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HOW SOCIAL CAPITAL IMPACTS THE SUSTAINABILITY OF GROUP LENDING PROGRAMMES - *A GROUNDED THEORY APPROACH*

Nishi Malhotra
Ph.D. Finance, Accounting & Control (IIM Kozhikode)
E-mails: nishim13fpm@iimk.ac.in; nishi1582@gmail.com
ORCID ID: https://orcid.org/0000-0003-0000-3749

Dr. Pankaj Kumar Baag
Assistant Professor, Finance, Accounting & Control (IIMK)
E-mail: baagpankaj@iimk.ac.in

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Abstract

This research study aims at generating a Grounded Theory on how social capital enables the Self-help groups linked to banks to attain financial sustainability. Globally, 1.7 billion people are below the poverty line, and these people do not have physical collateral. The banks and financial institutions are wary of lending to the poor. Group lending with bank linkages is a social innovation that, through social capital, ensures access to finance to the people at the bottom of the pyramid. The extant literature is available in the domain of social capital, but how it is operationalized and the factors impacting the efficacy of the social capital to generate financial sustainability have not been explored. This study has developed a theoretical model of how social capital impacts the sustainability of group lending interventions viz—self-help group bank linkage. The study establishes that network structure and form of network ties have a profound impact on the success of this initiative.

Key Words: Social Capital, Network Structure, Network ties.

JEL Code: G21, G4

1. Introduction

This paper examines the available research in domain usage of social capital in the community or social organizations. The notion of social capital, which originated in the discipline of sociology, has gained importance in the subject of community development (Falk & Kilpatrick, 2000).

In an economy, social organizations are essentially part of informal groups and are not governed by the society's institutions (Castells & Portes, 1989). These organizations also include those involved in social activities, such as the legal and social environments. The Resource-Based View (RBV) and bricolage are the foundations of these organizations. The primary goal of most of these organizations is to achieve a competitive edge by utilizing valuable, inimitable, and rare organizational (VRIO) resources. These groups provide Solidarity, allowing the organization to participate in a democratic, participatory process.

Social capital is defined as the sum of norms, networks, social ties among the members of a community. It refers to a collection of social networks that improve a community's social well-being (Putnam, 1993). Moreover, literature bifurcates literature on social capital based on direct and indirect ties. (Baker, 1990), has defined "social capital as a resource that actors derive from the specific structures and then use to pursue interests, changes in a relationship create it."

(Bourdieu, 1986), has defined social capital as "the aggregate of the actual possession of potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition."From external ties, one definition describes social capital as a resource derived from structures. The other defines it as resources linked to relations.

As per (Coleman, 1990) "social capital is not a single entity but a variety of different entities having two characteristics in typical. They all consist of a specific aspect of social structure and facilitate the action of individuals within that structure. Social capital has been defined as ability due to membership of a group (Portes, 1998), (Brehm & Rahn, 1997). This definition highlights the internal ties of the members. (Fukuyama, 1997) defined "social capital as the existence of a specific set of informal values or norms shared among members of a group that permits cooperation among them." More researchers define social capital as a "culture of trust, voluntary means, and processes, expectations for action within a collectivity" (Inglehart, 1997), (Thomas, 1996), (Portes & Sensenbrenner, 1993).

The size of a social organization's Network also affects its social capital. In community development, social capital has been defined as the norms, Network, and trust among the community members to facilitate cooperation among members of the community &to facilitate achievement of community objectives (Coleman, 1988; Putnam, 2000). Complementary to both the views, (Nahapiet & Ghoshal, 1998) defined social capital as the sum of both the Network and the assets mobilized through the Network.

Existing literature in social capital tends to focus either on internal linkages of the community members or the external linkages between the members and the institutions. There is a lack of comprehensive study that discusses in detail how the

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social capital through the structure and relations among the actor (explored through cognitive, affective &behavioral components) impact financial outcomes of the collectives.

In behavioral finance, social capital plays a significant role in facilitating the financial inclusion of the micro poor who do not have access to finance due to a lack of physical collateral. This study aims to explore the social problem of financial exclusion due to lack of collateral at the local community level and the role of social capital at multi-level framework (network analysis, norms & regulations) in resolving the issue of financial exclusion by acting as a catalyst for nurturing commitment & cohesion among a group of borrowers.

2. Resource-Based View

One of the significant phases in the strategic management of an organization is the organizational appraisal and environmental appraisal. It comprises the strategic direction of the resources and capabilities. These resources include the availability of financial, human, and administrative resources. Effective utilization of these resources is essential to achieve competitive advantage. Resource availability and resource capabilities can be defined at individual, firm, and interfirm levels (Oliver, 1997). At the individual level, the resources refer to the norms and values of decision-makers; at the institutional level or firm level, the resource-based refers to organizational culture and politics. Entrepreneurship view comprises of three phases opportunity refinement, leveraging, and championing. Opportunity refinement includes creating awareness of opportunities, leveraging, sourcing, acquiring resources, mobilizing combined resources, and advocating. In the case of Microfinancing, the formal financial institutions are not willing to lend to the micro borrowers due to a lack of collateral. Self-help groups under the Self-help group linkage program by NABARD aim to provide access to finance for the people at the bottom of the pyramid. These organizations can access finance through loans by a formal financial institution under the Self-help group linkage program through social capital. Social capital is a unique phenomenon that helps to replace physical collateral with social collateral in a group scenario and facilitates access to finance. There is no prior research on how social capital under this self-help group linkage program works and facilitates access to finance for the poor. This study will facilitate the evaluation of operationalization of social capital mechanism under self-help group linkage program & will provide a grounded theory.

3. Objectives

The primary objective of this research study is to understand the phenomenon behind the operationalization of the strategic management of *social capital* within the boundary of the social organizations. The primary objective of this study is to develop an emergent explanatory theory and uncover the underlying phenomenon of Peer mechanism. A relevant framework is to be developed using the iterative and rigorous coding process to develop this theory. Open coding is followed by focused coding and theoretical coding. The data analysis follows data collection until the literature review achieves data saturation.

4. Research design

The research comprises rigorous literature review, data development, data collection, and analysis through the Grounded theory approach. The Grounded theory approach includes open coding, focused coding, and analytical coding, further developed in theory formulation and action.

