

Impact of Self-Help Groups on Local Issues

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Assessing the influence of the collective action undertaken by the SHGs created by PRADAN, without the intervention of local governments, the study recognizes the role SHGs play in providing a platform that allows socially disadvantaged women to meet regularly and discuss their problems

I. INTRODUCTION

Self-Help Groups (SHGs) are the most common form of microfinance in India. The primary aim is to encourage the poor to pool their savings to create a common fund and give small loans to one another. This helps them to save regularly and lend money to members at nominal rates of interest. When these SHGs become well-established, they can open savings accounts in commercial banks and can apply for loans.

In several regions of rural India, women are relatively disadvantaged. They are restricted in their physical mobility, their public role is minimal and access to information is limited. In such a context, SHGs provide a platform that allows women to meet regularly and discuss the problems they face in their daily lives. We provide evidence that the SHG members have undertaken collective action to solve these problems. These actions include manual interventions, campaigns in the village or visits to a government officer to seek solutions. In this article, we evaluate the impact of these actions on the issues that the local authorities deal with.

To perform our analysis, we focused on the lowest official authority in rural India, the *gram panchayat*, which is divided into several wards. Each of these wards elects a representative, known as a ward member (WM), who then becomes the official spokesperson of his ward. His main responsibility is to communicate about the problems and needs of the ward to officers, who have the financial means and power to solve those issues. A WM is the only official, with the duties described above. There are unofficial bodies, however, which visit the functionaries on their own initiative, to lobby for interventions. We found there were three different types of such bodies: SHGs, individuals and other groups of villagers that meet regularly for non-financial reasons. We labelled this residual category as Other Groups.

The main focus of this article is to assess the influence of the collective action undertaken by SHGs. The SHGs that we analyzed were all created by Professional Assistance for Development Action (PRADAN), with no intervention of the local government. The SHG programme aims at providing financial intermediation and does not have an explicit socio-political agenda. (In contrast, the Grameen Bank in Bangladesh has a clear social development agenda. Members are required to obey *16 Decisions*, which have a clear social connotation. For example, Decision 7 states: "We shall educate our children and ensure that they can earn to pay for their education.") The SHGs are different from the Other Groups, 24.5 per cent of which were created with the direct intervention of the local government.

Our data shows that SHGs mainly focused on issues related to excessive alcohol consumption, and school and forest problems whereas WMs focused on the major responsibilities of the *gram panchayat*, namely, village infrastructure and welfare schemes. There is evidence that the problems the WMs took care of were influenced by the activities of the SHGs. When SHGs undertook collective action, the WMs were more likely to deal with the problems that were closer to the preferences of women. Indeed, we found that WMs dealt with, on an average, one extra type of issue after the SHGs began undertaking action. In particular, they were on an average 28 per cent more likely to deal with alcohol issues, 25 per cent more with forest issues and 23 per cent more with school problems.

The article is organized as follows. Section II describes our data-set, the village organization and the collective action undertaken.

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Section III shows the empirical results. Section IV discusses the effectiveness of the action undertaken by SHGs, followed by the conclusions in Section V.

II. BACKGROUND

Data-set

PRADAN assisted in the data collection. In 2006, Baland, Somanathan and Vandewalle surveyed all the PRADAN SHGs created in the Mayurbhanj and Keonjhar districts of Odisha (irrespective of whether the groups were still actively meeting or not). They collected information from 532 SHGs and 8,589 women who, at some point, belonged to these groups

In the autumn of 2010, we complemented this data-set in two ways. First, we revisited those SHGs to gather information on the collective action that they had undertaken. Second, we conducted an elaborate survey in the village to collect data on the activities of WMs. PRADAN began working in Odisha in 1998 but the information that we needed dated back to the period before the creation of the first SHG. We, therefore, interviewed WMs elected in 1992, 1997, 2002 and 2007. (Elections take place every five years. WMs can be re-elected.) We also recorded the activities of Other Groups and individuals.

