a long-term relationship with and correspondingly listen attentively to the benefits brought to them by the lending method. Once these preliminary set of clients were recruited and the loan process was underway, it was easier to recruit the next batch of clients as the existing clients could communicate to the prospective clients amongst their own friend and family network about the ease with which they could obtain loans and the favourable loan conditions. The management soon realized that referral from existing clients was the most productive method of recruiting clients. New clients felt a certain level of comfort as their friends and family were already part of the program and this helped to enhance trust essential for the success of the model[118]. Almost all GA clients did not have access to traditional sources such as banks. Some used the services of payday lenders prior to using Grameen's services and

[117] (ME#9, 2014)
[118] (ME#9, 2014) (ME#10, 2014)

would be charged extortionate rates of interest which would often exceed the capital they borrowed. Such clients realized that GA was not only charging a reasonable interest rate (15% on a declining basis) but also flexible in terms of number of instalments which need to be repaid. These clients predominantly consisted of hard-working Hispanic migrants who are single mothers and entrepreneurs with a high level of commitment towards their businesses[119]. As a result of these factors, the number of clients at GA has continued to grow steadily since it started in 2008 and now stands at 132000 by 2020 (Grameen America A, 2020). One of the crucial aspects of GA's recruitment drive has been appropriate targeting of clients. The loans start at an initial sum of $500. This may seem a very meagre amount but the demand for such loans may be an indication of the necessities facing these clients.

GA started its operation with loans beginning at $3000 at the request of an initial group of Bengali clients. Soon it realized that most of such clients were not putting in sufficient effort and commitment towards the discipline expected from them. In light of its experiences, GA thus decided to revise the initial amount lent and provide incentive to the client to get increased loans as a result of enhanced discipline levels. As a mandatory part of the GA loan disbursement process, the centre managers have to visit the house of clients. This is done on the fourth day of the continuous group training prior to disbursement of loan. This proved important for three reasons: (i) deducing whether the clients are permanently living in the location they earlier recorded; (ii) assessing whether the clients in the same group are living in close proximity; (iii) finally, deducing the social status of the borrower. Thus, the house visit is an important cog in appropriate targeting of clients for GA[120].

[119] (ME#12, 2014)
[120] (ME#10, 2014) (ME#11, 2014)

PE, in contrast, had struggled to expand at the same rate. Its initial loan starts at a higher amount of $750, compared to GA, and it offers an even more reasonable rate of interest (12% on a declining basis) compared to GA. However, despite this the numbers of clients have been steadily dwindling, which stood at 200 clients in 2014. For the declining number of clients PE authorities mainly cite shifting of its location from Harlem to South Bronx for saving on rents. Harlem was noted as a major area for client recruitment, as potential clients would often walk in while the new location does not offer such opportunities. PE authorities also attribute the decline to an inadequate number of staff[121].

However, it may be argued GA managed to grow steadily with very few staff in its initial stages. The main method of client recruitment at PE has been to network with other voluntary organizations working with prospective clients. Presentations are made at such organizations and business solution centres by PE staff with the objective of recruiting clients[122].

It thus may be argued that GA's targeting of clients and method of liaising directly with prospective clients via internal friend and family network and reliance of word of mouth referral from existing clients is more effective for client recruitment than that of PE. The strength of GA's marketing approach has been to approach the clients directly rather than the clients coming to Grameen to attend presentations. It was less formal and more based on personal trust. Grameen hired staff who resided in the actual community they were trying to serve who spoke the same language (mostly Spanish for recruiting Hispanic clients) and formed a relationship with the community built on trust by using those staff to connect to potential clients they knew. Once the initial set of clients was obtained in this manner Grameen relied on trust generated by personal referral from existing clients to supplement its number of clients.

[121] (ME#13, 2014) (ME#14, 2014)
[122] (ME#13, 2014) (ME#14, 2014)

This was unlike the PE marketing process which was to rely on building collaborative relationships with other community organizations with access to potential clients. This is an approach that GA experimented initially with and abandoned as it was found to be ineffective. GA's approach was more about going to clients while PE's strategy was focused on clients coming to them for the presentations. Experts also seem to favour GA's approach. Viswanathan (2007) postulates that consumer to consumer interactions which influence functions and meanings of the product is a distinctive feature of subsistent marketplaces. Weidner et al. (2010) highlighted the success that the parent organization of GA (GB) has been able to achieve by focusing on such interactions. GA's outreach initiatives and its consequent success also resonate well with this theory as trust was fostered through client communications.

Some studies note the small size of the microenterprise sector in the US compared to developing countries as a problem for development for MFIs. Self-employment rate was around 11% between 2002 and 2009 (Hipple, 2010) and declined even more since recession (Smith, 2013; Wright, 2014) These self-employment rates are significantly less than what is commonly found in developing countries (De Soto, 1989; Schreiner and Murdoch, 2001; Lieberman et al., 2012). However, despite this, GA's strategic focus on the Hispanic communities resonated very well with entrepreneurial environment of the US economy and hence proved to be highly productive as research reveals that there was a boom in Hispanic entrepreneurship between 1990 and 2012 compared to other ethnicities (Fairlie, 2012; Davila et al., 2014). Many of GA's clients are Mexican immigrants (Brear, 2013).

GA's experiences thus resonate well with the booming demand and growth of microfinance in Texas, especially along the US-Mexico border populated by Mexican immigrants. A number of factors (also helpful for understanding GA's growth) are indeed cited (Assanie and Virmani, 2006) for this growth: (i) Poor immigrant families often do not have adequate financial literacy required to operate accounts at mainstream financial institutions or they simply mistrust banks.

Previous research confirms their reluctance to apply for loans as a result of a fear of rejection (Robles, 2002). (ii) Such clients are unlikely to be able to sustain the minimum threshold balances needed for checking and savings account and hence face the prospect of being charged exorbitant fees which makes mainstream banking costly and inaccessible. (iii) The clients being from low income entrepreneurial groups often lack access to sufficient credit histories in order to access bank loans. It places them in a vicious circle of poverty where they are unable to build savings and hence end up relying on predatory lenders charging extortionate interest rates. Studies reveal that a bank account is more crucial to establish credit than net worth, education level or household income (Barr, 2004). (iv) Cash based microenterprises are likely to flourish amongst the low-income Hispanic migrants as a result of them not having adequate documentation. This leads to a significant informal sector deprived of adequate finance to sustain entrepreneurial activities. This may have been an important factor in the booming demand for GA's services from the low-income immigrant groups they were serving and resulted in their steady expansion. (v) The location may result in an ethnically dense community that has a comparative advantage over those external to the community in providing niche specialized goods and services to members of the same community or ethnic group (GA reports some clients even sell merchandise in the weekly meetings). This may be an important factor leading to comparative advantage for GA's borrowers given that earlier research point out the presence of large retailers such as Walmart which may make it hard for potential entrepreneurs to compete in the market in terms of price and quality (Leiberman et al., 2012). Thus, GA's clients may have been to be able to offer goods and services for which there is latent and local demand undetected by large retailers and be able to sustain their businesses.

When compared to GA's effectiveness and success, PE's program focus on African-Americans may have been less effective, as most clients had access to government welfare and thus were protected by a safety net. Thus, they may lack the drive and necessity that GA's target clientele

had. It may also reflect a reluctance on the part of PE's target clientele to join a program based on a community model as they have been brought up in an American society characterised by individualism where "good fences make good neighbours" (Schreiner and Murdoch, 2001: 13). Unlike GA, PE has failed to tap into the latent demand for microfinance from Hispanic community despite operating in a location populated by large number of this ethnic group. Latest figures show that in Bronx (where PE is based), for example, is populated by 56.4% Hispanics while there are 43.6% Blacks (Unites States Census Bureau, 2019).

A significant challenge for any MFI related to outreach is to be able to recruit competent loan officers. MFIs differ from mainstream financial institutions as such officers are not only expected to market lending products to prospective borrowers but also have to assess their ability to repay, size of loans required, approve and collect loans (Churchill & Frankiewicz, 2006; Roodman & Qureshi, 2006). This unique combination of skills is deemed vital for achieving success in terms of outreach and achieving required repayment rates (Battilana and Dorado, 2010). Towards this it is deemed essential that staffs of relevant background are chosen for their job and then they get proper training to add up to their skill and efficiency. For recruitment, GA used various methods over the course of its operational period. Originally, it used conventional approaches like posting on job websites and/or using services of local recruitment agencies. GA then went on to try other approaches and one such strategy was to offer internships to university graduates with the prospect of fixed appointments at the end of internship. Each branch usually operates with one branch manager and ten centre managers. GA operated initially with very few members of staff. Until 2010, four branches were being run by only four members of staff. The initial problem of staff recruitment that GA faced was a high level of staff turnover.

A number of factors caused this high level of turnover: (i) New employees did not have any experience of the model and were uncertain about the longevity of the organization; hence they felt detached from GA's objectives and vision. (ii) They may have underestimated the level of challenges associated with the job. Most recruitment was for outreach jobs at the field level which involved convincing people who were averse to be approached. Such roles are often quite demanding both mentally and physically. The staff must be prepared to work in busy streets promoting products and also frequent borrowers' businesses and houses sometimes as part of the lending process. This was even trickier in the context of an industrialised country such as USA as most simply did not have knowledge of the model. (iii) GA requires a house visit by a loan officer, an essential but challenging part of its assessment of the borrowers' credit worthiness. (iv) The most challenging part of the role may be to visit reluctant borrowers who have reneged on their contracts and coax and persuade such clients to repay. Staff performance for such job positions was evaluated in terms of the number of clients recruited. When target numbers were not achieved the staff felt pressure and some were not experienced enough to cope with this. (v) In addition, during the initial years of GA's operation, staff did not have adequate time to obtain skills and experience to be promoted to work in middle-managerial positions.

In this backdrop GA had to recruit experienced management staff from Bangladesh which in some cases led to delays as a result of immigration clearance issues. Later GA adopted a different recruitment strategy, recruiting staff through internal referrals from existing staff and borrowers, which proved to be effective[123]. This is known as "incubator technique", which involves requesting current staff who are known to be competent and been with the organization for a sufficiently long period to locate others like them (Frankiewicz, 2001;

[123] (ME#9, 2014) (ME#10, 2014) (ME#11, 2014)

Battilana and Dorado, 2010: 1425). Borrowers were also encouraged to refer suitable candidates from amongst their friend or family network at weekly meetings. This enabled both existing staff and borrowers to communicate in a genuine and efficient manner the realistic difficulties (as they had a strong understanding of the Grameen model and about how GA functions through personal experience) associated with the job positions to prospective candidates they knew. Thus, refereed applicants already had a very good understanding of what the job responsibilities entailed and thus were better prepared and more willing to deal with the numerous challenges that such roles presented compared to other applicants. It also helped in getting efficient employees as existing staff and borrowers were disinclined to compromise their reputations and their relationship with GA by referring unsuitable candidates. Further, it helped create a strong internal network of employees which was very useful for retaining staff. GA actively promoted this strategy by providing cash incentives to existing staff to encourage referrals and also had in place clearly defined career paths for promotion leading to greater motivation for both existing staff and new entrants.

In order to augment the trust and add to reliability factor amongst the target clientele, analysts postulate that field workers need an enhanced level of knowledge about the community which is best assured by hiring from within the communities (Roodman and Qureshi, 2006). Staff recruitment strategies at GA reverberate well with client recruitment objectives as there was an emphasis on recruiting Spanish speaking staff to enable smooth communication with a predominantly Hispanic clientele, both existing and prospective. A particular example of the actuation of this strategy is when GA approached a local college with a high number of Hispanic students attending (for studying English). Out of these students, suitable candidates were offered internships with the prospect of long-term employment. This was a successful move as most of such interns employed turned out to be at GA for much longer period

compared to interns recruited from top universities who were usually interested in research and wished to work at GA for only a short period[124].

The experiences of GA echo very well with a number of studies which have found referral hiring to have positive effects on staff turnover and employee quality in different contexts (Gannon, 1971; Burks et al. 2015; Pieper, 2015). In addition, some borrowers have been recruited as they have fulfilled their loan requirements. As these borrowers have first-hand experience of the model as clients, this strategy may have been useful for getting skilled employees with a firm understanding of the community GA was trying to serve and the corresponding challenges that came with serving the target clientele.

PE, the other hand, has been reliant on traditional sources such as posting requisitions through internal and various external websites and recruitment agencies for hiring staff[125]. The natures of PE's challenges are different to GA. The fact that it has a funding constraint and the nature of system of its meetings meant that staff was needed to undertake multiple responsibilities such as outreach work and training clients at the bi-weekly meetings. Thus PE needed staff who had a combination of skills such as community organization expertise for efficient outreach work (familiar with the communities PE was operating in, be able to travel as they have to cover multiple territories and good communication skills and ideally a marketing degree) and also other additional skills and experience such as high level of numeracy to be able to impart adequate training to the clients and business experience or entrepreneurial connections. For example, such employees may need to be able to develop apposite curriculum in order to keep clients engaged and motivated to come to the meetings for entrepreneurial

[124] (ME#9, 2014) (ME#10, 2014)
[125] (ME#13, 2014)

training and also have the numeric skills in order to be able to help the clients understand the costs and benefits associated with their loan applications and the corresponding businesses they intend to use the loan for. PE offsets the effects of funding constraints to an extent by recruiting unpaid interns and offering volunteering opportunities. These positions may be attractive to potential applicants as experience may be gained in a number of different areas such as data analysis, curriculum development, fundraising and event planning and also used for gaining college credits (Project Enterprise B, 2020).

Profit-making institutions keep up strong incentives to pressurize and reward employees' performance in the interest of higher benefits from improved services and ensuing increases in the client base. Management of non-profit institution, in contrast, may lack similar drive to improve the adeptness of its employees. Yet pressure may be exerted by government or relevant donors for continual development in such cases (Schreiner and Murdoch, 2001), though some believe that these entities rarely have significant reasons to provide such incentives (Von Pischke, 2001). Balancing the dual logics of sustainability and development may lead to inner tensions for MFIs, as it may instigate conflict between members of the organization who execute these logics (Glynn, 2000; Heimer, 1999; Zilber, 2002). Research has shown that sustainable commercial microfinance organizations that are successful in combining multiple logics hiring and socialization policies offer crucial early levers for promoting an organizational identity that combines such logics (Battilana and Dorado, 2010). Such identity prevents the formation of conflicting sub-group identities which exacerbate tension between the differing logics. GA, though not a commercial institution, with its strong emphasis on the Institutionist perspective may have a stronger natural drive to improve employee efficiency evidenced by its rapidly evolving and innovative hiring policies (which elucidate who are able to become the members of the institution) and socialization practices (which educate and strengthen anticipated ideologies and actions in employees) (Van Maanen & Schein, 1977).

Accordingly, GA experimented with various recruitment methods and finally realized that incubator technique was the most effective process. The knowledge of the logics that GA embodies may have been communicated to them through the current staff and borrowers and resulted in them having a strong understanding of what to expect and how to perform at GA (Bourdieu, 1998; Scott et al, 2000). On the other hand, at PE there has not been much focus on refining its HR and socialization practices, which may have been due to its low client base and funding constraints leading to an inability to recruit a significant number of staff and provide training adding up to their efficiency.

7.3 Regulatory environment

With hindsight of the GB experiences in Bangladesh, this section takes up the issues of regulatory environment of the US MFIs and the corresponding problems that they have experienced. A key aspect of GB's success is the mobilization of savings of its clients in Bangladesh. However, in the US, unlike GB, GA and PE are registered as non-profit organizations rather than as banks. This places several constraints on their effective functioning: *First* is an issue of operational cost: providing a loan in the range of $500-1500 is much costlier than loans of significantly higher amount as a result of higher transaction cost of administering such loans (Helms & Reille, 2004; Cull et al, 2008; Rosenberg et al., 2013). This is why most mainstream financial institutions seem reluctant to provide such loans of smaller amounts (Leitner, 2010). *Second* is the issue of chargeable interest: GA charges an interest rate of 15% as any rates above 16% would be considered as usurious under US regulations (NYCcriminallawyer, 2020). This poses a significant constraint for GA as it is unable to charge higher rates in order to cover cost (in developing countries rates may reach up to 70%) (Kiviat, 2009). *Third* is the aspect of organizational growth: organizations such as GA (unlike GB) are unable to operate savings account for their clients, a very important regulatory factor which severely impede their growth.

The constraining aspects of such regulations have also been echoed in some studies. It is suggested, *first of all*, that inadequate savings may impede start-up and development of businesses even more than a lack of access to finance (Bates, 1997; Berger and Udell, 1998). *Secondly*, savings are a safeguard against adversities (such as sudden illness or business failure). *Thirdly*, accumulating savings over a sustained period of time inculcates discipline into borrowers and produces significant entrepreneurial learning. *Finally*, substantial savings also means that funds allocated for business purposes need not be deflected for short-term urgent needs (Schreiner and Murdoch, 2001).

The regulatory issues facing the US MFIs leads naturally to a pressing question: why these MFIs with strong emphasis on the Welfarist perspective to serve the financially excluded are not allowed to open savings account, whilst profit-making commercial banks with a heavy lean on the Institutionist perspective with preference towards serving wealthier clients are privileged to do so[126]. However, it is also plausible that there may be abuse of such opportunities (permission to operate savings accounts) thus giving rise to regulatory challenges.

7.4 Client training

The current section examines the practice of client training each of the US MFIs follows. At GA once the clients are recruited, they undergo a "Continuous group training" for 5 consecutive days, whilst at PE clients were required to undergo 6-week training; at the end of which they had to pass a test set by the PE authorities for attaining eligibility for the loan[127]. The nature of the training varied markedly between them. GA's training is about building group solidarity.

[126] (ME#9, 2014)
[127] (ME#14, 2014)

The first step of the training is to inform clients about the benefits of joining the program and how this is linked to the overall mission and objectives of GA. This enables the clients to get a broad perspective about Grameen's vision and helps to build trust between them and the centre manager. The next challenging step for GA is to impart a sense of responsibility for clients themselves to their group as it is a core element of the peer to peer lending process that GA utilizes. The objective is to make them realize the positive outcomes of fulfilling their responsibilities to fellow group members, a stronger relationship with GA and the consequent opportunity to access greater amounts of loan. This stage is about instilling into the clients a firm understanding of the discipline which is required in terms of attending group meetings, repayments and being accountable to their fellow group members. They are provided an understanding of how successful groups are formed and operated, the fact that the group operates as a single component of the entire functional unit which is the centre. A centre comprises of up to twelve groups within one area and the members are meant to know and trust one another leading to a strong network of borrowers who are socially responsible to each other. The training process thus is about inculcating the ethos, ideologies and values of GA and developing the habits of borrowers, most of whom are previously unfamiliar with such a group lending model. However, central to the process is continuously engaging the clients and reinforcing the concepts and ideologies taught in the training particularly though the weekly meetings[128]. Schreiner and Murdoch (2001) note that women in the US may value the non-economic benefits of such meetings less than their counterparts in developing countries as a result of the availability of more social opportunities. While this may be a strong argument for reluctance on part of the predominantly African American client base at PE to attend such meetings, it may be less relevant for the primarily Hispanic immigrant clientele of GA all of

[128] (ME#11, 2014)

whom originate from developing countries and may find networking prospects offered by the weekly meetings invaluable in an alien country.

Contrastingly, PE's training is about teaching entrepreneurs about how to construct a business plan. The topics covered include cash flow management, pricing, sales projection and writing executive summaries. At the end of the course, the clients have to pass a test set by PE. After passing the test, they become classified as "Certified members" who are eligible for loans. If they fail the test they need to reappear until they pass it in order to become eligible for the loan. Clients are charged $20 for the course. Furthermore, PE also runs an additional course known as Entrepreneurial Assistance Program (EAP) (an advanced version of the 6-week course) which is run for ten weeks. PE encourages all its' borrowers to participate in this program[129]. This practice of PE seems inconsistent with the ethos of Professor Yunus where he believes that entrepreneurs has the skills and localized knowledge to be successful and they do not need to be spoon fed with entrepreneurial training. Furthermore, the training has cost implications for PE as the $20 charge covers the material cost but the qualified trainer must be compensated for all the teaching hours. This means PE has to rely on donor funding to cover the additional cost of providing the training. It may also be discouraging for any potential clients to join the PE program as they may deem the course to be unnecessary and the process of getting the loan to be needlessly lengthy. This may be relevant because GA's continuous group training only lasts for 5 days before loans are disbursed while the duration PE's training course was 6 weeks (it may take the client longer to obtain loans if they fail to secure sufficient marks in the examination). In PE's case, providing such training seemed to be incongruent with the group lending model that they are offering as a number of studies have found entrepreneurial training to be ineffective in achieving desired effects or even detrimental in some cases (Bhatt, 2000; Schreiner and Murdoch, 2001; Oosterbeek et al., 2010, Karlan and Valdivia, 2011). Balkin,

[129] (ME#13, 2014) (ME#14, 2014)

(1992: 141) states that the purpose of general entrepreneurship training "is to provide the practical knowledge to do the myriad of little things it takes to start and sustain an enterprise." To this end, some of the topics covered such as bookkeeping, product pricing and cash flow management may be useful especially given that 55% of PE's clients are new entrants without any experience of operating a business. However, the generic nature of the topics covered in the training also means that skills training tailored to the specific types of business or sectors is not included. It would simply be more difficult and costly to include the wide range of training which may be required for such classes to be effective for such purposes. This may be a problem given that 45% of the clients are already operating businesses when they join PE (Project Enterprise C, 2015). For many of such clients, the training is likely to have a detrimental effect as they may deem it to be patronizing or surplus to their requirement.

Murdoch and Schreiner (2001) point out a simple method of checking the value of a training program as to whether clients are willing to pay a fee to attend and whether or not the training is obligatory. In PE's case, training was mandatory and trainees were charged $20. GA's continuous training is also compulsory, however, there is no charge whatsoever for clients. The fact that PE had struggled to recruit a significant number of borrowers compared to GA may be an indication of the fact that prospective borrowers may find training of this nature to be superfluous to their requirements. Schreiner and Murdoch (2001) note that MFIs in developing countries usually avoid training due to a number of factors including the rudimentary nature of the borrowers' businesses and high costs associated with such training. These factors strike a chord with the current analysis as the clients of both organizations are likely to be operating businesses which are relatively basic and training is costly to provide as trainers have to be compensated accordingly for all teaching hours. A potential solution may lie in a strategy that GA has adopted for clients who express training needs. GA refers clients

to appropriate training institutes in such cases. This may be cost effective as it utilizes the availability of specialized training that caters to the needs of a particular client (Bhatt and

Conclusion

A comparative review of the two US MFIs suggest that GA has fared much better toward balancing the dual logics of sustainability and development than its counterpart PE, despite its much earlier start. Such an upshot may owe to the fact that GA, unlike PE, hold on to the core components of GB's original brand, without yielding to the contextual circumstances of its operation. GA has been able to perform efficiently in securing high repayment rates (similar to GB in Bangladesh) and stayed on an expansion course. In contrast, PE, served only lower number of clients, yet experienced dwindling repayment figures and eventually closed down.

The contrasting experience of GA and PE in terms of loan recovery may be attributed to the nature of self-selection process practiced by the organizations, the differences in target clientele (including necessity levels characterized by issues such as access to welfare and social habits) and difference in nature of the weekly meetings. Further, GA serves only female clients in line with the model of GB which may also be an important factor driving high repayment rates. GA's focus on building solidarity amongst the borrowers and instilling their vision and ideology into these borrowers may be a crucial factor in achieving high loan recovery. During 6-years of its existence GA has demonstrated a better capacity for organizational learning and has been more strategically proactive in the areas such as marketing, staff recruitment and training. The difference in outreach performance may be attributed to the fact that GA's word of mouth referral approach appears to be more direct and proactive than PE's approach of connecting with voluntary organizations with access to potential clients (a method piloted and found to be ineffective by GA). GA has proactively focused on Hispanic female clients while PE has focused on African-American clients serving both male and female clients. The above

analysis shows that GA's strategy was resonant with the entrepreneurial environment in the US which showed a rapid boom in Hispanic entrepreneurship during the last two decades. An important factor for a rapidly expanding organization such as GA was staff recruitment which is also crucial for its sustainability and outreach objectives. GA initially experienced problems with high staff turnover and had managed to overcome this through the innovative "incubator" technique. The differences in philosophies of GB and PE were characterized by the fact that the nature of client training was divergent. Client training at GA is about building group solidarity and engagement amongst clients in the form of sharing of experiences while there is a great emphasis on entrepreneurial education at PE (inconsistent with the GB model). Both organizations face significant regulatory constraints the most pertinent of which is the inability to operate savings accounts on behalf of clients.

GA's current focus on the Hispanic entrepreneurs may continue to bear fruit as Hispanics are projected to become one-third of the population by 2060 (Meckler, 2012; Davila et al, 2014). However, towards realizing service expansion to this vast number GA may consider learning from the success of Progresso Financiero, a California-based MFI, which uses an individual lending approach but amalgamates a "high touch" with a "high tech" approach (that add up technology know-how for statistical scoring, automation and customer relationship management (CRM) for enhanced relationships both amongst the borrowers and borrowers-lender (Lieberman et al, 2012: 61)). GA may need to focus more on the "high tech" aspect of its operations and consider adopting more sophisticated technology as it increasingly deals with an expanding base of clients. GA has already realized this and is in the process of establishing new technology platforms through all of GA's offices in order to go cashless and paperless and enhance efficiency. For example, GA has collaborated with Mastercard to support their clients to use digital banking which has helped them to establish financial identity and facilitate business growth (Mastercard Center, 2020)

However, for GA, the strategic bias towards the Hispanic community may be problematic, as doubts exist on the projected rapid rise of Hispanic entrepreneurship due to external factors impeding the surge of Hispanic entrepreneurship in the US. These include dysfunctional immigration laws which lack a feasible visa entry process for Hispanic immigrants to become US citizens, enabling them to engage in entrepreneurship. The nearest program, the EB5 investors' visa sets out a minimum amount of $900,000 to $1.8 million for entrepreneurs to invest in US business ventures as an eligibility criterion for obtaining green cards (USCIS, 2020). However, this threshold level may be too high for aspiring Hispanic immigrants to be able to apply. Administrative bottlenecks and designated country allocations also mean an unusually long wait for Mexican Americans eager to sponsor adult sons and daughters for US permanent residency. If reforms are made to integrate the 11 million undocumented immigrants and the aforementioned long waiting times for families to be reunified are addressed, then it may lead to a further boost in entrepreneurship amongst the Hispanic community as they are made to feel more welcome by the system (Davila et al. 2014). However, recent trends indicate that a substantial number of applications are being denied on public charge grounds (Reuters, 2019). It may also be difficult for GA particularly when looking to extend its services beyond the Hispanic community given the lack of industry-wide data on micro-entrepreneurs on business loans of less $50000 (Lieberman et al.2012).

