Group Lending in South-India
A Gender Perspective

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Presentation Outline

- Context
- Methodology
- Research Questions
- Main Results
- Concluding Thoughts
The context
The Self-Help-Group Model

SHG as « microbanks »

- Stage 1 – group formation (12/20 members)
- Stage 2 – savings and internal lending
- Stage 3 – linkage
  - external loan (group loan), which is then lend to the members individually

Linkage types

- MFI
- Banking linkage
  - Direct linkage (17%)
  - NGOs as Facilitators (75%)
  - NGOs as financial intermediaries (8%)
The SHG movement: main strengths

- A dramatic growth...
  - Number of clients:
    - +82% per year since 1993 (2,924,973 linked groups in 2007)
  - Volume of credit disbursed:
    - +110% per year since 1993
- A strong focus on women
  - 90% of the clientele
- A strong focus on rural areas
  - 80% of the clientele
- The SHG model: 2/3 of the total Indian microfinance supply
But many weaknesses

- Quantity at the detriment of quality
  - Rigid and standard supply
  - Limited amounts (100$ on average)
  - Short term (one year)

Microfinance NGOs:
- A « credit plus » approach
- « Women empowerment » as a permanent and recurring discourse
- But no real gender strategy (FWWB, 2005)
Research questions

- Members’ perspective
  - social and financial aspects
- Group management
- Diversity of behaviors
Methodology

- An emphasis on the production of primary data
  - Diversity of socioeconomic contexts (rural areas in south India)
  - Diversity of microfinance NGOs
  - A focus on poor women (low caste)
- A combination of quantitative and qualitative tools
  - MIS, survey sampling
  - Live histories, group discussions, observation
- The challenges of empirical analysis
  - Poor MIS
  - Lack of transparency, NGOs control
  - Getting reliable figures on income, debt and savings
Members’ perspective (1)

- **Strong patriarchal norms**
  - Men as breadwinners
  - Control on women’s mobility

- **Daily practices**
  - Men’s « laziness »
  - Significant women’s contribution to household income
  - Men’s suspicion and resistance to social change

- **Women’s perception of « empowerment »**
  - Challenging patriarchy is hardly conceivable
  - Women are rather looking for compromises, adjustment, bypassing and resistance
Members’ perspective (2)

- Tensions and conflicts
  « The SHG solve some problems but create others »
  - Intrahousehold tensions, group tensions, internal tensions
  - The tricky question of time

- Compromises
  - Additional women obligations as a counterpart of group participation

- Mutual learning of resistance practices
  - The group as a platform for discussions, exchanges and mutual learning to bypass patriarchal hierarchy
The example of financial practices

The context:
- A permanent paradox: managing family budgets without any control on family income

The consequences
- Diversity of financial women-led practices (borrowing, saving), partly clandestine
- Diversity of financial women circuits
SHG impact on financial practices (1)

- Additional source of borrowing
  - But amounts remain limited compared to global indebtedness (5 to 30%)
- Additional pressure (regular instalments and social pressure)
- Internal arrangements
  - Flexibility
  - Strengthening of women financial circuits
Women responsibilities in household budget management

Source: author’s survey, 2007 (Tiruvallur District, Tamil Nadu, India)
Women borrowing practices

Borrowing Practices (% of women involved)

- Relatives, friends and neighbors: 93%
- Pawnbrokers: 82%
- SHGs: 65%
- Shopkeepers: 65%
- Door-to-door Moneylenders: 60%
- Employers: 30%
- "Wealthy People": 22%
- Banks and financial companies: 13%

Source: author’s survey, 2007 (Tiruvallur District, Tamil Nadu, India)
Women financial circuits

- Lending and borrowing
- Exchange of jewels
- Benefiting from a guarantor
- Acting as guarantor
Women clandestine saving practices

Clandestine Saving Practices

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-help-Group</td>
<td>2%</td>
</tr>
<tr>
<td>(microfinance)</td>
<td></td>
</tr>
<tr>
<td>Roscas</td>
<td>19%</td>
</tr>
<tr>
<td>Jewels</td>
<td>56%</td>
</tr>
<tr>
<td>Cash</td>
<td>68%</td>
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</tbody>
</table>

Source: author’s survey, 2007 (Tiruvallur District, Tamil Nadu, India)
SHG impact on financial practices (2)

Better access to the financial market
- Better creditworthiness
- Better information through mutual learning (informal financial market is non-transparent and highly segmented)
- The consequences:
  - For some, broader range of choice and diminution of dependence toward specific moneylenders (around 30%)
  - For others, vicious spiral of debt

Better management
- Regular instalments
- Mutual learning in terms of management know how (strategies and tricks to bypass male and in-laws excessive control)
Microfinance impact on financial practices

- Better access to financial market: 98.33%
- Better management: 65.00%
- More pressure: 48.33%
- More involved in financial decisions: 40.00%
- Less dependent from specific lenders: 28.33%

Source: author’s survey, 2007 (Tiruvallur District, Tamil Nadu, India)
Group management (1)

The decisive role of kinship relations
- Positive: solidarity, incentive and enforcement
- Negative: conflicts, bias in selection

Leadership
- Positive: «Multipurpose» group leaders and field workers
- And negative (Power asymmetries)

Support from microfinance NGOs

Local socioeconomic context
Group behaviors

Financial circulation: passive versus hyperactive

Types

- « Average » behavior: progressive lending
  - example IRCDS (Thiruvallur District; 2003-2006)

- « Elitist » groups
- « Egalitarian » groups

Source: IRCDS data

![Graph showing internal and external loans by cycle](chart.png)
Individual borrowing behaviors

**Types**
- Totally inactive (around 10%)
- Partially inactive (around 30%)
- Irregular (around 30/40%)
- Hyperactive (around 10/20%)
- Drop out (10%)
- Non clients

**Explaining factors?**
- Diversity of profiles
- Diversity of needs
- Diversity of power and social relations
Concluding Thoughts

- The ambivalence of the SHG model
  - flexibility
  - highly vulnerable to capture by vested interests and to inequitable distribution of the benefits (Harper, 2002; Johnson, 2004)

- The ambivalence of leadership
  - Can hardly promote directly social change but rather mutual learning allowing a better resistance to patriarchy

- Considerable hidden costs

- Group lending as a second rate system (Harper, 2007)?