5. Literature review

Community

Community refers to the specific geographic area with defined boundaries and comprises people with homogenous interests and activities. These organizations refer to the entity that comes together to serve the common good. (Murray G Ross, 1967) refers to the mechanism through which the community recognizes the objectives and resources of the organization (Internal/ External) and leverages these resources to achieve the goal. These community organizations referred to achieving the objectives through effective utilization of resources and shared norms and values (Sanderson and Polson, 1939). Microfinance is a challenge for the people at the bottom of the pyramid due to the lack of collateral. Collective organizations provide a substitute for the physical capital in the form of social capital and enable financial inclusion for the micro borrowers. The key to financialization is learning with the people, creating a new knowledge database, and creating institutional capacity (David Korten, 1980). Community organizations enable collaboration and empowerment (Itzhaky & York, 2002). Community organizations refer to the process through which the community's resources are diverted towards the welfare of the society (Mohd. Shakil, 2015). (Mizrahi, 2014) defines community organizations as a set of 14 principles comprising effective organization balance, planning as complex value-based, knowing the basic decision-making structure, opposition to change, making the change from inside, recordkeeping and note-taking, media are unpredictable and effective organization balances product and processes. (Sarma & Mehta, 2014) in their study, the microfinance-based (SHG Bank linkage) model emphasizes that both the bank and MFI model drive their advantage from the population's competition and homogeneity. (Desai & Joshi, 2013) in his study highlighted that exposure to the SHG Bank linkage program increased the women’s participation in group savings.

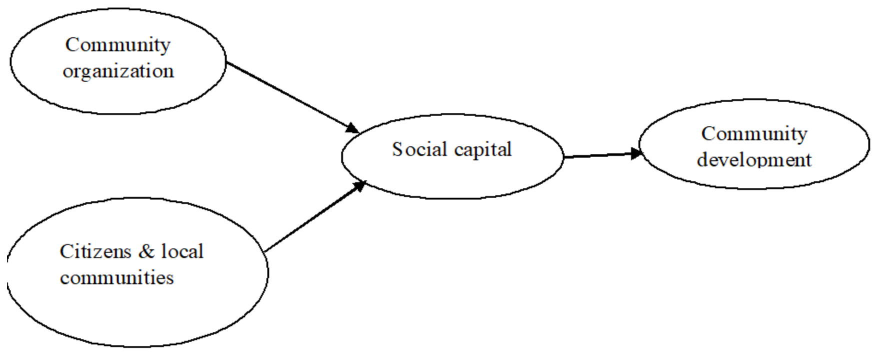

Figure 1: Impact of community organization on development through social capital

As mentioned in figure 1, Social capital builds a relationship that helps people and community-based organizations access the resources they need. Social capital is defined as a linkage that comprises of (1) Networks, (2) Trust (3) Access to resources (Schneider, 2005).

Scenario in Microfinance

Micro borrowers at the bottom of the pyramid do not have access to collateral, and hence formal financial institutions are not ready to lend them (Armendariz & Gollier, 2000). Community development initiatives or place-based activities focused on generating assets to improve the quality of life in low- and moderate-income areas ensure access to financial services to the people at the bottom of the pyramid. Cooperative ownership models, which give communities a voice, rely on community-based social capital to succeed (Schneider, 2005).

Social Capital

Social capital is defined as the aggregate of resources obtained by a person or a group by possession of an enduring network of more or less formalized ties of mutual acquaintance and recognition," writes (Bourdieu1986). The social organization aims to achieve its objective using its resources (Akingbola, 2013). Social capital refers to comradeship, collective efficacy, connectivity in Network & structural equivalence, or uniformity of nodes across structures (Moody, 2009). Through the theoretical lens of Resource-Based View (RBV), Social capital in a community setup provides members of the Network with benefit from collectively owned capital. A hierarchal network resource comprises positions, authority, rules, and agents connected to the source. Social capital refers to the investment in external relations by the members, by which they gain access to valuable contacts and information. And by investing in internal linkages, the members can exercise effective governance. As per (Olives & Kawachi, 2015), social capital includes structural and cognitive components

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(Coleman, 1998) refers to the network-based interpretation of social capital. As per the author, the social capital is located in the network structure. And situated in a network facilitated by closure and multiplex ties, it leads to the emergence of cognitive capital as norms, attitudes, trusts, sanctions. Norms, values, attitudes, and beliefs that produce and perpetuate positive interdependence of utility functions are called cognitive, social capital. Rules, processes, precedents, and networks are examples of structural social capital that help people work together for mutual benefit. Social capital comprises norms, exchange reciprocity, group membership, and social engagement. There is no consensus on the definition of social capital, and different authors have given different definitions of social capital. As per the extant literature, the colonial capital has been designed as (1) the relations an actor maintains with other actors, (2) the structure of relations among actors within a collectively, or (3) both types of linkages.

As per the relations that an actor maintains, social capital is defined as a resource that allows a focused actor to take action on behalf of another actor (Kramer et al., 2001). And thus, membership in a social network facilitates actor action through direct and indirect ties. As an outcome of relations, an actor maintains with other actors; the social capital is defined as the ability of the people to work together by informal values or shared norms (Fukuyama, 1997). Social capital has further been described as a culture of trust in which networks emerge (Inglehart, 1997). (Putnam, 1995) defined social capital as organization features such as norms, networks, and social trust that led to cooperation & coordination. Emphasizing the web of cooperative relationships, (Brehm & Rahn, 1997) define social capital as means to resolve the collective action problem. From the perspective of social structure, social capital has been described as a social structure that facilitates specific actions of individuals within the structure (Coleman, 1990). It has been defined as a resource that actors derive from specific social structures and pursue interests (Baker, 1990). From the dual perspective of relations between the actor and structure of relations, the colonial capital has been referred to as the sum of actual and potential resources embedded within and derived through a Network of relationships possessed by an individual or social structure (Nahapiet & Ghoshal, 1998). Hence to summarize, the set of resources made accessible to a group through group members' social relationships within the group's social structure, as well as in the broader formal and informal structure of the organization, is referred to as social capital (Myung hoc hung et al., 2006).

Model of Group Social capital based on the source of social capital

Extant literature defines social capital through the conceptual framework of (1) Networks, (2) Norms, (3) Beliefs, (4) Rules (5) Trust (Adler & Kwon, 2000).

(Nahapiet & Ghoshal, 1998) have defined three different dimensions of social capital (1) Structural, which is based on network ties; (2) Relational based on trusts, norms & obligations & (3) Cognitive based on shared code of language.