Anticipating such challenges facing MFIs, Yunus (2008) offered his reflections. *Firstly*, the government may introduce regulatory reforms, enabling MFIs to operate savings accounts and use the deposits for onward lending, a crucial step for global expansion of MFIs. *Secondly*, welfare reforms that provide incentives for people to engage in income producing activities and build assets should be incorporated into current policy. For GA such reforms may not be currently relevant as most of its Hispanic immigrant clients does not have access to welfare programs. However, it was pertinent for PE as most of its clients do have such access. Further,

it may also be important for Grameen as it looks to diversify its clientele base into indigenous entrepreneurial populations with such access. *Finally*, such reforms should be supplemented by regulations which make it easier for micro-entrepreneurs to operate and sustain their businesses and be able to compete with large retailers. Yunus (2008) provides the example of florists in the state of Louisiana who are not able to sell additional varieties of flowers without obtaining state licenses. Such superfluous regulations, he argues, is detrimental for market competition and leaves the consumers with fewer choices and higher costs. If such reforms are implemented, it enables MFIs such as the current case study organizations enabling them to better balance the dual logics of sustainability and development and both lenders and clients become more viable in the process.

In many ways, GA has revived the effective use of a model which many MFIs found too difficult to implement in the context of an industrialized country such as USA resulting in its abandonment by them and transition to conventional lending approaches. This may be attributed to GA's adherence to the core aspects of the original model despite numerous challenges in different areas of its operations such as loan recovery, outreach and client training. It has also shown a great capacity for rapid organizational learning in its relatively short period of operation enabling it to employ and refine innovative client and staff recruitment methods. The current business environment in the US also may seem suitable for MFIs such as GA to thrive. The impact of recession and the more recent coronavirus has meant there is a rapidly emerging business class (such as the Hispanic clientele base that GA serves) starved of business credit as a result of tightening lending services by mainstream financial institutions. The state of the US economy and the high levels of jobseekers also mean that many Americans may progressively view self-employment as a viable option.

Research on MFIs in the comparative context of developed countries is scanty; particularly sparse are those that use lending models such as Grameen committed to promote social

networks. In order for organizations such as GA to be able to better assess the uncertainties associated with their coexisting operations, the author deems such research crucial. Future research may weigh up findings of existing projects in the UK and other European countries for identifying effective cross-cultural learning towards enhanced performance of the MFIs in a wider context of the developed world.

Chapter 8 INSTITUTIONAL ENTREPRENEURSHIP- US CASE STUDIES

Introduction

Battilana et al. (2009: 72) defines institutional entrepreneurs as ‘‘agents who initiate and actively participate in the implementation of, changes that diverge from existing institutions, independent of whether the initial intent was to change the institutional environment, and whether the changes were successfully implemented’’. The current research considers the case study organizations as institutional entrepreneurs as they have endeavoured to adopt the Grameen model which is primarily being used in developing countries and seldom utilized in the context of developed countries. PE was the first MFI to use the model in New York while GA (based in the same city) revived the use of the Grameen model which was generally considered to be ineffective in the context of the locations it was operating and thus was divergent to conventional practices in the US community finance field.

This chapter analyses the process of institutional entrepreneurship of adopting the Grameen model by the US MFIs, how they responded to the emerging context of macro-level institutional complexities they experienced in the course of their operation. The multi-cultural and dynamic nature of the locations in which the MFIs were operating necessitate a deep understanding of the diverse nature of their clientele base and their characteristics, how these organizations framed the social problem they were attempting to resolve in relation to the characteristics of the field in which they were operating and shaped their organizational identities to appeal to their respective target clientele base. Further, the nature of alliances formed by these MFIs with external actors for gaining legitimacy and for effective provision is also a major concern of the current research. As a larger MFI and due to a wider array of

operation, GA naturally finds analytical prominence, whilst PE due to its limited range is projected when relevant.

In this backdrop the evolving context of the dynamics of entrepreneurship and social capital formation effort in the clientele base will be examined. The perspectives will also include the shaping of diagnostic framing and identity, mobilisation of allies along with how all these factors are incorporated within the organizational template and strategic visions of the two US MFIs. As per diagnostic perspectives outlined and analytic gaps indicated in the literature review in the earlier chapter (Chapter 2), the current chapter addresses how the nature of the process of institutional entrepreneurship has evolved as Grameen model was being implemented in the USA.

Content-wise, the chapter examines the aforementioned issues in five sections. Section 8.1 illustrates the contextual backdrop in which the case study organizations operated in, the nature of their clientele base and its relation to their corresponding strategies. Section 8.2 shows how the characteristics of the community finance field evolved in the USA and compares diagnostic framing between the relevant MFIs. Section 8.3 explains the role of identity and how this influences the institutional entrepreneurship process of adopting the Grameen model. Section 8.4 elaborates how the case study MFIs mobilise allies in order to balance the sustainability and development logics. Section 8.5 contrasts the organizational templates and strategic visions with respect to Institutionist and Welfarist goals adopted by the case study organizations and their repercussions. The conclusion summarizes the findings and visualizes future developments in the field.

8.1 The Emerging Context: Collectivism and the Rise of Hispanic Entrepreneurship

The milieu of entrepreneurship will be better substantiated from the emerging numbers. 95% of GA's clients are Hispanic whilst PE has a clientele base of 88% African Americans. It is thus necessary to understand the dynamics of entrepreneurship and social capital formation underpinning both these communities to decipher the institutional entrepreneurship process.

A research report revealed that Hispanic entrepreneurship had grown rapidly in the period between 1990 and 2012 as the numbers of Hispanic entrepreneurs were more than thrice that of 1990. Interestingly, this increase had far exceeded the corresponding population growth in the working age Hispanic American populace. Furthermore, self-employed non-Hispanic entrepreneurship grew only one-eighteenth as fast as the Hispanic rate at the same time (Davila et al., 2014). Table 8.1 below shows the growth rates of Hispanic and non-Hispanic entrepreneurs.

Table 8.1 The size and growth of Hispanic self-employment 1990-2012
(Source: Davila et al. 2014)

Population	1990 (in 1,000s)	2000 (in 1,000s)	2010 (in 1,000s)	2012 (in 1,000s)	Growth Rate: 1990-2012 (in 1,000s)	Growth Rate: 1990-2000 (in 1,000s)	Growth Rate: (in 1,000s)
SELF-EMPLOYED WORKERS							
Hispanics	577	1,081	1,854	2,014	249.00%	87.30%	71.50%
Hispanic Immigrants	321	715	1,296	1,399	335.80%	122.70%	81.30%
Hispanic U.S. Natives	256	366	558	615	140.20%	43.00%	52.50%
Non-Hispanics	10,538	12,059	12,429	12,010	14.00%	14.40%	3.10%
Non-Hispanic Immigrants	843	1,277	1,689	1,706	102.40%	51.50%	32.30%
Non-Hispanic U.S. natives	9,695	10,782	10,740	10,304	6.30%	11.20%	-0.4
Total U.S. Population	**11,115**	**13,140**	**14,274**	**14,024**	**26.20%**	**18.20%**	**8.60%**

Most of GA's clients are Hispanic immigrants, mainly from Mexico (Brear, 2013). A relevant study revealed that the likeliness to start a new business for immigrants is more than twice of Native Americans. It also showed that immigrants founded 28% of new businesses in 2011, despite making up only 12.9% of the population (Fairlie, 2012). The findings in a recent study confirm the trend, which revealed that immigrants were almost twice as likely to be self-employed as Natives (Pew Research Center, 2015). In the period 1990-2012, the number of Hispanic immigrants grew by more than four times. Table 7.1 above shows this increase. The aforesaid report also revealed that Hispanic migrants predominantly from Mexico played an important role in the growth of Hispanic entrepreneurship. In this period as the number of self-employed Mexican migrants was 765000 showing that it had risen by a factor of 5.4. This meant that entrepreneurship was so pervasive amongst the Mexican population that by 2012 over one in 10 such immigrants was an entrepreneur (Davila et al., 2014). Some attribute this surge in Hispanic entrepreneurship to the collaborative nature of the community (Clarke, 2013). A recent study has revealed that both necessity and opportunity self-employment rose sharply among Mexican immigrants in the aftermath of 9/11 (Wang and Lofstrom, 2019). The fact that such immigrants found opportunities hard to come by meant that they were really driven in pursuit of their goals and the facilities forwarded to them by GA suited them well in terms of the finance and the collective community strength offered by the program.

The collaborative nature of the Hispanic immigrant community bonded by similar gender, culture, language and difficulties associated with starting life in foreign setting also resounded very well with the collective process of the GA's group lending. One study reported that Hispanic entrepreneurship grew post the 2008 recession by 71.5% while during the same period entrepreneurship among non-Hispanic US born individuals fell (Davila et al., 2014). This may have particular relevance for GA's steady growth as it began operations in 2008 during the US

recession. Further, GA's strategy of offering the loans only to women, as compared to PE, which offered it to both sexes, may have struck a chord with the entrepreneurial environment in which it is operating. Studies show a boom in female Hispanic entrepreneurship between 2007-2012 compared to other ethnicities (NWBC, 2012; Vega, 2015; Fisher and Lewin, 2020). This kept GA in line with strategy of its parent organization ensuring high repayment rates. This is also supported by studies which show that a focus on women may lead to enhanced repayments (D'Espallier et al., 2011; Shahriar et al, 2020).

PE's outreach focus on African American clients may have found limited success because of the relatively low levels of entrepreneurial drive in this community (Beasre, 1984; Bates, 1995; Fairlie, 1999; Bogan and Darity Jr, 2008). A study shows that black entrepreneurship during 2003-2014 was static, hovering around 9% (Geoscape, 2015). This is backed by a recent study which revealed that African Americans are least likely to become self-employed amongst all ethnic minorities (Pew Research Centre, 2015). A number of studies have reflected on the limited entrepreneurial success that African Americans have had. Several studies found African American businesses to be less profitable and more prone to closure. A number of reasons were cited for this which includes a lack of access to adequate educational and financial resources and the significance of a family business background (Fairlie and Robb, 2008). Another study focused on social, political and cultural factors which have combined to have an adverse effect on African American entrepreneurship compared to immigrant groups (Bogan and Dairty Jr, 2008).

The Grameen model revolves around group dynamics and thus depends greatly upon the process of social capital formation amongst the group members. The theory of cross-cultural variation underpinned by individualism and collectivism, an important area of cross-cultural

psychology, is thus deemed pertinent to the current research (Hofstede, 1980; Hui & Triandis, 1986; Kagitcibasi, 1997; Sinha & Verma, 1987; Triandis, 1995). Collective communities are characterized by the strength of the association between members where collective goals take precedence over individual needs and action and conduct is shaped by such pursuits (Hui & Triandis, 1986; Triandis, 2001). Individualism, on the other hand, is characterized by autonomous members who perceive their own needs to be of greater importance than collective goals (Hofstede,1980; Schvaneveldt, & Behnke, 2012). The persistently low levels of entrepreneurship in the African American community has been linked to the individualistic nature of the society leading to a lack of social networks required for fostering entrepreneurial activity (Light, 1980; Light and Gold, 2000). Research findings substantiate this line of thinking (Coon and Kemmelmeier, 2001; Somashekar, 2019). One study compared differences in individualism and collectivism across four largest ethnic groups in the US and found the African American community exhibit the highest levels of individualism (Coon and Kemmelmeier, 2001). Somashekhar (2019) attributes a lack of geographical diversity in the African American social capital as a central factor putting this group at a disadvantage compared to immigrant entrepreneurs from Mexico.

The Hispanic culture, contrastingly, has been associated with high levels of collectivism in literature (Schvaneveldt & Behnke, 2012). Hispanics tend to come from a culture where group activities take precedence and accountability and responsibility is likely to be collective and shared (Gudykunst, 1998). This collectivist orientation is associated with the concept of Familismo found to be strong in Latino families (Perea and Slater, 1999). Familismo denotes the strong bonding between members of a family and shows an inclination of such members to prioritise family needs over their own needs (Falicov, 2007). This was supported by the US Census Bureau in 2009 when it revealed that Latinos are likelier than other ethnic groups to be

living in a family setting. The collective orientation pervades the Hispanic way of life and causes other's opinions to be valued by community members. This resonates well with the Grameen model where members require a drive to participate in weekly group meetings and benefit from engagement in such meetings. Furthermore, as most of GA's clients are immigrants, the concept of "Immigrant interdependence hypothesis" may be relevant to analysis (Ayçiçegi-Dinn, A., & Caldwell-Harris, 2011: 10). According to this theory, immigrants confront numerous obstacles as a result of starting life in an alien country without assistance from a substantial network of family and friends. Hence, they are compelled to become more collectivist in these circumstances to overcome such problems (Triandis, 1995). This factor has been acknowledged in more recent studies as well. One study, for example, notes the collectivist nature of the informal economy of Mexican immigrants (Saad-Lessler, & Richman, 2014). The collaborative nature of the largely Hispanic clientele base of GA is thus reinforced by the fact that they are predominantly migrants, which is one of the crucial factors for effectiveness of the group lending model in the context in which they were operating.

8. 2 Field Characteristics and Problem Framing

The early US initiatives to adopt the Grameen Model in the 1980s and 90s seem to be in accordance with the concept of mimetic 'Isomorphism' proposed by DiMaggio and Powell (2002). Isomorphism refers to a situation in which organizational designs and practices in different organizations are similar. According to the theory, there are three different forms of isomorphism: (i) Normative – occurs when an organization's members are normatively predisposed to favour certain sorts of designs and practices. (ii) Coercive - occurs when some powerful institution obliges organizations in its domain on threat of coercion to comply with certain practices and design. (iii) Mimetic isomorphism- in simple terms, mimetic isomorphism

means the process of copying. This occurs when some organizations and their managers desire consciously, to be similar to a particularly highly regarded exemplar (Clegg et al, 2011).

In this case, mimetic isomorphism seems to be most fitting as the managers of early initiatives attempted to emulate the Grameen's success by copying its core designs and practices. This may also be attributed to the fact that the field of community finance in the US was "emerging" during the 80s when the model first appeared. It was characterized by lower levels of institutionalization related to an increased degree of uncertainty providing opportunities for potential institutional entrepreneurs to act (DiMaggio, 1988; Fligstein, 1997; Phillips et al.,2000; Battilana et al., 2009). "Mature" fields are characterized by highly prominent central players in terms of their power, size and visibility and media coverage (Greenwood et al, 2011: 335). It follows that in the absence of such highly visible central players in the US, Grameen Bangladesh was the global face of microfinance that the US initiatives endeavoured to be associated with. WSEP was one such organization which adopted the model in the context of Chicago inner city in 1985. The program went on to achieve significant recognition as a result of being the first lender of its kind for low income welfare dependent women and winning accolades such as The Chicago Spirit awards in 1992 (Liou, 1998).

Project Enterprise (PE) was inspired by the achievements of the WSEP program and initiated a similar program which was the first of its kind in New York in 1995 (Counts, 2008). It is interesting to note that PE framed the problem, in a non-gendered and perhaps more generic manner than WSEP by aiming to support entrepreneurship in under resourced communities. This was different to WSEP which framed it in a gender specific way by using the model to support female entrepreneurship. However, the field had matured to extent in the last decade that in general the model was deemed to be less effective in the context of an industrialized

nation such as the US due to aforementioned problems in the previous chapter. Some programs phased out while others mitigated institutional complexities by adopting individual lending models and/or focusing on training. These organizations included major central players such as *Accion* (Freemark, 2005; Fairbanks, 2008).

Despite this change in orientation of the field, GA revived the use of the Grameen model as it started in 2008 in the context of a recession affected economy. GA, in line with its parent organization, framed the problem of financial exclusion in terms of feminization of poverty, highlighting the often-low wages and poor quality of life experienced by US women in employment and projecting self-employment as a potential saviour. On its website for example, GA highlights a number of factors that female micro-entrepreneurs lack in the US; these include loans, savings facilities and networks and propose the Grameen model as a solution, providing all components (Grameen America B, 2020).

Earlier studies contrast between "central" and "peripheral" organizations. The former is typically characterized by size and status. A higher status may imply intensification of institutional demands as a result of greater visibility and media coverage (Den Hond & De Bakker, 2007; Greening & Gray, 1994; King, 2008; King & Soule, 2007; Rehbein, Waddock & Graves,2004; Rowley & Moldoveanu, 2003). Peripheral organizations, on the other hand, may not face the same levels of institutional complexities and the nature of their responses may be significantly different to central organizations. They are weakly associated with other organizations from which apposite behaviours are absorbed and carried out and hence unlikely to receive same level of pressure to reassert current practices (Davis, 1991; Galaskiewicz & Wasserman, 1989; Greve, 1998; Kraatz, 1998; Westphal, Gulati, & Shortell, 1997; Westphal & Zajac, 2001; Zuckerman, 1999; Greenwood et al., 2011).

Thus, PE's deviation from some of the core features of the Grameen model may be explained by the fact that it continued to remain a peripheral organization throughout its existence owing to its limited scale and lower status before finally succumbing to an inevitable ending. GA was perhaps peripheral in a US context at inception; however, it quickly went on to occupy a more significant place within the field owing to the globally central position of its parent organization and its steady expansion. GA quickly went on to be known as one of most prolific micro-lenders in the field (Lieberman et al., 2012). The size, status and reputation of the parent organization thus had important implications for how GA framed the problem. GA unlike other central players such as *Accion* in the field could not use diagnostic frames which were generally used to provide products based on individual lending. This would be difficult given that Grameen continues to be considered the global beacon for peer group lending.

8.3. Alignment of Interest with External Actors

Central to the process of institutional entrepreneurship, as some analysts postulate, is the ability to mobilize allies and garner support in implementing divergent change (Battilana et al., 2009). Allies are rallied together (Fligstein, 1997; Greenwood et al., 2002) and co-operation is fostered in the process (Fligstein, 2001; Lawrence, Hardy, & Phillips, 2002; Rao, 1998). The objective is to unite allies and moderate intrinsic incongruities in the coalition and concurrently highlighting the failures of current institutional designs and enhancements that are an outcome of the new practices (Fligstein, 1997; Haveman & Rao,1997; Holm, 1995; Rao, 1998; Seo & Creed, 2002; Suddaby & Greenwood, 2005; Battilana et al., 2009).

GA has developed innovative strategic collaborations for overcoming regulatory constraints and effective provision of services. *Firstly,* the GA authorities recognized the importance of savings in order to build the assets of the borrowers and gain their confidence and built

significant collaborations with commercial banks, *second* with a credit ratings agency, *third* with healthcare bodies, and *lastly*, with donors.

With commercial banks GA has entered into agreements which specify that clients will not be subjected to minimum charges which usually apply if the deposits are less than a certain threshold value. As a result of the agreement, clients are enabled to open savings account with partner banks for deposits as little as $10 (whereas similar accounts would usually require deposits in the range of $50-60 to prevent charges for clients). It is also beneficial for commercial banks to enter into such an agreement from both an economic and a corporate social responsibility (CSR) standpoint. From a CSR perspective it makes sense for the banks to be associated with a brand like Grameen known globally for not only addressing financial exclusion problems for the underprivileged but also for their focus on empowering female clients. From an economic viewpoint, the banks can operate the high value corporate account of GA which is used to disburse the loans as well as access to the substantial number of GA clients *via* the opening of savings accounts. GA thus collects savings on behalf of its customers at the weekly meetings and deposits it to partner servicing banks every week[130].

The foregoing savings mobilisation aspect plays an important role in the following manner:
(i) It is expedient as it encourages the clients to save and the GA authorities reckon that most clients were not inclined to save before joining the program; but after joining GA, they realized it is very convenient for the borrowers (many of whom are single mothers busy with their businesses and family) as GA staff deposits the money on their behalf after collection at the weekly meetings;

[130] (ME#9, 2014) (ME#10, 2014) (ME#11, 2014)

(ii) It is also cost–effective as the clients save time, and also save up on the substantial cost of travelling to the banks, which consequently provided incentives to the clients to save even more;

(iii) GA forwards the loan to the client only if she satisfies the eligibility and residential requirements of the partner banks, thus enabling the GA to assess the legality of the clients' immigration and residential status in the US as US banks adopt a rigorous process of verification[131].

The second strategic collaboration GA has built on is with *Experian*, the credit ratings agency. The borrowing history of all GA clients is listed with the agency which means that borrowers who have repaid on time will have an enhanced credit score. This is important, given that clients with poor or no credit scores, must reserve finance for urgent needs such as utilities, and are also likely to have problems renting homes, being exploited by abusive lenders in addition to difficulties finding jobs (Fremson, 2013). This is reinforced by GA staff at group trainings which further motivate clients to repay. There is a line of thinking within the extant literature that competition from commercial lenders may impede MFIs' growth as existing or potential clients may have access to products such as credit cards (Schreiner and Murdoch, 2001; Lieberman et al., 2012). GA's collaboration with *Experian* and the consequent access of high scoring clients to mainstream financial services raises this issue. However, GA authorities contend that clients with access to credit cards are not charged interest only if they pay the entire amount borrowed within a designated short period of time. Often it is not feasible for clients to pay this sum, given that it has been invested in their businesses and time is required to realize profits in order to pay back. The advantage with the loans provided by GA is that clients can afford to pay back in smaller instalments and pay interest rates which are substantially less than credit cards. Thus, it is usually not a case of competition as GA clients

[131] (ME#9, 2014) (ME#10, 2014)

are able to supplement their access to GA loan with an option of finances through credit cards which she may use for additional expenses. This in turn empowers the clients as a result of access to mainstream finance[132]. There may be an association between inadequate assets and absence of bank accounts as individuals with low assets confront difficulties in sustaining bank accounts and individuals without accounts may have problems building assets (Schreiner and Murdoch, 2001). Caskey (2005) proposed a number of steps to resolve such issues. These included low cost small, safe and friendly bank outlets suitably located for poorer households which offer minimum balance requirements which are not high to prevent unnecessary charges and special accounts which enable clients to save in small frequent instalments. Caskey (2005) also proposed that collaborations may be formed with community organizations to provide such services. GA's collaboration with banks to offer savings services for its clients thus goes a long way towards fulfilling these recommendations. However, GA's experience and the problems of collaboration with banks (discussed in details the following section) suggest that the outlets are not quite "friendly" as Caskey recommends. Hence the collaboration between GA and the banks may not be yet performing to its full potential in maximizing savings as a substantial number of clients may feel disenchanted and potentially feel discouraged from using the banks.

The third strategic collaboration is with donors. As a result of the regulations (as explained in the previous Chapter) imposed on GA, it relieves heavily on donor finance. However, complexities arise as a result of unrealistic requirements set by donors. These often include impractical and superfluous details which are required from GA clients by the donor. An example of this is requirements on the part of some donors that the borrower provides information about whether their economic condition or welfare has improved as a result of the

[132] (ME#9, 2014) (ME#10, 2014)

loan. Borrowers may feel pressured and inclined to show inflated figures for income and increased welfare, as they are reluctant to strain their relationship with the centre manager. As a result, the information on the form may be distorted[133].

Finally, GA also realizes that access to healthcare is a crucial aspect of poverty alleviation and hence worked on innovative plans to collaborate with a number of prominent healthcare organizations such as *Iora Health, Mount Sinai Hospital, United Healthcare* and *Clic Medix* to provide low cost healthcare for its clients and their families. GA also has ambitious plans to extend these services to the general public. This service is deemed vital for immigrant borrowers, many being uninsured and lack access to basic healthcare through regular channels such as *Medicaid* (provided for low income US citizens), which left them out of the services of Emergency Rooms (ER) and Federally Qualified Health Care Centres (FHQC). GA set itself to provide such access, realizing that lack of healthcare may inhibit development and sustainability of their borrowers' business. (Grameen Research, 2016). It is relevant to mention that GA's strong emphasis on the Institutionist perspective means that program is structured to be economically sustainable like its microfinance program. Hence it aims to achieve this by charging their clients $10 per week ($43/month) for these services (Yunus, 2013; Chase, 2013). Extending the services beyond GA's existing base of clients and their families would mean that it would have to potentially compete with ERs and FHQCs compelling them to be more efficient. However, they would have a unique advantage as they would work with the same team as opposed to the fragmented nature of services provided by such bodies (Chase, 2013). **Table 8.2** below summarizes GA's collaborative efforts to overcome clients' concerns and offer benefits:

[133] (ME#9, 2014)

Table 8.2 Benefits and Challenges of GA's Collaboration

CHALLENGES	COLLABORATIONS	CLIENT BENEFITS
Clients Inability to operate savings accounts	(i) Agreement with Commercial banks	*Open accounts with minimum charges, if the deposits are less than threshold value; *****Open savings account with partner banks for deposits as little as $10 *****Clients encouraged to save and build on assets; *****Cost–effective service as GA staff offer free services to deal with banks.
Lack of access to mainstream financial services	(ii) Agreement with Experian	*****Clients with low/no credit score may have problems ➢ reserving finance for urgent needs such as utilities ➢ renting homes; ➢ finding jobs; ➢ greater risk of exploitation by abusive lenders *Collaboration with Experian helps clients to build credit scores addressing such problems
Lack of access to Healthcare	(iii) Agreement with Iora Health, Mount Sinai Hospital, United Healthcare and Clic Medix (in planning stages)	*****Clients and their families, especially immigrant borrowers who may be uninsured and denied access to regular healthcare channels, are enabled to access basic low-cost healthcare.
Reliance on external finance	Donors/Social Investors	*****Lesser uncertainties with future investments assists in more efficient planning.

The PE authorities felt that the permission to open savings accounts, though has many advantages, may have led to complex regulatory issues. Unlike GA, PE had not been proactive in seeking partnerships for savings accounts; but it facilitated and encouraged savings through partner referrals to existing credit unions[134]. One may surmise that if PE works to form partnerships similar to GA, it may have positive implications for enhancing its capacity as the opportunity to operate a savings account in a convenient way may attract wider potential clients; yet any attempts to collaborate may be disadvantaged by the fact PE has a limited number of clients and does not associate itself with a brand name like Grameen. Furthermore, state welfare programs often have means testing process which discourage recipients from building assets (Powers, 1998; Schreiner and Murdoch, 2001). Most of PE's clients have

[134] (ME#13, 2014)

access to welfare and hence may be disinclined towards saving as a result of this. PE also did not collaborate with credit agencies such as Experian unlike GA which did this at initial stages of its operation. PE had also collaborated with Dorsey and Whitney which provides pro-bono legal services to it along with all its clients. This collaboration has been mutually beneficial as Dorsey and Whitney has been able to highlight the support that it provides to the community through this partnership with an organization such as PE using an innovative model. It recognizes PE as a unique Grameen – style micro-business loan provider in New York. PE and its clientele, on the other hand benefit from the pro bono service from a prominent professional legal firm. It has acknowledged the support from Dorsey and Whitney by awarding it the title of "Project Enterprise Champion of Entrepreneurship" in 2008 (Dorsey,2008).

