

# Developing Social Capital through Self-help Groups

Akhaya Kumar Nayak

---

## Abstract

From the co-operative societies of the 19<sup>th</sup> century to Self-help Groups (SHGs) of the 21<sup>st</sup> century, the principle of self-help and mutual aid has remained a popular approach in development interventions. The present paper is an earnest attempt to capture the complex relationship between the principle of self-help (in SHGs) and generation of social capital for development of underdeveloped. The paper particularly aims to explore the impact of participation in SHGs and pre-membership socio-economic status on accumulation of social capital by the members of SHGs. It also touches upon the two way spiral relationship between accumulation of social capital and effectiveness of SHGs in empowering its members economically, socially and politically. Employing a structured interview schedule method for data collection, the study deduces conclusions through quantitative analysis. The paper concludes that more participation in SHG activities and a better pre-membership socio-economic status help the members of SHGs to accumulate more social capital.

**Keywords:** Social Capital, Self-help Groups (SHGs), Development, Income Generating Activities (IGAs), Non-Government Organization (NGO), Participation, Effectiveness.

## 1. Introduction

Self-help Group (SHG) has become a buzz word for the social scientists of developing countries working on development issues, especially after Muhammad Yunus won the Noble Prize for peace for his contribution towards eradication of poverty through Grameen Bank. SHGs came into existence in Europe in the form of Alcoholic Anonymous in 1935 (Oka and Borkman, 2000) to help hopeless alcoholics recover from alcoholism. Such groups, addressing the needs of the patients suffering from various chronic physical and mental illness, still persist in different parts of the world.

However, members of some SHGs share space other than health concerns. Single parents, members of sexual minorities or persons of ethnic minorities for instance carry out social advocacy for their 'cultural rights' through the medium of SHGs. The formation of these groups is an attempt to have the right to define themselves, to name themselves and to give voice to their experiences as valid (Borkman, 1999). Further, SHGs existing in Germany provide women members with part-time works. However, the nature of these SHGs are different from the SHGs existing in India (or for that matter in Bangladesh as well) in many respects. Whereas SHGs (in western countries and other Asian countries such as China and Japan) are concerned with health problems or identity politics focus on a single issue and are thus unidirectional, SHGs in India are multidirectional in nature. Indian SHGs address a number of relevant issues related to the economic, political and social life of their members. Another notable difference between them is that while the former is concerned with a single aspect of life of its members, the latter follows a holistic approach touching upon almost all the aspects of the life of its members starting from basic necessities of life to luxury.

## 2. Defining SHGs in India

SHGs in India are small, economically homogeneous and affinity groups of poor people. The members come together to save some money regularly by mutually agreeing to contribute to a common fund. These groups intend to meet the emergency needs of their members by providing collateral free loans on terms decided by the group itself which generally is less than the market driven rate of interest. They practice collective decision-making and resolve conflict through collective leadership. These groups try to empower the previously deprived and powerless mass (mostly women) socially, economically and politically. SHGs emphasize face-to-face social interactions and personal responsibilities by

its members (Katz & Bender, 1976). The mutual trust is the spirit of the organization. It has its own set of rules and regulations. There is transparency and accountability in SHG transactions (Pangannavar, 2008: 12-16) because each one in the small group keeps an eye on the other. The transparency and accountability enhance the trust and solidarity among the members of the groups which sociologists term as social capital. Since social capital is one of the important variables here, it needs to be explained from the viewpoints of some of the early users of the term in social science research.

### 3. Defining Social Capital

"Social capital is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition - or in other words, to membership in a group - which provides each of its members with the backing of the collectively-owned capital, a 'credential' which entitles them to credit, in the various senses of the word" (Bourdieu, 1986: 21). As defined by Putnam (1993: 35-48) "social capital refers to features of social organization, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital." The volume of social capital possessed by a given agent depends on the size of the network of connections he/she can effectively mobilize and on the volume of the capital (economic, cultural or symbolic) possessed in his/her own right by each of those to whom he/she is connected (see Bourdieu, 1986: 21).