The study motivates structuralist ontology of social groups based on social structures. The structure is often referred to as a lattice of relations dependent on social structure. Social structure as a general category of social phenomena comprises social practices, conventions, roles, hierarchies. The extant literature refers to this as Goldilocks constraint, where social networks are dependent on social factors and are created intentionally (Ritchie, 2020). (Adler & Kwon, 2009), have highlighted three different sources of social capital, namely, (1) Network, (2) Norms & (3) Shared beliefs.

However, few researchers highlight origin of social capital as social networks. Structural analysis of this kind bifurcates the social capital into indirect & direct ties (Adler & Kwon, 2009). Within the social structure, i.e., broader formal and informal structure, the social capital resides within the configuration of the social structure conduit. Regarding the structure of the social capital and strategy formulation, the literature discusses two types of social structure (1) internal structures that give rise to Cognitive, social capital and reside in the broader network structure. The structure in this context comprises *closure or bonding* relationships that include strong ties, exchange reciprocity & valence. This form refers to the horizontal structure of linkages between the members of homogenous nature in terms of domicile, education, and employment. Closure form of relationship leads to greater cooperation, greater conformity to agreed norms, greater information sharing. Contrary to this, sparse networks with redundant ties lead to more collaboration (Burt, 1992) and structural holes.

Another state of network relations between the members through internal structures is *bridging relationships.* Bridging refers to the relationship among members of unlike groups. This is also a form of internal relations in the form of vertical & horizontal relationships. Bridging refers to the relationship in the form of weak ties that bring together groups with different social and ethnic backgrounds. (2) External structures give rise to the *Linking* relationship, which refers to the hierarchal relationship due to the difference in power. This kind of relationship exists between the community members or social organizations & the Government (Olives & Kawachi, 2015).

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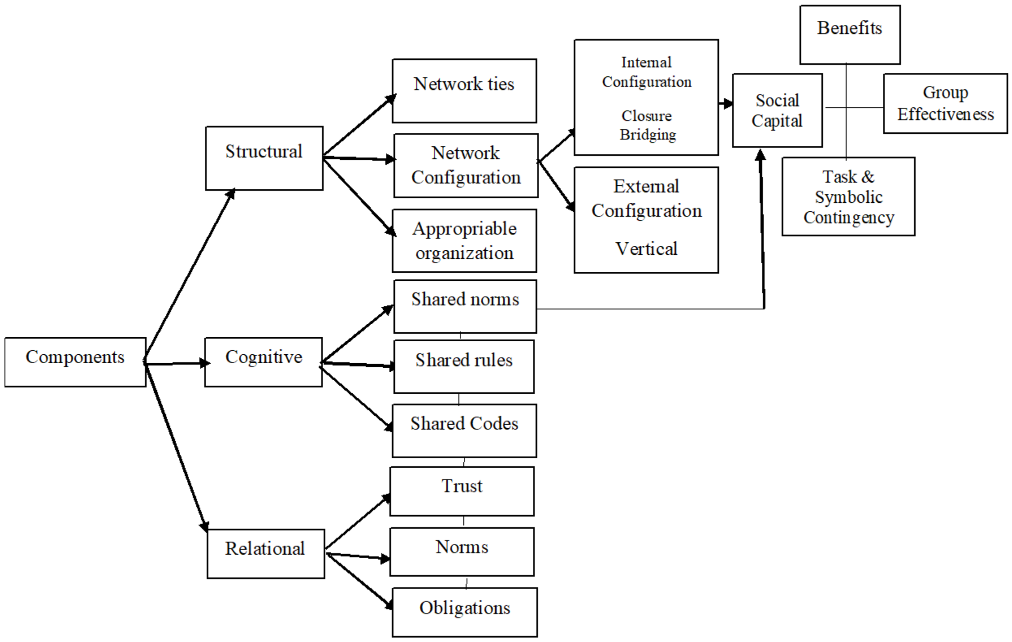

Figure 2: Model of Social Capital in context of Group lending

(Krishna & Uphoff, 1999) provides a disintegrated approach to define social capital, which comprises the cognitive and structural components. (Nahapiet & Ghoshal, 1998) model of social capital is used for analysis. According to the authors, social capital comprises three dimensions structural, relational & cognitive. The structural dimension includes network ties, network configurations, and appropriable organization (Burt, 2000). According to network theorists, the social Network impacts the social Network both through the direct ties and through the indirect links. The cognitive dimension comprises shared codes, rules & narratives and the relational size includes trust, obligations, and norms. The structural component refers to the networks in an organization, and the cognitive component refers to the shared codes (Wellman, 1988). This structural cognitive& relational component leads to social capital. Network refers to the critical source of wealth within a given social organization. Depending on the nature of network configuration, which could be external to or internal, the social capital differs (Seibert et al., 2001).

(Edwards & Foley, 1997) have highlighted the role of shared norms and beliefs, which, according to the author, determine the social capital's socio-cultural component. This socio-cultural component provides the context for the socio-cultural. (Portes, 1998) refer to the norm as generalized reciprocity among members. (Nahapiet & Ghoshal, 1998) refer to the importance of shared belief and forms of strategic management lead to social capital. Accordingly, these elements are relational and impact social capital. (Nohria & Berkley, 1994) refers to the formal institutions and rules that impact social capital.

External network configuration refers to vertical relationships between the borrower or the social organization and the external agencies. This is referred to as a *Linking* organization and involves dealings with state and government agencies. And the horizontal relationships refer to the relationships within the Network. It could be an intrafirm or closure or bonding organization. Otherwise, it could be an intrafirm or bridging organization, which involves a relationship with the distinct groups. This form of social capital leads to task contingency & symbolic contingency. The benefits generated from the social organization lead to group effectiveness. As suggested by Coleman (1998), the closure form of an organization leads to better coordination.

In contrast, the sparse Network that comprises the gaps in the Network called the structural hole (Walker et al., 1997) provides an incentive for the gatekeepers and other catalysts to provide access to resources. In the case of the open organization, any violation of norms goes unnoticed. Thus, the structural holes in a community network can be analyzed from the Resource-Based View (RBV) (Burt, 1992).