8.4 Identity

As has been mentioned earlier, a distinction between "collective" or "institutional" identity and organizational identity is prevalent in literature (Glynn, 2008; Kodeih and Greenwood, 2014). The former is viewed as being a member of a social category while the latter includes specific claims of how the organization perceives itself to others in that social class. It follows that the US case study organizations have an institutional identity of being a "Community Development Financial Institution" which in turn depends on certification from the government. This certification is important because it enables qualifying organizations to be eligible for a range of public and private funding and technical assistance provided by the CDFI fund of the government via the Capacity Building Initiative. In order to be eligible for the certification, it is required that the organization has a fundamental mission of supporting community development, provides financial services and training, retain accountability to defined markets and be a legal non-governmental body (CDFI Fund, 2020). The certification thus covers a broad spectrum of organizations including community development banks, credit unions, Loan

funds and Venture Capital funds. Both GA and PE belong to category of Loan funds which is classified by the US treasury as "Typically non-profit organizations providing financing and technical assistance to small businesses, microenterprises, affordable housing developers, and community service organizations" (Minority Bank,2020). GA thus has an organizational identity of "CDFI providing entrepreneurial loans to women through the Grameen peer group lending model". A distinguishing factor between the two case study organizations identity is the privilege of prestige or status. High prestige organizations are likely to lead the field and be copied by contemporaries. (Elsbach & Kramer, 1996; Navis & Glynn, 2011; Kodeih and Greenwood, 2014). Grameen is characterized by its global status and symbol of being the pioneer of the group lending model. It explains its historical origins in a one-page statement on its website:

"Founded in Queens, NY in 2008, Grameen America builds on the legacy and proven model of Nobel Peace Prize Laureate Professor Muhammad Yunus. His revolutionary but simple idea that all people can lift themselves out of poverty through their own entrepreneurial spirit has dramatically altered how the world views global poverty." (Grameen America B, 2020).

This identity of GA clearly utilizes the global standing of its Nobel laureate founder by including his name in it. PE clearly does not carry the same status as GA and recognizes the eminence of Grameen by acknowledging that it was modelled on Grameen (Project Enterprise website C, 2015). Previous studies have shown status to be a significant factor in influencing institutional strategy. One study, for example, showed how prestige enables actors to alter what is required and desirable in a field (Durand and Szostak, 2010). This is what enabled GA to establish itself in 2008 amidst a recession affected US at a time providing loans without collateral to poor individuals would be scoffed at even more by conventional institutions. The prestige and status Professor Yunus enjoys afforded him credibility to constantly highlight his message that the poor are creditworthy across a range of platforms in the US (Fora.Tv, 2010; Andrew, 2010). This message was reinforced by the high repayment rates along with the steady outreach that GA has sustained throughout its operations. Further, it is costly to execute any

change and perhaps even costlier to implement divergent change, hence access to adequate resources is crucial for institutional entrepreneurs. High Status actors are likely to have enhanced access to a field's most important resources (Goodrick, 2002). This is evidenced by the fact that GA requires a minimum capital of £6m in order to open each branch which it has been successful in securing to initiate all of its 23 branches. The power and status of Grameen along with its distinctive organizational identity underpinned by credible performance in terms of outreach and sustainability thus makes it an appealing prospect for its clients, social investors and partner organisations.

A distinct feature of PE's organizational identity is that it was the first organizations to adopt the Grameen model in New York, a factor which it publicizes on its website (Project Enterprise C, 2015). PE's unique institutional identity as the only CDFI using the Grameen model in New York has helped it to get funding in its initial years. For example, in 1999 it was given funding by treasury for its innovative Grameen model which was explicitly acknowledged in the funders' report (CDFIFund.gov, 1999). The dilution of this identity by offering other types of loans and to both sexes places it in a potential danger of being overshadowed by a plethora of other CDFIs operating in the same field offering similar services.

Another aspect of GA's identity is its heavy emphasis on empowerment of women. This identity is communicated through its mission statement:

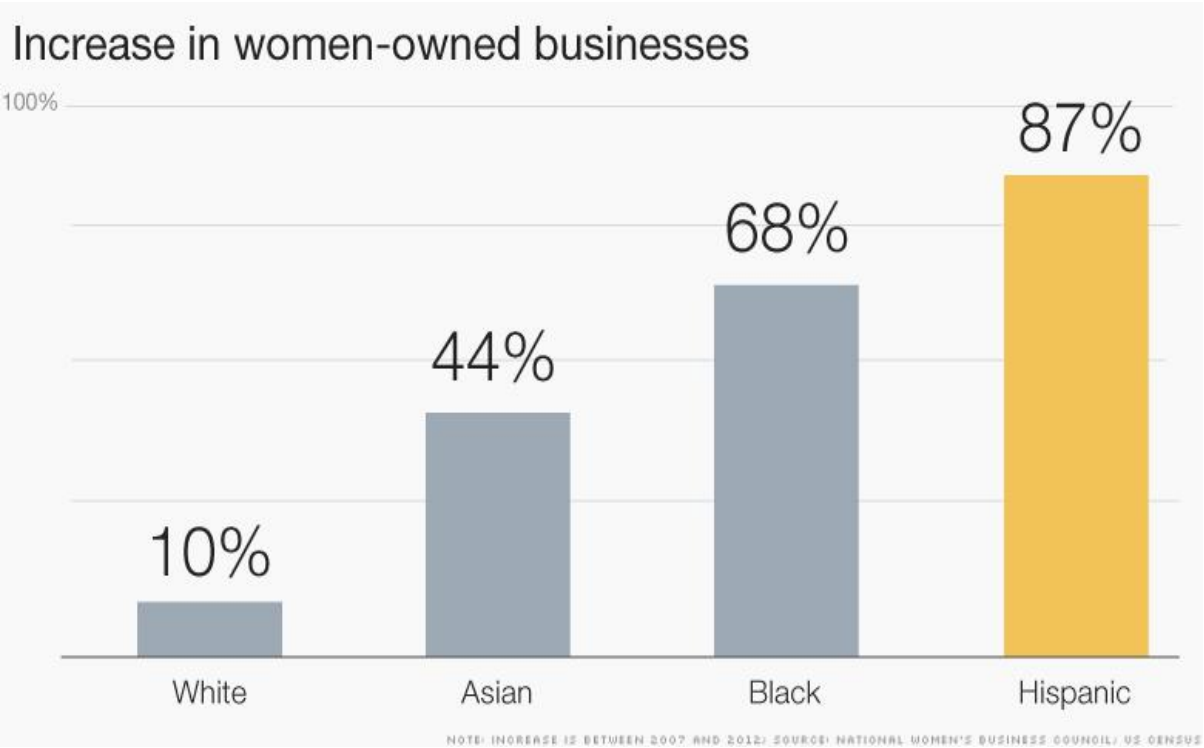
"Grameen America is dedicated to helping entrepreneurial women who live in poverty build businesses to enable financial mobility" (Grameen America B, 2020)

Its gender-based identity is derived from the female focus that the parent organization Grameen is known globally for. This gender focused identity is also projected through powerful stories of female entrepreneurship using selected case studies from its clientele base on various

communication media such as blogs and videos on the GA website. It is not thus not unreasonable to assume that the prestige and status of GA along with its gender focused identity has struck a chord with its target clientele of female Hispanic clients, many of whom are single mothers and resonated well with the entrepreneurial environment in the regions it operates in. A study by National Women's business council (NWBC) reported a significant spurge of 27% in women owned small business from 2007 to 2012. Importantly, the major increase was attributed to the growth of businesses owned by Hispanic women, growing at 87%, which reflects a lack of employment opportunities amongst this population. Employment rate was consistently low, indeed, for Hispanics compared to other ethnicities such as White and Asians during the same period. (NWBC, 2012; Vega, 2015) (Figure 8.1**).**

Figure 8.1 Increase in female entrepreneurship (2007-2012).

SOURCE: NATIONAL WOMEN'S BUSINESS COUNCIL (2012)



GA's identity attached to a focus on female entrepreneurs thus bore fruit as it seemed able to latch on to this surging entrepreneurship assisted by its proactive and innovative marketing methods. PE's organizational identity is "CDFIs providing entrepreneurial loans through the Grameen peer group and individual lending model". It has thus diluted the impact of its identity by focusing generally on access to entrepreneurial finance to both genders (hence losing the female focused identity that GA has) and also the fact that it has an individual lending program in addition to the Grameen inspired peer group loans. Its mission statement does not incorporate GA's gender-based focus, and is as follows:

"The mission of Project Enterprise is to support and develop entrepreneurs and small businesses in under-resourced communities in New York City. By providing micro-loans, business development services and networking opportunities, Project Enterprise helps

entrepreneurs increase their standard of living, create jobs for their communities, and build financial assets" (Project Enterprise website, 2015).

It is important to note that a significant change in organizational identity is being planned by GA. The analysis in the previous section showed how GA built innovative collaborations with banks to overcome regulatory constraints. Yet there are challenges revolving around the differing ethos and ideologies of the GA and traditional commercial banks. While GA's strategic focus maintains a strong balance of Institutionist and the Welfarist approach, the commercial banks, being purely profit-making institutions are heavily biased towards Institutionist goals. The GA authorities view that the senior authorities at such banks are favourably predisposed towards assisting GA; however, such positive attitude and stance often does not trickle down to staff at the lower levels working at the servicing branches. They reason that staff performance at such banks often revolve around how many accounts are opened and of what value the deposits are which means that bank staff at servicing branches are often disinclined towards providing the appropriate level of services to GA clients as a result of lower value of such accounts.

One issue often arising up for GA clients is that they are subjected to charges as a result of their account value being under a threshold level (the charges as per agreement are not applicable to GA clients); yet the charges are made on their accounts via the banks' automated systems, despite the agreement between GA and the partner banks being contrary to this. Although such clients are eventually refunded when GA authorities intervene, both the GA staff and clients have to undergo unnecessary hassle of going through the lengthy and inconvenient refund process. GA authorities assert that although existing savings are substantial, the deposits would go up by a much higher amount if the clients were provided with better service hence increasing their trust on the banking system.

A second concern for the GA as an MFI is the divergence in banking philosophies (based on solidarity and community) in which GA clients are taught from those of traditional commercial banks (based on individual services). Complications arise when bank tries to sell its products to the GA clients. The GA authorities' concern seems pertinent as several banks offer deposit 'advance' loans which are designed similarly to payday loan products (Lieberman et al., 2012). Studies have shown how the payday lending industry in the US has exploited clients in terms of charging extortionate interest rates which in turn has led to immense debt problems (Centre for responsible lending, 2020)[135].

GA has been in the process of changing its organizational identity to being a credit union for overcoming foregoing problems of collaborating with banks[136]. Credit unions in the US are exempt from paying tax. They are not-for-profit co-operatives regulated by the National Credit Union Administration (NCUA, an independent federal agency), by state agencies, or both. In most cases, deposits are indemnified by the NCUA. This is an important strategic move for GA, as credit unions are designed to be financially independent. The key feature of such institutions is their ability to operate and fund themselves through deposits distinguishing them from non-profit CDFIs as they are able to mobilize savings and thus reduce dependency on donors and eventually become operationally sustainable. The sum-total of deposits for an MFI is usually substantially higher than the outstanding loan balance thus making deposits a vital source funds for onward lending (Cull et al., 2008). In addition, credit unions that serve low income clients termed as low-income credit unions or LICUs are permitted to receive non-member deposits from CRA programs, religious investors, social investment funds, corporations etc. and the ability to raise subordinated debt enabling them to expand their capital

[135] (ME#9, 2014) (ME#10, 2014)
[136] (ME#9, 2014) (ME#10, 2014)

base quickly (Lieberman at al., 2012). Thus, this strategy of GA seems to resonate very well with its strong emphasis on Institutionist goals. Furthermore, if successful in changing its organizational identity to "Credit Unions providing entrepreneurial loan to women using Grameen Model", GA will still be able to retain its institutional identity as CDFI certification also includes credit unions under its purview.

8.5 Organizational Template and Strategic Vision

This section makes a comparative appraisal of the organizational template and strategic vision of the case study organizations. GB places strong emphasis on achieving operational sustainability and focuses on poverty alleviation and women empowerment. In accordance with that vision, GA also attaches significant weight to Institutionist objectives (along with the Welfarist goal of addressing financial exclusion) with a great focus on achieving operational viability at the branch level. This is characterized by the statement of GA's former President (during its inception) and current board member:

"Microfinance has not worked that well. There are 750 MFIs in the US and only about 200 of them actually make money. None of them are actually profitable yet. Accion is at scale and is close to profitability and does a very good job. But none of the others are others are completely profitable and we want an operation that will become profitable." (Jorgensen, 2009).

In its website GA defines sustainability as operational expenses being covered by interest income (Grameenamerica.org, 2020). GA branches are built on a sustainable business model and aim to achieve sustainability within 4-5 years of operation with 4500 active borrowers. GA has a distinct process which the management uses in order to construct a viable business model. The loan size is assessed by calculating initial investment required for developing micro-businesses such as food carts. GA charges an interest rate of 15% as any charge above 16% would be considered as usurious under US regulations (Lexisnexis, 2013). The cost of

operations including staff salary is then worked out to figure out the number of borrowers required to make a branch viable (usually in the range of 4000-4500). Three branches in New York (Jackson Heights, Brooklyn and Manhattan) have attained sustainability in December 2014. As per it's recent report, GA has achieved an organisational sustainability of 82% (Grameen America annual report, 2019). The initial branches have taken relatively longer to achieve sustainability as there were uncertainties during the preliminary phases about the strategic approaches to be undertaken with respect to locating operational areas, marketing methods and staff recruitment. The organization had to learn from experimenting with different strategies and ascertain the most appropriate ways of accomplishing operational objectives. The GA management assert that the newer branches will take less time to attain sustainability as such intra-branch strategic learning are incorporated into their operations. Prior knowledge in terms of fertile grounds for client recruitment means that the GA survey team can now hone in on the appropriate locations where the operational area will be based. A strong existing base of local staff / clients can refer appropriate staff and clients which along with a good understanding of the likely obstacles ensure that less time has to be devoted to researching such issues. However, it is important to note that sometimes funding is received for opening a branch at a particular place where the population density is low and local population is spread out. In such cases, formation of self-selected borrowing groups is difficult thus making progress slow and hence attaining sustainability will be longer.

The inability to open savings account means that Grameen is reliant to a significant extent on external financing. However, GA continues to attract finance from social investors such as commercial banks which look to fulfil their commitment to invest in community development project run by Grameen, a credible global brand-name. Such a brand-name also helps GA to secure at least $6m which it requires as a minimum threshold for setting up a particular branch. This is a crucial factor which sets it apart from smaller organizations like PE because unlike

those organizations, this gives GA more time and financial cushion to experiment with different approaches in order to select the most appropriate strategies with respect to the aforesaid operational activities.

PE's strategic approach strongly leans towards a Welfarist approach. This is evident from the low interest rate (12% on a declining basis) it charges its clients and willingness to provide costly and extensive business training. The PE authorities stress the organization's reluctance to charge hefty fees and charges as way of being sustainable. It is felt that this would divert PE from its core mission of steering clients away from predatory lenders as charging high fees and interest may cause it to be viewed as an abusive lender itself. PE management feel that there was some focus on Institutionist goals during the initial phases of its operations but this gradually faded away owing to the aforementioned operational problems and low number of clients. Thus, PE's financing is completely reliant on donors, which include a handful of dedicated social investors and government grants. The problem with PE's approach is low client volumes, causing a lack of internal source of income, which in turn led to a high level of uncertainty as it had to rely on donor financing for which there is notoriously high competition. In addition, there were administrative issues associated with government grants. The conditions of the award of the grants often meant that PE had to spend the money before they can claim from the government. This led to liquidity issues and was risky because funding may eventually be denied for various reasons[137]. Funding constraints had also compelled the PE management to make difficult choices. One such example is the shifting of the main office branch from Harlem to South Bronx. Although PE benefitted from lower rents at the new location, it came at a price for PE as its Welfarist objectives were compromised as a result of losing out on a

[137] (ME#13, 2014)

significant number of clients who would walk in to the branch straight from the street at the Harlem branch[138].

Analysts suggest that organizational capacity for learning is a key factor for sustainability and even survival of MFIs, particularly in the context of industrialized countries such as USA (Roodman and Qureshi, 2006). Such views strikingly resonate with the current study of the US MFIs. GA has shown a much better appetite and capacity for organizational learning through its experiences. This culture of learning is propelled by novel management mechanisms. An example of this is letters/essays sent regularly by the staff to uppermost management circumventing the intermediate levels of the management structure, thus enabling Grameen policymakers to have an insightful understanding of events at the field level (Rhyne and Rottblatt, 1994; Rutherford, 2005). GA faced similar challenges as PE in its initial phases of operation unlike the latter, it did not respond by changing key features of the original Grameen model that enabled it to succeed in Bangladesh. Thus, clients still had to form self-selected groups before joining the programs (ensuring that they already had a strong relationship amongst themselves which could be utilized to achieve high repayment rates). Contrastingly, prior to disbursement of loan, at PE, most clients formed self-selected groups during the six-week training. The PE authorities attributed this to reluctance on the part of prospective clients to form self-selected groups.

GA also faced similar disinclination when it first marketed its loan to other communities such as the Bengalis which they felt would be fertile grounds for recruiting as a result of Bangladesh being the origin of the model. GA responded to these challenges by shifting its strategic focus to emerging Hispanic migrants which currently makes up majority of its clientele (MDRC,

[138] (ME#14, 2014)

2019). It may be argued that GAs client targeting was more appropriate because these clients had a high necessity of the loans and were prepared to adhere to the strict rules and regulations which included attending meetings every week. However, GA made it cost-effective and convenient for clients by arranging meetings in centres close to the clients' businesses or homes. The analysis in Section 4.1 shows that GA's strategy was in accordance with the US entrepreneurial environment characterized by rapid Hispanic self-employment growth and the collectivist nature of the immigrant community. PE, contrarily, continued to focus on the same clientele base (African Americans made up 88% of its clients) but responded to its institutional complexities by altering core components of the original model such as changing the meetings to bi-weekly. More significantly PE changed the contents of the meetings which were based on entrepreneurial education rather than group solidarity and inter-personal learning emphasized by the original model adhered to by GA. This in turn made the system costlier to operate for PE as staff had to be compensated for training hours. In addition, clients may well have considered it costlier and inconvenient to attend such meetings as they were held at the branch as opposed to centres near the clients' home or business used by GA for its meetings. GA also continues to focus its services on women much like GB (all GA clients are women). This strategic focus on women is consistent with how GA framed the problem of financial exclusion (based on feminisation of poverty). It is also evident from the following statement of its CEO, Andrea Jung (who before joining GA had extensive experience working for Avon Cosmetics, a $10 billion business which has assisted millions of women to become entrepreneurs associated with its direct selling model):

> *"Whether you're running a one-person business or a 40,000-employee corporation, the more women we can involve in economy creation, the better off their families are going to be and the better off our country is going to be."* (Di Mento, 2014)

Contrastingly at PE, 44% of clients are men (Project Enterprise C, 2015). Previous studies have shown that this may dilute the impact of the model as it may have an adverse effect on key

aspects such as repayments. Studies such as those by D'Espallier et al. (2011) and Shahriar et al, (2020) conclude that women are superior credit risks compared to men. The results revealed that a greater percentage of female clients results in lower portfolio risks and write-offs. In this context one study argues that organizations must continuously adapt to the evolving contexts in which it operates in order to be successful (Roodman and Qureshi, 2006). GA, in many ways, has been able to do this as it learnt through its experiences that it was marketing to the wrong client base and quickly adapted its services that appealed to the emerging Hispanic immigrant client base which in turn helped it to expand steadily. It also continuously experimented with different approaches with respect to its marketing and HR practices, deciding finally on the most effective approaches through its organizational learning. The above study further pointed out that "excellence in complex organizations is not so much achieved as continually pursued" (Roodman and Qureshi, 2006: 29). This is evident at GA with the refinement of its HR strategies and the consequent development of the institute which enables it to further nurture new and existing talent and instil its vision and ideology into its staff.

In contrast, despite its inception way back in 1996, many strategies with respect to the aforesaid operational areas seemed to be static at PE, not evolving with the rapidly changing environment surrounding the organization which eventually led to its closure. It is important to point out that PE may have been affected by funding constraints compared to its more established and reputed counterpart GA. However, GA since its inception had modest beginnings in New York during 2008 at a time of financial recession and faced numerous challenges, including funding issues. It is only through its apparently more proactive and innovative approach, compared to PE (learning and responding rapidly through its organizational experience), that it was able to demonstrate its effectiveness and steady expansion. GA's strong identity characterized by power and status of the parent organization (GB) and Professor Yunus as a global beacon for

peer group lending, appealed to potential social investors who continued to provide a steady stream of funding to enable it to operate smoothly and grow in the process.

Unlike PE which had remained a peripheral organization throughout its existence, GA, in a relatively short period of time, went on to become a central MFI player owing to the strength of its organizational identity and effective outreach and loan recovery performance. This also helped GA to collaborate with various organizations such as banks to operate savings accounts on behalf of its clients. GA's strong emphasis on Institutionist perspective along with its Welfarist goals is exemplified by its desire to convert to a credit union. The aspiration to further innovate is illustrated by its collaboration with various healthcare bodies to provide innovative healthcare services which was previously inaccessible for its clients. But crucially, GA is not looking to fund these innovations through donor financing but internally generated sources. For example, Grameen Primacare is proposed to be funded by a $43 per month charge to clients. This focus on sustainability and the resulting effects permeate through all operational areas of GA hence making it more innovative, efficient and less vulnerable to its contextual circumstances. This is all the more remarkable given that GA has not compromised on its Welfarist goals to accommodate a more commercialized approach. This focus on a commercial approach to alleviate social problems is manifested by the following statement of its CEO Andrea Jung explaining why she joined GA:

> *"I wanted a real shot over the next 10 years, not in a for-profit job or a government or policy job, but in a unique hybrid, to be able to show how capitalism applied for social benefit can be scaled to make a difference for women who were not given a chance."* (Di Mento, 2014)

Whilst PE may be lauded for its emphasis on Welfarist goals of alleviating problems of financial exclusion for nascent entrepreneurs, its dependence mainly on donor financing for survival inhibited its efficiency and innovation. The approach of GA thus greatly resembles

Yunus's "Social Business Model", which Yunus defines as a non-loss, non-dividend Company structured to address a social problem. It is financially sustainable with any profits generated going into the expansion and development of the business rather than paid out in dividends to owners. Unlike profit maximizing firms, the principle objective is not to maximize profits (although there is a significant weight attached to generating profits). On the contrary, unlike non-profits (such as PE), it is not heavily reliant on charitable donations with a strong emphasis on being self-sustainable (Yunus, 2009; Yunus, Bertrand and Lehman-Ortega, 2010; Yunus, 2011). The strategic vision of the MFIs with respect to Institutionist and Welfarist objectives along with the core components of the above analysis is now concisely provided below in Table 8.3

Table 8.3 Organizational Template and Strategic Vision (GA and PE)
(based on interviews with the senior management at GA and PE)

Analytical findings	**GA**	**PE**
Strategic Vision: Poverty alleviation, women empowerment, self-sustainability	Strong emphasis on both Institutionist and Welfarist objectives Clear focus on sustainability, i.e. covering operational expenses; branch sustainability to be achieved within 4-5 years, serving 4000-45000 clients, which is confirmed by the senior management during the interviews.	PE's focus on Welfarist objectives is laudable as it has provided affordable finance and costly entrepreneurial training to its target clientele. However, an early focus on Institutionist goals had gradually faded away due to operational difficulties.
Business Model	Social Business	Non-Profit
Operation Period	12 years	20 years
Growth & expansion	Rapidly grown into 23 branches across the US. 3 branches have attained sustainability and organizational sustainability stands at 82% (GA Annual report, 2019)	Reliance on external finance, much from some social investors and government grant. Carries no brand name like Grameen, & funding remained a major constraint.
Clients	Predominantly Hispanic immigrants (95%)	Predominantly African Americans (88%)
Emerging Context	Rapid rise of Hispanic entrepreneurship from 1990s continues till date	Historically low levels of African American entrepreneurship. Recent studies indicate that African Americans least likely to be self-employed amongst all ethnic minorities (Pew Research Center, 2015)
Gender Focus	100% Women (in line with strategy of GB	56% women (inconsistent with GB's philosophy/strategic approach)

Field Position	Central	Peripheral
Problem framing	Framing of financial exclusion as feminisation of poverty	Non-gender based generic framing of financial exclusion as lack of access to resources for under-resourced neighbourhoods
Organizational Identity	Characterized by power, size and status as a global beacon for peer group lending and a strong focus on women,	Less distinctive identity as a result of being a peripheral organization and non-specific framing
Organization speed and learning	Rapid organizational learning from the use of different pilot methods to establish the most effective approach.	Static organizational speed of its learning.
Recovery rates & staff-client issues	High recovery rates (99%) and strong client recruitment	Poor recovery rates (60%), low client recruitment
Innovation and collaboration	Innovation evidenced in marketing methods, staff recruitment & effective collaborations with commercial banks, Experian credit agency & conversion to credit union echo well with institutional objectives & are also beneficial for clients. More collaborations being planned such as Grameen primacare to address social problems such as healthcare & ensure sustainability of service	Referrals to credit unions but may be ineffective as most clients have access to welfare and may be discouraged to build assets.

Conclusion

Most early US MFIs that imitated the Grameen model and adopted similar diagnostic framing of problems to GB either ceased or changed to more commercialized individual lending models and/or an emphasis on financial training. Such programs reframed the problem of financial exclusion to provide a range of personal and business finance products tailored to the needs of the clients owing to the numerous institutional complexities discussed in the previous chapter. GA revived the diagnostic framing abandoned and considered to be ineffective in the context of an industrialized nation such as the US by major MFI players such as *Accion*. It has been successful in adopting this framing due to the emerging context of rising Hispanic entrepreneurship as majority of its clients are Hispanic immigrants. GA was able operate the

model more effectively due to the collectivist nature of the Hispanic commubnity, unlike PE, which have had problems due to the individualistic nature of the predominantly African American clientele base that it has been serving.

