A neoliberalisation of civil society? Self-help groups and the labouring class poor in rural South India

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This paper notes the prominence of self-help groups (SHGs) within current anti-poverty policy in India, and analyses the impacts of government- and NGO-backed SHGs in rural North Karnataka. It argues that self-help groups represent a partial neoliberalisation of civil society in that they address poverty through low-cost methods that do not challenge the existing distribution of power and resources between the dominant class and the labouring class poor. It finds that intra-group savings and loans and external loans/subsidies can provide marginal economic and political gains for members of the dominant class and those members of the labouring classes whose insecure employment patterns currently provide above poverty line consumption levels, but provide neither material nor political gains for the labouring class poor. Target-oriented SHG catalysts are inattentive to how the social relations of production reproduce poverty and tend to overlook class relations and socio-economic and political differentiation within and outside of groups, which are subject to interference by dominant class local politicians and landowners.

Keywords: poverty; self help groups; civil society; Karnataka; India

In October 2006, India’s leading English-language daily The Hindu heralded it as the ‘fastest growing movement in the world’, with 400 women joining every hour (The Hindu 2006, 2). The same newspaper stated that there were over thirty-one million members of nearly three million women’s self-help groups (SHGs) across India. Loans totalling $2.5 billion had been distributed,1 allegedly benefiting 50 percent of the country’s poor (ibid). Formed by NGOs and anganwadi workers (government-supported village-level women and child development workers), and sponsored by state and national governments and international agencies, SHGs have become an integral part of policy prescriptions for tackling poverty.

SHGs are prominent within the Government of India’s Report of the Eleventh Plan Working Group on Poverty Elimination Programmes (hereafter – Planning Commission Working Group). The Planning Commission Working Group assumes that SHGs, unlike local government institutions (LGIs), are insulated from societal politics, and from the machinations of party politics (Planning Commission 2006, 44). Moreover, whereas it regarded the hitherto ‘top-down’ approach to reducing poverty as having benefited the ‘upper layers of the poor’, it implied that SHGs and

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1Based on a conversion rate of 40 rupees to one dollar, as are all subsequent figures.
other community-based organisations (CBOs), along with NGOs (non-governmental organisations) and LGIs, would be able to reach the ‘hardcore poor’ through a growing role in the planning and implementation of poverty reduction efforts (p. 49).

Of the three types of organisation, the Planning Commission Working Group prioritises SHGs, which are groups of up to 20 people (usually all women) engaged in thrift and credit activities and ‘willing to come together for addressing common problems’ (UNDP 2005, 290). The Planning Commission Working Group sees SHGs as ‘enabling the poor to manage . . . the schemes [intended] for their own welfare and development’ (Planning Commission 2006, 19). SHGs are expected to improve the delivery of key anti-poverty schemes and assist in providing a platform for rural industrialisation (primarily through providing credit for micro-enterprise) (p. 45). These roles are expected to be strengthened by stronger organisational synergies between SHGs, local government institutions, and NGOs. Although mention is made of pro-poor growth and increasing social sector expenditure in key areas, SHGs are arguably the centrepiece of the Planning Commission Working Group report and are seen as the key organisations to evaluate and monitor poverty and prompt its reduction.

The 20 policy recommendations produced by a recent Steering Committee Report from the Development Policy Division of the Government of India’s Planning Commission focus on improving the management of savings and credit (Planning Commission 2007) – a position that is reproduced in key local government institutions in the paper’s fieldwork district of Dharwad. The government’s position, in part, reflects the policy priorities of the post-Washington Consensus, which include support for the proliferation of CSOs – largely CBOs and NGOs – and local government institutions. The World Bank argues that this will give ‘voice’ to the poor; promote public sector transparency and accountability; encourage public-private cooperation and participatory approaches; generate social capital at the community level; and help to rein in the influence and reach of central state institutions – a priority of the neoliberal policy agenda (World Bank 2007).

Support for SHGs amongst international development agencies is widespread. The UNDP (2005, 289–90) describes SHGs as having ‘emerged worldwide as the single most significant economic development strategy for women’, which can be seen as an effective means of alleviating poverty, galvanising human development, and promoting social empowerment via beneficiary driven grassroots participatory implementation processes. The World Bank (2006, xviii), meanwhile, has argued that the ‘Self-Help Group (SHG) movement’ has shown that with ‘efforts at mobilisation and empowerment even the poorest women can manage their own resources well and benefit from economic opportunities. The expansion of micro-credit is an important tactic in an overall strategy for rural growth’. In sum, SHGs are widely seen as advancing the goals of economic development and poverty reduction by thickening civil society, strengthening the poor’s stocks of social capital, engendering development, and complementing decentralised good governance with empowering participatory processes.

A growing body of literature implicitly and explicitly flags the post-Washington consensus’ (PWC) failure to be sufficiently attentive to the economic and political relations that characterise and contextualise sites of intervention and the more general shift towards LGIs and CSOs as key agents of governance (Harriss 2001, Webster and Engberg-Pedersen 2002, Chandhoke 2003, Harriss-White 2003, Harriss et al. 2004, Corbridge et al. 2005, Khan 2005). The PWC’s approach to civil society has been
critiqued for depoliticising development by eschewing analysis of the distribution of power and resources (political economy) for a theory where differentiated economic development is explained through varying densities of inherently capable civic associations (Harriss 2001); and as contributing to a ‘hegemonic social science that systematically obscures power, class and politics’ (Harriss 2001, 2). It is argued that the PWC’s support for participation is, in part, intended to reduce public spending through ‘low-cost association-strengthening local initiatives’ (Lemann 1996 cited in Harriss 2001, 45) and outsourcing certain government activities to NGOs. Rather than prioritising increased social sector spending or more direct attempts to redistribute resources between social classes, the PWC preferred the expansion of self-help initiatives by the poor that offered a low cost but highly visible response to poverty.

In effect it is being argued that the PWC is neoliberalising civil society by (1) encouraging self-help initiatives by community-based organisations that reduce the involvement of government agencies in development and anti-poverty programmes; and (2) adopting a consensual liberal model of civil society as an open space where all can participate, which accentuates the ‘community’ as a basis for organisation and obscures the class-based differences/conflicts within, thereby reproducing the status quo and foreclosing the possibility of a redistribution of power and resources between social classes. Given its multitude of forms, from class-based social movements to depoliticised community-based organisations, civil society’s neoliberalisation could only ever be partial. This paper limits itself to assessing whether SHGs can be characterised as depoliticised civil society organisations that complement neoliberal policy frameworks by obscuring class relations.

Civil society is understood here as a site of class relations between and amongst dominant and labouring social classes, which are distinguished from one another in terms of labour exploitation and surplus accumulation (Patnaik 1976, Thorner 1982, Athreya et al. 1987). The latter marks the point at which a household is upwardly or downwardly mobile, and in the fieldwork area involves the generation of a surplus sufficient to facilitate investment in productive assets (such as land, borewells, and machinery) and high value crops. The former concerns whether a household is a net buyer or seller of labour-power, and marks the position of a household in relation to the extraction of surplus value. Net sellers of labour without an investable surplus belong to the labouring classes. Net buyers of labour with an investable surplus are part of the dominant social classes. More recent contributions have updated such characterisations of class to reflect the growing interactions between rural populations, urban economies, and political institutions (Epstein et al. 1998, Lerche 1999). Agricultural labourers have been re-cast as rural labourers (Lerche 1999), whilst the attainment of formal sector employment, higher education qualifications, and positions in local elected bodies have become increasingly important to dominant class accumulation strategies (Epstein et al. 1998, Jeffery and Lerche 2000, Jeffery et al. 2005).

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5See Elliot (2003) for a discussion of the Lockean and Toquvillean antecedents of this liberal view of civil society.

6There is no space here to engage with the vast literature on civil society in India, which includes studies on social movements by (Shah 2002), subaltern studies (Guha 1983), and critiques of civil society (Chatterjee 2004). Significantly, Harriss (2007) argues that civil society organisations in urban India are dominated by the middle class and relatively distanced from the everyday concerns of the urban poor.

4The term is based on Bernstein’s (2008) term ‘classes of labour’ (see below).
The traditional categories of landless labourers and marginal peasants increasingly fail to encompass the complex mix of casual agricultural and urban labour and marginal cultivation that characterise India’s rural poor. Bernstein’s notion of ‘classes of labour’ offers a way out of the quagmire. ‘Classes of labour’ are those who ‘have to pursue their reproduction through insecure and oppressive – and typically increasingly scarce – wage employment and/or a range of likewise precarious small-scale and insecure “informal sector” (“survival”) activity including farming; in effect various and complex combinations of employment and self-employment’ (Bernstein 2008, 18).