Role of relationships between the members in promoting the Social Capital

As per our study, human capital can augment the role of social capital in promoting the group's effectiveness. And we have included this component in the form of a relational element, which comprises the norms, trust, and obligation in promoting social capital and the group's effectiveness. (Coleman, 1998) argues that the human capital without the social capital is not sufficient to augment the group effectiveness. In this regard, our study corroborates the affective component's role, which comprises the emotions, attitudes, feelings, and culture in augmenting the social capital (Nebus, 1998). These are also referred to as the attitude-based factors, also referred to as community psychology. (Hughey et al. 2002) refers to this as informal, community-based attitudes comprising social support, community satisfaction, and pride. (Putnam, 1993) highlights the importance of the affective components and attitudes such as motivation on a group's effectiveness. We have included these constructs as part of the relational model.

6. Methodology

The study is aimed to analyze the implication of social capital on the achievement of objectives of microfinance through Self-help groups in the form of increased income. This study provides a conceptual framework for operationalizing social capital in a community-based lending program. No prior research has been undertaken to date to analyze the role of social capital in promoting financial inclusion in a rural community through a community lending program. Due to the exploratory nature of the problem, the Grounded theory approach has been used to collect the

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users' first-hand experiences, including the members of Self-help groups under the Self-help group linkage program to solicit their responses through a semi-structured interview. This method engages with the first-hand experiences of community lending program members. To undertake the study, the steps followed for qualitative research through grounded theory (1) Negotiating access with the respondents (2) Taking care of the principal sensitivity of other people (3) Creating data protocols (4) Data collection through semi-structured interview (5) Data analysis. Within the grounded theory approach, data analysis was done using open coding, focused coding & Theoretical coding. Open coding was done using line-by-line analysis, and focused coding was done using theoretical comparison. Grounded theory principles of constant comparison, memoing, simultaneous data collection & analysis were undertaken. Within the interpretivism paradigm, constructivist epistemology was used. This epistemology was because, in community development, the reality is socially constructed (Charmaz, 2006). Using the inductive approach, to study the phenomenon of community lending, a rigorous data analysis process of coding to generate categories from the open codes generated through line-to-line analysis was undertaken (Draucker etal., 2007). As per the grounded theory approach, the emergent theory emerged empirically from the data. Constant comparison was made with the existing literature to consider the theoretical sensitivity. (Charmaz 2014) approach was used to generate the Axial codes after generating the open codes. Unlike the Glasserian model, the emphasis of the study was on doing research operating the prior codified research question and conducting analysis to identify the phenomenon with a focus on verification (Strauss & Corbin, 1990).

7. Data & Analysis

Employing Theoretical Sampling

Before initiating the research, the authors predefined the sampling criteria as semi-structured interviews of the artisans pursuing handicrafts. The sampling was done based on the specific purpose of the study to develop an emergent theory in the domain of the impact of social capital on the financial outcomes in a group lending program. The participants were selected for an interview (Sandelowski, 1995). The study is grounded in group lending under the Self-help group linkage program to the artisans in the handicraft sector. These artisans are generally micro borrowers who do not have access to financial collateral. The study views financial inability and lack of collateral as an inefficiency that plagues the micro borrowing sector. In this regard, the Self-help group linkage scheme by NABARD aims to provide capital or bank loan to these micro borrowers based on social collateral. Most of the artisans in India today are organized as a Self-help group, and it is possible to either observe them or interview them to collect data. This was done to maximize the probability of collecting the data.

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However, as the research study progressed, an iterative sampling process referred to as "Theoretical sampling" was used. The data was collected, coded, and analyzed simultaneously. The codes were generated from the raw data from the start of data collection through constant comparison as data arrived. Then the codes generated were used for directing the further data collection. Newly generated codes were developed further to create new categories linked to the earlier type (Glaser, 1987). In the initial interview, the category of "Solidarity" generated was used to collect further data to clarify what Solidarity is and how it fits the underlying phenomenon of credit generation using social collateral. This guided us to interview the Directors and Heads of NGOs (Non-Government Organizations) working as SHPI (Self help Promoting Institute). To delimit the irrelevant data, theoretical sampling was instrumental and was stopped once the categories were saturated.

Open Codes

As per (Charmaz, 2006) Open coding is the first phase of theoretical coding within the grounded theory. These codes are the first order codes and are first-hand collected from the data. The codes generated were used to create the focused codes and create categories. The data was collected using line-by-line analysis, historical documents, and semi-structured interviews (Saldania, 2013). In the initial phase of the qualitative study, document analysis was undertaken. For analysis, the documents used for research include published articles, newspapers, and press releases, to name a few. As per (Charmaz 2006), the study of the articles published and the transcripts generated from the interview was carried out for Grounded theory. In the initial phase, the categories were developed to facilitate the development of open codes. The codes were further broken down into categories (Gibson & Hartman, 2013). Through induction, continuously, the codes were generated and assigned to the emerging concepts& categories (Lowe, 1996).

Open coding was done using the following questions:

(1) What are people doing?
(2) What are people saying?
(3) What actions are people taking for granted?
(4) What common problems are people encountering?

Sample transcripts from Interview

"Our members are aligned to households and are not part of any organization. Our members are extremely versatile in Madhu Bani painting, a traditional art form. It is a heritage art and is passed on from generation to generation. My mother, grandmother, and great-grandmother pursued this art form, and we have become proficient in this. Ajeevika has pushed this, and our group deposits Rs 10 per member per month, and then we became eligible for a loan. And our women members are very

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proactive. In our group, the CM or the Chief (Kosh Adhyaksh) maintains the books of accounts".

"We classify the members who approach joining the group based on the vocation. Some people are interested in block printing; some are interested in Dye painting. Then we help them open their bank accounts. Then we provide them the passbooks, accounts book, and meeting book. Every month the members have to submit the savings amount and update it to the bank. These members get loans to provide loans from the bank without any collateral. The bank manager provides the loan based on an application to the group members. There is also a subsidy provided to the members of the group. At the formation stage, the members are grouped based on the like-mindedness of the members. The group members make regular payments and maintain the books of accounts. There is a tally application for updating the loan amount. Members of the group monitor each other. Every month there is a meeting for the discussion around financial transactions. They monitor each other, and NRLM also monitors these groups. In handicraft and textile sector, the small groups are monitored".

"We do Sikki handicraft work. We are from Madhu Bani village, and we train the members on Sikki art. We have also made internal governance rules such as commission agent rate for manufacturers, gifts and donations, bonuses. This is discussed regularly in the meeting of the group. It is only through cooperation and counseling in a group scenario that the group leader motivates and pressurizes the members to repay".