GA was also helped by its organizational identity characterized by the power and status of the parent organization (GB) as the global beacon of the peer group lending model incorporating the image and influence of the Noble laureate Professor Yunus, the founding father of microfinance. Further, its gender based identity focused on feminisation of poverty resonated very well with the entrepreneurial environment in which it operated in, typified by booming female entrepreneurship amongst the Hispanic population. As a result the model may have appealed broadly to its target clientele, many of whom are single mothers. This helped GA to achieve its outreach objectives and mitigate institutional complexities. The high status of the Grameen brand also enabled GA to access valuable resources required for development and rapid expansion.

GA has also been planning proactively to bring about changes in its organizational identity by converting to a credit union ,which will help it to circumvent the regulatory problem of not being able to mobilize savings of its client for onward lending. If such efforts are successful, it will contribute towards its sustainability objectives by reducing reliance on donors to a great extent. GA has collaborated effectively with external partners to counter institutional complexities. GA has thus collaborated successfully with commercial banks and provided savings account services for its clientele base. It has also built collaborations with Experian to help clients access mainstream financial insitution. This has tangibly affected the sustainability logic by assisting in luring more customers to join GA and also contributed to the welfare logic by enabling customers to enjoy the benefits of such services. GA has also been able to better balance the sustainability and welfare logic as a result of its organizational template and strategic vision characterized by a sharp focus on sustainability. This emphasis on

sustainability permeates through different operational areas such as maketing, staff recruitment and loan recovery enabling rapid organizational learning at GA to continously experiment with and refine its approaches in order to be effective. The efficient performace of GA in securing high recovery rates and steady outreach has reinforced its identity and given it credibility. The access to resources has also facilitated the growth of expansion of GA by enabling it to continuosly invest in developing resources (exemplified by the introduction of its training institute) to acheving its objectives.

PE was one of the early MFIs to adopt the Grameen model, as it was inspired by the achievements of another program, WSEP based in Chicago. It has been a peripheral organization from its inception to its closure and never remotely possessed the power and status of GA. It thus, did not have the vital access to resources that GA is priviledged with. This was complicated by inefficiencies such as relatively poor loan recovery despite a much smaller clientele base than GA. Furthermore, it had a less refined organizational identity than GA as it offered the loans to both sexes and also operated an inidividual lending program. This nebulous identity along with its low status perhaps appealed less to propective clients and may be an important factor explaning its limited outreach impact. These factors may also have constrained its ability to successfully align with external organizations for effective service provision. PE thus faced institutional complexities to a much greater extent than GA. Owing to all its problems, PE had lost initial focus on sustainability and continued to be biased heaviliy towards the welfare logic. The problem with this approach was contnued significant reliance on donor funding for which there is ever increasing intense competition. Nevertheless despite all these problems, prior to its closure, PE had thus survived over the years as a result of dedicated social investors which remain commited to its purpose. It should be lauded for its welfarist objectives and corresponding services as a result of which numerous clients have benefitted greatly.

A crucial factor in the early success of GA is its focus on both Institutionist and Welfarist objectives, as compared to PE, which remained deeply predisposed towards Welfarist perspectives with no clear institutional strategies towards sustainability. PE's Welfarist goals, along with its support to numerous entrepreneurs does speak well of the largesse of its sponsors; yet such a largesse under Welfarist approach without any prioritization of contents, methods and objectives has its toll on declining implications for its efficiency, its performance and more importantly, expansion of its services and led to its ultimate closure. GA's strategic focus on innovation and efficiency has driving impact on its impressive repayment figures despite a rapidly rising client base, effective marketing and staff recruitment methods, and its successful collaborations with legitimate bodies. This, in turn, led to great benefits to GA clients in accessing mainstream financial services. Another proactive approach is its innovative plans to convert to a credit union so as to become operationally sustainable and develop more collaboration to provide healthcare for its clients.

However, there may be potential future complexities for GA if there are changes in contexts. Hispanic entrepreneurship may experience a future dip due to various factors, including changes in regulation. The current administration led by President Trump has adopted an aggressive stance against Hispanic immigration. In such a scenario, GA may need to diversify beyond its existing base of predominantly Hispanic clients. Previous MFI experiences (including PE's experience) have shown that this is complicated and necessitates policy changes in areas such as welfare to work. Complexities may also arise if GA succeeds in its attempts to become a credit union (CU), which, by law, require retention of a minimal ratio of 7% of net worth-to-total assets to evade imminent regulatory action and, in cases of high loan defaults and consequent losses, even may face liquidation (Lieberman et al, 2012: 56). However, all this may be less relevant for GA as a result of its high repayment figures and steady growth during the same time since its inception in the backdrop of a recession affected

economy in 2008. CUs are built around membership of clients from whom savings are mobilized. GA's success will thus (irrespective of whether it is successful in its attempts to become a CU) depend upon continuing to steadily expand its client base This may be difficult for GA particularly when looking to extend its services beyond the Hispanic community given the lack of industrywide data on micro-entrepreneurs on business loans of less $50000). In addition, GA also relies upon the success of the businesses it is lending to. Given that this is heavily biased towards businesses owned by Hispanic entrepreneurs, the non-diversified nature of GA's lending may be fragile to socioeconomic contexts influencing the outcome of similar micro-businesses owned by its clients.

There is a paucity of research on MFIs in the comparative context of developed countries, particularly those that are using unique lending models such as Grameen committed to promote social networks. In order to address such gaps in literature, researches may analyse the process of institutional entrepreneurship by studying initiatives that endeavour to adopt of the Grameen model in different locations of US and neighbouring countries such as Canada. It may also be helpful to compare the institutional entrepreneurship process of adopting Grameen model to existing models such as individual lending or evolving models such as online peer to peer which provide further useful insights.

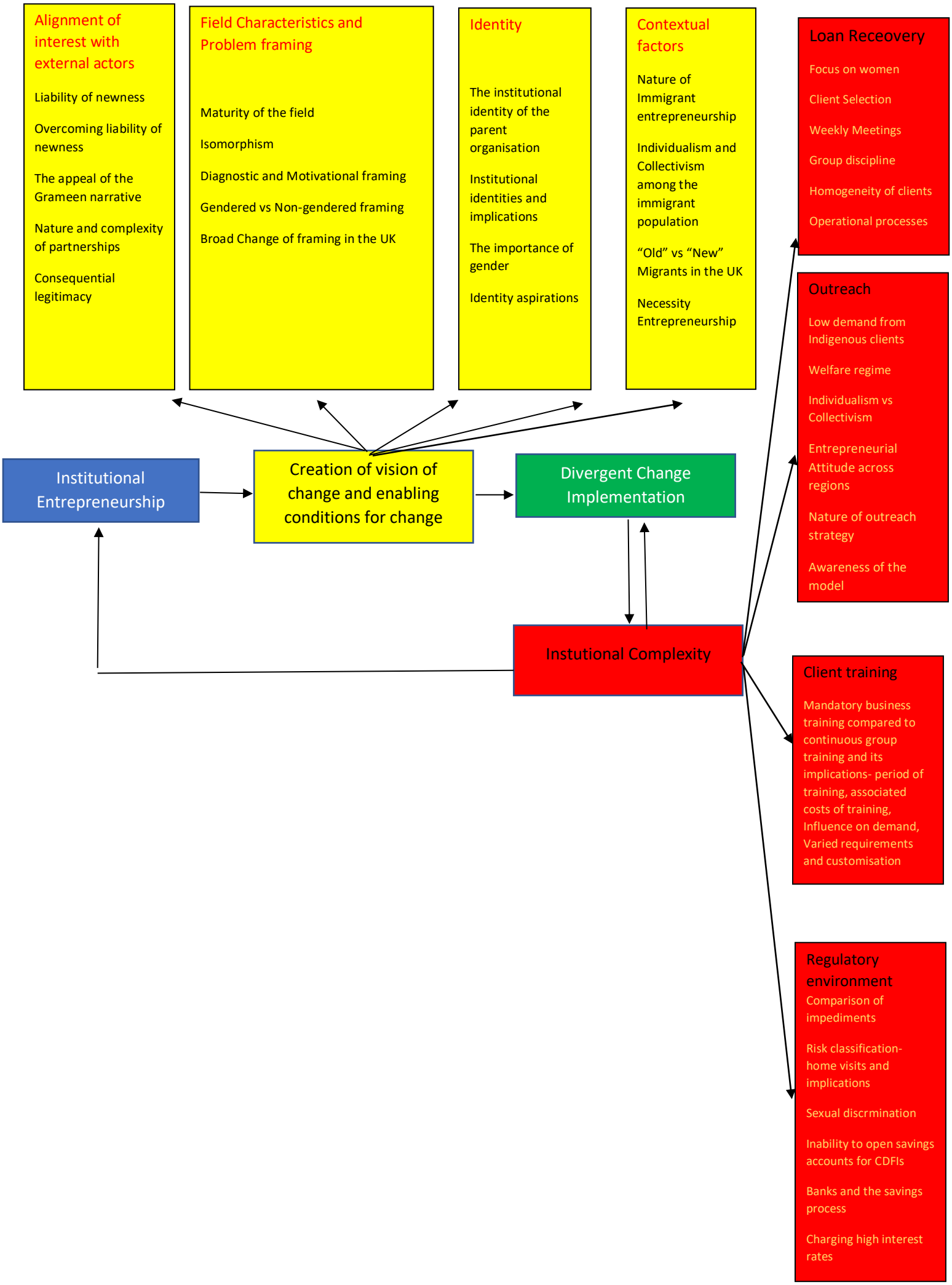
In order for organizations such as GA to be able to better assess the uncertainties associated with their coexisting operations, the author deems such research crucial. Future research may weigh up findings of existing projects in the UK and other European countries for identifying effective cross-cultural learning towards enhanced performance of the MFIs in a wider context of the developed world.

CHAPTER 9 DISCUSSION: COMPARATIVE ADAPTABILITY OF THE GRAMEEN MODEL IN THE UK AND THE USA

Introduction

The current Chapter compares the UK and US experience of the adoption of the Grameen model. It does so with particular reference to the recent projects such as GA and GU and uses the experiences of retrospective case study organizations wherever relevant. The purpose is to ascertain the similarities and differences in the institutional entrepreneurship process of adoption of the model and factors which have contributed to institutional complexities. Another objective is to deduce whether there can be cross-cultural lessons which can be drawn from the experiences of both organizations. The Chapter also speculates about the future prospects of adaptability of the Grameen model in the UK and the US incorporating the evolving contexts in both countries within the analysis. In order to do this, we now bring in our analytical framework that we introduced Fig. 2.1. Figure 9.1 populates the analytical framework with relevant themes that have emerged during the study.

Figure 9.1 Analytical Framework with emergent themes from the study


Alignment of interest with external actors
Liability of newness
Overcoming liability of newness
The appeal of the Grameen narrative
Nature and complexity of partnerships
Consequential legitimacy
Field Characteristics and Problem framing
Maturity of the field
Isomorphism
Diagnostic and Motivational framing
Gendered vs Non-gendered framing
Broad Change of framing in the UK
Identity
The institutional identity of the parent organisation
Institutional identities and implications
The importance of gender
Identity aspirations
Contextual factors
Nature of Immigrant entrepreneurship
Individualism and Collectivism among the immigrant population
"Old" vs "New" Migrants in the UK
Necessity Entrepreneurship
Institutional Entrepreneurship
Creation of vision of change and enabling conditions for change
Divergent Change Implementation
Instutional Complexity
Loan Receovery
Focus on women
Client Selection
Weekly Meetings
Group discipline
Homogeneity of clients
Operational processes
Outreach
Low demand from Indigenous clients
Welfare regime
Individualism vs Collectivism
Entrepreneurial Attitude across regions
Nature of outreach strategy
Awareness of the model
Client training
Mandatory business training compared to continuous group training and its implications- period of training, associated costs of training, Influence on demand, Varied requirements and customisation
Regulatory environment
Comparison of impediments
Risk classification- home visits and implications
Sexual discrmination
Inability to open savings accounts for CDFIs
Banks and the savings process
Charging high interest rates

Each of these relevant themes will be discussed in detail in the following sections. Section 9.1 elucidates the extent of success achieved by current organizations in the US and UK in recovering loans and the factors influencing recovery rates. Section 9.2 compares the outreach strategies of organizations across the countries and issues revolving around such strategies. Section 9.3 reveals the nature of regulatory differences in the UK and the USA and their major implications for the adoption of the Grameen model in the respective countries. The ideologies driving strategies for client training is analysed next in Section 9.4. The emerging context of immigrant entrepreneurship is identified in the following section 9.5 as a key factor influencing the progress of the organizations and explicated. Section 9.6 explores how the field of microfinance is linked across the countries and compares the nature of problem framing adopted by the MFIs. Section 9.7 scrutinizes the nature of differences in alignment strategies adopted the organizations and their implications. Section 9.8 shows how the Grameen identity has evolved across UK and USA as organizations have looked to adopt the model in their own contexts. It points out the nature of differences in institutional identity, organizational identity and identity aspirations across UK and USA and their possible consequences. Section 9.9 assimilates the discussions in previous section to indicate the differences in nature of the organizational template and strategic vision adhered to by the organizations. The conclusion summarizes findings in all the sections and offers reflections on the viability of adoption of then model with respect to the evolving contexts in these countries.

9.1 Loan recovery

The available data for recovery rates indicates that all case study organizations with exceptional recovery rates had a complete focus on women and practiced self-selection consistent with the original model. Examples include Account 3, Full-Circle in UK and GA in the US. It should further be noted that all case studies which have achieved exceptional recovery rates have served a homogenous set of clients. Account 3, for example served mainly Bengali clients and

Full-Circle served mainly indigenous White females of British origin while GA's clientele base consists of over 90% Hispanic population.

However what sets GA apart from these other organizations in the UK is that it has managed to consistently to sustain these recovery rates (over 99%) despite serving an exponentially higher number of clients compared to the UK organizations whose clientele base was very small. GU's recovery performance was underwhelming when compared to that of GA and that of the parent organization, GB despite serving a very small number of clients. Regulatory impediments stand out a key differential factor between the initiatives in the two countries. In the UK, regulations prevent meetings to be held at borrowers' residence potentially leading to disciplinary issues. The weekly meetings are a vital cog in the Grameen model as they are used to foster group cohesion, intragroup learning and a way of engendering discipline within groups as the individual responsibilities are regularly reminded to the members. The enhanced discipline in turn positively influences the loan recovery. However, in the UK, meetings often have to be held at confined spaces such as shops which reduces their effectiveness as clients are inclined towards rushing to complete the meeting as it is inconvenient for them and problematic for the shop owner. Regulatory restrictions preventing GU to visit borrowers home also inhibits its ability to use such visits as a way of assessing the socio-economic status of the borrower and the geographical proximity of group members. Being classed a low risk lender under current UK regulations also means that GU has a non-marketing license and relies on referrals from other organizations for getting clients. This restricts its ability to do outreach work based around the borrowers' domicile. All such regulatory restrictions and their effect had an impact on the client selection process and ultimately affected group cohesion and discipline.

Unlike GU, GA does not face any such restriction in the US. As a result, meetings are often held at borrowers' residences and staff are free to do outreach work as they wish. This in turn

means that they can practice the core Grameen marketing principle of "Grameen going to clients" rather than clients coming to the organization. The home visits are also an important part of the processes at GA which is crucial for appropriate selection of group members.

Another key difference between the two organizations is GA's gender focus on women in resonance with the model of the parent organization. As discussed in the previous Chapters, none of the case study organizations in the study which have served a mixed audience have been successful in achieving good recovery rates. This includes Street-UK in the UK and PE in the US. Although unlike these organizations GU operated segregated groups, the experience of these organizations indicates that it was a flawed approach to generalize services.

Homogeneity of clients also seems to be a key difference between GU and GA as GA serves a homogenous clientele base of mainly Hispanic clients while GU serves a diverse group of clients consisting of mainly immigrants from different countries of Africa and Asia. A major strategy for GU was to recruit lending officers within the community that they were serving who speak the same language. However, it may be difficult for GU to employ a similar strategy to manage groups as a result of different languages, culture and behaviour of group members. The GU staff have used the common language of English for operational processes but have found it difficult as some clients may have weak command over that language[139].

There are other important differences in the operational processes at the two organizations. At GA, all paperwork and loan disbursements are processed centrally which means loan disbursement are treated as a "ceremony" where clients come into the branch to sign their loan documentation and are physically provided the cheques which under the current US financial system can be cashed quickly. GU, on the other hand, forwards the fund directly into the bank account of the borrower as the cheque clearing process would take longer under the UK

[139] (ME#5, 2016)

financial system. The GU management have realized that unlike GA the borrowers are not coming into the head office and are not consequently meeting the staff at Head office and may lack a contextualized understanding of GU's vision and mission. This, in turn, may have had implications for the nature of relationship that GU had with the borrowers and potentially affected loan recovery.

Another important difference noted by a senior GU manager who had recently visited GA was the much more regimented and structured nature of integral processes at GA. Examples include meetings which were being held early in the morning and well attended by borrowers, loan collection and trainings would be conducted during specified time. The processes at GU, he acknowledged, were far more flexible as GU was more reactive to the desires and convenience of the clients with regards to issues such as when meetings and trainings are to be held (in contrast to GA, GU members usually prefer meetings to be held late evenings). This in turn cause operational and disciplinary issues as a limited number of lending officers have to be allocated in accordance with the whims of clients[140].

Recovery problems may also be attributed to the nature of the selection process. Examples include Street-Cred in the UK which operated a lending process whereby clients were selected into the groups by development workers or Project Enterprise in the USA where clients often get to know each other during a 6-week course prior to the formation of groups. In some cases, management have cited the individualistic nature of a society as an integral factor in influencing recovery rates. Examples include PE in the US or Street-UK in the UK.

[140] (ME#5, 2016)

9.2 Outreach

It is worth noting that all case study organizations have struggled to attract indigenous clients to their programs. This has even included an organization such as GA which has been successful in attaining outreach targets. This has been attributed to some key contextual factors by interviewees. In the UK, the generous welfare regime has been noted by many as providing disincentives for indigenous clients to be involved in self-employment. Clients are particularly afraid of losing out on house benefits (GU). In the US, this may have a relevant factor for PE not being able to attain substantial outreach amongst the targeted African American population. The individualistic nature of the societies has been mentioned as a key obstacle by management of organizations such as Street-UK, GU, WEvolution in the UK and PE in the USA. The similarities in the societal and cultural dimensions of UK and USA as identified by Hofstede is apparent from the comparison of Figures 9.1 and 9.2 below.

Figure 9.2 Hofstede figures for societal attributes in USA

(Source: Hofstede Insights, 2020)

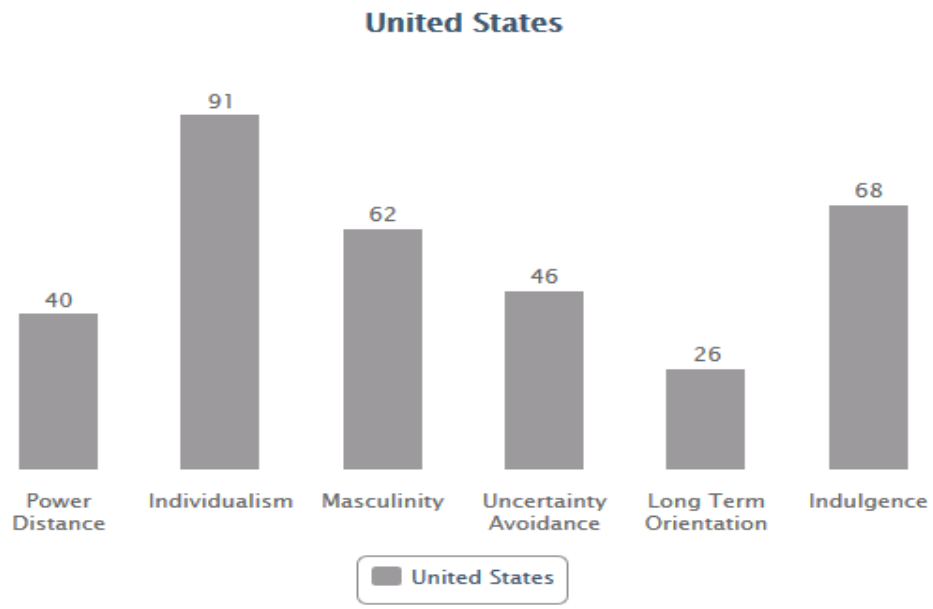
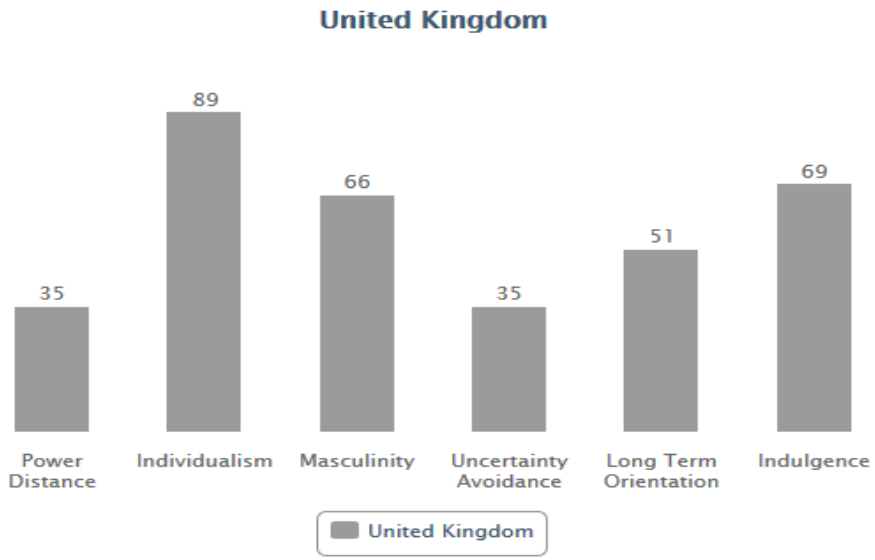


Figure 9.2 Hofstede figures for societal attributes in UK

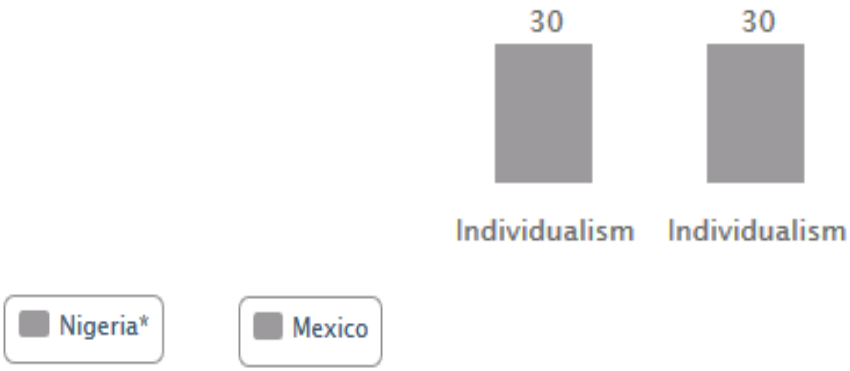
(Source: Hofstede Insights, 2020)



The high level of individualism in both countries implies that a model such as Grameen based on collectivism and prioritisation of group ambitions over personal goals is unlikely to appeal to indigenous clients. The low levels of uncertainty avoidance and high levels of indulgence indicates that features such as mandatory savings (a core part of the original model) may further reduce the appeal of the model to such societies. The high subscription of both GU's and GA's program by immigrants in contrast to the indigenous population may be attributed to the different nature of societies where this population originates from. Many of GA's clients are Mexican immigrants whereas a substantial proportion of GU's clients hail from Sub-Saharan African countries such as Nigeria, Uganda and Somalia. Interestingly, all such countries are known for high levels of collectivism. Figures 9.3 below reveal the identically low levels of individualism prevailing in the Mexican and Nigerian society indicating why the collectivist nature of the Grameen model may have appealed to this audience.

Figure 9.3 Level of individualism in Nigeria and Mexico

(Source: Hofstede Insights, 2020)



The differences in recruitment may also be attributable to differences in entrepreneurial attitude between the societies. The *Global Entrepreneurship Monitor* (GEM) is an international study providing estimates of entrepreneurial attitudes, activity and aspiration across different countries. The study measures the total early-stage entrepreneurial activity or TEA as "the sum of the nascent entrepreneurship rate (those involved in setting up a business and the new business [not more than 3.5 years old] owner-manager rate" (Hart, 2018: 5). This is the estimate which is pertinent to analysing the extent of demand for Grameen style loans as it is early-stage entrepreneurs who are expected to be interested in such loans.