The social relations of production, which reflect the balance of political power between classes, ultimately determine the size of the surplus extracted from labour, but extend far beyond actual production relations to encompass a wider set of power equations. The latter primarily arise from and coalesce around the distribution of the means of production and are most easily discernible in labour and credit relations, but reverberate through state and non-state organisations including NGOs and self-help groups. The social relations of production, in other words, are institutionally mediated. SHGs in turn are not discrete from the social relations of production between dominant and labouring classes either internally or in their relations with the village as a whole.

**SHGs and the microfinance literature**

SHGs and poverty reduction, then, are seen here in the context of the social relations of production. Before elaborating on methods and fieldwork findings, it is first necessary to locate the discussion in the wider context of the sizeable literature on microfinance. The scope of microfinance activities in India is far from unprecedented when seen in a global context. Indeed India has been slower to take up microfinance programmes on a large scale than a number of other countries. Microfinance has been an important aspect of development policy since the 1980s and involved tens of millions of people in over 100 countries in the 2000s (Arun and Hulme 2009, 1), with countries like Bangladesh, Indonesia, Bolivia, Peru, and Thailand having led the way.

Many of the numerous studies on microfinance argue that it tends to increase incomes, reduce vulnerability, and diversify sources of income in recipient households – these include a seven-country study spanning Asia, Latin America, and sub-Saharan Africa (Hulme and Mosley 1996) and broad reviews of evidence from different countries (Morduch and Haley 2001) and from single countries (Zaman 2004, Develtere and Huybrechts 2005). A second line of argument that is prominent in the literature problematises microfinance’s impacts on women. Whilst some argue that microfinance has increased women’s earning capacity and contributed to their empowerment (Hashemi et al. 1996, Kabeer 2001), others have questioned the economic and intrahousehold impacts on women. Goetz and Sen Gupta (1996) found that the majority of finance channelled to women in their sample ended up being controlled by men, whilst Holvoet (2005, 76, 97) has argued that female control of

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5From the 1970s to the 1990s, India put greater emphasis on lending directly mostly to individual males through government schemes such as the Integrated Rural Development Programme (IDRP). Critiques of the IRDP are common. See, for example, Lieten and Srivastava (1999).
household decision-making is unlikely to be enhanced by microfinance in the absence of additional measures such as concerted attempts to raise awareness.

Similar arguments about microfinance’s impacts on income and gender relations have been made in relation to self-help groups in India. Guerin and Palier (2005, 345) argue that microfinance alone does not empower women, whilst Garikapati (2008, 2621–29) supports the view that SHGs have diversified livelihoods and reduced vulnerability to shocks, but argues that they have failed to empower women (p. 2633). Hasalkar et al. (2005) produce a less problematic view of microfinance’s success in south India, whilst others have pinpointed political, economic, and social factors impinging on outcomes such as state-level politics (Mooij 2002, 41), the developmental capacity of the local state (Kalpana 2005, 5407), the institutional frameworks used for delivery (Holvoet 2005), the provision of complementary public programmes (Satish 2005, 1738, Nirantar 2007), and whether NGO sponsors see SHG formation as a business venture or as a means of mobilising the poor to act collectively (Kalpana 2005, 5405). In addition concerns have been raised about the dominance of SHGs by the better-off and better-educated (Anand 2002), about their capacity to deliver sustained economic gains (Mooij 2002, 44), and about their tendency to serve a ‘disproportionate number of relatively better-off households’ (Garikapati 2008, 2623).

This raises a third argument that is prominent in the wider literature on microfinance: the tendency for the ‘poorest of the poor’ not to benefit, or to benefit markedly less than better-off groups (Arun et al., 7–16, Coleman 2006, Edward and Olsen 2006, Hulme and Arun 2009, Matin and Hulme 2009, Mosley and Hulme 2009). The poorest of the poor may even experience negative impacts from microfinance interventions (CIDA 1997, 4, 11, Mosley and Hulme 2009, 70). According to Mosley and Hulme (1998), this is because the poor are more prone to asset sales, more likely to use loans for consumption purposes, and worse placed to make productive investments. Montgomery and Weiss (2005, 6) attribute the same phenomenon in both Asia and Latin America to ‘risk aversion’, the unaffordability of interest rates, and exclusion by ‘peers’ on the grounds of credit unworthiness. Similar arguments point to SHG leaders, possibly under pressure from NGOs or banks for prompt repayment of loans, preventing the poorest from receiving credit or expelling them from groups (Kalpana 2005, 5401, see also CIDA 1997). Consequently prominent analysts of microfinance have suggested that the poorest require ‘special programmes’ that ‘provide a range of services, covering training, health provision and more general social development . . . as well as grants of assets or credits’ (Montgomery and Weiss 2005, 6). In a similar vein, leading microfinance providers in Bangladesh have attempted to reach the ‘ultra poor’ by introducing additional measures such as food transfers, healthcare, and social development training (Hulme and Moore 2008, Matin and Hulme 2009, 88, 98).

Despite widespread concern with the impacts of microfinance on women and the poorest, there remains a relative dearth of accounts that either (1) examine how microfinance outcomes are shaped by the social relations of production,7 (2) assess

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6The World Bank has made a similar argument, though in somewhat weaker terms (World Bank 2000, 156–7).

7Such as (1) the type of labour relations at village level (see, for example, Kapadia (1995) – variables include forms of tied labour, annual contracts, and individual daily wage work versus group contract work (the latter almost invariably provides higher wages in North Karnataka), and (2) the impact that cropping patterns and the availability of non-agricultural work have on labour supply and demand and hence on the politics of wage negotiations.
the extent to which SHGs challenge existing distributions of power and resources between social classes (understood here as the extent to which they are political organisations), or (3) locate microfinance and SHGs in the wider political context of reconstructed neoliberalism (the post-Washington Consensus). Matin and Hulme (2009, 79, 86) refer to ‘severe deprivation’ and the ‘myriad web of shocks’ experienced by the assetless, but do not engage with the relations of exploitation that create deprivation and forestall the capacity of the poorest to retain assets. In the absence of broader analysis, such observations do not break with the PWC’s tendency to depoliticise analysis by obfuscating class relations and avoiding questions about the type of structural transformation (in terms of control over the means of production, the relative distribution of profits between social classes, and the distribution of power) required in order to facilitate upward economic mobility by the poorest of the poor – precisely the type of conflictual change that the post-Washington Consensus seeks to avoid. Some accounts, however, do address political issues around class relations and the social relations of production. In their analysis of SHGs in Andhra Pradesh, Edward and Olsen (2006, 42–3) explore the relationship between wage levels and dependence on ‘richer farmers’ for loans, whilst Scoones’s (2009, 186–7) analysis of the literature on rural livelihoods calls for analysis of how class (amongst other things) structures livelihoods, and argues for a ‘relational understanding of power and politics which identifies how political spaces are opened up and closed down’. 8

The analysis in this paper of whether or not SHGs can be seen as contributing to a redistribution of power and resources is part of broader discussions about the extent to which civil society organisations are politicised. Edward and Olsen (2006, 49–51) call for a shift from a focus on financial sustainability amongst SHGs in South India to a more political agenda led by small activist groups that mobilise for ‘radical transformation’. Commenting on NGOs in Bangladesh, Kabeer et al. (2009, 3) argue for a prioritisation of ‘rights, social mobilisation and solidarity over more individualistic forms of democratic participation’. Pattenden (under review) discusses how associations of labouring class scheduled caste women who have established relative economic autonomy from the dominant class engage in politicised collective action supported by class-conscious mobilisers that aim to improve the economic and political position of the poor relative to the dominant class. The scheduled castes (SCs) include the former ‘untouchables’ and other so-called low castes, a disproportionate amount of whom are economically and politically marginalised (see, for example, Gooptu and Harriss-White 2001). Such accounts point towards ‘group-overt forms of contestation’ (Agarwal 1994b, 84), 9 which contrast to covert forms of collective action (Scott 1985), collective action primarily organised by and for the dominant classes 10 (Banaji 1994, Assadi 1997, 12

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8Scoones attributes this point to O’Laughlin (2004, 393), although she makes the point less explicitly.

9Although on a smaller scale than most of the examples referred to by Agarwal (1994b).