We gathered information about 425 SHGs, 462 WMs, 94 Other Groups, 132 individuals who had visited an officer to request intervention and 844 individuals who had never visited one. We covered 112 villages and 147 wards. (We were not able to survey 72 SHGs and the villages in which they were located again because of the social tensions over a private mining firm. Moreover, 35 groups that no longer meet were not willing to sit with the research team.)

Village structure

In rural India, the lowest official authority is the *gram panchayat*. It is composed of five to 15 contiguous villages. The 73rd Amendment Act 1992 of the Constitution of India empowers the State Legislature "to endow the *panchayats* with the power and authority necessary to prepare the plans and implement the schemes for economic development and social justice." The main responsibilities of the *gram panchayat* are managing the local infrastructure and identifying villagers, who are entitled to welfare schemes

Each *gram panchayat* is divided into wards and is governed by a *sarpanch*, a *naib-sarpanch* and several WMs. One WM is elected from each ward. WMs have the right to access the records of the *gram panchayat*, to question any officer about the administration and to

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inspect the action undertaken by the *gram panchayat*. They inform the government officers in charge, who have the financial means and power, to deal with the problems and needs of wards. Besides the *sarpanch*, higher authorities at the block or district level can be approached. Because the *gram panchayat* is mainly responsible for managing the village infrastructure and welfare schemes, these issues are the main responsibility of the WMs too.

Although SHGs are created for financial intermediation, there is evidence that the members participated in the collective action to solve problems concerning their ward. They undertook action as a group: at the moment of the first action, of the average 15 members, 11 were actively involved. The WMs are usually aware of these actions. (The first action usually concerns village infrastructure—33.6



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per cent, forest issues—26.1 per cent and alcohol problems—21.9 per cent). This means that this is just an overview of the FIRST topic dealt with by all the SHGs that undertook an action: 33.6% of them dealt with village infrastructure.

Other Groups comprise villagers who meet on an average once a month, for a specific, non-financial reason. These are mainly *forest committees* (69.2 per cent), some of which (35.4 per cent) are created by officers of the forest department. (As most villages are located close to the forest, households depend on the forests as a source of income, for example, an important source of income is making leaf plates. The increasing population has put a strain on the forest resources. To prevent excessive deforestation, the villagers formed voluntary forest committees. Later, the forest department began supporting these committees and also created new ones. They provided training, and supplied and introduced new ways of sustainable exploitation of the forest.

Other Groups were formed for village help (26.6 per cent), cultural activities (3.2 per cent) and farming issues (1.0 per cent). Ninety per cent of those that do not gather for forest issues are created by neighbours. The remaining 10 per cent were founded by an NGO. More than half the wards (55.8 per cent) have at least one Other Group.

We label as Individuals, the villagers who visited an officer on their own personal initiative. They did not join any group but dealt with the issues that they were interested in, on their own. Although we might not have

been able to identify all Individuals, we believe we interviewed an important subset of them. Our main motivation to survey Individuals was to be able to tell them apart from the villagers who joined either an SHG or an Other Group.

Table 1 shows the characteristics of WMs, SHG members, Other Group members and Individuals, who have dealt with ward problems at least once (columns 1 to 5). The members of Other Groups differ from the SHG members in several respects: they are mainly men, are more educated and own about one acre more of land than others. SHG members differ from the WMs and Individuals: the latter are better educated and own more land. In fact, 31 per cent of the WMs are women. This is close to what is expected, based on the reservation of seats imposed by law. (One-third of the seats must be reserved for women.) The reservation of seats is allotted by rotation to different wards. Strangely, women rarely visit the officers by themselves (only 2.3 per cent).

Columns 6 to 9 show the characteristics of the bodies that have never dealt with ward problems. We also found that the SHG members were slightly less educated whereas the profile of Other Group members was not very different from each other. To gather information about Individuals, we interviewed a random selection of people, who belonged neither to an SHG nor to an Other Group and who did not deal with ward problems individually. Female Individuals were slightly more educated and owned more land than SHG members. We found that the opposite was true for male Individuals: they were less educated and owned less land than the Other Group members and Individuals, who dealt with ward problems.