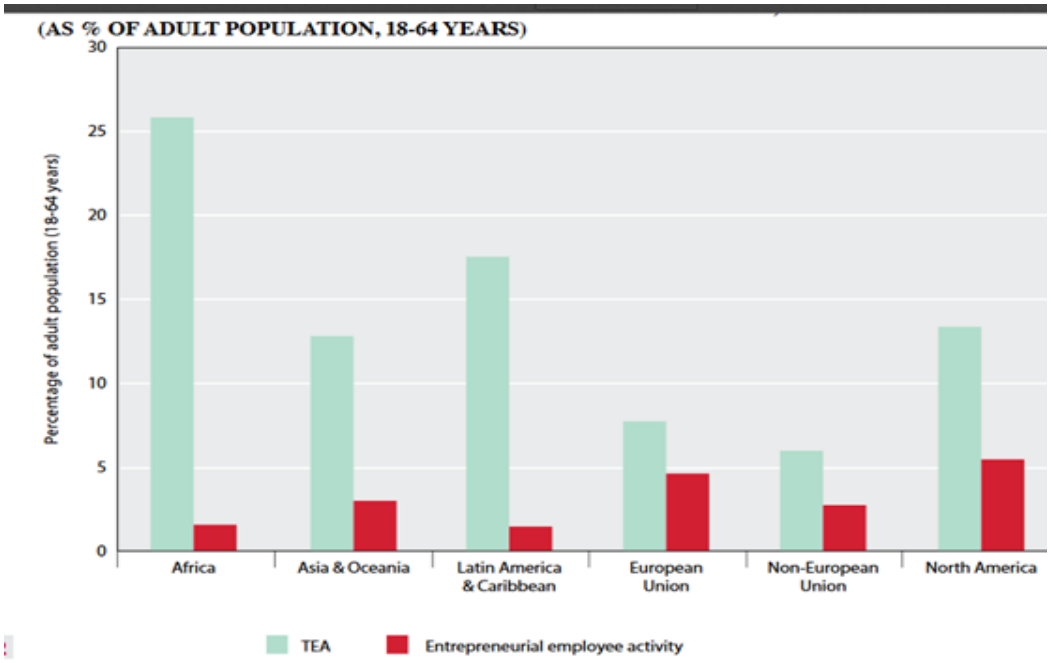
The GEM report classifies countries as either factor driven, innovation-driven and efficiency-driven economies. Sub-Saharan economies such as Nigeria and Uganda are categorised as factor driven while Latin American countries such as Mexico are considered as innovation driven economies and Western developed economies are typically classified as efficiency driven economies. The 2015 GEM report noted that the TEA rates are typically highest in factor driven economies diminishing with greater economic development. These can be seen from the Table 9.1 below which shows that average TEA rates are generally higher for factor driven and innovation-driven economies compared to efficiency-driven economies. Since the model has generally been targeted towards women, it is relevant to consider the female TEA figures. The Table 9.1 below reveals that female TEA rates are higher along with the male TEA rates for factor driven and innovation-driven economies compared to efficiency-driven economies (Kelley et al. 2015). Furthermore, it is also pertinent to use the concept of necessity-entrepreneurship which is defined as percentage of those involved in TEA who are involved in entrepreneurship because they had no better options for work (i.e. starting a business because other employment opportunities are unavailable) (Bosma and Kelley, 2019: 138). As can be seen from the Table 9.1 below, both male and female TEA are substantially higher for factor driven and innovation-driven economies compared to efficiency-driven economies. Figure 9.4

below also reveals that African and Latin American economies have higher TEA rates than Europe and North America.

Table 9.1 Development Phase Averages for Male and Female Total Entrepreneurial Activity (TEA) and Necessity Proportion of TEA in 60 economies
(SOURCE: GEM REPORT, 2015)

Stage of Economic Development	Male TEA (% of Adult Male Population)	Female TEA (% of Adult Female Population)	Ratio of Female/ Male TEA	Male TEA Necessity (% of Tea Males)	Female TEA Necessity (% of Tea Females)	Ratio Of Female/ Male TEA Necessity
Factor-driven	23	20	0.86	24	32	1.32
Efficiency-driven	17	13	0.73	26	33	1.26
Innovation-driven	11	6	0.59	17	19	1.13

Figure 9.4 TEA rates **(SOURCE: GEM REPORT, 2015)**



A much greater percentage (66%) of those surveyed in factor driven and innovation-driven economies considered entrepreneurship as a good career choice compared to efficiency-driven economies.

Figure 9.5 Development Group Averages for Societal values in 54 economies

(SOURCE: GEM, 2015)

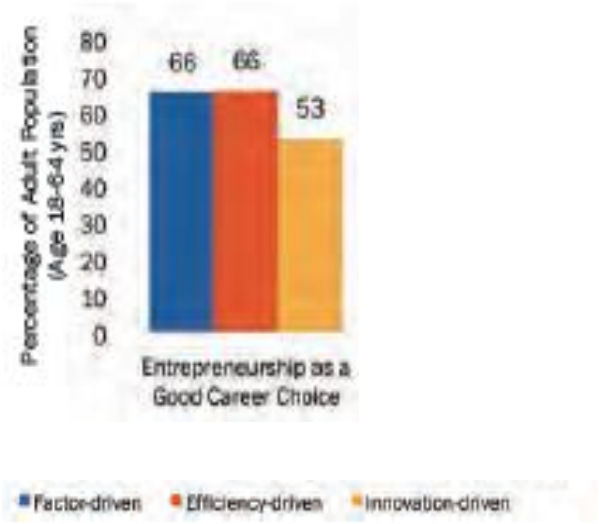
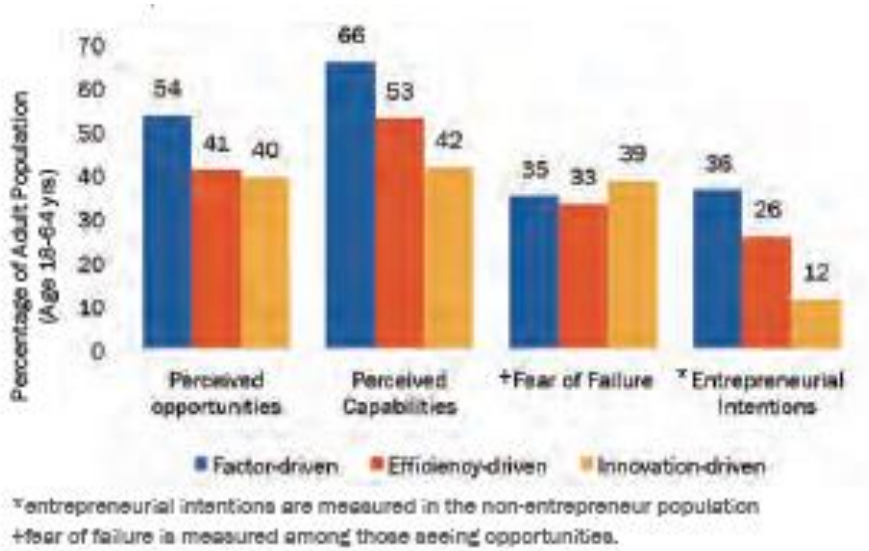


Figure 9.6 Development Group Averages for self-perceptions about entrepreneurship in 60 economies

(SOURCE: GEM REPORT, 2015)



The above figures 9.5 and 9.6 reveal the entrepreneurial traits (the operational definitions by GEM are provided below in Table 9.2) such as perceived opportunities, perceived capabilities, fear of failure and entrepreneurial intentions for factor driven and innovation-driven economies also compare favourably to efficiency-driven economies.

Table 9.2 Operational Definitions of entrepreneurial traits
(SOURCE: GEM REPORT, 2014)

Perceived opportunities

Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who see good opportunities to start a business in the area where they live

Perceived capabilities

Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who believe they have the required skills and knowledge to start a business.

Entrepreneurial intentions

Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who are latent entrepreneurs and who intend to start a business within three years.

Perceived capabilities

Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who believe they have the required skills and knowledge to start a business.

Entrepreneurial intentions

Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who are latent entrepreneurs and who intend to start a business within three years.

Fear of failure rate

Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who report that fear of failure would prevent them from setting up a business.

Figure 9.7 Percentage of Adults intending to start a business in factor and efficiency-driven economies, by region and gender

(SOURCE: GEM REPORT, 2014)

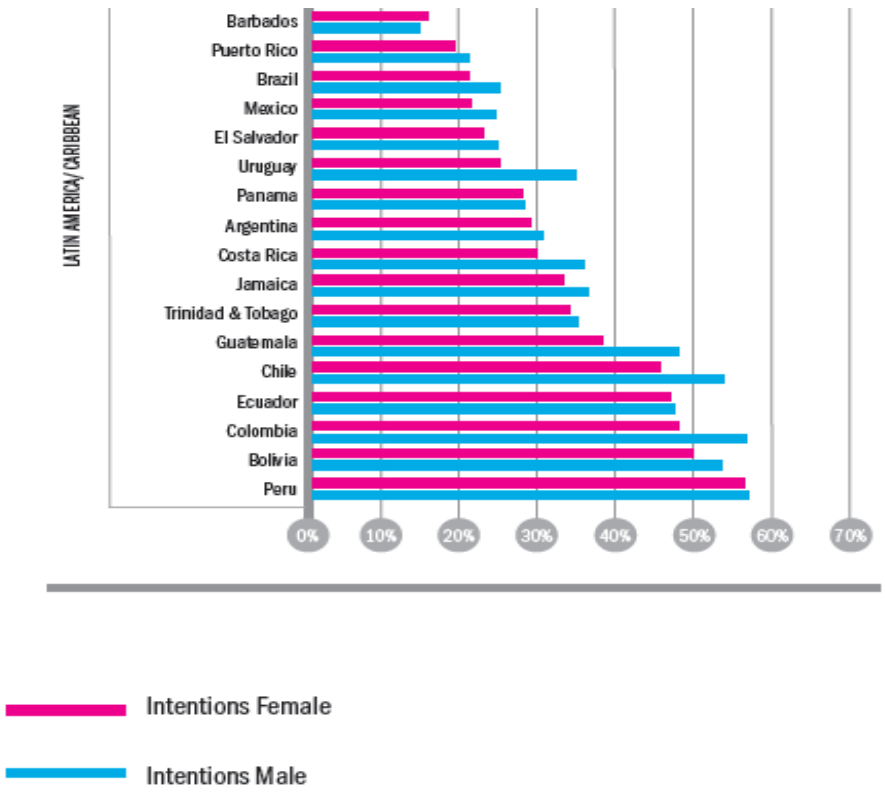
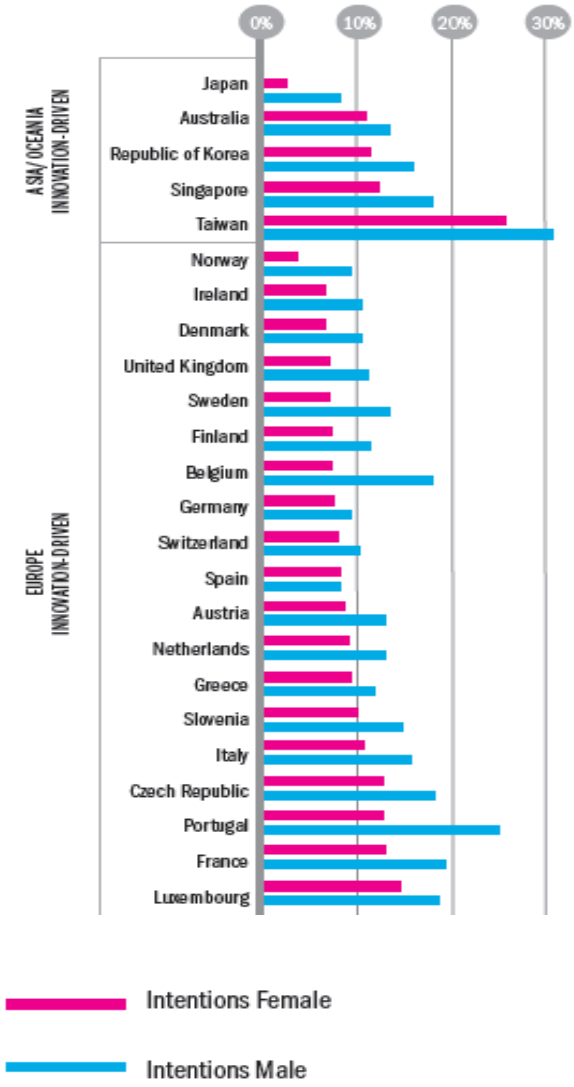

LATIN AMERICA/ CARIBBEAN
Barbados
Puerto Rico
Brazil
Mexico
El Salvador
Uruguay
Panama
Argentina
Costa Rica
Jamaica
Trinidad & Tobago
Guatemala
Chile
Ecuador
Colombia
Bolivia
Peru
0%
10%
20%
30%
40%
50%
60%
70%
Intentions Female
Intentions Male

Figure 9.8 Percentage of Adults intending to start a business in innovation-driven economies, by region and gender (SOURCE: GEM REPORT, 2014)



This is consistent with the available data for the relevant countries in the current analysis. Figure 9.7 and 9.8 above reveals that countries from African and Latin American countries in general (including relevant countries for the current analysis such as Nigeria and Mexico) have much higher entrepreneurial intention rates than USA and UK. Although current TEA rate is unavailable for Nigeria (as a result of non-participation in the GEM study), a GEM report for Sub-Saharan Africa in 2012 considered Nigeria as a global leader in entrepreneurial spirit exhibiting the lowest fear of failure in the world (GEM Sub-Saharan Africa report, 2012).

According to GEM reports, Mexican TEA rate has been on the rise and at 2014 stood at 19% substantially above the Latin American Average of 17.6% and that of UK (8.6%) and US (13.8%). Furthermore, the female TEA rates for Nigeria (41%) and Mexico (19.2%) are also substantially higher than UK (4.8%) and USA (9.2%) indicating the difficulties of targeting the indigenous female population in these countries (GEM report, 2015). It is thus not unreasonable to assume that when immigrants from these countries travel to the UK and USA, they bring with them this entrepreneurial culture which along with the collective nature of their society justifies the targeting of such communities for Grameen outreach initiatives.

A key point of difference between GU and GA is the nature of strategy employed to reach clients. GU relies on a direct approach strategy achieved with the help of staff contacting known clients who are then encouraged to speak to their friends and families. This is more resonant with the parent organization GB ethos of "organization going to clients"[141]. Conversely, GU depends on other organizations for obtaining client referral which is more about "clients coming to the organization". This may have been a problem for GU as the study revealed in the earlier Chapters that obtaining referrals from external organizations is generally an ineffective strategy for purpose of outreach. In the UK this has been true for organizations such as Street-Cred and WEvolution whereas in the US this has been relevant for GA. Conservative attitude and cynicism of the management of such organizations has been commonly attributed for such problems.

Word of mouth referral appears to be the most productive method of referral reported by current organizations such as GA in the US and GU in the UK[142]**.** Trust emerges as a key issue as suspicions arise about intentions of MFIs as a lending organization. In the US, GA encountered

[141] (EX#1, 2013)

[142] (ME#5, 2016) (ME#6, 2016)

these problems when it initially approached clients to offer its products and, in the UK, GU encountered such problems from representatives of some organizations that were approached for client referrals. This problem in GA's case was overcome to a substantial extent by recruiting Spanish speaking lending officers from the communities it was targeting. This strategy may have been fruitful due to the homogeneity in terms of language and culture. However, in GU's case employing this strategy was more difficult due to the diverse nature of the clientele it dealt with[143]. It is also notable that GA has a 100% target focus on women whereas GU had a more generalised mixed gender focus. GU management attributed regulatory distortions for such deviations from the original model.

Another significant contextual factor affecting client recruitment amongst indigenous clients identified by the study is the welfare regime (particularly generous in the UK). In the UK, this has been relevant for all organizations including GU and WEvolution. A pilot study by GU for example found that people were particularly afraid of losing out on house benefits. In the US, this may have been an important factor for the low recruitment figures for PE which targets indigenous African American clients. It is worth noting that most clients of current programs such as GA or GU do not either have access to welfare or do not subscribe to welfare payments. In the US, almost all of GU's immigrant Hispanic clients do not qualify for state welfare program. In the UK, most of GU's immigrant clients either do not qualify for government support or are existing business owners who do not rely on welfare provision.

An additional problem of targeting indigenous clients noted by authorities was a lack of awareness or understanding of the model (e.g. Street-UK in the UK). The pervasive use of the Grameen model or microfinance in general in Sub Saharan and Latin American countries in this case may explain the familiarity that immigrants may feel about the model and their

[143] (ME#5, 2016)

consequent take up of the program. An interviewee also noted that GA's outreach strategy was to open different branches in different locations after 1 year which was not possible for GU partly due to financial constraints and also somewhat attributable to the decision of the senior management to operate from a single central branch[144]. This may have potentially affected the speed and extent of organizational learning for GU.

9.3 Regulatory environment

Regulatory impediments stand out as a key differential factor between GA and GU. In the UK, the risk classification designed by the FCA leads to GU being wary of being classed as a high-risk lender leading to operational constraints. Unlike GA, under its license GU was unable to incorporate home visits in line with the original model which inhibits its ability to assess the socio-economic status of the borrower and proximity to group members. Although both GU and GA practice self-selection on paper, these restrictions may have limited the effectiveness of the selection process at GU as groups ended up consisting of members who are geographically dispersed and leading to less cohesive groups. The strength of Grameen's approach lies in the fact that the "the organization goes to the clients" rather than the clients coming to the organization. As GU is concerned about being classed as a high-risk lender, it does not approach clients directly or employ outreach strategies based around the domicile of the borrower. Instead it has predominantly relied on external organizations for client referrals, a strategy considered to be ineffective by many early practitioners in the UK such as Street-Cred, WEvolution[145]. GA, on the other hand, has no such concerns and has used a number of ways to approach clients directly consistent with the original model. This implies that GA's

[144] (ME#6, 2016)

[145] (ME#2, 2014) (ME#7, 2014; 2016) (ME#6, 2016)

marketing strategy has not been constrained by regulations and it has been able to do outreach work based on the same principle and spirit as the parent organization. It has used its staff to connect directly with potential clients who in turn are encouraged to contact their own friend and families (using strategies such as recruiting staff from the target communities who speak the same language and understand the culture). This is important as it does not have to rely on other organizations who are often insecure of losing their own clients and suspicious of its objectives as a lender. This has important implications as the process is not lengthy and GA's message has less chance of being distorted by any organization acting as a medium.

More important, perhaps is the ability to design outreach work based around the abodes of clients as this is a focal point for building social collateral. The regulatory restrictions in the UK may also have important implications for operational effectiveness and discipline of the group. Weekly meetings are a vital part of the Grameen model as they are used to inculcate discipline into the borrowers and sharing of experience amongst borrowers which in turn has implications for loan recovery. Unlike GA where weekly meetings are mainly held in the comfortable atmosphere of the borrowers' home, the restrictions to visit borrowers' home for GU means that meetings have to be held at the shops of borrowers. The space is often limited at such venues and hardly convenient for borrowers. This leads to them being in a rush to complete the meeting potentially rendering the process unproductive. One interviewee pointed out that programs and events are much more structured and regimented at GA compared to GU. As an example, he pointed out that meetings are well attended despite the fact that they are held at early in the morning. The GU authorities on the other hand often have to be more flexible and incorporate the desires of the clients with respect to decisions of time of meeting (often preferred to be late in the evenings) and locations.

GU authorities have also attributed serving both male and female clients to their legal team's interpretation of the sexual discrimination act in the UK. There is no such issue with GA as

they design their operation around a 100% focus on women. This helps them to be consistent with the policies of the parent organization and also removes internal discord between senior management. GA's core strategies such as marketing and outreach incorporates (for example, vision and mission statements, blogs and narratives on the website) this gender focus. This may have helped GA to attract more female clients and hence tap onto the burgeoning Hispanic female micro-entrepreneurship in the American society. On the other hand, GU sent a more confused message to its target audience about the nature of its product as a result of inherent contradictions with the original model which may have resulted in potential female clients feeling disinclined to join the program. Furthermore, there have may been an adverse effect of operations as the analysis in the previous sections show that programs without a gender focus on women such Street-UK in the UK and PE in the US have struggled to achieve exceptional loan recovery rates.

A common regulatory problem affecting all case study organizations across the UK and the US is the inability to operate savings accounts of clients. This is important as savings mobilization is a core part of the original program which has enabled GB to achieve operational sustainability by using the funds for onward lending and instil discipline into the borrowers and helps them to manage risk in the event of unforeseen emergencies (Collins et al., 2009; Wright, 2010). While some programs (such as EEMC/WEETU in the UK and PE in the US) have not addressed the problem at all other, others (such as GU and WEvolution in the UK and GA in the US) have tried to incorporate a savings element by aligning themselves with external partners such as commercial banks. For example, GU has partnered with Tesco Bank and Royal Bank of Scotland while GA has partnered with several commercial banks including Citibank which is a major partner. However, it is important to note the differences in which these operational elements are actualised in these cases. At GA, consistent with the original model, a mandatory savings of $2 is required from borrowers which is typically collected by GA staff

along with the loan instalment which is due at weekly meetings. This is then deposited by GA on behalf of the borrower to the partner bank. Contrastingly, at GU, although regular savings are encouraged and recommended by the organization, it is not obligatory. Thus, GA may have had much better control over the savings and able to achieve the aforementioned objectives instilling discipline into the borrowers as they can monitor whether borrowers are saving. In addition, substantial amounts are being deposited for borrowers which ensures that such funds can be used for urgent needs or that loan funds meant for business purposes are not diverted for such requirements. Unlike GA, GU did have no such control over the savings process as it was not mandatory under the GU program and any savings were voluntary and optional and deposited by the clients themselves. It should be noted that despite the efforts to address this problem in different ways in the UK and the US, all programs still have to rely on external partners to manage savings. This not only creates additional problems as a result of different ethos and ideologies of partner banks but also means that unlike GB these programs cannot mobilise the clients' funds for onward lending. An interviewee pointed out that there seems to be regulatory discrepancy in allowing commercial banks which usually target affluent clients to mobilize deposits while imposing restrictions on MFIs who wish to serve the financially excluded deprived neighbourhoods. However, the interviewee also pointed out the need for regulatory supervision to protect clients should MFIs be granted permission to operate savings account in these countries[146].

There are additional regulatory constraints in the form of restrictions on the interest rates which may be charged by the case study organizations. In the US, usury laws vary according to the states in which MFIs operate. As GA is based in New York, it is unable to charge interest rates above 16% as it will be considered as usurious. There are no specific caps in the UK for GU.

[146] (ME#9, 2014)

However, FCA's classification design meant that GU risked being classified as a high-risk lender in the event of charging higher interest rates than the 23.5% it charged. This would place it along likes of doorstep and provident lenders (who charge much higher interest rates) and potentially ruin its image as a socially responsible lender. It can thus be deduced from the above that UK regulators could learn from the experience which has allowed GA to thrive and not stifled it by unnecessary regulations which has prevented it from operating the model in accordance with the original model. Regulatory restrictions on home visits for GU, for example, miss the point that GU wants to use visits to the borrowers' domicile for fostering community cohesion by organizing weekly meetings at such locations rather than intrude upon clients to sell loans. There is a need to recognise to the socially oriented objectives of organizations like GU which go an extra mile and to try and helps clients and not apply regulations which are predominantly designed for predatory lenders with purely commercial motives of profit maximization.

Another area in which the UK regulators may learn from the US experience is the incorporation of "Community Reinvestment Act" (CRA) which has played an integral role in promotion of US community finance. The CRA was passed in 1977 in the US with the objective of urging commercial banks and savings associations to assist in serving the financially excluded impoverished neighbourhoods (Avery et al., 2003). GA has greatly benefitted from this regulation as its certification as a CDFI by the US treasury Department has incentivised mainstream financial institutions such as Citi, Wells Fargo and Silicon Valley Bank to provide it with financial resources for operational purpose. Reynold and Muscat (2009) identified a number of critical systemic problems with the UK financial systems and recommended that law similar to CRA could be passed in the UK to ensure reasonable access to loans for financially excluded communities. Along similar lines, Appleyard (2012) also viewed funding support for CDFIs as fragmented and suggested the need for incorporating an UK version of

the CRA. The author surmised that this would compel commercial banks to lend to Small and Medium enterprises (SMEs) through CDFIs in the UK which would then be accountable for all stages of the lending process. There would also be better possibility of those being rejected by the mainstream institutions being passed on to CDFI as a result of such changes (Appleyard, 2012). Thus, if introduced in the UK, this legislation could greatly benefit organizations such as GU and WEvolution in getting the assistance required for sustaining their operational activities.

9.4 Client Training

Most former UK initiatives such as Full-Circle and Street-Cred in the UK and PE in the USA had incorporated training as a component of the lending process for clients as a result of perceived needs for such lessons to deal with regulatory complexities in these countries. In the UK, Full-Circle's training sessions comprised of a component known as "Enterprise for me" the core topics of which was setting goals, market research and presentation skills. This was followed by a "Skills for me" component which included topics such as cash flow management, designing of business plans and financial literacy. Similarly, Street-Cred also provided a 40-module business training to its clients centred on subjects associated with business start-ups ranging from taxation to navigation of the UK welfare system. Some of these organizations such as Full-Circle fund in the UK or PE in the US made such training obligatory to attend and complete for clients before they could get loans. PE, for example, made it mandatory for clients interested in a loan to attend a six-week training following which they needed to pass an examination in order to be eligible for the loans. Some organizations such as Account 3, Street-UK and WEvolution have run ancillary business support or advice services concurrently with the loans.

It is interesting to point out that GA in the US has offered a version of training which is more consistent with the original model as it is similar to GB's "continuous group training program" which is a weekly training program focused on orientating clients with the internal, processes, ethos and methodology of Grameen. Unlike GA, in the UK, GU started off in a similar tone to former UK organizations as training was provided to clients on topics such as cash flow management, marketing and designing business plans. This was costly as external consultant had to be hired to design the programs[147]. However, GU management soon realised after piloting this training regime that it was costly and unproductive. It was realised in particular that most of the training on basic business topics was irrelevant and almost insulting the intelligence of the majority (approximately 90%) of clients who were existing business owners.

This led to a redesign of the training regime to make it much more tailored to the situation and needs of each client and retain emphasis on internal processes and procedures in resonance with the original model and consistent with that of GA. The initial five-day training program is reinforced by the authorities at weekly meetings with the purpose of instilling discipline and consistency into the borrowers. In addition, as the GA experience seems to indicate networking prospects are often deemed valuable in an alien country which leads to well attended disciplined meetings.

However, as the analysis above indicated the UK regulatory restrictions of using clients' home as venues for weekly meetings means that the process may not be as effective in the UK for GU. This is because of the meeting being held at business premises which have limited spaces and make it uncomfortable to attend meetings. There is no doubt that the business environment is more complex in the context of developed countries such as UK and USA. The section on the regulatory environment outlined the nature of such complexities with particular reference

[147] (ME#5, 2016)

to the issue of occupational licensing which potentially renders the micro-entrepreneurship process cumbersome compared to the more relaxed and informal nature of the business environment in developing countries such as Bangladesh. Yunus (2011), for instance, noted the example of entrepreneurs desiring to sell more than one variety of flower in the state of Louisiana require to sit for an exam to obtain a state license in order to do so.