10The Karnataka State Farmers Association (KRRS) had a strong social base in one of this paper’s fieldwork villages in the early 1990s. Scheduled caste men referred to it as an organisation of the rich and said that they had been told to attend rallies. Organisationally it was controlled by dominant caste (Panchamalsali Lingayat) large farmers, although commercialised marginal surplus/deficit producers actively supported the organisation. In the other fieldwork village, the organisation had a markedly weaker presence primarily as its principal landowning caste (Other Backward Caste Marathas) was not the dominant caste in...
Pattenden 2005), and depoliticised community-based organisations that do not seek to modify class relations in favour of marginalised classes. The latter are characterised here as organisations that complement the post-Washington Consensus, and if the following empirical analysis of SHGs in north Karnataka indicates that such organisations are growing in number then it can be argued that a partial neoliberalisation of civil society is occurring.

Method and fieldwork setting

An empirical evaluation of the implications of SHGs for the labouring classes will now be provided. Both the World Bank and DFID have sponsored the formation of more than 4000 SHGs in the south Indian state of Karnataka (UNDP 2005, 292), where around 10 percent of India’s SHGs are located. The National Bank for Agriculture and Rural Development (NABARD 2006) suggests that nearly two-thirds of these have been sponsored by the government or by multilateral initiatives implemented by the government, with the remainder formed by banks, NGOs, and cooperative institutions. The study focuses on 23 state- and NGO-backed SHGs in two villages. Whilst such a geographically narrow sample can of course not be used to press claims of typicality, it does allow for a detailed account of how micro-level socio-economic and political relations impact upon the outcomes of SHGs. It must be stressed that the design of government programmes and the performance of state and NGO sponsors does vary (see for example the relatively positive appraisal of SHGs in Kerala by Anand 2002), although there is a relative lack of inter-state academic studies of SHGs as yet.

While Karnataka has an above average density of SHGs by national standards (approximately one per 160 people in March 2006 [NABARD 2006, 7]), the fieldwork district of Dharwad (with 5134 bank-linked SHGs in 2006) falls below the state average of 8331 per district (NABARD 2006, 33). SHG formation in Dharwad district has been fostered by a range of public and private institutions including NABARD, Department of Women and Child Development (DWCD) Dharwad, the Department of Agriculture, the World Bank, rural banks, and a number of large and small NGOs. Of an estimated 7200 SHGs in Dharwad district in late 2006, approximately 50 percent had been formed by NGOs, 20 percent by banks, and 30 percent by the DWCD.11

The state of Karnataka was selected as it is often portrayed as an integral part of India’s recent high levels of growth. In the mid 2000s, Karnataka and its capital city of Bangalore, which is sometimes referred to as India’s ‘Silicon Valley’ due to its concentration of information technology companies, had growth rates exceeding nine percent. Dharwad district was selected as it had an average poverty headcount by state standards (UNDP 2005), and although located in the north of the state, which is notably poorer than the south, it has a relatively dynamic economy centred on the twin cities of Hubli and Dharwad which lie on the main Mumbai-Bangalore highway. Dharwad’s relatively dynamic economy, then, might be expected to provide a supportive economic context for the implementation of microfinance

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11 Interview with SH Patil, NABARD representative Dharwad District, 12 January 2007.
programmes. The villages – Panchnagaram and Kamlapur – were selected as they had differing political, economic, and social characteristics, which might be expected to produce different outcomes from microfinance interventions. The shift from agricultural to non-agricultural incomes as the primary basis of material reproduction has been more marked in Kamlapur, whilst Panchnagaram’s agriculture is more profitable due to its greater acreage of irrigated land and high-value crops. In addition Panchnagaram is more tightly integrated into district-level politics than Kamlapur, and, unlike the latter, has two licensed contractors, a district councillor, and strong connections to the local member of the Legislative Assembly (MLA).

All 23 SHGs in Panchnagaram and Kamlapur had been formed in or since 1999, and 70 percent had been formed in or since 2003. Fourteen of the groups had been initiated by NGOs, whilst nine had been set up by government agencies (mostly the DWCD). By 2007, $29,625 had been disbursed to the groups from private and government sources, of which $16,600 had been received by the two groups that had received micro-enterprise funding under the government’s Swarnajayanti Grameena Swarozgar Yojana (Golden Jubilee Village Self-Employment Scheme; henceforth SGSY). In 2007, 15 of the 23 groups were either dormant or defunct.

Of the 23 SHGs in Panchnagaram and Kamlapur, discussions were held with officeholders/members of 19 groups. The core data were collected from five SHGs. The groups were selected in order to reflect key variables between SHGs: (1) the different institutional sponsors (two NGO-backed groups and three government-backed groups set up under the DWCD’s Stree Shakti (Women’s Strength) programme were selected), (2) groups that had and had not received substantial external loans, (3) groups of different ages (between 18 months and eight years), and (4) groups with different levels of class/caste heterogeneity (one group was predominantly scheduled caste, one was entirely scheduled tribe, one was predominantly Muslim, one was predominantly dominant caste, and the other had a broad mix of caste and religious affiliation). Four of the five groups selected for detailed analysis were dormant (a pattern not untypical of the district as a whole). Of the 23 SHGs in Panchnagaram and Kamlapur in January-March 2007. The socio-economic categorisation of the SHG members were contextualised in Panchnagaram through a random stratified sample of 40 percent of village households surveyed in 2002 and re-surveyed between November 2006 and January 2007, and in 30 percent of households in Kamlapur in 2007. Household income was estimated by asking the occupations of different household members by season (including government wage employment work), and then by computing that by the male/female wages for each of those activities, or where households worked on their own land through standardised estimates for the income from irrigated/non irrigated crops based on crop tables established in 2002, and adjusted for price changes in the interim. The 75 members were also asked about their perceptions of and participation in SHGs, and their use of internal and external loans. All interviews were conducted by the author, aided by a translator.

12Pseudonyms.
13This was in order to have a representative sample. Our analysis of SHGs is class- rather than caste-centred.
14Based upon visits to ten additional villages in the district.
15See the author’s PhD thesis (2006).
Interviews were conducted with all four city-based NGOs that had sponsored groups in these villages (including some of their Community Organisers who are directly responsible for group formation and management), and eight additional Dharwad NGOs involved in SHG promotion. In the state sector, discussions were held with the hierarchy responsible for forming and supervising state-backed SHGs: the DWCD’s Deputy Director and Programmes Director, the sub-district (taluk) level Child Development Programmes Officer (CDPO), circle supervisors (responsible for SHGs in around seven villages), and anganwadi workers. State and bank officials charged with monitoring the overall progress of SHGs at district level were also interviewed, including the Zilla Panchayat (ZP or District Council) officials responsible for implementing SGSY, and members of the panel that selects beneficiary groups. Officials and NGO workers were interviewed up to four times by the author between December 2006 and June 2007.

The term ‘labouring class’ is used to denote all those who are net sellers of labour-power, but is subdivided between the labouring class poor and the labouring class vulnerable non-poor in order to reflect (1) varying levels of dependence upon the village’s dominant class for waged labour and consumption loans, and (2) differing levels of consumption. A poverty line and a line of vulnerability to poverty were established in this paper in order to directly address the contribution of SHGs to poverty reduction. They are based upon individual and group responses to questions about the type of labour pattern that allowed respondents to consistently meet basic household nutrition, healthcare, and clothing needs and be able to keep children in primary school. The labouring class poor had per capita incomes of under $0.50 or 20 rupees per day and were usually/consistently able to meet basic household needs. It was found that those with incomes under $0.35 (14 rupees per day) were consistently unable to meet basic household needs, whilst those with incomes of between $0.35 and $0.44 were usually able to do so. The poverty line used here is 21 percent higher than the poverty line used by the National Commission on Employment in the Unorganised Sector (NCEUS 2007, 6–7), and around 70 percent above the widely discredited official poverty line for rural Karnataka based upon the monetary amount required for the consumption of 2400 calories per person per day in rural areas (see Mahendra Dev and Ravi 2008). In 2006–07 this amounted to 29.4 cents (11.8 rupees) per person per day. The divergence between the line used here and that used by the NCEUS can be explained in part by inflation (the data for this paper was collected in 2007 whereas the NCEUS report is based upon National Sample Survey data from 2004–05), and in part by variations in the cost of living – for example in this paper’s fieldwork villages, levels of daily migration (which can incur transport costs of over 10 percent of total income) were above the norm noted in villages in Mandya district (south Karnataka) and Raichur district (north-east Karnataka).
Whilst the poverty line of $0.50 per person per day demarcates the labouring class poor from the labouring class non-poor, a second line of $1 per person per day (almost $1500 per annum for a family of four) marks the upper limit of the labouring class vulnerable non-poor. The labouring class non-poor are consistently able to meet basic household needs but are vulnerable to falling below the line during household crises or if there is a sudden loss of income. This figure is almost double the vulnerability line used by the NCEUS. The greater divergence at this level can be explained, at least in part, by the same considerations about inflation and the varying costs of living, which are amplified by the costs of responding to, for example, a health crisis. Our estimate that 31.5 percent are poor and 34.5 percent vulnerable to poverty (65 percent in total) is somewhat less than the 77 percent of poor and vulnerable people provided by the NCEUS. This may be indicative of the fact that levels of poverty and vulnerability are slightly lower in Dharwad district than in India as a whole.