Focused coding

After the generation of 5 to 7 open codes in the next phase, more data was collected using theoretical sampling. To maintain theoretical sensitivity, the scholarly literature was referred to refine the criterion for data collection and explain how the focused codes emerged from the categories generated (Charmaz, 2006). From the analysis of literature& the data in the first phase, the following focused codes were generated:

In the initial level of data collection, the interviews are conducted with the handicraft artisans working as a self-help group linkage program. From the data analysis, it became apparent that the codes generated were dispersed around three main categories – **Information** dissemination in a group, **Influence** in a group, and **Solidarity** in a group.

<u>*Focused Code 1: Cognitive component of social capital*</u>

The literature analysis highlighted that the cognitive component of social capital lies in the content and structure. In terms of content, social capital refers to norms and

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values. And the system refers to the social structure, networks and market, hierarchal, relational, and social relations.

Table 1: Excerpts from the transcript – Generation of open codes & categories

Transcript	***Network***	***Category***
All groups are linked to the SHG Federations. The interest rate of group is decided by the group and approved by the leader	Shared Norms	Solidarity
--- by the 15th of the month the book keeping is completed for the group	Shared Norms	Information
If the member is unable to repay the bank loan, then other members are responsible to make the payment to bank on behalf of the member	Closure structure or bonding social capital	Solidarity
Members discuss their problems and financial matters with each other	Shared beliefs	Solidarity Influence
The members are all in the same profession, and through monitoring, it is ensured that they do not misuse the funds	Closed structure, shared norms	Influence Information
If the members need a loan, we all pool together and permit loan sanctions to the needy person	Closed structure	Solidarity
4 SHGs are joined in the form of the SHG Federation	Bridging structure	Solidarity

Memos were generated by conducting data generation and analysis simultaneously. These memos were used for data analysis.

For the generation of the Focused codes, the open codes were analyzed and summarized in the title of a story. The central question raised for data collection was:

(1) What are the significant drivers of the basic social process of lending through social capital?

The scholarly literature was referred to refine the category and data collection criteria. In the analysis of the data given, it was found that the phenomenon of social capital or credit generation through social collateral lies with the social structure of shared liability groups, shared norms, and values

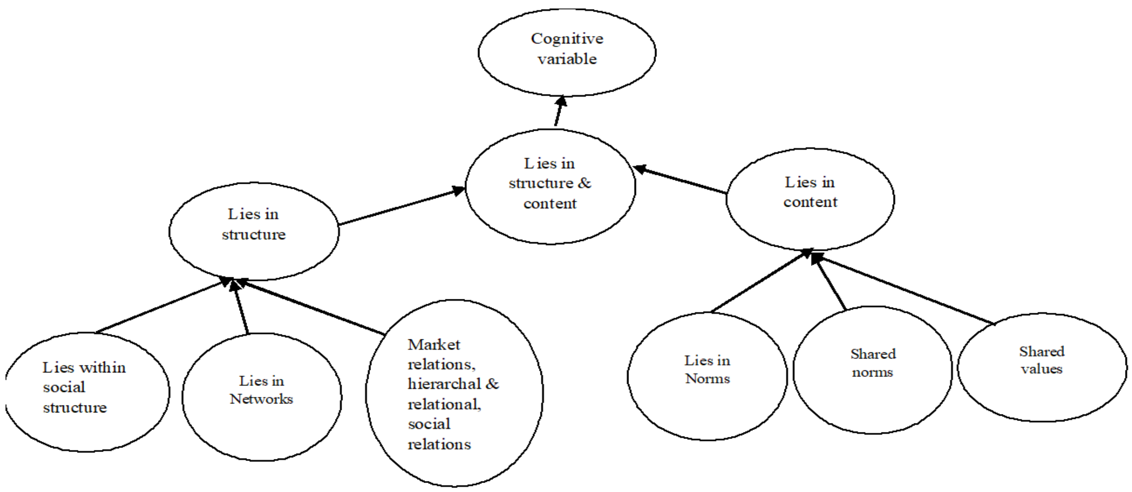

Figure 3: Focused Codes for Cognitive component of Social Capital

In figure 3, it is mentioned that the social capital is operationalized through the shared norms, values, network ties, social structure & market, hierarchy & social relations.

Focused Code 2: Affective component of Social Capital

The analysis of the transcripts generated and the literature analyzed highlighted that the social capital in a group lending intervention like a Self-help group linkage program can be attributed to the culture, self-efficacy, trust, ability, feelings, shared feelings, social ties, motivation, reciprocity, and beliefs, which can be classified under the head solidarity, information, and Influence. This was further refined as an *Affective component* of the social capital

Table 2: Excerpts from the interview

Excerpts	Codes	Network	Category
In our group, literate member controls the members, and every month they conduct the meetings and provide information about financial savings and loan. The members maintain a register of savings and loans.	"Ability"	Closure or Bonding	Information Influence Solidarity
Members take a loan for social causes, and this helps them increase the self-efficacy	"Self-efficacy"	Closure or Bonding	Influence
Members are confident that if loan is taken, it will be paid off.	"Trust"	Closure or Bonding	Solidarity
Bank also has a very positive attitude towards our self-help groups, which has enabled us to get a loan of additional Rs 8 Lakhs.	"Reciprocity"	Linking	Influence Information
Artisans have traveled all over the world. This provides them so much happiness, and they feel so glad that their work is so good that we try to figure out whether they are willing to learn	"Feelings"	Closure or Bonding	Influence
Generally, members are from the same village	"Social Ties"	Closure or Bonding	Solidarity Information

Further, the open codes were analyzed and summarized in the focused code. The affective component of the social capital was the focused code generated from data analysis.