Table 1: Characteristics of WMs, SHG members, Other Group members and Individuals

	Bodies that Dealt with Ward Problems					Bodies that Never Dealt with Ward Problems			
	WMs		SHGs	Other	Indi- viduals	SHGs	Other	Individuals	
	Female	Male		Groups			Groups	Female	Male
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
# of groups	N.A.	N.A.	388	91	N.A.	37	3	N.A.	N.A.
# of members	143	319	6,299	734	132	567	23	79	765
Woman (%)			100.0	13.4	2.3	100.0	17.4		
Average education level (years)	5.8	7.3	2.6	7.6	9.0	1.4	7.2	3.3	4.8
Can read and write (%)	75.0	88.5	30.5	83.0	96.2	16.4	87.0	36.7	57.9
Land (acres)	2.2	2.5	1.7	2.6	3.3	1.7	2.6	2.6	1.8
No. of children	2.7	2.9	2.6	2.6	2.8	2.9	2.1	1.9	2.6
Age (years)	40.0	46.8	35.5	41.0	47.7	35.4	34.8	37.0	42.4
Caste category: ST (%)	65.7	75.3	62.9	67.3	64.4	82.5	56.5	77.2	66.7
Caste category: SC (%)	14.3	4.5	9.3	4.3	4.5	1.4	17.4	1.3	6.5
Caste category: OBC (%)	20.0	19.6	26.5	27.9	28.8	15.5	26.1	21.5	26.7
Caste category: FC (%)	0.0	0.6	1.3	0.5	2.3	0.6	0.0	0.0	0.1

Collective action

We asked WMs, SHGs and Other Groups to list the kind of problems they faced. We also asked them whether they had discussed the problems within the groups and whether they had visited an officer to seek solutions or intervened directly in any way. Direct interventions can be attempts to solve the problem (for instance, repairing a well) or organizing campaigns in the village (for example, against alcohol production).

Table 2 shows the percentage of WMs, SHGs and Other Groups that tried to solve a problem

by visiting an officer at least once for each of the issues (Columns 1, 3 and 5, respectively). Columns 2, 4 and 6 give the percentage of the WMs, SHGs and Other Groups that tried to solve a problem by *either* visiting an officer *or* by intervening directly. The data shows that WMs and Other Groups did not intervene directly in the village, except for issues related to the forests. If they did become involved in solving a problem, they did so by visiting the officer in charge. The SHGs on the other hand, intervened directly for several issues. The most important ones were for alcohol and forest problems.

Table 2: Public-good Activities of the WMs, SHGs and Other Groups

	WMs		SHGs		Other Groups	
	% Visit	% Visit or	% Visit	% Visit or	% Visit	% Visit or
	Officer	Intervene	Officer	Intervene	Officer	Intervene
Village infrastructure	79.0	79.9	43.3	53.7	31.9	36.2
Welfare schemes	64.5	64.5	23.1	25.9	0.0	2.1
Alcohol problems	12.3	13.0	33.7	59.8	6.4	7.5
School problems	12.1	12.3	9.9	16.5	4.3	6.4
Dowry and child marriage	0.0	0.0	1.7	2.8	0.0	1.1
Forest issues	33.1	33.1	35.3	55.1	69.2	74.5
Other	4.8	4.8	3.5	3.5	7.5	9.6
Average number of different issues (conditional on at least one)	2.2	2.2	1.8	2.3	1.3	1.4
Number of observations	462	462	425	425	94	94

As expected, WMs were found to be the most important actors to deal with village infrastructure and welfare schemes—the main responsibilities of the *gram panchayat*. Other Groups were mainly interested in forest-related issues. They, typically, had a very specific focus because the average Other Groups rarely dealt with more than one issue. The majority of the SHGs also dealt with problems related to village infrastructure and forests, and many of them spent time on welfare schemes. But they were less likely to deal with those issues than WMs and Other Groups.