In the fieldwork villages, male labourers had been relatively insulated from the relative stagnation in Indian agriculture and rural labour markets (and the related decline in the bargaining power of labour), which has been prompted by India’s period of post-liberalisation ‘jobless growth’ and reduced state investment in agriculture (Walker 2008). Casual labour in the nearby city of Dharwad had become the primary source of income in labouring class households in the fieldwork villages over the previous decade. In some villages in Dharwad sub-district, this had pushed male wages up by over 50 percent between 2002 and 2007. Female wages had risen less steeply, approximately in line with inflation. In the fieldwork villages, most agricultural labour was done by labouring class women (part of a wider feminisation of labour) who migrated on a daily basis for casual wage work much less than their male counterparts. As well as enjoying few of the benefits of growing urban employment, the bargaining position of labouring class poor women was further compromised by the fact that most labouring class households in the sample had long-term debts, some of which included aspects of tied labour that were often met by women even if the debt had been incurred by male household members (see also Garikapati 2009, 525), and by their unequal relations with men in terms of control over household assets, income, decision-making, and labour (see also Agarwal 1994a, Garikapati 2009).

In our sample the labouring class poor were typically underemployed, dependent on casual employment, mostly landless (those with land holdings had less than 2.5 acres of unirrigated land), and were likely to periodically avail of non-institutionalised loans at usurious rates of interest in order to meet basic household needs. Some labouring class households experienced some form of tied labour either in the form of an annual contract or in the form of having to work for a creditor for

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20 The high cost of healthcare in the area (exacerbated by informal charges routinely levied by the main public hospital) was one of the main reasons the vulnerability line was set at $1 per capita per day. Health crises can complicate the line dividing net buyers and sellers of labour-power (for example, land may be mortgaged during a health crisis making a household net sellers of labour-power for the period of the health crisis, usually for some time afterwards, and possibly in the long-term if the land is not regained).

21 Based on fieldwork data collected in 2002 and 2007.

22 Chant (2008); da Corta and Venkateshwarlu (1999). In 2001, 58.2 percent of Karnataka’s agricultural workforce was female (Government of India 2001 cited in Garikapati 2009, 517).
lower wages or having sex in lieu of repayments.\textsuperscript{23} Drawn from the traditional agrarian categories of landless labourers and marginal peasants, male members of the labouring class poor in the fieldwork villages were predominantly dependent upon casual daily wage labour in the nearby city of Dharwad, whilst female household members worked predominantly as agricultural labourers for the village’s dominant class. Although not primarily dependent upon the village’s dominant class for wages, a significant share of labouring class wages and consumption loans were derived from them. The extent of their poverty is of course closely linked to fluctuating levels of underemployment. The poorest households have higher levels of child labour and may face barriers to non-institutionalised credit due to concerns about creditworthiness. Additional household stress factors such as health crises and wedding costs may push them below the line of extreme poverty for sustained periods ($0.35 per capita per day), and may reduce the very poor to the level of destitution where food is consistently begged for and female bodies are sold for sex.

Labouring class vulnerable non-poor households were not in tied labour relations and experienced lower levels of economic dependence upon the village’s dominant class than the labouring class poor. Many male members of the labouring class vulnerable non-poor in the fieldwork villages had regular informal non-agricultural employment (stable for one year or more) in Dharwad’s factories and agricultural markets. Female household members occasionally worked as agricultural labourers in the village – predominantly at times of peak labour demand during the harvest season. Such households are net sellers of labour-power who may have marginal landholdings but do not have an investable surplus. Where chronic illnesses and adverse dependency ratios were absent, these households had consistently been able to meet basic household consumption needs for at least one year. They were considered to be living above the poverty line, but, due to the insecure nature of their employment, their poor asset bases, and the possibility of household crises, they were vulnerable to falling below it. The extent of vulnerability varied significantly from those with no assets to those with seven acres of unirrigated land, which underscores the considerable variations in vulnerability in contexts of household crises. The labouring class vulnerable non-poor, as net sellers of labour-power, are also subject to exploitative labour relations through which a surplus is extracted by the dominant classes. The dominant classes in the fieldwork area are net buyers of labour-power, have a consistent and investable surplus, consistent agricultural profits (with some irrigated land and horticultural crops), often some formal sector employment, and relatively high levels of education and political influence. In the sample of 75 households, around one-third were from the dominant class, one-third from the labouring class vulnerable non-poor, and one-third from the labouring class poor (see Table 1).

Fieldwork findings

Having located the SHG explosion in its ideological and policy-making contexts, I will now present fieldwork findings on the material and political impacts of SHGs upon different social classes in North Karnataka’s Dharwad district. The class-oriented analysis will focus upon (1) the performance of intra-group

\textsuperscript{23}Statement based on the detailed testimony of two key informants.
savings and loans; (2) the performance of loans and subsidies from external sources; (3) intra-group politics; (4) the political contexts of groups; and (5) gender relations.

Both DWCD officials and NGO workers emphasised that their SHGs were socially homogenous organisations of the poor, whereas the household data collected here indicates that only 29 percent of SHG members were poor (see Table 1), and that none of the five groups had a majority of poor members (see Table 1). Four of the five groups included members of the dominant class, and the groups as a whole included almost as many dominant class women (24 percent) as labouring class poor women (29 percent, as opposed to 33.5 percent of the overall population). It should be noted that the estimated poverty headcount in Dharwad (33 percent) is slightly over 50 percent higher than official estimates (a discrepancy that is similar in scope to the difference between the poverty line used here and official poverty line) (UNDP 2005, 83). The labouring class vulnerable non-poor (47 percent) formed the largest group in the SHGs – substantially higher than their relative share of the overall population (31.5 percent).

**Table 1. Class profile of five Dharwad SHGs in Panchnagaram and Kamlapur (N = 75).**

<table>
<thead>
<tr>
<th>Village</th>
<th>Sponsor</th>
<th>Dominant Class</th>
<th>Labouring Class Non-Poor</th>
<th>Labouring Class Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kamlapur</td>
<td>DWCD</td>
<td>4</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Kamlapur</td>
<td>DWCD</td>
<td>3</td>
<td>7</td>
<td>5 (1 ejected)</td>
</tr>
<tr>
<td>P’nagaram</td>
<td>DWCD</td>
<td>7</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Kamlapur</td>
<td>NGO</td>
<td>0</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>P’nagaram</td>
<td>NGO</td>
<td>4</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>18</td>
<td>35</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total (%)</strong></td>
<td></td>
<td><strong>24%</strong></td>
<td><strong>47%</strong></td>
<td><strong>29%</strong></td>
</tr>
<tr>
<td>% of category in both villages</td>
<td></td>
<td>35.5%</td>
<td>31.5%</td>
<td>33.5%</td>
</tr>
</tbody>
</table>

*Source: Fieldwork data.*

The political economy of credit

The impacts on different social classes of three central aspects of SHG activities – access to and use of external finance, the circulation of savings as internal loans, and levels of awareness (of the local state, banking processes and income-generating activities (IGAs)) – will now be assessed. In the next section attention is turned towards intra-SHG politics. Saved money in theory provides members with access to cheap credit to cater for immediate needs in times of material stress. When a group’s savings reach a sufficient point then larger loans can be made available to provide households with forms of self-employment or meet more expensive household costs – such as marriages or housing repairs. This section will begin by assessing who is accessing what via group savings. It will then analyse the impacts of bank loans and government subsidies on SHG members. Are the poor accessing small amounts of credit which cheapen the cost of borrowing during periods of chronic under-employment? How do the objectives/needs of different social classes with regard to the use of group savings vary? Finally, is there any evidence of the economic position of the labouring class poor being improved by larger loans?
Internal loans

Findings showed that the dominant classes were more likely to make productive investments with internal loans, and more likely to use the money for marriage and religious purposes. The labouring class poor were more likely to use the loans for food rations and medicines, and for repaying private moneylenders (see Table 2). Whilst the dominant classes used 75 percent of the total amount lent from group savings, the labouring class vulnerable non-poor used the majority of the remainder. The labouring class poor only used 10 percent of the total amount lent. However only 59 percent of dominant class members actually took internal loans, whilst over 80 percent of the labouring classes did. The labouring classes, then, were more likely to take internal loans but borrowed much smaller amounts.