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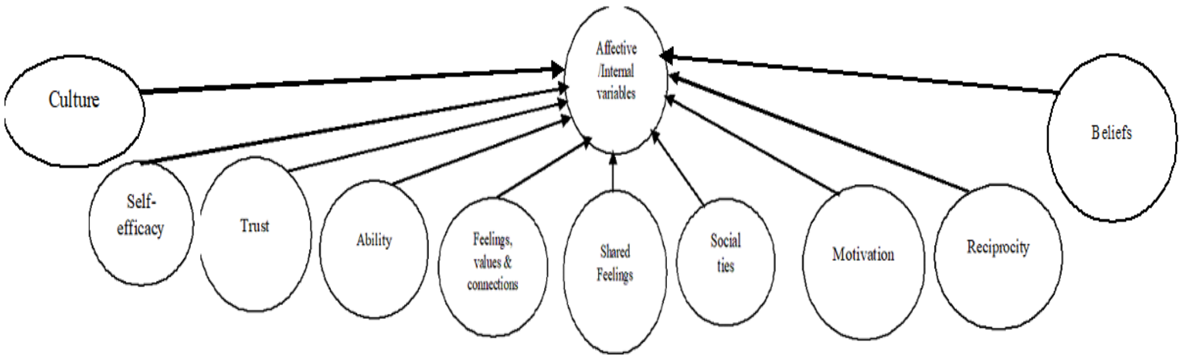

Figure 4: Focused code for Affective component of Social Capital

Focused Code 3: Bonding Network

The analysis of the transcripts generated and the literature highlighted that the financial structure of the self-help group is characterized by within-group lending, intragroup lending, a close form of Network, horizontal form of structure, and integration.

Table 3: Excerpts from the interview

Excerpt from interview	Codes	*Category*
Profit earned from the profession is equally distributed to all the members.	*Within*	Solidarity
Group lending has far-reaching social impacts, including a better standard of living and better income.	*Intra loaning*	Solidarity
---- Common vocation, and since all women make bedsheets on a common khadi and handloom, the members can better peer monitor each other.	*Homogenous*	Solidarity
The members can peer monitor each other	*Inward looking*	Influence

If the members need a loan, we all pool together and permit loan sanctions to the needy person	*Intra loaning*	Influence
Community development consists of place-based initiatives aimed at asset creation to improve quality of life in low to moderate-income neighborhoods	*Public good*	Influence
All members are from a common vocation, and since all women make bedsheets on a common khadi and handloom, the members can better peer monitor each other.	*Homogeneity*	Influence Information

Further, the open codes were analyzed and summarized in the focused code. The data analysis provided available codes in the form of inter loans and intra loans. Regarding intra loans, the codes generated were mainly homogenous, exclusive, within, horizontal, and depict the closure structure. All the codes relating to the bonding capital were clubbed together in bonding capital.

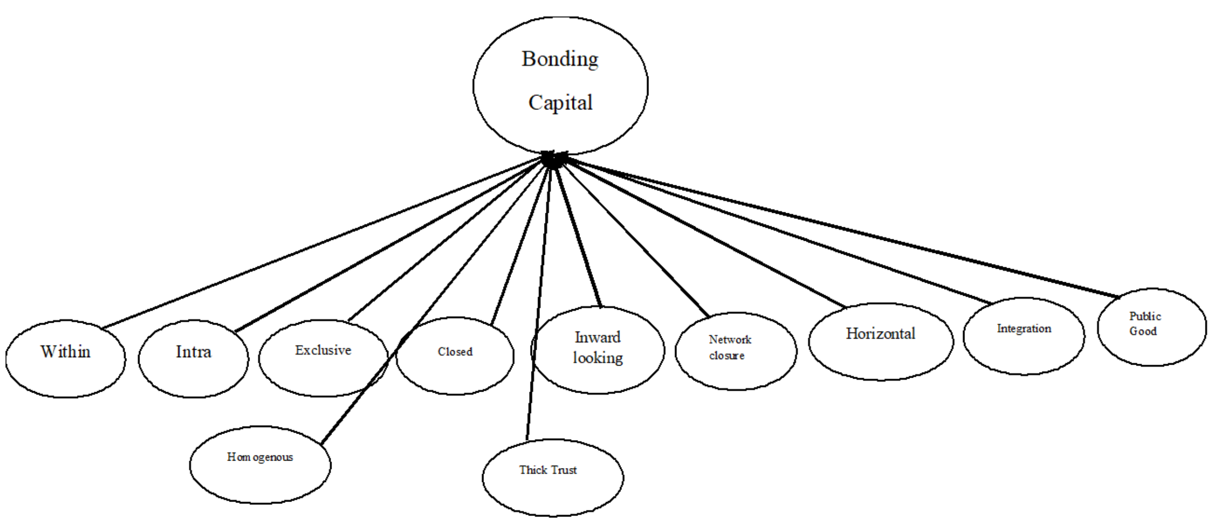

Figure 5: Focused codes for bonding Network

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Theoretical Coding

With further data collection and analysis progress, the categories and concepts were generated and broadened. In the due process, several open codes were developed along with the classes. Initially, the codes were dispersed with no clear trend emerging. In order to categorize, focus was kept on the most prevalent of the categories. 3 major categories were generated – *Solidarity, Information & Influence.* Even after the first stage of categorization the categories were allowed to develop further and theoretical memoing was used extensively to generate the codes.

Table 4: Emergence of Open codes and tentative categories

Solidarity	Information	Influence
Shared norms	Social Ties	Shared belief
Closure structure	Like-minded	Shared norms
Shared belief	Common ground	Self-efficacy
Bridging structure	Group meetings	Reciprocity
Homogenous	Group record keeping	Intra loaning
Within	Sharing information	Peer Counsel
Intra loaning	Homogeneity of profession	Leadership
Trust	Network information	Peer pressure
Social Ties	Peer knowledge	Peer control

Table 4 enumerates the main categories, i.e., Solidarity, Information, and Influence, and defines the main open codes generated in the process. Categories mentioned above include.

(1) Solidarity: This code comprises codes that relate to how individual members in a group react, participate and justify their feeling or action in terms of unity or agreement towards the achievement of common interest, mutual support within the group. It provided the foundation for understanding how the perceived collective efficacy motivated them to justify their actions in the mutual support of the group.

Verbatim of participant statement	***Context/Subject***
"Though members do not generally default, if the members default, then the entire group which stays nearby counsels the member."	Problem-solving
"The members are from the same profession, and they are homogenous and united. This helps them to achieve goals if they work on the same task. For example, let's say they have to make a saree; they are aware of raw material required."	Group decision making

"Terracotta pottery is our ancestral job. Since joining the group, the big officials have started coming, and our group is near Khajuraho, and foreigners have also been coming to Khajuraho. The members in the same group help each other. If some member is making the Ganesh Ji chair or Ganesh Ji statue, then the woman making the craft is guided and helped by other members."	Peer support
"Meetings are conducted even at a higher frequency to make the women self-reliant. Generally, members are from the same village, but we give coaching to members from the different villages. We all work together. It makes me feel good, and they also feel good and can pass the time. We also make eco-friendly Ganesh Ji. We get the mitti in March, and then we make the eco-friendly Ganesh Ji, and then we establish it in September."	Reaction to group work

(2) Information – In a group, the members are homogenous, and they know each other. Due to this homogeneity, they have more information about each other. This information is not available to the banks. Due to this reason, the banks cannot provide finance to poor people. The group helps reduce information asymmetry and ensures access to microfinance to the poor people at the bottom of the pyramid.