SHGs were found to be the most important actors for alcohol issues and school problems. The focus on alcohol issues was in line with the findings of a sizeable amount of literature on the topic. Literature shows three main facts. First, households realize that alcohol consumption reduces the budget available for primary expenses. Alcohol ranks among the first item that poor families would like to eliminate from

their consumption bundle. Second, in India, men are 9.7 times more likely than women to regularly consume alcohol. Regular use of alcohol and tobacco in India and its association with age, gender, and poverty. Finally, it was found that there is strong evidence that alcoholism triggers violence against women. The risk of wife abuse increased significantly with alcohol consumption.

Domestic violence was highly prevalent in Eastern India, including Odisha. Studies Showed that Alcohol consumption is an important risk factor in the physical, psychological and sexual violence against women. Some of the representatives of the SHGs visited officers to request the suspension of alcohol licenses. Others intervened directly by organizing anti-alcohol campaigns or by trying to dissuade households from producing alcohol. This is quite interesting because anecdotal evidence suggests that women consider alcohol consumption as a 'right' of men. Therefore,

they rarely undertake legal action, even in cases of domestic violence or abuse. Indeed, we did not find any woman, who had undertaken an action alone.

School problems were mainly related to the non-provision of free mid-day meals, sanitation and the quality of the teachers. Women's interest in these issues was in line with the common finding that they generally spend more time and resources on children's welfare.

Furthermore, in our survey, we found that SHGs were responsible for providing mid-day meals at schools in 22.3 per cent of the villages. Although SHGs were less likely to deal with forest issues than Other Groups, their interest in problems related to forests was not surprising because the livelihoods of many households depend on thriving forests. Moreover, 29.7 per cent of the SHGs received training from PRADAN to improve their forest-based sources of income. Finally, some groups focused on problems related to dowry and child marriage. (Dowry problems and child marriage are not common among scheduled tribes (STs) and scheduled castes (SCs), the main caste categories in the area where we conducted our survey. Therefore, the number of SHGs that focused on these issues was limited and we do not consider these in the remainder of the article.)

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As mentioned here in the introduction, the main focus article is on SHGs. The groups that we analyzed were all created by PRADAN. To start the SHG programme, PRADAN first selected administrative blocks that had high levels of rural poverty. In Odisha, there was no involvement of the government in this decision; there was also no evidence that the government had ever opposed the creation of the SHGs. Furthermore, the SHG programme had no explicit socio-political agenda. Therefore, it is reasonable to assume that the creation of SHGs was not influenced by the elected WMs.

This is not necessarily the case for Other Groups because an important subset of them was created with government interventions and for socio-political reasons. For completeness, we checked whether the inclusion of Other Groups, in the empirical analysis, changed the results.

Table 3 shows the percentage of WMs, who dealt with public issues. It was important, in our analysis, to assess the timing of a WM's mandate as compared to the creation and evolution of SHGs. Thus, we first classified WMs on whether their mandate had finished before the first SHG was created in the ward (Column 1) or after (Column 2). These simple descriptive statistics document a sharp increase in most of the problems.

Table 3: Public Issue Activities of WMs, Before and After the Start of SHGs

	Per Cent of WMs Dealing with the Issue in their Wards			
	Before the First SHG was Created	Once SHGs are Present		
		All	Before the SHGs Undertook Action	After the SHGs Undertook Action
	(1)	(2)	(3)	(4)
Village infrastructure	72.1	82.9***	77.9	84.9***
Welfare schemes	36.4	75.4***	62.1***	80.7***
Alcohol problems	2.3	17.1***	2.1	23.1***
School problems	5.4	15.0***	2.1	20.2***
Forest issues	21.7	37.5***	17.9	45.4***
Other	3.1	5.4	4.2	5.9
Average number of different issues (conditional on at least one)	1.7	2.4***	1.8	2.6***

This preliminary analysis can be slightly refined by taking into account the fact that SHGs do not undertake collective action from the very beginning of their existence. SHGs were created for financial intermediation and not for public good activities, and for this reason, on an average, they undertook their first collective action after about three years of weekly meetings. Thus, if the activities of WMs were influenced by the collective action of SHGs, we might observe a change only when SHGs started showing an interest. In other words, the mere creation of an SHG might not matter. For this reason, we further split the time -1 frame into after the creation of SHGs. We reported the percentage of WMs, who dealt with a problem depending on whether their mandate finished after the creation of the first SHG but before the SHG undertook collective action in his ward (column 3) or after the first SHG did so (column 4). For most issues, we observed an increase after the creation of the first SHG in the ward but the main increase occurred after an SHG first undertook an action.