The class-based variations in borrowing reflected different use patterns. For dominant class members, household income was sufficient to cover essentials, whilst bank loans could be accessed for larger amounts using fixed assets as collateral. They tended to approach SHGs for intermediate amounts. Some dominant class women remained enthusiastic about SHGs either due to the lure of larger external loans and grants that would enable them to initiate their own income-generating activity, or for using them as a means of generating income by charging interest. Several group presidents boasted of the amount of interest they had collected from lending group savings both to group members and to those outside the groups. While internal borrowers were charged interest rates of either 24 or 36 percent per annum, external borrowers were charged anything between 36 and 60 percent – the latter being the same rate of interest as that charged by most moneylenders. Two groups (outside the core sample of five SHGs), composed

<table>
<thead>
<tr>
<th>Use of internal loans</th>
<th>Total amount used (no. of individuals using loans for that purpose)</th>
<th>Breakdown of usage by class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets (borewell, mill)</td>
<td>5500 (2)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Livestock IGA</td>
<td>5000 (1)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Repayment of bank loan</td>
<td>4000 (1)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Marriage related</td>
<td>5500 (4)</td>
<td>3 Dominant, 1 LCVNP</td>
</tr>
<tr>
<td>Religious purposes</td>
<td>5000 (4)</td>
<td>3 Dominant, 1 LCVNP</td>
</tr>
<tr>
<td>House construction</td>
<td>7000 (1)</td>
<td>1 LCVNP</td>
</tr>
<tr>
<td>Education</td>
<td>500 (2)</td>
<td>1 LCVNP, 1 LCP</td>
</tr>
<tr>
<td>Repayment of loan to moneylender</td>
<td>3000 (2)</td>
<td>1 LCVNP, 1 LCP</td>
</tr>
<tr>
<td>Medical</td>
<td>4400 (9)</td>
<td>7 LCP, 1 LCVNP, 1 Dominant</td>
</tr>
<tr>
<td>Housing repairs</td>
<td>1000 (1)</td>
<td>LCP</td>
</tr>
<tr>
<td>Food (from open market and government shops)</td>
<td>500 (3)</td>
<td>LCP</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,400 (29)</strong></td>
<td><strong>30,900 Dominant Classes, 10,300 Labouring Classes</strong> (of which 4100 to labouring class poor)</td>
</tr>
</tbody>
</table>

Notes: LCVNP = Labouring Class Vulnerable Non Poor; LCP = Labouring Class Poor.
Source: Fieldwork data.
almost entirely of dominant class men, had been formed in order to build up ‘savings’ by charging interest on loans. Since the majority of loans were to group members, this amounted primarily to a form of self-exploitation, although it was an internally differentiated form of self-exploitation as the richer members tended not to borrow. The second of the SHGs had recently invested their accumulated interest in Reliance shares. These groups, then, provide a perspective far removed from the Planning Commission’s vision of SHGs as key drivers of poverty reduction, and show that existing economic and political inequalities are reproduced and even widened within SHGs.

At the other end of the scale, the very poor found it hard to access small amounts for household essentials as group presidents did not trust their capacity to repay. Internal loans in three Kamlapur SHGs provided around half of labouring class poor members with loans averaging 513 rupees at interest rates of 24–36 percent – substantially cheaper than loans from moneylenders but still four to eight times the cost of bank loans. Assuming a repayment period of six months (group presidents usually insisted on faster repayments), this represented a maximum saving of 61.5 rupees. Averaged across all labouring class poor households, the benefit declines to around 30 rupees or 7 rupees per person over a period of more than one year – an increase in income of less than 0.1 percent. Conversely members of the dominant class saw savings of as much as 840 rupees over a six-month period. Again, broader structurally based processes of socio-economic differentiation are reproduced within SHGs.

Individual examples show how the initial economic conditions of labouring class women can militate against their successful inclusion in SHG activities. Some labouring class women had either left their group due to their inability to save, or been forced to leave by their group president. Ningawa, a landless labourer with a sick husband, six children under the age of 12 (one of whom frequently begged for grain), and only one wage-earning child, was a case in point. In another case, Shantawa, an indebted labouring class woman (whose household had mortgaged their one acre of land as they could not afford to cultivate it) had borrowed 4000 rupees from her own SHG and a further 6000 from two other SHGs to meet the costs of her 14-year-old daughter’s marriage – hastily arranged to protect her from her father’s drunken assaults. Her low wages as an agricultural labourer ($78 per annum or $0.50 per day for slightly less than six months of the year) and her husband’s alcoholism had made repayment impossible and interest charges were mounting. In the case of the two external groups, caste and kin ties had bought her extra time and a 36 percent interest rate, whereas in the case of her own group pressure to repay mounted to an intolerable level within six months. Ridiculed in public by the president (who was from a moneylending dominant class household), she and her husband repaid the amount by borrowing money from unofficial moneylenders at an interest rate of 60 percent. In such a case, the SHG behaved like a proxy moneylending operation. Moreover, Shantawa’s intra-household bargaining power was eroded since her husband held her responsible for the interest on the SHG loan despite the fact that his alcohol consumption was integral to their inability to repay. Shantawa had taken to hiding part of her wages from her husband, and had been

24 Reliance is India’s largest private sector enterprise. Its major shareholder, Anil Ambani, is India’s third richest man.
25 See also Kalpana (2005, 5402).
forced to take two of her children out of school in order to labour in the fields. Iniquitous labour and credit relations based upon an excessive extraction of surplus value from labour were, then, reproduced in various ways through labouring class participation in SHGs.

One final point regarding savings and credit requires elaboration. The actual act of saving 10 rupees per week placed considerable pressure on poorer women, particularly during periods of drought. Shantawa paid with money earned by her children in the flower fields. At times, their labour was used in lieu of saving. Given some men’s continued hostility to SHGs, it is likely that poorer women will have to make personal sacrifices to submit their weekly savings. When they default, they may be fined and ridiculed by other members.

As well as substantial variations in material benefits for members of different classes, there was then a fundamental conflict of interest between members of different classes in relation to saving money and issuing internal loans. Whilst for the poor, small internal loans that prevented them from having to borrow from moneylenders were the primary benefit of SHGs (although such benefits were marginal [0.1 percent of income] and sometimes counter-productive as in Shantawa’s case), for the dominant class it was the accumulation of interest from internal loans that were a primary incentive for staying in a group.

External loans
Smaller bank loans (between 2000 and 5000 rupees) provided greater benefits than internal loans. Sixteen poor households received an average of 1875 rupees from small loans – representing a saving of 2062 rupees in interest across the median repayment period of two years (less than five percent of household income assuming that the loans were used for consumption or production purposes and equated to an amount that would otherwise have been borrowed informally). This temporary reduction in the level of exploitation by usurious moneylenders did not though usually represent a sustained change in the material conditions of the labouring class poor – only three households invested their external loans in assets (the remainder spent them on basic needs, repaying a moneylender, and medical and housing costs). Of the three households that invested in goats, two lost the goats to sickness before breeding whilst one saw a marked increase in income. One very poor elderly woman (a former devdasi26 who lived alone) kept her 2000 rupee loan hidden and unused as she knew she would be unable to repay it. When a subsequent loan was made, she spent the money on her everyday needs once she had been assured that the group was collectively planning to default on the loan. Only one labouring class poor household across five SHGs, then, saw a sustained improvement in material conditions as a result of small bank loans.