Nevertheless, it is important to point out that the nature of business training which have been provided at some former UK organizations (such as Street-Cred and Full-Circle) and current US organizations (PE) are incongruous to the practices of the original model (with the exception of WEvolution which does not look to adopt the Grameen model) as Professor Yunus believes that entrepreneurship is an innate skill which cannot be taught. Training at many organizations are typically generic and consist of elementary topics associated with business start-ups. However, this is potentially an ineffective strategy as the client base at these organizations usually come from a wide range of professional background and at different stages of their operations. The training needs to be customised to the needs of an individual, the nature of business he/she operates and the stage the business is in. This could prove to be very costly to incorporate into the system. The experience at GU had validated this argument to an extent as it reverted to a training regime which is more consistent of that of GB. Training is usually costly as external consultants are hired (for e.g. in GU's initial training regime). Thus, there is a need to evaluate the training to deduce whether it is cost effective which in turn is difficult due to a lack of a benchmark methodology. As has been pointed out above, training has been made a mandatory element by some programs (Street-cred and Full Circle Fund in the UK and PE in the US which also charges a fee for the training) insisting that the training program be completed before clients graduate onto a loan. This may discourage potential clients from joining such programs. All such programs have struggled to recruit significant number of clients to their programs indicating this problem. The period of training may also be

a significant issue (PE's and Full Circle's training, for example, training lasts for six weeks) as clients may be disinclined towards committing themselves to protracted periods of training and may have immediate need for loans. The Full-Circle fund management recognized this issue and developed a fast track 1-week course for clients who are unwilling to commit to 6 weeks (Ramsden, 2008). However, the question would then arise about effectiveness of such training and what can be taught and grasped in such a short span of time. A potential solution to this problem as suggested by some of the interviewees may lie in referring clients to appropriate local organizations in case any training is required[148]. Account 3 in the UK had already actuated this strategy effectively to assist its clients. Innovative training schemes based on volunteering by experienced entrepreneurs may also eliminate costs and be a successful way of helping the clients[149] .

9.5 Emerging Context: Immigrant Entrepreneurship

The earlier section established that immigrant entrepreneurs form a significant core of the clientele base of current programs such as GU and GA. The section also revealed the high level of collectivism which prevails in this society which may have been a relevant factor in the high subscription of Grameen programs amongst such clients. This necessitates a contextual understanding of the emerging context of immigrant entrepreneurship in UK and the USA. In the USA, a study by Migration Policy Institute which analysed US migration from 1960 to 2014 showed that most of the migration originates from the Latino/Hispanic countries with the predominant country of origin being that of Mexico. According to estimates by the US Census Bureau, Latinos are expected to rise to one-third of the US population by 2060 (US Census Bureau, 2012). The American entrepreneurial landscape is increasingly being defined by

[148] (ME#9, 2014)

[149] (ME#8, 2014)

Latinos as entrepreneurship amongst this population has tripled over the course of last two decades and by 2012 approximately 1 in 10 Latinos were involved in entrepreneurship (Davila et al., 2014). However, there is growing disparity between Latino entrepreneurs and non-Latino entrepreneurs underlined by substantial difference in median income and family wealth (Fairlie, 2018). This lack of capital and assets in turn adversely affects these entrepreneurs' investment and restricts business growth. Latino businesses also have comparatively higher business failure rates than non-Latinos. An analysis by Goldwater Institute found a high concentration of low-income entrepreneurs amongst this population. The study found that Hispanic/Latino community was the second-most dominant ethnic group which accounted for low income entrepreneurs in the US (Table 9.3 below).

Table 9.3 Nature of low-income entrepreneurship in the US
(Source: Slivinski, 2015)

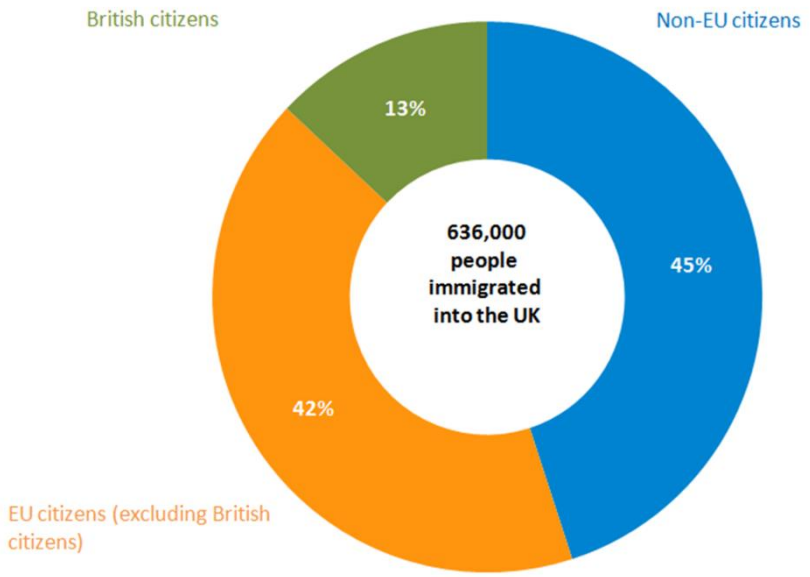
	Percent of total population	Percent of low-income population	Percent of low-income entrepreneurs
Male	47%	45%	67%
Female	53%	55%	33%
White	76%	61%	59%
Hispanic/Latino	9%	17%	24%
African American	10%	14%	10%
Asian	4%	3%	3%
American Indian	1%	2%	2%
Pacific Islander	4%	0%	1%
Multi-race	0%	2%	1%
Immigrant	11%	18%	27%

It was reported that this rising low-income entrepreneurship was mainly driven by immigrants who were twice as likely to become entrepreneurs compared to the Native White population. Approximately 90% of low-income entrepreneurs are immigrants according to the study (Slivinski, 2015, Fetsch, 2015). It is thus unsurprising that GA's clientele base predominantly comprises of Hispanic migrants.

Chapter 7 and the previous sections showed how the entrepreneurial culture, the collectivist nature of the Latino/Hispanic community and a high level of necessity driven by a lack of access to welfare provision may have enabled Grameen to attract target and operate the model

effectively. It is worth outlining and comparing the nature of UK immigration to the US scenario to understand the prospects for current programs such as GU which look to emulate GA's success in a UK context. Figure 9.9 below shows the breakdown for long term international migration into the UK.

Figure 9.9 Long term UK immigration (Source: ONS, 2016)



A recent report by DueDil and Centre for Entrepreneurship (2015) noted the lack of data on immigrant entrepreneurship in the UK and conducted a study on this aspect. The study revealed that 14% of start-up businesses in the UK were founded by immigrant entrepreneurs and provided a top ten list of countries of origin for such entrepreneurs. This is provided below :

1. Ireland
2. India
3. Germany
4. USA
5. China
6. Poland

7. France
8. Italy
9. Pakistan
10. Nigeria

As can be seen from the list above, most immigrant entrepreneurs come from EU countries which are considered as individualist. Table 9.4 below shows the relatively similar figures for individualism levels derived by the Hofstede study for these EU countries.

Table 9.4 Level of individualism in some European Countries
(Source: Hofstede insights, 2020)

Country	Level of Individualism
Ireland	70
Germany	67
Poland	60
France	71
Italy	76

Some Non-EU countries such as USA are individualist and hence immigrants from such countries are unlikely to be approriate targets for Grameen programs. Other regions with high levels of migration into the UK are South Asian countries such as Bangladesh and Pakistan where collectivism prevails. Jones et al. (2015: 10) classifies the intial wave of South Asian entrepreneurs as “old migrants” that have entered the country before 2004. Several earlier studies have reflected on how “old migrants” from this particular ethnic minority group have overcome racism and attained welath , enhanced social status and a desirable extent of independence as a result of the rising neo-liberal enteprise policies in the 80s (Gidoomal &

Wardell, 1996; Srinavasan 1995; Metcalf et al. 1996). There is thus unlikely to be a great demand for the Grameen micro-loans from this population even though they originally hail from collectivist cultures. This is also evidenced in the inability of earlier programs such as Street-Cred and Street-UK to attain projected targets in areas such as East London and Birmingham with a heavy concentration of South Asian "old migrants". Other countries with a significant extent of UK migration also featuring in the list above are China or Nigeria both of which have a low score for individualism and hence are collectivist societies. But all such countries (where new migrants come from) are from outside the EU for which heavy restrictions are imposed for new entrepreneurs trying to obtain entrepreneur visas, the most prominent of which is having access to atleast £50000 investment funds to apply for a Tier 1 entrepreneur visa earmarked for the business. This is in addition to other strict requirements which typically includes the following:

"Create full time employment for at least 2 EEA nationals

- Work solely in the business
- Have sufficient funds to accommodate and maintain yourself until the business is profitable.
- Have a controlling interest in the business
- Take a share of the business's liabilities
- Be implementing a business plan that looks to be thorough and viable" (UK immigration website, 2020)

It follows naturally from the huge investments required and the additional strict requirements that, by default, immigrants from non-EU countries officially entering the country are unlikely to be micro-entrepreneurs and hence be appropriate targets for Grameen style programs. In contrast, EU immigrants have no such restrictions on them and are free to open any kind of businesses they wish including microenterprises. This may change following UK's exit from the EU in 202. However, the analysis above indicates that most EU countries from which immigrant entrepreneurs come from are individualist in nature. A8 countries are the group of

countries which joined the European Union after 2004. There has been increasing immigration into UK from this region post 2004 with the most prominent country being Poland which also features in the top ten list of immigrant entrepreneurs above.

It is worth pointing out at this stage there are some exceptional cases in which Grameen model has actually worked in despite a country being generally considered as individualistic. Poland stands out as one such example with a high score for individualism. Fundusz Mikro is a Polish microfinance institution which was inspired by Grameen started its journey in 1994 and has managed to achieve exceptional recovery rates and went to become operationally self-sustainable in 1999 (Copisarow, 2000). However, the earlier sections pointed out the importance of welfare regime as a key impediment in outreach for Grameen programs. Fundusz Mikro thrived in a deprived post-communist country where a rapidly growing business class was starved of credit in an underdeveloped financial market. Polish immigrants to the UK on the other hand, as EU nationals currently enjoy the same privileges as the indigenous population in terms of access to a range of benefits as well as free healthcare from the NHS. This means that the level of necessity entrepreneurship driving demand for Grameen style loans is likely to be much lower for such immigrants. There are other relevant issues pointed out by Favell (2009) which include migrants from A8 countries benefitting from inexpensive air fares to sustain temporary "circulatory" migration moving in and out of UK and Eastern Europe like "long distance commuters" (Legrain, 2009). This indicates that such migrants are unlikely to have a lasting dedication required to become successful entrepreneurs (Jones et al, 2015: 11). These factors may have caused low demand from immigrant from such backgrounds for GU's products and services.

9.6 Field Characteristics and Problem Framing

The field of Microfinance and associated Grameen adoption efforts in general is more mature in the US compared to the UK as the Grameen replication initiatives such as WSEP started in mid-80s compared whereas the UK programs started in late 1990s. Both countries were devoid of national central players when these organizations initiated operations. Mimetic isomorphism prevailed in such cases as organizations sought to follow the example of GB which has been the global face of peer group lending. Some were also, however, inspired by other international efforts. Street-UK was clearly inspired by the success of Fundusz Mikro, the Polish MFI based on Grameen as both were started by the same institutional entrepreneur, Rosalind Copisarow (Copisarow, 2000; 2004). The authorities who were behind Full Circle fund in the US also noted the success of WSEP in the inner-city context of Chicago in the US as staff from the UK visited the US to get a better understand of how the model was operated (Pearson and Watson, 1997).

The parent organization GB used diagnostic framing in the context of a developing country such as Bangladesh to highlight the feminization of poverty. Female empowerment was a core theme of this framing in particular as women often considered as subjugated and undermined in a mostly rural context dominated by social and religious taboos were the targets of the model. The institutional entrepreneur behind the model, Professor Yunus, thus proposed Grameen as a path for such women to become rejuvenated and independent. In the UK, many programs have followed a gendered nature of framing similar to the parent organization. EEMC and its component organizations such as Street-Cred, for example, highlighted the plight of female entrepreneurs lacking access to finance (particularly in the context of ethnic minority communities) in East London. Similarly, WEETU, noted the lack of employment resulting from perceived lower wages, skills and training of Norwich and adjacent Eastern regions in the UK (Pearson and Watson, 1997). In the USA, GA's framing approach has been consistent with

the parent organization and all the aforementioned organizations as it revolves around the feminization of poverty emphasising the pervasive low wages and poor quality of life associated with being in employment for women and promotes self-employment as a crucial solution (Grameen America B, 2020). Interestingly, GA has successfully revived a framing approach which is currently rarely used in a US context.

However, some organizations have adopted a non-gendered framing contrary to the original model. Street-UK for example, used diagnostic framing to denote financial exclusion in terms of existing financial system not meeting demand from entrepreneurs regardless of gender and proposed the model as a solution of assisting micro-entrepreneurs to graduate from the grey economy into the mainstream. Street-UK management also used motivational framing to provide compelling reasons to introduce the model in terms of desirable outcomes such as enhanced levels of business survival, self-esteem and confidence, skills, income and social network for borrowers. It is worth noting that GU's framing approach was similar to this strategy as its goal is "providing micro-credit business loans to thousands of people who are currently not served by any mainstream financial services". Furthermore, both the organizations have adopted a non-gendered frame unlike GB. However, an important difference between Street-UK and GU's approach is that GU proposes the model as a way out of "cycle of welfare dependency" in the UK (Grameen in the UK, 2017).

In the UK, the framing was changed by some of the organizations (EEMC/Fair finance and Street-UK) from an emphasis on "lack of entrepreneurial finance" to "protection from abusive lending" as they shifted to using personal lending models due to the institutional complexities and rising context of predatory lending. The change of framing was possible because these organizations were peripheral in nature and could implement such changes without any major repercussions. They have been able to successfully adopt this new framing as a result of high demand for their services and relatively conventional credit risk methodologies based one on

one relationship between loan officers and borrowers. In the US, some peripheral organizations such as Good faith fund in Arkansas changed their framing to project the financial exclusion problem as a generic lack of entrepreneurial finance and used individual lending models instead of group lending. In the UK, organizations that did not change their framing (such as Street-cred and WEETU Full Circle Fund) perished. In the USA, GA had also faced similar institutional complexities when it initially began operations. But unlike the peripheral organizations in the UK which radically changed their framing in response to the institutional complexities they had faced, a change of framing was not an option for them as a result of the central position of the parent organization known as the global beacon of peer group lending. GA adhered to its original framing but refined other operational areas such as marketing and recruitment to suit a favourable context of a burgeoning clientele base of Hispanic female entrepreneurs. GU also experienced similar institutional complexities (arguably to a much greater extent) to what GA was facing in its early years. Like GA, it was not be possible to bring about radical changes in how it frames the financial exclusion problem given its strong links to the parent organization. Unfortunately, such institutional pressures caused GU to close its doors.

9.7 Alignment of interest with external actors

All case study organizations have encountered "liability of newness" as they embarked upon implementing a model conventionally known to be used in developing countries in the context of industrialised economies. This liability was evidenced in the fact almost all of the organizations initially struggled to attract funding for what was seen as a radical idea. It was particularly more difficult for peripheral organizations such as EEMC and Full-Circle fund in the UK to convince mainstream financial institutions to contribute as this may have been an acknowledgement of their failure to reach a significant proportion of the population. This was different to organizations such as GU in the UK and GA in the USA which benefitted from the

global prestige and status of the parent organization and personal legitimacy gained through the involvement of Professor Yunus. However, even these organizations had initially struggled to obtain funding for their projects initially. For instance, GU's influential board members were negotiating with mainstream financial organizations for funding and support for protracted periods.

Some organizations even used personal finance of the institutional entrepreneurs to overcome initial scepticism. In the US, GA was able to begin operations owing to the personal finances of a wealthy dedicated Republican, Vidar Jorgensen. Similarly, PE has also benefitted from continued assistance from social investors who initiated it and were committed to its purpose. In the UK, Faisel Rehman had used £4000 from his own credit card to pilot the model at EEMC to demonstrate its effect to social investors in order to be able to attract funding. However, organizations in both countries were eventually successful initially in getting moral legitimacy to obtain funding and form relevant partnerships. This is attributable in a number of factors. Firstly, the concept of peer group lending based on community cohesion propagated by Grameen is intuitively appealing. All Grameen based organizations have used a similar strategy of developing historical narratives to define social evil and saviours and formulated a hypothesis based on such storylines to make their argument plausible to potential investors and partners (Morrill & Owen-Smith, 2002; Zilber, 2007). The remarkable success story of Professor Yunus in a Bangladeshi context in assisting local entrepreneurs has thus been used repeatedly by such case study organizations in their quest for legitimacy and the subsequent funding and support. Secondly, mainstream organizations such as banks often have a corporate social responsibility agenda that they look to be fulfilling as part of their commitments. They need to be perceived by stakeholders as investing and contributing to the communities they thrive in. The core theory that these organizations were proposing was that the poor are creditworthy and appropriately skilled to become capable entrepreneurs. It is not difficult to

see why this argument is inherently engaging to such social investors who would want to use the same message to enhance their own image as contributors to the community. This is even more relevant with investment in organizations such as GA and GU which carry the original brand label of the parent organization such that association with such organization can bring immediate global attention to the alliance formed. Thirdly, there are also economic implications when partnerships not only involve contribution of capital or grants but also referrals for savings accounts from clients. In the USA, this is evident from the partnership of GA with Citi while in the UK, clients from GU and WEvolution are referred to banks such as Tesco Bank and Airdrie Savings Bank. Citi Bank, in particular has benefitted from the sheer number of clients that it receives from GA in comparison UK banks which have formed such partnerships. It must also be noted that GA implements a savings component consistent with the parent organizations which makes it mandatory to open the savings and contribute a minimum weekly sum of $2 towards it. This in turn guarantees Citi that an account will be opened for each client from GA to which regular contributions will be made. This is unlike the partnership with Tesco Bank with GU which does not make savings mandatory (although it is encouraged). It follows that there is simply more incentive for financial organizations to align with GA given its processes which resemble the system implemented at GB compared to GU. In the UK, organizations such as Street-UK and Weetu faced numerous institutional complexities in implementing the model. As a result, they struggled to secure consequential legitimacy as they were unable achieve tangible outcomes in terms of outreach coverage. These organizations tried to justify receiving additional funding and support based on the argument that they should not be judged simply on the numbers they were achieving but the intangible benefits that their programs were bringing to their small number of clients in terms of factors such as empowerment, confidence and enhancement of skills. This heavily Welfarist leaning view did not seem to gel with funders who were mostly interested in evidence-based outcomes.

Some organizations such as EEMC/Fairfinance and Street-UK which faced similar institutional complexities to these organizations changed their framing and identity to rebrand themselves. This identity which was more consistent and resonant with the reality of the context of rising abusive lending they were operating and their strong focus on the Institutionist view may have helped them to realign with important external partners. GA in the US, however stands out amongst the case study organizations as exemplary in forming innovative and effective which has produced multiple beneficial impacts for all stakeholders. The partnership with Citi, for example, is helpful for its mostly immigrant clientele base many of whom do not have access to or have the confidence to approach mainstream financial organizations. As explained above, Citi reaps the benefits from the mandatory savings account with regular contributions. Finally, GA takes advantage of the partnership as it is able to overcome regulatory restrictions of savings mobilization to an extent. The nature of impact of GU's partnership with Tesco Bank is much vaguer as it is difficult for GU to assess the exact numbers of borrowers deciding to save and the amount that they are savings. GA's link with Experian is also advantageous for clients as it helps it them to graduate onto the mainstream financial systems and achieve GA's broader aim of financial coverage. It also helps to lure additional customers as a result of being able to access mainstream financial institutions. The partnership with Iora Healthcare which has currently materialised shows GA's ambition in designing a classical disruptive innovation approach to address a seemingly insurmountable problem. GA realised that most of its low-income borrowers were excluded from the complex US federal health care system and endeavoured to resolve the problem by forming a partnership with Iora. This service is operational and has been deemed as superior to some of the traditional clinics in the US (Chase, 2016).

Each partnership however, bring about their own complexities. In GA's case, the bank had a different operational philosophy to its ideologies and offered incongruent products to what

Grameen was offering. Moreover, the helpful attitude of the senior management at the partner banks often did not trickle down to administrative staff in the retail branches which caused frictions. The experience of WEETU and Street-cred suggests that donors may be unwilling to give projects enough time to experiment with the model and want quick result in terms of repayments and outreach. Furthermore, both organizations in the UK (GU, Street-Cred and WEvolution) and in the US (GA) reported that obtaining referrals by partnering with local community organizations was a difficult and less effective recruitment method. This was attributed to the conservative attitude of the management of these organizations who were wary of either of losing clients or of the intentions of the MFIs as moneylenders.

GA, currently in its twelfth year of operations appears to be well placed on the path to secure consequential legitimacy as it continues to align itself with relevant partners effectively to achieve its objectives. The continued success with which it has been able to align itself with central organizations may also be attributable to the procedural legitimacy it has gained as a result of implementing systems which are consistent with the ethos, ideologies and vision of the parent organization. Examples of this include the near perfect recovery rates as well aspects of its operations such as mandatory savings, appropriate implementation of self-selection and a focus on women. GU, on other hand, has failed to live up to expectations and folded in the fourth year of it's operation. It was successful in attaining the moral legitimacy required to get operations off the ground, much of which is attributable to the personal legitimacy earned through the involvement of Professor Yunus and the power and status of the parent organization. Naturally, the next step for GU as to be able to attain consequential legitimacy by showing the effectiveness of the model over sustained periods. This depended on achieving procedural legitimacy which in turn hinges on its operational efficiency indicated by factors such as satisfactory outreach and repayment figures. However, previous analysis revealed the numerous institutional complexities GU experienced its efforts to adopt the Grameen model.

Thus, it was extremely challenging given the regulatory and contextual impediments that GU faces. This is evident from its recovery figures which are substantially below that of the parent organization. Further, GU's outreach targets which have been revised to modest figures have been difficult to attain as well. Additional problems were a lack of female focus and the resulting non-gender based framing and organizational identity which may make securing procedural legitimacy difficult. GU thus collapsed in 2018 with the liquidator attributing the main reason for closure to many clients falling into arrears leading to a detrimental impact on its cash flow (BBC, 2018)

9.8 Identity

In Bangladesh, the parent organization GB has a collective or an institutional identity of being purely a microfinance institution. It has an organizational identity underlined by its recognition as the first ever peer group lending provider in Bangladesh. "Grameen" means rural in Bengali signifying the pervasive use of the model in the context of Bangladeshi villages. Some may consider the borrowing of this term "Grameen" to be contradictory in the urban context of developed countries such as UK and USA. However, it is understandable given the global status and prestige of the Grameen brand and its Nobel prize winning founder Professor Yunus. Usage of the term helps organizations such as GA and GU to instantly establish authenticity as a result of connection to the parent organization and hence benefit from its global appeal. It also provides them with an edge over other community finance organizations operating in the same field which are seeking legitimacy in terms of funding and support. Thus, both GU and GA's organizational identity incorporates the status of the parent organization and its founder to a great extent on its promotional materials such as mission statements and website blogs/ case studies.

It is worth noting that in the UK community finance organizations are given recognition as "Responsible lenders" (formerly known as CDFIs) by an independent association/body known as Responsible finance providers (formerly CDFA) for which there is a substantial membership fee. On the contrary, in the US, recognition as CDFI hinges on certification from the government which does not charge any application fee for the process. Thus, unsurprisingly, all the current US organizations such as GA and PE have applied for and obtained CDFA certification and consequently benefitted from this recognition in terms of funding (for e.g. the earlier section revealed how GA benefits from the US community investment legislation which compels mainstream institutions to commit to supply capital to CDFIs. To be eligible for this, GA needed certification as a CDFI) On the other hand, many of the current UK organizations (GU, WEvolution and Street-UK) have not applied for Responsible Finance providers/ CDFA membership despite being in operation for a substantially long period. This seems to indicate that UK organizations stand to lose less compared to those in the US if they do not have a formal institutional identity. In addition, it also indicates the substantial charges imposed by Responsible Finance providers are perhaps not justified by the benefits of membership. Furthermore, it may be pointed out that unlike the US, the institutional identity of community finance organizations in the UK has been under a redefinition struggle. As the earlier Chapter pointed out, the industrial body has rechristened itself "Responsible Finance" and further redefined the term "CDFI". While the earlier definition focused solely on organizations which lend to entrepreneurs, the new definitions is much more generic enabling it to incorporate organizations such as Fair Finance and Street-UK the clients of which are predominantly personal lenders. This new definition is quite similar to the generic categorization developed by the US government for qualification as a CDFI. For example, to be eligible as CDFIs in the US lenders must meet the following criteria:

• "Is a legal entity at the time of Certification application;

Has a primary mission of promoting community development;

Is a financing entity;

Primarily serves one or more target markets;

Provides development services in conjunction with its financing activities;

Maintains accountability to its defined target market; and

Is a non-government entity and not under the control of any government entity (Tribal governments excluded)." (CDFIfund.gov, 2020)

Another notable difference between GU and GA's organizational identity was in term of gender focus. GA is heavily focused on female entrepreneurship which in turn is clearly communicated to its target audience through promotional materials on its website which include mission statements and contents that emphasize powerful narratives of female entrepreneurship which may have resonated well with its target focus on rapidly burgeoning female entrepreneurship amongst the Hispanic community. GU clearly lacked this gender focus in its organizational identity and risked projecting a more befuddled image in comparison that may send out a more confused message to potential female clients who may be reluctant to join as a result. It may also make it difficult to align with relevant partners who are predominantly concerned with providing funding and support to promote gender equality in the regions they operate. Examples of the success that GA has been able to achieve as a result of its gender focus has been partnerships with California Community Foundation. CCF has invested over $4.2 million in GA's Los Angeles program to boost small businesses owned by over 2000 women. On its website, for example, CCF notes a typical example of a case study entrepreneur "Bertha" (left out by mainstream financial institutions) whose dreams of expanding her bakery shop has been fulfilled as a result of the partnership with GA. The report also highlighted the fact that there were over 300000 small businesses owned by women. CCF also pointed out the pervasive

poverty amongst the female population with about 40% of households headed by women being in poverty. The importance of the GA's gender focus is also reflected in the following statement on the CCF website

"Our vision for the future is a Los Angeles where great ideas become great businesses. Where entrepreneurs like Bertha, Adelina and Marlene transform their lives and their communities. Where hard work, innovation and determination allow women to raise their families out of poverty and make their own American dream come true. But to make this vision a reality, we need partners who believe in entrepreneurship, who understand that supporting L.A. businesses grows the economy for everyone. By investing in Grameen America's Los Angeles program, our partners become venture capitalists, gaining equity in the economic future of L.A. County." (CCF , 2020)

The final notable difference between GU and GA lies in identity aspirations. Earlier chapters pointed out that GA is currently in the process of becoming a credit union whereas GU authorities had long term plans of becoming a bank as a more feasible route to overcome the regulatory restriction of savings mobilization. The GU authorities believed that conventional requirements of credit union clients in the UK to be membership/saving for certain period with the institution before becoming eligible for loans is fundamentally contradictory to the Grameen methodology of releasing the loans rapidly. This is pertinent as GU's experiences indicated that most clients have immediate needs for loans. Some believe that whereas the lending process from its invitation to its completion took approximately 2 weeks, a credit union style membership process may stretch this to a period between 6 weeks and 3 months rendering the process lengthy[150].