Notice that the activity of WMs before SHGs were created was very different across issues. Whereas about 72 per cent of them took care of village infrastructure, only 2.3 per cent became involved in alcohol issues, and 5.3 per cent in school problems. This is interesting because SHG members reported that these issues were relevant in almost all the wards (See Table 4 for exact figures). This means that, in a number of cases, despite the existence of a problem, the WM did not intervene to provide a solution. There are two possible explanations for this. First, WMs may not have been aware of the problem or of the importance thereof for some of the villagers. Second, WMs, despite being aware of the issue, may have deliberately decided not to address it. The latter explanation becomes relevant when wards are composed of heterogeneous agents, differently affected by a particular issue. In this case, there can be a disagreement amongst the villagers about the importance or even the existence of a problem. More important, solving a problem could create a negative impact on a part of the

population. When this happens, the WM, thinking of the costs and benefits for his voters, could decide deliberately not to take up an issue.

Given the context that we were analyzing, we believed that both the explanations were reasonable. In particular, the fact that the activities of SHGs seemed to be related to the increase in the provision of neglected public good suggests that the differences in preferences between women and men may be playing a central role. Moreover, women, in Odisha have limited participation in political life. Female WMs are elected mainly because of reservation. Furthermore, their profile is different from an average SHG member: they are better educated and own more land (see Table 1). So, some of the problems that the SHG members are interested in may be omitted from the political agenda.

PRADAN has also provided training to improve forest-based sources income of households. The process of sensitization creates new interests for women. Through their collective action, SHGs may be disseminating the messages learned to the community to which they belong.

III. EMPIRICAL STRATEGY AND RESULTS

In this section, we analyze whether SHGs have influenced the problems that WMs have dealt with and whether WMs begin dealing with issues preferred by SHGs.

Our survey asked each WM, elected over the past 20 years, to recall the public issues that they visited an officer for or on behalf of which

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they intervened. The survey also recorded the characteristics of all these WMs. To assess when exactly SHGs began undertaking collective action, we asked them the names of the WM, during whose mandate they did so for the first time. The data provide information about four WMs for each of the wards.

To explore the impact of SHGs, we used the variations in the period in which SHGs were created and became active. SHGs were largely created

between 1997 and 2007, and became active between 2002 and 2010. We compared the activities undertaken by WMs operating before an SHG was created to those operating afterwards. For those operating afterwards, we further distinguished between WMs whose mandate finished before SHGs started undertaking collective action and WMs whose mandate finished after the first SHG did so. We had to take into account the fact that WMs might have dealt with different issues for reasons other than the creation or activity of SHGs. Therefore, our regressions included other variables. First, we took into account the fact that the wards might differ from one another (some wards run very well, others lack important public issues). To do so, we included a 'ward-fixed effect'. Second, we controlled the WMs characteristics: we included her/his education level, land ownership, number of children, age, caste category (ST, SC, OBC or FC) and gender. Finally, we included the year in which the WM was elected (elected in 1997, 2002 or 2007). These details were included to ensure that the influence of the SHGs does not pick up election-year effects, for example, the quality of WMs might increase for a period of time.

We first examined whether the SHGs influenced the different problems that WMs dealt with. From the data collected and analyzed, we concluded that WMs, who operated in wards where SHGs had undertaken collective action, dealt with almost double the number of issues than WMs, who operated in wards where the SHGs had not yet been created. In absolute terms, this implies that WMs dealt with about one extra topic once SHGs became active. The creation of SHGs itself did not influence the activities of WMs, that is, we see a change in the number of issues that WMs dealt with only after SHGs began to undertake collective action. We also found in our study, that male WMs dealt with fewer issues than female WMs.