Conversely, dominant class members used the loans for productive purposes in all but five cases (two lent the money at a higher rate of interest, two spent the money on jewellery and one on wedding costs, whilst the majority invested in fixed assets, micro-enterprises, livestock, and agriculture [see Table 3]). In the exclusively scheduled tribe SHG, the dominant class group vice president had taken over the loans of four of the labouring class poor members of the group in order to invest in a buffalo. Poorer group members, some of whom laboured for and borrowed from the

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26In contemporary Dharwad, the term devdasi usually approximates to sex worker.
dominant class households within the group, including that of the vice president (other members were indebted to dominant class landowners from outside the group), said that they feared that they would be unable to repay the loan. In other words indebtedness to dominant class employers, which involved elements of tied labour (such as a lack of freedom to work for others for higher wages at times of peak labour demand), compromised the ability of the labouring class poor to take up external loans by increasing the extraction of surplus value from their labour. It is possible moreover that the vice president used the loans as a means of servicing the debts of labouring class group members. Regardless, pre-existing labour and credit relations had a bearing on the use and material outcomes of the group’s external loans.

Although all members were exposed to one-off training from NGOs about petty commodity production and trading (making pickle and petty trading), all three of the households that invested in micro-enterprises were group presidents and vice-presidents, who had better access to SHG sponsors. Two of these were dominant class, whilst the third was from a labouring class vulnerable non-poor household.

A majority of members of the labouring class vulnerable non-poor households invested the loans. Whilst three of four households that invested in goats saw a sustained increase in income, the four that invested in agricultural inputs for their marginal lands only saw temporary savings on loans usually taken from urban-based agricultural traders. To sum up then, bank loans provided only temporary marginal increases in income for the labouring class poor and for most of the labouring class vulnerable non-poor, whilst the majority of dominant class members saw sustained increases in income as a result of their investments.

Table 3. Uses of small bank loans.

<table>
<thead>
<tr>
<th>Use of internal loan</th>
<th>Total amount used (number of individuals using loans for that purpose)</th>
<th>Breakdown of usage by class</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productive uses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in fixed asset</td>
<td>4000 (2)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Leasing of land</td>
<td>2000 (1)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Investment in micro-enterprise</td>
<td>6000 (3)</td>
<td>2 Dominant, 1 LCVNP</td>
</tr>
<tr>
<td>Agricultural inputs</td>
<td>16,000 (9)</td>
<td>1 LCVNP</td>
</tr>
<tr>
<td>Livestock</td>
<td>31,000 (15)</td>
<td>5 Dominant, 4 LCVNP, 3 LCP</td>
</tr>
<tr>
<td>Education</td>
<td>2000 (1)</td>
<td>LCVNP</td>
</tr>
<tr>
<td><strong>Non-productive uses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-loan</td>
<td>4000 (2)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Marriage</td>
<td>2000 (1)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Jewellery</td>
<td>4000 (2)</td>
<td>Dominant</td>
</tr>
<tr>
<td>Medical</td>
<td>4000 (2)</td>
<td>LCP</td>
</tr>
<tr>
<td>Repaying moneylender</td>
<td>4000 (2)</td>
<td>LCP</td>
</tr>
<tr>
<td>Temporary housing</td>
<td>2000 (1)</td>
<td>LCP</td>
</tr>
<tr>
<td>Basic needs (food, clothes etc)</td>
<td>16,000 (8)</td>
<td>LCP</td>
</tr>
<tr>
<td>Not used</td>
<td>2000 (1)</td>
<td>LCP</td>
</tr>
</tbody>
</table>

Notes: LCVNP = Labouring Class vulnerable Non-Poor; LCP = Labouring Class Poor. Source: Fieldwork data.
Subsidies-cum-loans

Having established a tendency for small external loans to be of greater benefit for the dominant class than the labouring class poor, I will assess longer-term and larger disbursements. In 1999 and 2001, an NGO-backed SHG in Kamlapur accessed $6000 (250,000 rupees), or up to $600 per head, under the Golden Jubilee Village Self-Employment Scheme (SGSY) for the purpose of buying buffaloes. Although almost all members saw small to moderate profits in the short term (5000 rupees per annum was the estimated income from one buffalo\(^{27}\)), better-off members of the group were more likely to maintain profits in the medium to long term (see Table 4). The majority of those who did not achieve long-term gains said that they were unable to maintain their buffalo during the drought period of 2001–2004. The labouring class poor struggled to maintain the buffaloes during gaps in lactation (when they provided no income and were a labour burden that imposed restrictions on the ability to find wage work) and were the first to sell during the drought.

Fifty percent of labouring class vulnerable non-poor women were able to keep their buffaloes. Dairy production boosted their household incomes by over 10 percent (based on an estimated annual profit of 5000 rupees offset by the loss of only 30 days of work due to the low take-up of agricultural labour by labouring class vulnerable non-poor women). Fifty percent of labouring class poor households saw similar but slightly lower income increases\(^{28}\) (slightly lower due to the tendency for lower yields in poorer households and due to greater wage losses during grazing time). However gains for poorer households were \textit{invariably temporary}.

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\(^{27}\) These need to be offset against loss of earnings from waged labour due to the time invested in grazing the buffaloes.

\(^{28}\) Based on an average six-month long retention of a buffalo yielding an estimated 40 rupee profit per week once lost wages have been factored in.
Three labouring class poor group members spent six months as migrant road labourers immediately after selling their buffaloes due to the lack of local employment. One of them died from an illness contracted whilst living on the roadside. A fourth labouring class poor woman saw most of her income from milk production consumed by a moneylender-cum-milk trader to whom her household was indebted (primarily due to loans taken by her husband). In other words the micro-enterprise was unable to transgress her household’s immediate debt relations and her milk production became a form of attached labour. Again, as with the external loan to the scheduled tribe SHG discussed above, pre-existing credit relations reduced the material benefits accruing to a labouring class poor woman, and all of the labouring class poor were unable to maintain their micro-enterprise due to the adverse economic conditions that forced them to sell at a time of low employment.

In each case – internal loans, external loans, and subsidy-cum-loans – we have seen two distinct trends. Firstly, the dominant class tends to gain more than the labouring classes in absolute terms. The latter only received marginal short-term increases in income, and in some cases saw a deterioration in their position. The most successful aspects of SHG activity derived from a government programme (the SGSY), whilst the least successful derived from the groups’ own saving and lending practices, underlining the palliative nature of core group activities and indicating the relative effectiveness of state-provided credit-cum-subsidies. Secondly, the exploration of the specific economic relations of labouring class households shows how their capacity to gain from SHGs is impeded by their initial economic conditions. The material outcomes of SHGs, then, reflect broader class structures and show that the social relations of production impede microfinance-induced upward economic mobility amongst the labouring class poor.

Intra-SHG politics

The groups sampled were primarily focused on external loans, which underscores the failure of groups to take up a more wide-ranging and politicised set of activities. Issues like violence against women, access to government housing and employment programmes, women’s education, reproductive health, and (of course) class relations did not figure in group discussions. Action against village liquor shops was short-lived and appears to have been politically motivated. Of six women’s SHGs in Kamlapur, two stopped functioning after they received the second instalment of SGSY finance. Of the remaining groups, a further two became dormant after receiving their first bank loan. A fifth group repaid its first bank loan (primarily, it seems, in order to access a second bank loan), but broke up shortly after receiving its second bank loan.

The role of officeholders is at the centre of intra-group political machinations. Although both NGOs and the DWCD stated unequivocally that they insist upon the rotation of group officeholders, 88 percent of the groups sampled had never done so. The extent to which officeholders dominate a group depends in part not only on their own socio-economic status, but also on that of the group as a whole. For example, in one group in which the labouring class poor were in a minority, the influence of the group president was restricted, whilst in another (same caste) group with a

\[^{29}\text{See also Satish (2005, 1738).}\]
preponderance of poorer women, the officeholders were highly dominant. The only group with a poor low caste president (and a clear low caste majority) had been relatively successful (in terms of the amount of finance distributed), but proved to be the most vulnerable to links between electoral politics and labour relations (see below).

Of more than 30 officeholders whose socio-economic status was established, less than 20 percent were from labouring class poor households. Members of the dominant class were more likely to be officeholders in groups formed by NGOs than in those formed by *anganwadi* workers. Of 12 groups in Panchnagaram, six had officeholders who either had been Gram Panchayat members at the time of group formation, or who were immediate relatives of someone who was. One was the daughter of the District Council (ZP) vice-president. A further two groups had officeholders who were immediate relatives of the Taluk Panchayat (TP) president. Of 11 groups in Kamlapur, only three had officeholders who were immediate relatives of members of Panchayat Raj Institutions. Regardless, there was a tendency for the labouring class to be excluded from holding office within SHGs. Initial economic conditions, then, were reflected in the distribution of power within SHGs.

