

Reviews

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Performance Management: A Handbook for Small Business Banks and Microfinance Institutions

Prinny Anderson

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How should a small business bank (SBB) or microfinance institution (MFI) execute its strategy for growth or for improved productivity, quality, efficiency or service? Numerous publications describe SBB and MFI business models and lending techniques. Other studies assess the results achieved by lending programmes. However, to this reviewer's knowledge, few publications explain how SBBs and MFIs can build their human capital (also known as 'talent management systems') to achieve their business goals.

Performance Management shows how every major activity of the human resources (HR) department can be – and should be – directly linked to the business's strategic goals. According to Prinny Anderson, this organic linkage between HR function and business goals is 'performance management', a holistic balance of 'thoughtful strategic perspective with excellent operational execution'. This book is a practical guide with immediately useful direction for managers. When she's not writing books, Anderson works with SBBs and MFIs in Africa and South Asia to strengthen their HR systems, and so her advice naturally blends both theory and practice. She persuasively shows that a high-performing HR system entails far more than keeping track of payroll records and dismissing the occasional malcontent. This book presents a complete vision for an HR performance management system, perhaps the most often overlooked operational imperative for any organization, regardless of industry.

Anderson's excellent handbook distils the kind of advice that expensive consultants and trainers typically deliver over days or weeks. This how-to guide covers the major elements of performance management – getting the right people in the right jobs at the right time; on-boarding and coaching; sustaining, evaluating, and then building

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on performance; and finally advancement and managing performance problems. The book provides operational guidelines, processes, tips, examples, templates, and even scripts for managers. The section on how and when to coach employees should be reviewed by every manager. Examples of Anderson's practical direction include: a job analysis form to customize job descriptions; sample interview questions; a sample motivation survey to hone in on how to reward individual employees; how to conduct performance reviews; different levels of succession planning depending on the maturity of the organization; and categories of performance problems.

To appreciate Anderson's special contribution, a reader should intensively absorb *Performance Management* in the time of one long plane flight. She convincingly links organizational strategy to talent management. Her comprehensive vision shows how the various parts of performance management inter-lock and reinforce each other. Anderson explains why high-performing organizations and their CEOs should build workforce diversity and the advancement of women into their performance management systems.

Anderson shows that she's more than a knowledgeable management theorist. *Performance Management* aspires to be an on-the-shelf handbook. For an SBB or MFI manager, this makes the reader appreciate the value of re-reading the individual chapters as management issues arise in an organization. The book recognizes that start-up organizations may use more simplified methods than organizations a few years old or those that have reached stability and full maturity. The book provides user-friendly charts that show which performance systems should be in place from the beginning, and which can be added or refined over time. The charts that break down common management problems and suggest possible remedies are one of the book's strengths. Anderson's remedial steps are more specific and action-oriented than many business school guides.

In two of this reviewer's favourite chapters, Anderson connects the theory of performance management with the kinds of issues SBBs and MFIs confront regularly. Regrettably, Anderson inserted these chapters at the end of the book, and many readers may overlook their value. 'Maintaining the strategic position of performance management' analyses these common SBB or MFI business issues and shows how solving them implies predictable HR challenges: how many branches will be established over what period of time? Will new products be introduced serially or as a bundle? What measures of efficiency will be tracked? When a manager squarely answers these questions, she will be led straightaway to a performance management issue. Anderson then shows how to construct a business case that presents the benefits of a proposed initiative and the potential negative consequences. This chapter organically blends performance management theory with the needs of SBBs and MFIs, and it deserves to be the book's first chapter rather than its last. Here's hoping that Anderson publishes more of these organic blends and that she highlights them more prominently in future publications.

Similarly, 'Tracking success – is the performance management system working?' prescribes performance management activities for common business issues: what to do when staff turnover increases or when competing to hire and retain employees against higher salaries? How should an SBB or MFI respond when nobody is prepared

to step into higher management or leadership positions? This is the kind of action-oriented advice that can break through common restraints to the growth of SBBs and MFIs.