[150] (ME#5, 2016)

9.9 Organizational template and Strategic vision

Table 9.5 Organizational template and strategic vision (GA, GU and PE)

Analytical findings	GA	GU	PE
Strategic Vision: Poverty alleviation, women empowerment, self-sustainability	Shared vision, with Strong emphasis on both Institutionist and Welfarist objectives Clear focus on sustainability, i.e. covering operational expenses; branch sustainability to be achieved within 4-5 years, serving 4000-45000 clients, which is confirmed by the senior management during the interviews.	Similar vision to GA, however outreach targets are far more modest	PE's focus on Welfarist objectives is laudable as it has provided affordable finance and costly entrepreneurial training to its target clientele. However, an early focus on Institutionist goals has gradually faded away due to operational difficulties.
Business Model	Social Business	Social Business	Non-Profit
Operation Period	13 years	5 years	19 years
Growth & expansion	Rapidly grown into 18 branches across the US with several branches attaining operational sustainability	Heavily reliant on external finance, much from some investors and government grant. funding remains a major constraint. Growth strategy different from Grameen with planned operations from central office rather than branches spread out to different locations.	Reliance on external finance, much from some investors and government grant. Carries no brand name like Grameen, & funding remains a major constraint.
Clients	Predominantly Hispanic immigrants mainly from Mexico (95%)	Mainly African immigrants (mostly from Nigeria)	Predominantly African Americans (88%)
Emerging Context	Rapid rise of Hispanic entrepreneurship from 1990s continues till date	Difficult to target indigenous clients due to welfare regime and individualistic nature of society	Historically low levels of African American entrepreneurship. Recent studies indicate that African Americans least likely to be self-employed amongst all ethnic minorities (Pew Research Center, 2015)
Gender Focus	100% Women (in line with strategy of GB	53% women (inconsistent with GB's philosophy/strategic approach)	56% women (inconsistent with GB's philosophy/strategic approach)
Field Position	Central	Peripheral	Peripheral
Problem framing	Framing of financial exclusion as feminisation of poverty	Non-gender based generic framing of financial exclusion as lack of access to finance for under-resourced neighbourhoods and a way out of poverty and dependence on welfare	Non-gender based generic framing of financial exclusion as lack of access to resources for under-resourced neighbourhoods

Organizational Identity	Characterized by power, size and status as a global beacon for peer group lending and a strong focus on women,	Less distinctive identity as a result of being a peripheral organization and non-specific framing	Less distinctive identity as a result of being a peripheral organization and non-specific framing
Organization speed and learning	Rapid organizational learning from the use of different pilot methods to establish the most effective approach.	May be slower organizational speed of its learning due to centralized nature of operations as opposed to GA.	Static organizational speed of its learning.
Recovery rates & staff-client issues	High recovery rates (99%) and steady client recruitment	82% (substantially less than GB), struggling to attain modest outreach targets	Poor recovery rates (60%), low client recruitment
Innovation and collaboration	Innovation evidenced in marketing methods, staff recruitment & effective collaborations with commercial banks, Experian credit agency & conversion to credit union echo well with institutional objectives & are also beneficial for clients. More collaborations being planned such as Grameen primacare to address social problems such as healthcare & ensure sustainability of service	Partnered with Tesco Bank however unlike GA saving is not mandatory and not collected during weekly meetings. No partnerships with credit ratings agency unlike GA. Challenging to work with local organizations to obtain referrals due to conservative attitude of management.	Referrals to credit unions but may be ineffective as most clients have access to welfare and may be discouraged to build assets. Planned future collaborations with Experian and Trans Union.
Regulations	Savings mobilization	Savings mobilization Home visits not permitted under operational license Clients could not be approached directly in public spaces	Savings mobilization

This section compares operational templates, features and strategic vision between GA and PE in the US and GU in the UK as these are the current organizations that are specifically aimed towards adopting the model in these countries. Table 9.5 above outlines the differences across the organizations. GA has a sharp focus on Institutionist objectives as it has a specific aim of serving 4000-4500 and achieving branch sustainability within 4-5 years. PE, on the other hand, was heavily biased towards a Welfarist view with emphasis on operational sustainability waning over the years. Although GU shared the Institutionist focus consistent with the ethos of the parent organization, GB and that of GA, the outreach figures that it hoped to achieve

were far more modest compared to GA. It aimed to achieve operational sustainability within 4-5 years attaining 1500-2000 clients in that period. The fact that it GU actually closed down during that period clearly indicates the nature of complexities of adopting the model in a UK context. However, earlier Chapters also revealed that GA faced similar difficulties in the initial phase of its operation which it overcame by focusing on the Hispanic immigrant community. The earlier analysis the current Chapter shows that GU may have had limited options in terms of diverting its focus on other communities in comparison to GA.

The nature of growth expansion strategy marks an important difference between GA and GU. GA looks to grow and expand by opening branches in new localities. Owing in part to funding limitations, GU had different plans for growth and expansion. Its system was based on the lending officers being stationed in different localities and the administrative work being accomplished in its sole branch based at the Glasgow Caledonian University to reduce operational costs. While such an approach may indeed reduce costs, it may have slowed down the speed of organizational learning at GU compared to GA[151].

The non-gendered framing of the problem and the lack of gender focus of GU in the UK is quite similar to the approach followed by PE in the US. This may have contributed to the less distinctive identity that these organizations had in their fields. This problem is perhaps even more pronounced for PE as it cannot rely on the Grameen brand label unlike GU. Both GU and PE are peripheral organizations which were in quest for consequential legitimacy whereas GA moved to a more mainstream and hence central position in its field as a result of its prolific performance in maintaining a steady stream of clients and securing exceptional loan recovery.

In the UK, GU had faced much more regulatory restrictions affecting various aspects of its operations such as how it markets its products and location of weekly meetings affecting its

[151] (ME#7, 2016)

ability to implement a system consistent with the original model. All the case study organizations face the common regulatory problem of not being able to mobilize savings of their clients unlike GB. Both GA and GU have followed a similar approach in collaborating banks to overcome this problem. However, there are important differences. GA implements a method similar to GB which makes weekly savings mandatory and retains some control over the process in terms of being aware of how much is being saved and who is saving as staff collect the savings at weekly meetings and deposit at partner banks. Contrarily, GU implements a system which does not make it obligatory on clients to save although it advises the clients to do so.

GA has also been decidedly more innovative than GA and PE in collaborating with organizations to bring numerous benefits for their clients. The collaboration with Experian for example, helps build clients credit scores providing them with an opportunity to access mainstream financial services while the collaboration with healthcare organizations has been lauded as a "disruptive innovation" helping clients to access healthcare services who may have been otherwise been excluded by a complex system. It is not unreasonable to assume that these benefits helped GA in attaining its outreach targets as potential clients may have been lured in.

Conclusion

The analysis in all Chapters indicates that all case study organizations have encountered numerous institutional complexities in adopting the Grameen model in the context of a developed economy. In the UK, the fact that former as well as current case study organizations have struggled to implement the model does not necessarily imply that it cannot be used in a different time period. There may have been a range of factors attributable to the institutional complexities encountered by such organizations. It is worthwhile to point out that either one or more core strategic factors such as self-selection, focus on women, mandatory savings and

weekly meetings were missing in almost all such initiatives making them inconsistent with the original model. Such decisions were attributable to the discretion of the management who at times may have felt compelled by the restrictive regulatory and unfavourable socio-economic environment they operated in.

However, the US experience of GA appears to indicate that the model may become easier to operate for an organization which in turn encounters less institutional complexities as the socio-economic context evolves in a country. Earlier organizations such as Good Faith fund and Accion had also struggled to adopt the peer group lending model in a US context and consequently ether ceased operations or changed to different lending models. GA has successfully revived a model widely thought to be redundant in the context of an industrialised economy. This has been possible given the significant contextual change in the US economy brought on by substantial Hispanic immigration and rapidly rising female entrepreneurship within this group. Further, the collective nature of this community has also made it conducive for GA to target this ethnicity.

However, GA must be given due credit for being able to tap into this emerging market through its creative institutional entrepreneurship process and its diligence and persistence. This is an important lesson for UK organizations which are seek to adopt the model in the future. As the national and global context unravels in a hugely uncertain time underlined by economic slowdown and international conflict leading to significant shifts in key factors such as migration or welfare policies, the Grameen model may gradually go on to become a potent tool for addressing poverty and social/financial exclusion. However, the regulatory environment has to be conducive and not generalize all lenders as high risk recognising the Welfarist intentions of organizations such as GU incorporating them into a distinct category for the model to be implemented effectively. GA has flourished as it has not faced unnecessary regulatory constraints that GU is currently experiencing at the moment. The analysis above also reveals

that keeping the model more in line with the essence of original model in key operational areas may lower the degree of institutional complexity. GA's experience substantiates this line of thinking. It implemented appropriate self-selection and a focus on women which led to exceptional recovery rates. GA's outreach methods were based on trust and revolved around "going to clients" rather than clients coming to them through external referrals also bore fruit. GA's client training regime also centred on centred on internal processes and methodologies rather than presumptuous training on entrepreneurship. All such aspects of its GA's operation thus retained the essence of the original model. These were the core elements of the model which made the program successful in serving poor marginalised entrepreneurs albeit in an entirely different context. In GB's case, these necessity entrepreneurs mostly consist of the rural poor whereas GA's clientele base comprises of poor Hispanic immigrants. The similarity lies in the fact that both groups are excluded by the mainstream financial institutions although the reasons for such exclusion is different. These core elements should be kept intact as marginalised necessity entrepreneurs are likely to act and behave in remarkably similar ways regardless of the context. For instance, if someone has an urgent need for a progressive loan, she is likely to pay back her current loan and try her best to ensure that all others within the group pay back regardless of the context in which the program is being implemented in. This is also likely to lead to appropriate behaviour such as attending regularly at meetings and accepting moral responsibility for other group members' actions which Grameen expects from its clients. Programs which have targeted indigenous clients who are not likely to be amongst the bottom poor in the region may have struggled to get clients to act in accordance with the high discipline levels required.

The analysis thus reveals that Grameen model may be more successfully used in the context of developed nations to serve immigrant entrepreneurs rather than targeting indigenous clients to bring them out from welfare dependency. Furthermore, programs may need to target

immigrants from innovation driven economies such as Mexico which have a highly entrepreneurial and collective culture. It is notable in this regard that, even in the absence of levels of regulatory constraints prevalent in the UK, GA has been unable to target indigenous entrepreneurs. Research has revealed that getting indigenous clients to use such services would require broader changes in welfare policy which incentivize people to be involved in self-employment. Nevertheless, even if it is difficult to target indigenous clients, the current context of globalisation and the consequent high rates of immigration forced by economic needs or wars also presents opportunities for the government to utilize the model effectively to support new migrants in a resource constrained world as the model encourages people to be self-reliant. This in turn may have long term implications in terms of reduced cost of providing welfare support to such migrants. The central concept of Grameen revolves around the notion that poor people can become successful entrepreneurs and entrepreneurial loans do not need to be collateralized by physical assets. This concept is intuitively alluring to social investors. Although most case study organizations have struggled to obtain funding initially but they have eventually succeeded in doing so due to the novelty and appeal of this idea. However, most organizations have struggled to obtain sustained funding. This may be due to not being able to secure procedural legitimacy by establishing substantial client outreach or exceptional loan recovery both of which are key indicators of organizational achievement. Procedural legitimacy may have been difficult attain for programs which have not implemented core aspects of the original model.

Chapter 10 CONCLUSION

The process of such replication and adaptation of a microfinance model developed in the context of a developing country such as Bangladesh in the differing contexts of developed countries has not been unproblematic, as explained in the study. The current research has identified that the institutional complexity and the institutional entrepreneurship process of adopting the Grameen model in different contexts revolves around some major themes which have been identified in the theoretical framework. The themes for institutional complexity include loan recovery, outreach methods, nature of client training and regulatory environment. The themes for institutional entrepreneurship are in the areas of alignment of interest with external actors, field characteristics, problem framing, organizational identity and contextual factors. The analysis revealed the elements behind each of these themes that has led to GB's success in implementing the Grameen model in Bangladesh. Loan recovery has been identified as the most crucial aspect of the adoption by the pioneer of the model, Professor Yunus. GB's significant success in achieving exceptional loan recovery rates is attributable to an effective implementation of the peer group lending technique. This in turn, requires cohesive and highly disciplined groups who are prepared to commit to the rigors of the model such as regularly attending weekly meetings. The weekly meetings are obligatory for borrowers to attend and is an important factor in reinforcing discipline and leading to intra-group learning. Furthermore, mandatory savings mobilization is a fundamental aspect of the original program which has led to numerous beneficial effects of both the GB and the clientele it serves. It has enabled GB to enhance its operational sustainability to the point that it is no longer reliant on donor finance. On the other hand, GB has used it to instil discipline into the borrowers and ensure loan funds are not diverted for purposes other than originally intended. GB has also implemented a complete focus on women which may been an important factor in attaining high loan recovery as shown by extant studies in the field. GB has also achieved outstanding outreach success

serving almost 9 million clients covering 97% villages in Bangladesh (Grameen Bank C, 2020). The three essential aspects of GB's aspects of this success are firstly, its marketing method which centres on GB going to the clients rather than clients approaching the organization. Secondly, there has been substantial levels of latent demand for its product and services from poverty-stricken entrepreneurs excluded from a largely unrefined financial system. Finally, GB has redesigned its model to remove joint liability from its systems and only requires clients to undertake moral responsibility for each other which may have been useful to overcome potential clients' reluctance to join the program. The client training method at GB is based on Professor Yunus's philosophy that people have innate entrepreneurial skills which cannot be taught and must be "learnt by doing". GB thus uses a client training method which focuses on internal processes and procedures. Hence training at GB is precise and relevant to every client and likely to be helpful for enhancing discipline amongst borrowers and cost effective. The regulatory environment in Bangladesh has also been favourable as it has allowed GB to mobilize deposits from its inception. Regulations in Bangladesh have also not prevented GB from implementing essential aspects of its operations such as home visits which are used to assess the socio-economic status of the client and proximity to other borrowers and marketing methods used to approach the clients directly. In terms of the institutional entrepreneurship process of adopting the model, GB had less problems of adopting the model in the favourable context of a war-ravaged economy and undeveloped financial system. This conducive context enabled GB to target an expanding pool of poverty-stricken entrepreneurs being exploited by abusive moneylenders. It was also helped by the collective and the entrepreneurial nature of the community that it was serving. GB went on to occupy a central position within the field of microfinance owing to its status as a leading social innovator. It has also been persistent with the gender focused manner in which it framed the problem it was addressing centred around the feminization of poverty. Its organizational identity has been underpinned by its global status

as a pioneer of the group lending model and its emphasis on female empowerment. The framing of GB was based on the central concept that poor women are creditworthy and can be successful entrepreneurs. This is intuitively appealing and enabled it to gain initial moral legitimacy to align with external partners. It was able to achieve consequential legitimacy as a result of its exceptional performance in areas such as recovery and outreach. Procedural legitimacy was not questionable as GB was the organization which invented the model and refined operations according to its experience. Furthermore, GB's organizational template and strategic vision was based on Professor's Yunus Social business model which attaches equal important to market and development logics.

The UK experiences of adopting the model indicates that the core elements of the model are essential to overcoming institutional complexities and a successful process of institutional entrepreneurship. The analysis revealed that in all retrospective UK case studies, one or more core elements of the enabling factors of the GB model are missing either by design or imposed upon by the context thus leading to heightened institutional complexities. Such problems or deviations from the core aspects of the parent model include: (a) distorted client selection practices which include staff to select members of the group or mixed groups consisting of both sexes; (b) most organizations did not have mandatory weekly meetings unlike GB; (c) Not following the Grameen marketing principle of "going to the clients" instead relying on referrals from external organizations; (d) contextual challenges such as debt aversion, generous welfare provision, the pervasive presence of abusive lenders and a restrictive business environment; (e) imposition of joint liability rather than moral responsibility as is enshrined in GB which may have discouraged participation; (f) the differing natures of the training regimes, inconsistent with Grameen philosophy which were not cost-effective and hence affected sustainability; and (h) finally, regulatory impediments such as the inability to mobilize deposits which in turn had

negative implications for factors such as loan recovery, group discipline and organizational sustainability making it incoherent with the original model.

The study then went on to analyse the institutional complexities using current case study organizations based in the UK and compare their experiences to that of the earlier organisations. The analysis revealed that many of the earlier elements causing institutional complexities for the retrospective case study organizations continued to be relevant for the organizations operating recently in the UK. These complexities meant that GU only lasted for 4 years and terminated its operation in 2018. GU did not have a gender focus or implement mandatory savings unlike the parent organization which may have adversely affected its loan recovery efforts. Although GU does make it compulsory for borrowers to attend weekly meetings, the effectiveness of the process may have been compromised by the fact that meetings have to be held at business premises or alternative venues and not borrowers' residences due to distortions caused by current UK regulations. This may have naturally caused problems for borrowers' discipline and eagerness to attend meetings. Apart from the inability to mobilize deposits, further regulatory distortions meant that GU was unable to practice community-based outreach methods practiced by the parent organization and had to rely on referrals from external organizations. This is in turn caused difficulties as such organizations are often reluctant or wary of an MFI's intentions as a finance provider. Even though GU only required clients to undertake moral responsibility for each other, it did not experience great demand from the indigenous population as originally expected, in similarity to previous organizations operating in the UK. Its clientele base hence was predominantly composed of immigrants originating from Sub-Saharan Africa. GU started off by piloting a client training regime which focused on providing training on various business areas to borrowers which was costly and required the services of external consultants. Thus, GU's training regime was

initially inconsistent with the original model and resembled the client training methods of earlier organizations in the UK. However, GU eventually streamlined its training methodologies as it had learnt from its experience to make it more consistent with that of the original model and focus more on internal processes. As has been pointed out before, WEvolution adopted a different version of the group lending technique inspired by the SHG model in India. The lending element has been insignificant as a very small proportion of clients have subscribed to this service. Its marketing methods are similar to GU and unsurprisingly it has faced similar problems in terms of collaborating with external organizations. Its clientele base predominantly consists of indigenous clients in contrast to GU which may indicate that indigenous clients are keener to benefit from client training rather than lending services.

The study then analysed the institutional entrepreneurship process of introducing the Grameen model in the UK by firstly exploring the retrospective case studies. It showed that the field of microfinance in the UK was underdeveloped and evolving at the times when these organizations started to adopt the model. Some organizations framed the problem in a way similar to GB utilizing a gender focus based on feminization of poverty; but others framed the problem differently, for example, as a way to get entrepreneurs to transition from the shadow economy to the mainstream. All organizations encountered the "liability of newness" and were peripheral organizations owing to their size and stature. It also revealed that institutional identity that the organizations initially had was that of being community development financial institutions and that their organizational identity was based on the peer group lending and, in some cases, had gender-bias. The UK organizations also managed to obtain moral legitimacy owing to the novelty of the concept, but failed to translate this into consequential legitimacy as a result of being unable to attain key operational objectives. The emerging context of the rapidly rising predatory lending caused a change in the framing and institutional and organizational

identity of some case study organizations (particularly those with an Institutionist lean) from "CDFIs using the innovative Grameen model to provide entrepreneurial loans" to "Responsible Finance Providers promoting social justice and transparent lending (i.e. combating the malice of abusive lending)". In terms of the most recent case studies, both GU and WEvolution have tried to overcome the regulatory restriction of saving mobilization by partnering with appropriate mainstream financial organizations. The institutional entrepreneurship of adopting a peer group lending has been affected by an unfavourable environment characterized by high levels of individualism, a welfare regime with insufficient incentives to stimulate self-employment and low degrees of necessity entrepreneurship. Both organizations are peripheral and have used different types of framing. Both GU and WEvolution have used diagnostic framing to highlight the shortcomings of the current institutional designs. However, GU presented the current system as having excluded entrepreneurs from getting access to loans and proposed itself as an answer to the problem with Grameen loans at the core of the solution. Contrarily, WEvolution depicts the current institutional design as fragmented and presents itself an integrated solution where its training and support services are the main component and loans only play an ancillary role if required. GU's organizational identity may have benefitted from the global status of the organizations. However, it may also have been affected by the non-gendered nature of the framing in contrast to WEvolution. Both have successfully gained initial moral legitimacy due to the appeal of the concepts and unique nature of framing. GU has an organizational template and strategic vision characterized by Professor Yunus's social business model as it had distinct targets for organization sustainability while PE is a non-profit with increasing emphasis on longevity of the organization. However, GU struggled for consequential legitimacy due to modest performance outcomes which led to its eventual closure in 2018. WEvolution may have faced a lesser degree of complexities and lasted longer compared to GU due to non-emphasis on rapid expansion of lending operations.

It was interesting to scrutinize the institutional complexities confronted by current case study organizations in the USA. GA was experiencing greater levels of success and lower degrees of institutional complexities compared to PE which closed its operations in 2016. This may be attributable to the fact that most of the core elements that contributed to GB's success was also prevalent at GA in contrast to PE. GA may have been able to achieve exceptional loan recovery as a result of applying systems consistent with the original model. It implemented a 100% focus on females in contrast to PE which was serving both genders. Mandatory weekly meetings were used to collect repayments and facilitate discussions and learning amongst borrowers as opposed to PE which only used bi-weekly meetings (repayments were not collected at these meetings). GA also required clients to save regularly and contribute towards a savings pot. The nature of clientele community it served (Hispanic immigrants) may have also had important implications for group discipline as PE's clients mostly consisted of indigenous population who may have been reluctant to adhere to the stringent disciplinary requirements of the model. GA had experimented with various methods of outreach finally settling on a system which resonated well with the Grameen's principles of "going to clients". PE, however, continued to rely on external referrals which was not as productive as GA's approach. The contrasting fortunes in terms of attaining outreach objectives also underlined the fact that there was significant demand for microfinance services amongst the Hispanic communities actively targeted by GA whereas PE experienced stagnant demand from the largely indigenous African American population it has been serving. GA's outreach prospects may have further been boosted by the fact that it only requires clients to undertake moral responsibility and not financial responsibility in similarity to GB. The client training methods used by GA centres on internal procedures rather than teaching business or finance subjects. This is in contrast to PE which required clients to undergo training on various business subjects and pass an exam to become eligible for loans. Thus, GA's methods resound well with GB's approach and likely to

be more relevant and cost effective. Both GA and PE as community development financial institutions were unable to mobilize deposits under current US regulations. While GA has actively addressed this problem by partnering with commercial banks and requiring clients to contribute savings regularly to the accounts at the partner organizations, PE were dependent on a less reliable and inconsistent method of referrals to credit unions for overcoming the problem. US regulatory system has also not interfered with operational aspects such as home visits or nature of outreach methods employed by GA.

The institutional entrepreneurship process of adopting the Grameen model in the US was then examined using the same case study organizations. GA benefitted from the conducive context in which it was operating as it targeted a rapidly burgeoning clientele base consisting of Hispanic female entrepreneurs and the high levels of collectivism prevailing in this particular community. GA also benefitted from high levels of low-income necessity entrepreneurship from this ethnic group which contributed to high demands for its services. PE was unable to benefit from this as it simply did not proactively target this ethnic group. GA went to quickly assume a central position in its field as a result of its exceptional performance compared to PE which had remained a peripheral organization since inception and eventually closed down. GA also adopted a framing which was similar to GB as it was based on gender and feminization of poverty in contrast to the generic framing approach used by PE. Both organizations had an institutional identity of being a CDFI. The organizational identity of both organizations has benefitted from being one of the very few adopters of a unique lending model in the US. However, it may be argued that GA has a more refined organizational identity compared to PE as a result of its gender focus. In a similar way to the case study organizations in the UK, both organizations have been able to secure initial moral legitimacy due to uniqueness of the Grameen concept. GA was also able to benefit from the global status and prestige of the

Grameen brand which enabled it to partner with some major mainstream organizations. GA has been able to form effective and innovative partnerships to overcome operational issues. The collaborations with Citibank, Experian and Iora Health are shining examples of its effectiveness in bringing clients tangible benefits that have helped to retain clients and attain outreach objectives. PE on other hand has struggled to get consequential legitimacy as a result of its operational difficulties and lack of funding. Procedural legitimacy is also questionable for PE as it has deviated from core elements of the model such as gender focus, nature of client training and savings mobilization. Overall, it is fair to conclude that in PE, similar to the UK organisations, there were various operational deviations from GB practices which caused it underperform and fail to attain operational objectives. All such problems have contributed to termination of its operations in 2016.

The qualitative comparative analysis used in the study has revealed some very important factors as the experience of the past and present case study organization using the Grameen model in the UK and USA have been assimilated. The difference in nature and effectiveness of the loan recovery in the UK and USA was established. GA stands out as exemplary amongst all case study organizations as a result of maintaining exceptional recovery rates despite serving a rapidly expanding clientele base. The homogeneity of clients surfaced as a key factor with organizations serving similar ethnic groups facing less difficulties in recovering loans. This may be relevant to the comparison of GU and GA as the former serves a more homogenous clientele base in terms of ethnic background. Regulatory impediments also emerge as a key factor which may have made operating the model much more difficult in the UK compared to the US as operations such as weekly meetings and outreach cannot be organized around the comfort and convenience of borrowers' homes. This may have negative implications for borrower discipline and cohesiveness and have negative repercussions for loan recovery.