Officeholders and members of the dominant class tended to be substantially better informed about potential sources of external credit, IGAs, training opportunities, and the group’s own finances due to their greater proximity to decision-making processes and to SHG sponsors. One dominant class Panchnagaram group president had plans to use expected bank finance for an IGA. Her illiterate labouring class poor sister-in-law, meanwhile, did not know about the expected finance and, it was implied, would not be able to borrow the full amount as she would be unable to repay it. The latter was disadvantaged in three clear ways: she faced initial economic conditions that militated against her taking up the loan, lacked knowledge due to her political marginalisation within the group, and was illiterate. Key informants claimed, moreover, that her widowed daughter died following injuries sustained in resisting sexual assaults by her family’s dominant class creditors.

The majority of women (and all bar one labouring class poor household) stated that their groups had not provided them with information about government anti-poverty programmes, and initiatives to reduce the high illiteracy levels in the groups were for the most part unsustained, with most illiterate women saying that they had been taught to sign their name but had subsequently forgotten. The type of political mobilisation referred to above (which seeks to increase the poor’s relative share of power and economic resources) was, then, entirely absent and would not have been possible anyway due to the groups’ internal socio-economic heterogeneity.

The interplay between initial economic conditions, the distribution of power within SHGs, and the allocation of finance is further illustrated by the disproportionate number of internal loans that went to the officeholders’ caste and kin fellows and political party allies. In a group presided over by a pro-Bharatiya Janata Party Maratha woman, 89 percent of loans (over 20,000 rupees in total) were made to BJP supporters in the year of the GP elections despite their constituting only one-third of the group’s members. If the single loan of 10,000 to one pro-BJP member is removed from the equation, then two-thirds of the total loans were made to the president and her relatives despite their constituting only 20 percent of the group’s members. In another group, 46 percent of loans in the previous three years (2004–2007) had been allocated to the officeholders themselves. In a third group, 60 percent of loans had been allocated to one dominant class family (spread over two households).
In other cases, officeholders took institutional loans in the name of a member who had dropped out of the group but remained on its official register (something remote sponsors do not pick up on). Another way in which officeholders and dominant class members avail themselves of a greater proportion of funds is by not repaying bank loans, which, by helping to bring group activities to a halt, has the added advantage of covering up unequal allocations. In two groups, all but one labouring class woman had repaid their loans whilst both group presidents, four dominant class women, and a GP member had not done so. Again the links between the class position of households, their political influence within SHGs, and their relative gains from them are clear.

**Group sponsors and class relations**

Having failed in many cases to identify the poor (see Table 1), SHG sponsors – both NGOs and government – would anyway have struggled to take steps to increase the relative gains for labouring class poor members due to inadequate human infrastructure – symptomatic of the weaknesses of state capacity under a neoliberal policy regime. For example, the Panchagaram _anganwadi_ worker could not name the village’s SHGs (let alone their members) despite having been in the job for six months. Her responsibilities with regard to advising and monitoring groups had not been taken up. At the time of fieldwork, many _anganwadi_ workers were refusing to supervise SHGs because they were only being offered 25 rupees per group per month. Their low wages of 1400 per month and lack of any pension had eroded morale and levels of commitment. The Panchagaram _anganwadi_ worker’s lack of social embeddedness was common to the majority of NGO community organisers. Once the initial group formation visits were completed, visits were limited to loan disbursement and collection and to income generating activity (IGA) training exercises for which NGOs charged a fee.

The NGOs sampled were primarily concerned with meeting the guidelines laid down by the government as part of their contracts. The necessary criteria for accessing tranches of government funding included meeting quotas on loan dispersal, forming federations of SHGs, and making statements about hygiene and HIV/AIDS, but did not include repeat visits to SHGs. The emphasis was on information dispersal rather than information retention, particularly amongst more marginal members. Respondents indicated that information and training supplied by NGOs had little value. One NGO had stopped coming to Kamlapur when groups opted not to pay them a service fee. Their only subsequent intervention had been to persuade/cajole two group presidents to join the _taluk_-level SHG federation (for which the NGO is paid by the government). Both groups’ involvement stopped after they had paid a membership fee and attended one meeting.

In addition there were no systems in place for monitoring the impact of SHGs on poverty levels or gender relations. DWCD evaluation meetings revolved around quantitative concerns such as the numbers of groups and bank linkages rather than around qualitative concerns – a trend indicated elsewhere (Goetz and Sen Gupta 1996, 47, Sud 2003, 4806, Kalpana 2005, 5401). NGO assessment criteria were similar but less systematic. There was a widely perceived assumption that group

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30Interviews with DWCD officials; minutes from District-Level CDPOs meeting, May 2007.
existence equated to poverty reduction. IGAs were highlighted in terms of amounts of money disbursed and numbers of buffaloes purchased (dairy production constituted 90 percent of IGAs taken up by SHGs in Dharwad), rather than in terms of the short-, medium-, and long-term material impacts of IGAs on individual households and social classes. Hence both the tendency for initial economic conditions to be reflected in the distribution of power within groups (and through that the allocation of resources) and the tendency for SHG sponsors not to engage with class relations and the distribution of power and resources amongst group members (in line with the depoliticised policy framework of the post-Washington Consensus) were shown to undermine the poverty-reducing capacity of SHGs.

**Gender**

Since poverty levels in India tend to be higher amongst women (Harriss-White 1990, Gooptu and Harriss-White 2001), the capacity of SHGs to improve the material position of poor rural women in particular is of course integral to its potential to reduce poverty. Policy makers see SHGs as a means of challenging patriarchal relations in rural India. However there was little evidence of this view in the practices of Dharwad’s SHG sponsors. Firstly SHG sponsors exhibited a lack of interest in challenging patriarchal relations. The deputy director of the DWCD (theoretically the most influential individual with regard to SHGs at district level) argued that patriarchy was challenged simply through the existence of SHGs. SHGs had empowered women, she argued, because women now left their homes, met bank officials, and had some sense of financial matters—a view that has been problematised in the literature (Garikapati 2008). An NGO director with four groups in Panchnagaram, meanwhile, did not regard patriarchy as an issue for his groups, stating in response to a question about gender-related issues that his organisation treated all people equally regardless of gender, caste, or faith.33

Evidence from within the SHGs indicates that the extent of change has been limited. Women’s control over household finance had in most cases not increased as a result of the SHGs. Women usually handed external and internal loans over to their husbands, although in some cases women took internal loans without their husbands’ knowledge. In other words, insofar as intra-household financial control had altered, the gains for women were covert rather than overt, reflecting the limited capacity of SHGs to ‘engender development’. There was also considerable evidence that SHG membership placed new pressures on women— for example, the repayment of SHG loans was seen as the woman’s responsibility (see above). This acted as a deterrent to the take-up of IGAs. For example, one dominant class respondent expressed her desire to set up a provisions shop but feared the intra-household fall-out should she fail.

Only one person from the five groups (a group president) was aware of a programme to support victims of domestic violence. Neither of the anganwadi workers in the fieldwork villages was clear about its details, although it was their responsibility to spread information about it. The Kamalapur anganwadi worker denied that domestic violence took place in her village, a view which contradicted

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31Interviews with NGO directors.
33Interview with DP, March 2007.
complaints by several group members of frequent physical abuse by alcoholic husbands.\textsuperscript{34} Iniquitous intra-household control over financial resources and divisions of labour weakened women’s ability to contest domestic violence – particularly for women whose capacity to work was restricted by caring for infants.

**SHGs and party politics**

SHGs are caught up in party politics in a variety of ways. Firstly, politicians (including GP members) attempt to use SHGs as votebanks. Almost all SHG members in the fieldwork villages had been summoned to attend political rallies, mostly in support of the sitting MLA (member of the [state] legislative assembly). Resources are channelled towards SHGs in exchange for votes or active support. According to one key informant, at election time the MLA distributed 20–30,000 rupees to Panchnagaram’s village leaders and 6–7000 to SHGs.\textsuperscript{35}

Secondly anganwadi workers, along with others in the DWCD hierarchy and NGO workers, often act as political agents, calling members for rallies and helping politicians to manage their votebanks. It is for this reason that the selection of anganwadi workers has become a highly politicised process. In 2006, the number of anganwadi workers in Dharwad taluk was increased by 23 percent. The additional 41 anganwadi workers were selected by a committee that was dominated by the MLA,\textsuperscript{36} ensuring that appointees were sympathetic to his party and that the votebank role of SHGs was tilted in his favour.