Where could the book do more? Although the chapters include examples of HR practices drawn from SBBs and MFIs, they are much too brief to illuminate the subject matter. Of course, examples are always difficult in this kind of text. Too much detail can distract from the theme, but these examples are so brief that this reviewer stopped reading them after several chapters.

Prinny Anderson wrote this book with the encouragement of the Small Business Banking Network because so many SBB and MFI managers face talent management issues. Closing the gap between strategy and execution challenges every organization. For SBB and MFI executive leadership and managers of business units, *Performance Management* recapitulates advice you may have heard over the course of your career, but it packs a punch when distilled in one book and presented so cogently as a business imperative.

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The Microfinance Impact

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Self-help groups (SHGs) in India were started with the twin objectives of poverty reduction and women's empowerment. When SHGs were first piloted in India from 1982 to 1991, they were an effort of the banking sector and NGOs to pilot and adapt the Grameen Bank model in India. Over time, the development banking initiatives of the Indian banking sector proved that SHG-bank linkage (SHG-BL) stood the test of a market approach just as well as private microfinance organizations. This enabled the unprecedented growth of SHG-BL not only as subsidized development finance, but unsubsidized credit extended by the banking sector to SHGs as well.

Since 1991, when the Reserve Bank of India (RBI) recognized SHGs as clients of banks, and since 2001, when the Government of India (GOI) decided to channel all its integrated rural development programmes through SHGs, SHG-BLs have grown in all states of the country. In some states, they have formed the foundation of livelihoods development programmes initiated by GOI and donors, such as DFID and World Bank-supported projects in Andhra Pradesh, West Bengal, Karnataka, Gujarat, Madhya Pradesh, Odisha, and Rajasthan, among others. Other donors (such as GIZ and the Swiss Agency for Development Cooperation) invested at the national level to support NABARD, Regional Rural Banks and other banks to expand and improve the quality of the SHG-BL programme. Even as the programme expanded, it came under severe criticism for the lack of performance of the subsidized programme, as well as the attitudes of bankers, which constrained credit supply through groups. The unmet credit demand has been partially met by the growth of microfinance institutions (MFIs), which are established by NGOs converting to non-banking finance companies (NBFCs), or formation of new NBFCs. The phenomenal growth

of NBFCs in India has led to both the models growing together, and competing with one another in some states (e.g. Andhra Pradesh) while being complementary in most other states. Over the past decade, different types of partnership have evolved between banks and MFIs, and banks have increased their financing through MFIs more than they have through SHG-BLs (Premchander et al., 2009).

It is in this context that Swain's book needs to be viewed. *The Microfinance Impact* studies the impact of SHG-BL on the reduction of poverty and vulnerability, increase in assets and income, enhancement of human capital (training impact), and increase in empowerment.

The impact study covers three models of credit delivery to SHGs: when banks form the groups and extend loans to them; when NGOs form the groups and banks lend to them directly; and when NGOs form the groups, banks lend to NGOs who then on-lend the money to the SHGs. The study does not differentiate between subsidized and unsubsidized loans.

The findings are based on a non-experimental quantitative survey of about 1,000 households spread over 10 districts of five states: Odisha, Andhra Pradesh, Tamil Nadu, Uttar Pradesh, and Maharashtra. The data was collected for 2003, and recall data was collected for the year 2000. This was supplemented by 20 focus group discussions.

An experimental design was considered inappropriate in the case of self-help groups, where impacts of a development intervention are to be evaluated. To mirror the comparison group, the study adopts a pipeline approach, whereby two control groups are used. The first consists of SHG members who have not yet received loans, who have to wait for six months to get a loan; they offer the construction of a counterfactual. The second comparison group are those who have not received loans and are not members. Propensity score matching was used to identify the comparison groups. Another set of checks was applied by comparing differences across old and new groups, and relatively better off villages as compared with poorer villages, and those with or without developed infrastructure.