Verbatim of participant statement	***Context/Subject***
"The members can monitor each other, as these SHGs are located in the area-specific clusters. Each unit has responsibility for the utilization of loans and also providing loans for the setting up of the showrooms. These showrooms take responsibility for the payment of loans."	Peer Monitoring
"Groups is an excellent structure and earlier we use to take a loan from the Money lender who charges extremely high-interest rate. This helps to increase the interactions among the members. In each meeting, member is apprised of the savings and loan."	Communication & Information sharing
"In our group literate member controls the members and every month they conduct the meetings and provide information about financial savings and loan."	Information sharing
"Members discuss their problems and financial matters with each other"	Problem-solving

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(3) Influence: In a group, the members exercise their common beliefs and predispositions to perform their roles in the context of a group duly. Peer mechanism is the key to influence as the members can peer monitor each other.

Verbatim of participant statement	***Context/Subject***
"The entire society monitors and builds pressure."	Influence & Peer Monitoring
"Group lending has far reached social impacts including the better standard of living, better income."	Social welfare
"Peer monitoring is one of the major factors for the group's success."	Peer Monitoring (Information Sharing)
"For choosing the candidate or members, we call them to home and counsel them to become self-reliant by savings."	Peer counsel & Peer support

After open coding, constant comparison, and transcribing the memos, the phenomenon started emerging from the data. (Parry, 1998) describes that eventually, the basic process started appearing. In this study, the core phenomenon emerged as the factors impacting the Value of social capital in the context of the Self-help group in India.

10. Theoretical Coding

The iterative process of theoretical coding uses the 5 C approach of condition, cause, context, contingency, and category. While selectively coding for the core category of social capital, the cognitive, affective, and types of structure/capital categories were clubbed in the form of horizontal and vertical relationships. Horizontal relationship refers to the Cognitive, Affective, and Structural relationships of all kinds between members of the group. Vertical relationship refers to the relationship between the external agencies and catalysts and intermediaries such as banks and borrowing members of the group. Iterative analysis of the data revealed that

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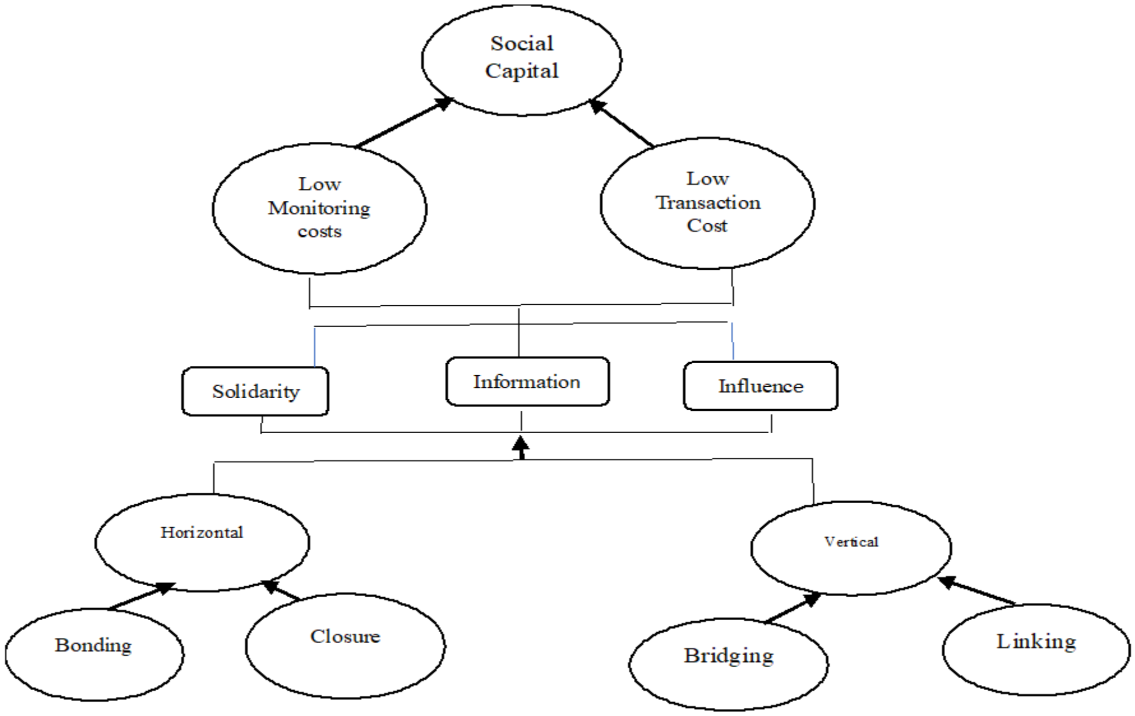

Figure 9: Judging the impact of network type structure on Value of social capital – Structural Model

This section aims to construct a complete theoretical framework to explain what, how, and why network ties and network mechanisms impact the financial efficiency of the group lending mechanism. Social capital was generated as a core category through the rigorous coding tool." The prior literature review was done to broaden the emergent theory's scope and build theoretical sensitivity in the study. The theory is provided as a model, containing the basic premises that control the model's operation. The literature is not unanimous about the impact of the Peer mechanism, which is considered a socially constructed set of opinions generated by the collaborative effort of the community members. Peer mechanism is an intangible that comprises peer selection, Peer monitoring, and Peer enforcement. The memos mentioned below show how the Peer mechanism impacts the outcomes of a group using social capital.