Thirdly, the majority of NGOs with SHGs in Dharwad taluk were partisan towards the sitting Congress MLA due to the in-built bias towards awarding contracts to pro-Congress NGOs. NGOs were usually only able to win government contracts by paying the largely pro-Congress officials 20 percent of the total value of their contract. Fourthly the MLA was influential in the appointment of senior rural development officials. Although the District Council (ZP) Core Committee that allocates SGSY funds to SHGs should be made up of ZP officials and NGO representatives, a fourth member was seen to be present on these ‘grading’ trips in February 2007 – the MLA’s fixer in the Taluk Panchayat.\textsuperscript{37} Also on the committee was an NGO initially described only two months before by the ZP’s new SGSY officer as ‘taking government money and doing nothing’.\textsuperscript{38}

Fifthly, at village level the political connections of SHG officeholders play a key role in determining which groups access SGSY finance. The president of one of the two Kamlapur SHGs to receive SGSY finance was the wife of a longstanding GP member. These groups were assisted by the then GP Secretary, and by the TP President who put his weight behind their applications at the Zilla Panchayat office in exchange for the group members canvassing on his behalf at election time. Finally, the distribution of interest payments within SHGs was also politically manipulated in some cases. In a group that had received SGSY finance, Congress supporters had

\textsuperscript{34}This implies that social acceptance of domestic violence is widespread, as the Ministry of Women and Child Development (2006, 98) has indicated.

\textsuperscript{35}Interview, 7 March 2007.

\textsuperscript{36}Interview with CDPO, February 2007.

\textsuperscript{37}The ascription of the term ‘fixer’ to the individual in question is based on circumstantial evidence noted on 12 visits to the TP office between December 2006 and March 2007.

\textsuperscript{38}Interviews with assistant programme officer in December 2006, and in January and March 2007.
repaid a greater proportion of their loans. When loan repayments were re-scheduled, the group’s pro-BJP president decided to charge all members equally for outstanding interest owed by the group as a whole, thereby disproportionately rewarding her political allies.

**Party politics, the breakdown of SHGs, and labour relations**

Of the five groups surveyed on a household basis, only one was functional at the time of fieldwork. The other four had broken down for a variety of reasons: personal crises of the group president, in-fighting, allegations of corruption levelled against officeholders, the breakdown of groups after loan delivery, and both party politics and the interrelations between party politics and labour relations. Of the four groups that had broken down, party politics had played a crucial role with regard to three of them. In the one remaining active group, which was in Panchagnaram, the group was close to breaking down because of divisions between supporters of Congress and Janata Dal (Secular) (JDS). The other group in Panchagnaram, whose membership was characterised by tight caste and kinship homogeneity, had ground to a halt primarily because of political divisions. Each of its officeholders supported opposing political parties. Attempts by one faction to buy the group’s loyalty had been obstructed by the vice president, who was an immediate relative of a leading figure of the opposing political party.

Kamlapur’s most successful SHG (in terms of accessing bank finance) had been rendered inoperable within six months of the 2005 Gram Panchayat elections. The reason was not because of party political differences within the group (this would have presumably brought meetings to a halt before the elections – unlikely given that all but one member were Congress supporters), but because of the interface between electoral politics and labour relations. The bulk of the village’s larger landowners had supported the right-wing BJP in the elections. Heavily defeated at the polls, they had decided to flex their political muscle in the fields by barring Congress-supporting labourers. One of the group members had herself defeated the landlords’ BJP candidate, making the group an obvious target for retribution. Given that a large proportion of agricultural labour is done by women in this village, the lock-out had most affected the poorest women members with the greatest dependence on agricultural labour in the village – amongst them was the group president, who had become very sensitive about how the allocation of SHG loans might impact upon her employment opportunities. With daily wages hit and agreements over who should receive loans no longer possible, morale plummeted and the group ceased to function. The only women’s SHG to escape the politics of labour relations despite supporting the landowners’ opponents was one whose dominant members were relatively free of village labour relations.

The fact that SHGs are caught up in party politics places them amongst some of the more large-scale accumulation strategies of the dominant class. Whilst productive assets are of course the primary source of dominant class accumulation, party politics plays its part in Karnataka – as official figures on the personal finances of MLAs indicate (Association for Democratic Reforms 2008). Political interference

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39 MLAs tend to be from dominant class households. The six district (ZP) councillors from Dharwad taluk were all from dominant class households at the time of fieldwork. The same was true of all sub-district (TP) councillors that we encountered during fieldwork.
should not then be seen as discrete from the broader level of the social relations of production. The fact that party politics is often a key reason for group breakdown and the fact that other (sometimes the same) members of the dominant class, are able to withdraw wage labour from members of the labouring class poor are symptomatic of the wider structures amongst which SHGs operate.

Conclusion: a neoliberalisation of civil society?

At each level of the SHG process (internal loans, external loans, loans-cum-subsidies, and the distribution of information), it has been shown that class relations and initial economic conditions play a key role in determining outcomes. Broader dynamics of accumulation such as party politics also play a role, and the PWC and the depoliticised non-confrontational NGOs and local government institutions that it promotes assist the continuation of dominant trends of socio-economic differentiation and the reproduction rather than the erosion of poverty.

The institutional sponsors of SHGs in Dharwad, like the PWC, adopt a neoliberal view of development processes, which obfuscates class relations and posits poverty reduction as a residual rather than a relational process. State sponsors of SHGs are hampered on the one hand by poorly trained, paid, and motivated *anganwadi* workers, and on the other by political pressure from local dominant class politicians. NGO practices are degraded by their increasing focus on securing government contracts, which encourage short-lived, superficial interventions.

SHG sponsors generally fail to identify who the poor are and envisage SHGs as community-based organisations rather than as class-based organisations. The consequence is the formation of groups with wide internal economic and political disparities, which are generally dominated by wealthier and more powerful sections of the village, who corner the bulk of material and political benefits and thereby add to processes of differentiation. The dominant class had the greatest proportion of sustained beneficiaries of SHG activities, followed by the labouring class vulnerable non-poor. The labouring class poor saw no benefits beyond short-lived marginal increases in household income due to reduced interest rates, experienced pressure in meeting weekly savings targets, and in some cases faced debt-related harassment from SHG leaders. In other words, the Planning Commission’s assumption that SHGs would be able to move beyond the ‘upper layers of the poor’ to reach the ‘hardcore poor’ has, in relation to these parts of rural North Karnataka, proven to be false.

Rural India’s dominant classes have no incentive to contribute to an improvement in the material conditions of the poor, or to arm them with greater knowledge of their rights. Such developments could have negative impacts on their ability to command a cheap labour force, make gains through usurious money-lending practices, or, worse still, maintain their socio-political dominance over the village with all the material benefits that that helps to confer. Through SHGs, the dominant class has traded a slice of moneylending profits and control over labour for new group clients at election time. Social issues are not part of the deal.

The SHG explosion complements PWC discourse by emphasising self-reliance and community action and fostering entrepreneurship and a low cost private-public approach to social issues. In North Karnataka, the evidence indicates that the SHG explosion generally fails to transform the material or political position of those who remain relatively dependent upon their village’s dominant class for labour and
credit – the labouring class poor. Group sponsors are inattentive to class relations, levels of indebtedness and wage dependence both within groups and in relations with outsiders. More fundamentally, then, the SHG explosion fails because policy-makers assume that poverty reduction can occur without structural transformation.

SHGs provide low-cost, highly visible anti-poverty initiatives that complement the erosion of the state’s role in development and help to forestall social instability in a context of ‘jobless growth’ and stagnation in the agricultural sector. Far from being a tool for redistribution between social classes, SHGs appear to facilitate the maintenance of the status quo – part of a wider neoliberal production of a depoliticised civil society. By increasing the number and proportion of civil society organisations that operate within a depoliticised neoliberal framework, SHGs can be seen as contributing to a partial neoliberalisation of civil society.

The high level of support for SHGs amongst international aid institutions, which has filtered down into Government of India policy frameworks, is primarily born of the PWC’s search for cheaper ways of managing poverty without affecting any fundamental shift in the distribution of political or economic resources. The latter would surely be more effectively served by the effective delivery of employment programmes and wage increases for the labouring class poor. Far from being the type of class-based politicised organisations driven by class-conscious socially embedded sponsors that might support such a process, SHGs provide a misleading facade of a mushrooming of organisations of the poor. What is abundantly clear, and what this article has tried to underline, is that any attempt to reduce poverty requires the constant foregrounding of class and politics. The fact that SHGs do not do so, and their failure to alter the relative material and political conditions of the labouring class poor, make them part of a neoliberalisation of civil society.

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