Vulnerability reduction is increased ability to cope with shocks and reduced proneness to food insecurity. Poverty reduction is seen through increased incomes and consumption and building assets.

The results show that SHG members are not more or less vulnerable than non-members; however, more mature groups (over one year old) show lower vulnerability, which may derive from their increased savings, credit linkages, and increased average food expenditures per person in member households. The types of linkage where banks both form and finance the groups are found to be most effective in reducing vulnerability. The study shows that longer membership duration in SHGs positively impacts asset creation, arising from increased savings and livestock accumulation.

Women's empowerment can be measured at many levels: individual, household, organization (SHG/NGO), community, and policy levels. In this study, it is measured at individual and household levels, through behavioural changes within the household (e.g. women's actions if they were verbally/emotionally, psychologically or physically abused within their family); and participation in the political space

(e.g. awareness of reservations for women in local village *panchayats*, voting, and running in elections). The results show a clear difference in the empowerment of women who are SHG members, compared with non-members, which is attributed to better access to loans, enabling women to generate higher incomes and the consequent increase of power within the household. Training to members also gives them improved skills and power. Regular group meetings and mutual sharing reduces the isolation of women, and brings women closer to government officials, NGOs, and bank officers.

The types of training considered are those relating to group dynamics and skills training, and business training. The study finds that the distance from main roads and access to paved roads, as well as who delivers the training, affects training impact. The results show that when banks form and finance groups, they may tend to disintegrate more quickly, but where NGOs are involved in group formation and training, both SHG longevity and income are positively affected. In addition, it is not the length of training but its quality and diversity that creates an impact. Further, training organized by government does not show any impact. Trainings organized in villages close to paved roads show greater economic impact, presumably due to better access to markets.

The book endorses the positive impacts of the SHG-BL model, and reiterates the benefits of a long duration of SHG membership and a microfinance-plus approach that includes enterprise training to households and support for organization building of SHGs. The study concludes that if women's empowerment is prioritized, efforts are needed to create awareness among women, education, training, and investment in social intermediation.

The book does not, however, differentiate between an NGO and an MFI. It places them at the same level. The ontological positions of the two types of organization are different: NGOs are facilitators and engaged in organization building for women's economic and social empowerment; and MFIs are primarily engaged in financial intermediation for organizational profits, with empowerment being at best a secondary agenda. Over the past decade, these differences have become quite stark, and in missing out on this differentiation, the study places the facilitation and the financial intermediation at the same level, although in reality they have significantly different impact potential.

Overall, the book is a contribution to understanding which impacts may ensue from which delivery models. It shows that when groups are formed by NGOs and financed by banks they have the maximum economic and empowering effect. The methodological rigour is commendable and has been refined in subsequent works of the author; the data set to which it is applied is collected in 2003 (including recall data for the year 2000).

In the period from 2003 to 2013, the field of microfinance has seen a paradigm change. NGOs have moved to becoming MFIs, not only across the world but also in India. Donor funding has moved from sustainability of low-income households to making sustainable credit supply organizations (Premchander et al., 2009), and women's empowerment is not prioritized. In such a context, this research is a refreshing addition, especially because it offers not anecdotal evidence, but evidence from

quantitative research for both the economic and social empowerment-augmenting impact of SHG-BL.

The SHG-BL model is now expected to form a facilitating vehicle in the official drive for financial inclusion, which will enable SHGs not just to save and take credit, but also act as banking correspondents, and help women link to a range of financial services. The inclusion agenda is inherently weaker than the empowerment agenda, yet, widespread inclusion may awaken the collective agency of women and enable empowerment of an unprecedented nature, especially if accompanied by financial literacy. The findings of the book are highly relevant in this context: training and capacity building can empower, and NGOs can build capacities better than banks and government. Lessons from a decade ago, being told afresh: are the team members of National Rural Livelihoods Mission listening?

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