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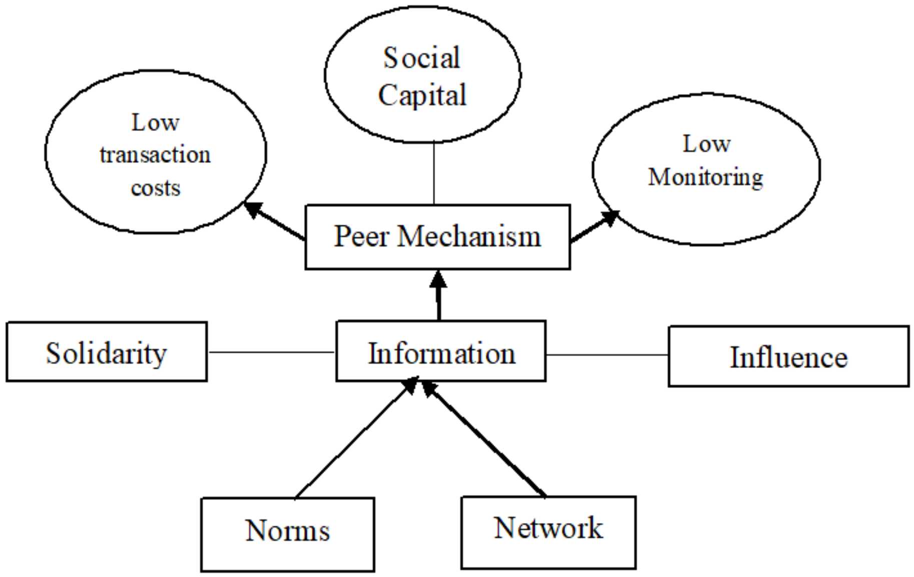

Figure 10: Emerging Theoretical Concepts – Relational Model (a)

As per the emerging model, the Norms can be taken as a proxy for the Cognitive components, and the Network can be taken as the proxy for the Structural component. Cognitive and Structural components lead to better Solidarity, information, and Influence in the group. The peer mechanism further propagates the impact of Solidarity, information, and Influence. Peer mechanism leads to lower transaction costs and lower monitoring costs. The presence of social capital, which is the aggregate of norms, Network, information, and peer mechanism, reduces the cost of monitoring and transaction costs for the organization. Peer mechanism comprises peer selection, monitoring, and sanction and enforcement. Banks and formal financial institutions are unwilling to lend to the poor due to the lack of collateral. Peer mechanism replaces the physical collateral with social collateral, reducing the information asymmetry and making financing to the group lending institutions viable.

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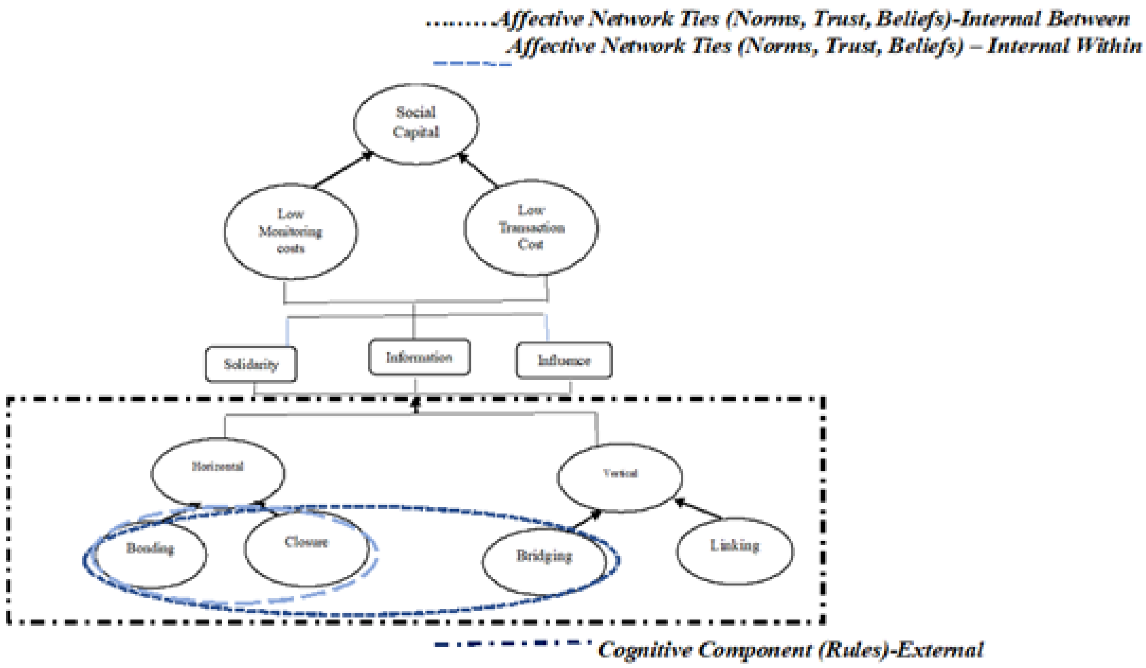

Figure 11: Emerging Theoretical Concept – Relational Model (b)

From the rigorous analysis of the data, the emerging theory propounds that the social capital lies in the Network and Network ties or relations at the individual or group level. A relational model that highlights the importance of network ties could be Cognitive or Affective and Internal, or External. The group's network structure can be horizontal or vertical, depending on the level of affinity between the members of the group. In a closure or bonding form of Network that refers to the Self-help group, the network ties can be formal or informal. Affective ties refer to the norms, beliefs, feelings, and dispositions, which are informal ties. Cognitive ties refer to the shared norms, exchange reciprocity, and collective efficacy. These can be formal and informal. In the bridging form of network structure, which refers to the federation or clustering, the ties are cognitive, external, and within the group. These group lending entities are part of a linking network and share a vertical relationship with banks, Government, and regulatory bodies. Rules which are formal and institutionalized by the formal institutions like banks and the Government and impact all forms of network structure

11. Conclusion

This study provides a detailed analysis of how the network ties and network structure impact the financial outcomes in an organization. As per the study, the network analysis was done to identify the structure of the organization structure. As per the study, the data establishes that various forms of structures depending on shared norms and Networks impact social capital and the financial outcomes of the social organization through social means. Besides, multiple factors such as Solidarity, Influence, and information impact the financial outcomes of the social organization. Despite the emergence of the relationship between the structure in the form of norms & networks, which impacts the group's financial development, the group is unclear. From the further analysis of the codes generated in the process, it becomes clear that social capital improves the financial outcome by lowering the transaction cost and monitoring the cost of the group. Peer mechanism plays a vital role in operationalizing the social capital through Peer monitoring, selection, and enforcement.

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