Outreach practices adopted by GA are also more consistent with that of the original model as it revolves around community-based marketing and based on approaching clients directly rather and then relying on word of mouth referrals for recruiting clients. This is unlike GU which depended on partner community organizations for client referrals. The choice of GU's outreach methods may have been influenced by the current regulatory environment which views direct marketing approaches as "high risk". All programs including the recent initiatives have generally struggled to recruit indigenous clients attributed to the various factors with notable issues such as high levels of individualism and lack of welfare to work incentives. GA struggled initially with its outreach efforts but has been able to thrive as a result of targeting Hispanic immigrant community whereas GU's clientele base comprises of borrowers from a diverse background with African immigrants making up a significant proportion. Most of the organizations operated costly entrepreneurial training regimes dissimilar to that of the original model. GA's client training methodology has also been more consistent with that of GB with importance on internal systems and processes and fostering client discipline. While GU initially piloted training systems with a heavy weight attached to entrepreneurial training, this had been refined later on as a result of its experience. Regulations have prevented mobilization of savings in both countries for both GA and GU. Although both have responded to this problem by partnering with different mainstream financial institutions, the research revealed that the nature of savings schemes was different for these organizations. GA made savings mandatory in contrast to GU. In addition, GA retained a degree of control and awareness over the savings process as borrowers are required to contribute savings of a minimum 2$ every week collected by staff at meetings and deposited to partner banks. This made the nature of the GA program resonant to that of the parent organization. The nature of immigrant entrepreneurship was pointed out as a key cog in the analysis of the institutional entrepreneurship process. Although it experienced initial difficulties, the institutional entrepreneurship process of adopting the

model for GA may have been made possible by a favourable context characterized by high levels of low-income entrepreneurship prevalent amongst its target Hispanic community. GU on the other hand, continued to encounter similar difficulties throughout its existence to the initial phase of GA as outreach targets had been revised in light of their experiences. However, GU may have limited prospects for targeting potential immigrants due to the nature of migration where it may encounter similar issues such as individualistic societies, welfare to work incentives or low levels of entrepreneurship. Mimetic isomorphism was prevalent as GB was seen as a global leader in microfinance as many organizations chose to adopt a similar gender framing based on feminization of poverty. Some UK organizations were also inspired by earlier peer group lending initiatives implemented in an urban context in the US. Some organizations in the UK chose to change their framing entirely along with their models in tandem with the context in which they were operating to address abusive lending. GA frames the problem in a similar way to GB as it is gender based focusing on the social and economic exclusion of women. Although GA faced institutional complexities in the initial phase of its operation in similarity to earlier US efforts, it did not respond by changing its framing or lending model which may be attributed to its strong affiliation to the parent organization. GU had framed the problem differently to GA as it is not gender based instead offered itself as a solution to fill a gap in finance left by mainstream institutions. It also framed itself as a potential solution for people to transition from reliance on benefits to self-employment. It was pointed out that this framing was inconsistent with that of GB, and may have projected a confused image to relevant stakeholders and had been inconsistent with its operational experiences. The institutional identity of the case study organizations in the UK have undergone refinements in their definitions which reflects the evolving struggle of the organizations to establish themselves in the field. In the US, the institutional identity has remained stable with certification by the government as a CDFI leading to tangible benefits for the US case studies

in terms of funding and support. In terms of organizational identity, GU and GA additionally greatly benefited from the global status and prestige of the Grameen brand important for attracting funding and support. GA's organizational identity is different to GB as it is based on its gendered framing. These organizations had different identity aspirations as well as GA is actively seeking to become a credit union while GU had plans to become a bank. All organizations have overcome liability of newness and gained moral legitimacy due to the novelty of the Grameen concept and the unique lending model based on community cohesion. Both GU and GA have further gained from the universal standing of Grameen as it helped to build networks with mainstream organizations. The exceptional performance in terms of loan recovery and outreach has also placed GA well on the path to secure consequential legitimacy to ensure continued funding and support from crucial partners. Gaining procedural legitimacy has not been difficult for GA as the above analysis shows that its core elements of operational design of the original model has been kept intact. GU on the other hand struggled to gain consequential legitimacy and eventually closed down withing four years of its operation. This is unlike GA which has gone from strength to strength in the US. GU's fate may be attributed to difficult environmental context and the regulatory impediments discussed above. Procedural legitimacy may have been questioned by relevant stakeholders due to deviations from the original model in terms of operational areas such as outreach methods and framing.

Based on the findings from the study, some policy recommendations relevant to current and aspiring organizations as well as regulatory authorities and other pertinent stakeholders is suggested. Findings suggest that the core elements of the should be kept intact even if the model is adopted in a different context and encounters numerous institutional complexities. Members should be allowed to self-select each other from tightly knit communities enabling the social collateral process to be effective. Any part of this process should not be influenced by the lending organization. Weekly meetings should be made mandatory to facilitate dialogue and

enhance discipline. Savings mobilization should be made compulsory with specified minimal contributions as it may be helpful for loan recovery and instilling discipline into borrowers. There should be a gender focus on female borrowers as findings suggest that this may have beneficial effects on loan recovery and outreach. Outreach should be predominantly based on the Grameen principle of "going to clients" or direct approach. Client training methods should focus on internal procedures and be used as way of augmenting discipline. Any clients requiring additional training may be referred to appropriate organizations. This has been successfully implemented at GA. Regulatory distortions should be minimized to facilitate the lending process including homes visits or community-based outreach. (This is particularly relevant for UK which needs special provisions to be out into place so that organizations such as GU are not wary of repercussions of using the core marketing elements of the parent model). Regulatory provisions may be put into place for non-profit organizations using micro-lending to mobilize deposits to retain control over the lending process and enhance operational sustainability. Along with aforementioned operational areas, the nature of problem framing and organizational identity should resonate well with that of the parent organization as this may be important for attaining procedural legitimacy in aligning with relevant partners. When the environmental context makes it difficult for an organization to achieve operational objectives and gain consequential legitimacy, donors and partners need to be understanding. In particular, the GA experience shows that patient capital is important for an organization to overcome institutional complexities in a difficult context by experimenting with different strategies to identity an effective solution. In the absence of such support, the UK experience in particular appears to suggest that it may be judicious for CDFIs to consider changing their lending models, framing and organizational identity to suit the current context of pervasive abusive lending and a high demand for personal loans. This is turn may enable organizations to attain consequential legitimacy and thrive in a difficult environment where funding is increasingly

difficult to obtain. Significant changes in organizational identity may be contemplated in order to overcome regulatory impediments. GA's organizational aspiration to become a credit union is an example of this which if successful will help it to mobilize funds and help towards operational self-sufficiency. It would require broader policy changes such as enhancement of welfare to work incentives, engage in self-employment and generate assets and easing regulatory requirements for micro-entrepreneurs (such as those for occupational licensing) for CDFIs to successfully recruit indigenous clients.UK regulations may learn from the US experience by introducing a Community Reinvestment Act inducing mainstream financial organizations to provide funding and support to MFIs using the Grameen model, from which the US case study organizations have clearly benefitted. In terms of organizational template and strategic vision, organizations seeking to adopt the model should note the significant emphasis that Grameen places on the market logic using the principles of the social business model. The desire to become self-sufficient and reduce reliance on donors is apparent across different areas of its operations. This ambition is conspicuous by its absence in some of the organizations in the current study which may have played an important role in their eventual demise.

Few words are due on future research. There is a paucity of research on MFIs in the comparative context of developed countries, particularly those that are using unique lending models such as Grameen committed to promote social networks. In order for organizations to be able to better assess the uncertainties associated adopting the model in the context of industrialized economies, the author deems such research crucial. Future research may weigh up findings of existing projects in the US and other developed European countries or neighbouring countries such as Canada for identifying effective cross-cultural learning towards enhanced performance of the MFIs in a wider context of the developed world. It may also be helpful to compare the institutional entrepreneurship process of adopting Grameen model to

individual lending models or evolving models such as online peer to peer which should provide further useful insights. Prospective studies may consider future developments at current case study organizations and assess strategies undertaken to moderate institutional complexities noted in the study. Environmental factors and regulatory context influencing the institutional entrepreneurship process at these organizations may also be scrutinized to understand to evaluate progress towards organizational objectives.

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APPENDIX

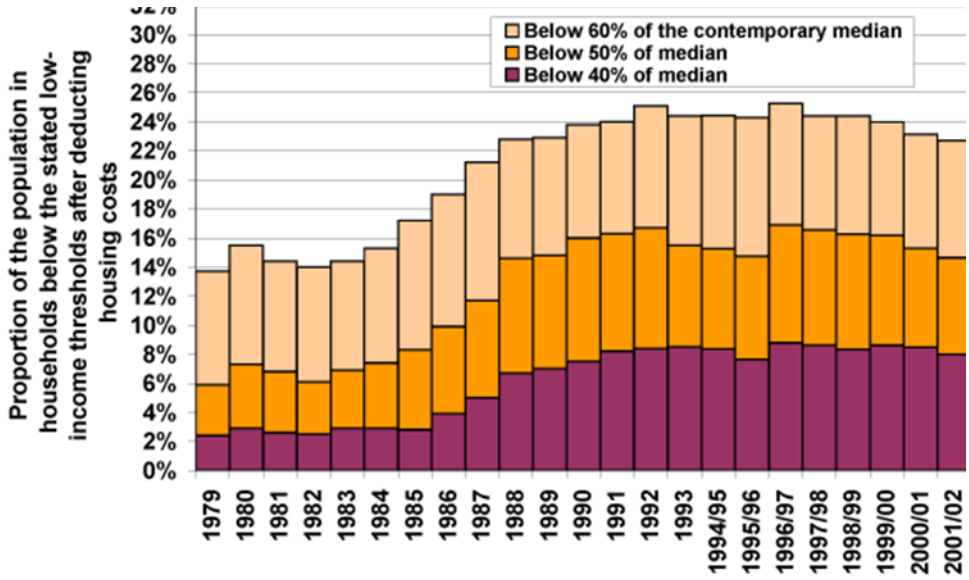


FIGURE A.1 PROPORTION OF HOUSEHOLDS BELOW LOW-INCOME THRESHOLDS (1979-2000)

Source: Poverty.org.uk, 2010

Table A.1 Annual loan recovery Grameen (%), 2005-2015
(Source: Annual reports of Grameen, grameen-info.org)

YEAR	ANNUAL LOAN RECOVERY (%)
2005	99.01%
2006	98.82%
2007	98.02%
2008	98.32%
2009	96.55%
2010	96.75%
2011	97.37%
2012	97.03%
2013	97.10%
2014	97.99%
2015	98.24%
2016	99.05%
2017	99.24%
2018	99%
2019	98.92%

Table A.2 Activities for which Members take Loans
(Source: Grameen Website, 2020)

Activity Name
Rice/Paddy trading
Grocery shop
Milk cow
Cow fattening
Bamboo works
Paddy cultivation
Paddy husking
Miscellaneous business
Land lease
Farming
Vegetables cultivation
Cane works
Vegetables trading
Stationery shop
Agriculture equipments making
Plantation
Cloths trading
Fish trading
Bullock raising
Pisciculture
Pottery products
Garments making
Betelleaf cultivation
Poultry raising
Land cultivation

Table A.3 Number of branches and groups (Grameen Bangladesh- 1976 to 2020)

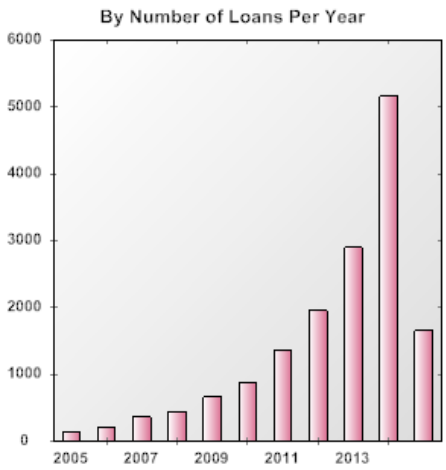
Year	Group	Branch
1976		1
1977	4	1
1978	45	1
1979	377	6
1980	2935	24
1981	4818	24
1982	6243	54
1983	11667	86
1984	24211	152
1985	34324	226
1986	46869	295
1987	67831	396
1988	98073	501
1989	132452	641
1990	173907	781
1991	213286	915
1992	284889	1015
1993	372298	1040
1994	412145	1045
1995	2065661	1055
1996	2059510	1079
1997	2272503	1105
1998	2368347	1137
1999	2357083	1149

2000	2378356	1160
2001	2378601	1173
2002	2483006	1178
2003	3123802	1195
2004	4059632	1358
2005	5579399	1735
2006	6908704	2319
2007	7411229	2481
2008	1210343	2539
2009	1253160	2562
2010	1284606	2565
2011	1302882	2565
2012	1311827	2567
2013	1321974	2567
2014	**1337398**	2568
2015	1356113	2568
2016	1370930	2568
2017	1381103	2568
2018	**1388316**	2568
2019	1,398,370	2568
2020	1,402,835	2568

Table A.4 Number of personal loans forwarded for Fair Finance

By Borough	Number of loans Total	Pct	Value of loans Total	Pct
Hackney	3396	22%	£2,473,300	21%
Tower Hamlets	2327	15%	£1,693,800	15%
Newham	1606	10%	£1,224,400	11%
Waltham Forest	938	6%	£678,400	6%
Islington	887	6%	£623,100	5%
Haringey	858	5%	£602,500	5%
Greenwich	618	4%	£416,600	4%
Southwark	507	3%	£352,200	3%
Enfield	504	3%	£377,600	3%
Barking and Dagenham	472	3%	£359,500	3%
Lambeth	456	3%	£316,000	3%
Lewisham	323	2%	£245,900	2%
Bexley	297	2%	£203,800	2%
Redbridge	208	1%	£155,500	1%
Camden	160	1%	£139,200	1%
Croydon	157	1%	£123,900	1%
Brent	123	1%	£94,800	1%
Wandsworth	108	1%	£82,200	1%
Westminster	98	1%	£67,500	1%
Havering	95	1%	£67,400	1%
Bromley	75	0%	£57,900	1%
Merton	61	0%	£49,600	0%
Ealing	59	0%	£39,900	0%
Kensington and Chelsea	57	0%	£42,000	0%
Hammersmith and Fulham	31	0%	£24,600	0%
Kingston upon Thames	9	0%	£5,700	0%
Other Boroughs	1244	8%	£1,012,000	9%
	15674	100%	£11,529,300	100%

By Gender



By Ethnicity of Borrowers

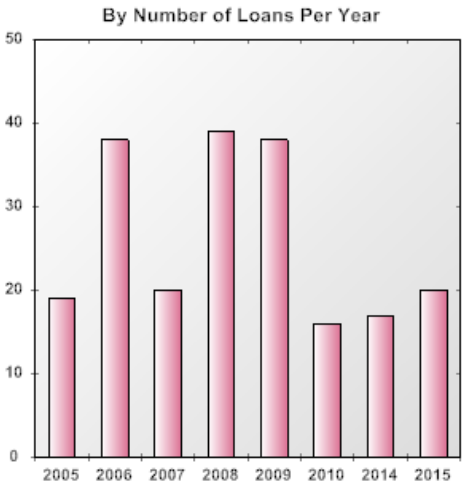
(SOURCE: FAIRFINANCE WEBSITE, 2015)

Table A.5 Number of business personal loans forwarded for Fair Finance

(SOURCE: FAIRFINANCE WEBSITE, 2015)

By Borough	Number of loans Total	Pct	Value of loans Total	Pct
Tower Hamlets	41	20%	£170,700	21%
Hackney	21	10%	£74,400	9%
Newham	18	9%	£34,600	4%
Haringey	16	8%	£66,700	8%
Lewisham	13	6%	£49,800	6%
Waltham Forest	13	6%	£35,500	4%
Lambeth	10	5%	£64,400	8%
Camden	9	4%	£29,500	4%
Islington	8	4%	£43,800	5%
Redbridge	5	2%	£18,000	2%
Enfield	4	2%	£15,400	2%
Brent	3	1%	£11,000	1%
Wandsworth	3	1%	£6,300	1%
Ealing	2	1%	£6,600	1%
Havering	2	1%	£4,500	1%
Hammersmith and Fulham	1	0%	£4,000	0%
Westminster	1	0%	£4,000	0%
Barking and Dagenham	1	0%	£3,500	0%
Southwark	1	0%	£3,000	0%
Other Boroughs	35	17%	£155,100	19%
	207	100%	£800,800	100%

By Gender



By Ethnicity of Borrowers

Table A.6 Summary of main questions asked to interviewees

Questions asked to MFI executives:
Please point the key stages of the evolution of your organization from its beginning until now? Please point out to me what you feel are the key successes and the reasons that you have been able to achieve that success?
What were the operational challenges of adopting the Grameen model?
Was the demand high/low for the loans offered? What were the factors affecting demand?
What was the marketing techniques to create awareness among your target clients?
How was the cohesiveness in the group? What were the factors affecting cohesiveness?
What was the annual recovery rates? What do you attribute the low/high recovery rates to?
Was there joint liability? If yes/no what are the implications of the strategy?
Was self-selection practiced? If no, why was it not practiced?
What are the factors affecting sustainability of the organization?
Where does the funding mainly come from? What are the key factors as to why your organization has been able to secure funding? What are the challenges in relation to getting funding?
Was it possible to have savings provision? If not, why?
What kind of business/financial training do you provide? What are the topics covered in the training? Why do you think it is important to provide this training? How does it compare to the training component in the original program in Bangladesh? What are the cost and time implications of providing this training? What implications do you think such training has for long term sustainability of group lending projects?
In addition to the training, are there an services provided which is free of charge? If so, why do you think this is necessary?
What have been the regulatory challenges of running the organization and how have you overcome these challenges?
What is the process of setting interest rates? Is there a cap from regulatory authorities in terms of how much can be charged?
Do clients feel that there is complexity of the business environment in the USA in terms of taxation, licensing and other forms of regulation?
Please comment on the external partnerships and alliances of the organization?
What have been the challenges in terms of outreach or getting more people to use your services? How have you overcome such challenges?
What is the future strategy with respect to expansion of the organization? What kind of challenges do you anticipate? How do you plan to overcome these problems?

GT authorities were asked to reflect on their experiences of adopting the model in various international contexts to obtain an understanding of the core features of the parent model.

Table A.7 Recovery rates for PE
(Source: collected by author)

Year	Annual Recovery Rates
1996-2000	95-100%
2000-2005	90%
2005-2008	80%
2008-2014	50%

A.8 THE EAST END MICROFINANCE CONSORTIUM (EEMC)

(EEMC) project in East London. In 1998, Women's Enterprise Employment and Training Unit (*WEETU*) started running the *Full Circle Fund,* modelled on the Grameen peer lending programme in response to the growing marginalization of women in the economy of Norwich and surrounding areas. The *EEMC* was set up as an experiment to enable greater understanding of the effectiveness of the Grameen model in the context of UK. In terms of objective it sought to identify the need for accessible finance for women who wished to develop their income-generating ideas into reality. It was initiated by an institutional entrepreneur, Faisel Rehman, a

former intern at the GB. He wanted to use his experiences with the organization to address the issue of financial exclusion in the UK. It was based on a 'hub and spoke' model wherein the *EEMC* was the hub offering lending and administering loans, whereas the role of the spokes was taken up by three local community organizations *Streetcred*, *Homeless family unit* and *Account3* involved in direct and support, outreach work and operating the peer group model (Ramsden, 2008).

A.9 STREET-CRED

Quaker Social Action (QSA) is a prominent charity which operates in the East End of London which is well-known for various initiatives to address poverty and social exclusion. *Street-Cred* was set up by QSA project in 1999 in response to the perceived need for female entrepreneurs to be able to easily access finance. The founding co-ordinator of the organization, Jennifer Kavanagh was influenced by the achievements of Grameen Bangladesh. This led to her to be inspired by the GB model and use the model at Street-Cred for its lending activities. The skewed nature of wealth distribution and the requirement for a novel microcredit to address the poverty and financial exclusion issues were identified by Street-Cred. Its members comprised exclusively of unemployed or low-income women who were encouraged and supported to start their own businesses. An invitation was sent out to prospective clients to participate in a workshop designed to orientate them about the skills required and processes

involved. This was an opportunity for them to meet other entrepreneurs in the same position who wished to develop their own businesses. A borrowing group of 4 to 6 clients was then joined by a client, the members of which was selected by a development worker. Bi-Weekly meetings were then held between the development workers and the client at a suitable place and time with the idea that clients would be able to share their experiences at such meetings. A business training manual was designed which comprised of 40 modules ranging including elementary topics for business start-ups. Additional business development workshops were held in the different areas such as building self-confidence budgeting, , dealing with Inland Revenue, test trading, networking, and developing action plans. Street-Cred ceased operations in 2009 owing to funding constraints and numerous challenges faced in adopting the Grameen model in a UK context.

A.10 ACCOUNT 3

Account 3 Ltd is a prominent UK social enterprise established in 1991. It aims to address a number of social issues including gender inequality in East London. Although its primary services consist of business advisory support and training, it has been involved in a number of high profile and influential projects. It is a leading innovator and has won awards in service provision in areas of employability, vocational training and enterprise development including recognition as Best Objective project for equality for Enterprise Development project by Government Office for London in 2007. It has predominantly focused its services on women throughout its periods of operation, although this changed following a review and evaluation in 2009. Account 3 played an important role in piloting Tower Hamlets first ever microcredit program in partnership with EEMC. This program ended in 2003/04 and led to the

establishment of Fair Finance which went on to become one of the pioneering microfinance institutions in East London.

A.11 FAIR FINANCE

The culmination of EEMC and its component organizations led to the formation of Fair Finance led by its former co-ordinator Faisel Rehman who had incorporated into it all the lessons which were learnt in using the Grameen model at EEMC. Fair Finance was a social business in East London which offers a range of financial products and services in order to combat predatory lending and address issues of financial exclusion in the regions it operates. Since its inception, Fair Finance has numerous awards demonstrating the high level of recognition by the government and the CDFI industry for the exceptional work it has done. These awards include the Big Society award by government in 2013 for proving individuals and businesses with access to finance and the CDFI growth award at the Citi Micro Entrepreneurship Awards. This is in addition to the recognition achieved by its founder Faisel Rehman as a Young Global leader by the World Economic Forum, an Ashoka Fellowship and an OBE awarded for services to community finance.

A.12 THE FULL CIRCLE FUND (WEETU)

Women's Employment Enterprise and Training Unit (WEETU) was a not for profit organisation limited by guarantee which was established as an independent voluntary agency in 1987 based in Norwich. Funding was received from various sources including European, local Government and commercial sectors. It strived to assist women by providing support and training to promote employment and enterprise prospects for clients based in Suffolk and Norfolk. The "Full Circle" programme was set up to provide socially excluded women access

to microfinance of up to £4000 with no need for conducting credit checks or usage of collaterals. The Grameen model was adopted for the purpose of forwarding such loans to clients. In addition, further support was provided in the form of workshops designed to develop self-employment and business skills which led to Level 2 OCN qualifications. Weetu had experienced several challenges in adopting the Grameen model and ceased operations in 2013 in the wake of a restrictive funding environment

A.13 STREET-UK

Street UK is one of the founders of community development finance in UK. It is a non-profit organisation which was set up in 1999 to offer loans to small entrepreneurs usually not considered as creditworthy by mainstream financial institutions Street UK Foundation, a company limited by guarantee and charity, is its parent company. Street-UK initially desired to establish 40 branches nationwide serving 20,000 clients and wanted to achieve a £40 million loan portfolio over the period of seven years. There was an initial focus on microcredit –up to an initial loan size of £10,000 and 12 months to businesses which had fewer than 5 employees, the business model changed over time to include other areas such as business support ,the provision of wholesale services to other CDFIs (which turned out to be an area of comparative advantage leading to substantial revenue generation). It was also involved in policy and advocacy work which revolved around challenges faced by clients and issues which influence demand for products and services. Esmée Fairbairn Foundation, one of the main independent grant-making foundations in the UK, provided it with funding. Using these funds, Street-UK operated a pilot scheme (with the objective of roll-out after the scheme) in various locations inclusing Birmingham, Newcastle, Bradford and London. The first loan was forwarded in April 2001. The purpose was to show the substantial demand for microcredit on the basis of which a permanent self-sustaining national microfinance institution could be created. However, since

its inception, several changes have been made to its lending product, the most significant of which has been a shift from the system of group loans to that of personal loans. As of its experiences, there have been various changes to its business model. Apart from the Birmingham where it has expanded to five outlets, all other branches have been closed.

A.14 GRAMEEN IN THE UK

Pilot studies were conducted by Grameen Trust in the West of Scotland in 2009 assessing the demand for Grameen style loans. It concluded that there was substantial demand from the local population for the project to go ahead. As a result, the Grameen Scotland Foundation (trading as GRAMEEN UK/GU) was established and registered as a charity with the objective of addressing poverty and education by adopting the Grameen model by providing micro-loans to financially excluded communities or aspiring micro-entrepreneurs. GU operated from its lone office based at the Glasgow Caledonian University with plans to roll out to North Ayrshire, Dundee, West Dunbartonshire and Inverclyde regions in the future. GU's partners included Tesco Bank, Gloag Foundation, Wholeplanet Foundation, Royal Bank of Scotland and Clifford Chance amongst others. GU faced several institutional challenges since its inception and as a result, ceased to operate in 2018.

A.15 WEvolution (formerly known as PASSAGE FROM INDIA)

WEvolution is an organisation which has resulted from a movement that dates back to 2010 when the Church of Scotland decided to explore the Indian women's self-help group concept.

There are approximately an 8 million of such groups (known as self-reliant groups) with the participation of around 100 million women. The movement is known to have significant positive implications in terms of social and economic change for these women enabling them to improve their own lives along with that of their families and neighbourhoods. A delegation of women from Glasgow's deprived communities travelled to Mumbai and Gujarat in India to learn about SRGs- the trip being named as "Passage to India". This led to recognition of the model in terms of the confidence and resilience of group participants in combatting widespread poverty. It was believed that there was significant potential of this model to transform lives of Glaswegian women. This led to the formation of the charity "Passage from India" and establishment of Scottish SRGs and a microfinance initiative funded by the Church of Scotland and the Scottish Government. Passage from India was rebranded as WEvolution in 2015. WEvolution is currently active.

A.16 GRAMEEN AMERICA

Grameen America was founded in 2008 by Professor Muhammad Yunus based on the belief that the Grameen model could be used in the context of urban America to provide substantial benefits to a potentially high number of clients. Women self-select each other into groups following which they attend a weekly training. At the end of the training they are required to open savings accounts at partner banks. The women then receive a loan of $1500 and have to repay this in instalments at weekly meetings which are compulsory to attend. Since its inception, GA has been expanding rapidly growing from 500 borrowers in January 2008 to currently serving almost 70000 women and extending over 197,820 microloans. Further, it has created 72995 jobs. GA's head office is based in New York where it is predominantly active

and currently has 18 branches operates in 11 cities including (New York, California, Puerto Rico, Nebraska, New Jersey, Texas, North Carolina and Indiana and Massachusetts).

A.17 PROJECT ENTERPRISE

Project Enterprise was cofounded by the social investor couple Debra Franklin-Schatzki and Nick Schatzki who had travelled to Bangladesh. They were inspired by their experiences at Grameen and wanted to bring the model back to New York to assist under resourced communities. PE opened its doors for micro-entrepreneurs in Harlem in 1997 when it was the only lending provider to offer loans without any collateral requirements, previous business experience or credit history. It received formal recognition as a CDFI by the US treasury in 1998 and subsequently expanded its operations to Five New York boroughs including Brooklyn, the Bronx and Queens. It ceased its operations in 2016.