Finally, we examined whether a WM began dealing with public issues preferred by SHGs. The analysis of the data shows that once SHGs began to undertake collective action, WMs were 28 per cent more likely to deal with alcohol problems, 23 per cent with school problems and 25 per cent with forest issues. Thus, the estimates confirmed that WMs started dealing with public issues preferred by SHGs. These include issues that either have a negative impact on the other villagers or the ones that a WM was not aware of. Alcohol production and consumption is the best example of an issue on which men and women disagree. Although welfare schemes are one of the main responsibilities of WMs, we observed that male WMs were less likely to take care of alcohol issues, school problems and welfare schemes and they were more likely to deal with village infrastructure. (We also ran the regressions taking into account that, apart from SHGs, Other Groups were created in a subset of wards. Thus far, we did not focus on

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those groups. However, because we did not want SHGs to pick up the potential influence of those Other Groups, we tested whether our results still held when we did take them into account. We conclude that the results are strikingly similar.)

IV. PUBLIC ISSUE PROVISION

A caveat of our empirical results is that we can focus on the *type* of public issues only and not on the quality and the intensity of the work done by the WM. Knowing how often each problem appeared, how often the WM tried to solve it and how successful she was would allow us to measure the impact of SHGs more precisely. Unfortunately, it was difficult to get such precise information. Nonetheless, we asked SHGs how effective their collective actions were, that is, whether they had obtained what they had requested or, at least, received the promise that a solution would be provided. The answers to these questions are summarized in column 1 of Table 4. SHGs received a positive response in 85 to 90 per cent of the wards where they undertook collective action. Most likely, we overestimated the success of SHGs because there may have been a selection issue. SHGs undertook action only if they believed they would be successful. We tried to correct for selection in the columns 2 and 3. For each of the issues, we asked SHG members if they had faced a problem related to it even once. In column 2, we give the percentage of success over all the wards where the problem appeared, independent of whether an SHG undertook action or not. Hence, we assume that SHGs that did not undertake action were not successful. Finally, in column 3, we assume that the problems appeared in all the wards.

Table 4: Success of Collective Action Undertaken by SHGs

	Success in Wards where SHGs Undertook Collective Action		Success where the Problem Appeared		Success Over All Wards	
	(1)		(2)		(3)	
	Ward	Success	Ward	Success	Ward	Success
	(#)	(%)	(#)	(%)	(#)	(%)
Village infrastructure	98	88.2 (23.8)	144	43.6 (39.0)	147	37.8 (35.9)
Welfare schemes	63	88.4 (25.8)	120	37.8 (43.3)	147	22.0 (32.3)
Alcohol problems	71	90.9 (21.1)	127	36.9 (39.9)	147	30.4 (38.5)
School problems	38	85.1 (25.0)	105	19.5 (31.4)	147	8.9 (20.4)
Forest issues	77	91.5 (18.4)	130	39.9 (40.1)	147	31.0 (36.2)

Although Column 2 may underestimate the impact of SHGs, the figures are still remarkably high. The results suggest that having undertaken action for alcohol issues led to a solution in one-third of the wards. Therefore, despite some obvious limitations, we believe that our data allows us to give reliable evidence about the positive impact of collective action by socially disadvantaged women.

V. CONCLUSION

We examined the impact of collective action undertaken by SHGs on a variety of problems with which WMs dealt. First, we found that WMs took care of a larger variety of ward issues when SHGs undertook collective action. Second, WMs started dealing with the issues preferred by SHGs. These included issues that either exerted a negative externality on other

villagers or whose importance the WMs were not aware of. In particular, WMs were more likely to deal with alcohol, forest and school problems once the SHGs began to exert their influence. With respect to issues that exert a negative externality on other villagers, the most controversial and, therefore, the best example is probably alcohol.

We, therefore, conclude that an important non-financial benefit of microfinance is that it provides a platform that allows socially disadvantaged women to meet regularly and discuss their problems. When they undertake collective action to solve these problems, they are recognized by the local authorities. Problems then are closer to the needs of women that seem to find their way into the political agenda.

This article is based on our academic paper 'Public Good Provision in Indian Rural Areas: the Returns to Collective Action by Microfinance Groups'.