### 4. Social Capital in SHG Movement

SHG movement involves social capital in form of a large number of networks, many horizontal and mostly vertical. In the horizontal or integrative social capital (Woolcock, 1998: 151-208), the network, trust and reciprocity among the members do not involve the element of hierarchy as the agents are mostly equals where one can expect a similar return of the gifts (material or nonmaterial) given. The vertical network between the SHGs and Self-help Promoting Institutions (SHPIs)<sup>1</sup>, or SHGs and Banks, though involve a hierarchical relationship, the element of control is mostly absent there. Because, in most cases, SHPIs are NGOs, which

are philanthropic organizations, and thus have no intention or necessity to control the groups. Banks and Microfinance Institutions (MFIs), on the other hand, are profit making financial organizations. These institutions do not have any motive to exercise control over the members as long as they are getting desired profit, but as soon as the groups become defaulters, banks and private Microfinance Institutions (MFIs) at times apply force to make them pay the instalments. On the other hand, the government (Government of Odisha) initiated SHPI, called as Mission Shakti, provides a seed money of 5000 INR to the newly formulated SHGs, which the groups need not refund. However, the state government uses this opportunity to showcase government's effectiveness in delivering good governance. Women who have received the seed money from Mission Shakti are on occasion persuaded to participate in radio and television programmes to share their success stories to mobilize popular support in favour of the ruling party. Ministers and other political leaders while organising any political gathering, also request these women to attend the gathering (which the women cannot refute because of their obligation and loyalty towards the local leaders) to showcase their support base and ability to empower women<sup>2</sup>.

Having discussed about the existence of various forms of social capital in SHG movement, it is necessary to delineate the relationship between social capital and SHGs. There exists a complex network of relationship between these two, one influencing the other in myriad of ways. These complex interactions between social capital and SHGs may be put in a simplistic way as (a) impact of 'existing social capital among the members' on the 'participation of members' and 'effectiveness of the groups' (in terms of economic, social and political empowerment of SHG members) and (b) impact of 'participation in SHG activities' on 'accumulation of

1. Self-help Promoting institutions (SHPIs) are organizations, may be government (such as Mission Shakti in Odisha, Kudumbashri in Kerala, Nationalized Banks etc.) or non-government (such as NGOs, Microfinance Institutions, Gram Sabha, Private banks, etc.), which not only promote the formulation of SHGs but also help the SHGs sustain by providing or helping those getting loans, capacity building training, marketing support of the products etc.
2. Earlier very few women were attending the political gatherings. Now they are doing it in large number being persuaded by the local leaders for members are obliged to government for the seed money they obtained from Mission Shakti to start the group. The leaders want to prove that their policies helped the women to come out of the boundary of their home to participate in the economic, social and political activities, which previously were considered to fall in the male domain. (Source: fieldwork conducted in Odisha for the Ph.D. Work of Akhaya Kumar Nayak).

social capital by the members'. In fact there exists a spiral relationship between these two. The existing social capital accelerates effective participation of the members in group activities and also helps in smooth functioning of group, ultimately resulting in bettering the effectiveness of the group. And active participation in group activities further helps the members accumulate more and more social capital which in turn helps them mobilize more resources to their groups, improve the participation of members, and makes the group more effective. The impact of the existing social capital on SHGs has already been studied by social scientists like Babington (2006: 97-114) in Peru and Guatemala, Santana (2010: 75) in India, etc. This paper, therefore, explores the effect of participation in SHG activities on accumulation of social capital by the members.

The level of participation has been operationalised as the combination of 14 items such as, 1. Length of Participation, 2. Number of Loans taken by the member from the SHG, 3. Volume of Loan taken by the member from the SHG, 4. Number of Loans taken by the group from bank, 5. Volume of Loans taken by the group from Bank, 6. Number of income generating activities (IGA) undertaken by the member at a point of time, 7. Amount of thrift collected per month, 8. Training received through SHG, 9. Mode (collective/individual/both) of Undertaking IGA, 10. Type of Participation (as ordinary members/office bearers), 11. Member's Voluntary attendance in meetings, 12. Member's voluntary participation in Community mobilization activities, 13. Collective effort to encourage others to take part in SHG, and 14. Collective effort to encourage others to form new SHGs.

Social capital in this context has been operationalized as the network and trust. Network here includes the intra-group and intergroup relationship as well as group's network with external agencies like banks, block offices<sup>3</sup>, NGOs, etc. Trust here refers to the trust among the fellow members and trust between members and non-members.

## 5. Hypotheses

This paper proceeds with the hypotheses that (1) higher the level of participation higher the accumulation of social capital, (2) better the pre-membership socio-

economic status of the members higher the accumulation of social capital and (3) more the members acquire social capital more effective an SHG becomes in terms of empowering its members economically, socially and politically.

## 6. Methodology

The study made use of a before and after experimental research design where before factor is assumed. A multistage sampling method combined with random sampling method has been used to choose the representative samples from seven districts of the northern Odisha. 353 SHG members (including leaders and ordinary members) have been personally interviewed from the above mentioned study area with the help of a fully structured interview schedule. Statistical tools such as Chi-Square test, Correlation and ANOVA have been employed to analyse the data. Non-participant observation from the field adds qualitative information and helps in interpreting the obtained results.

## 7. Analysis

After becoming the members of SHGs, the women acquire substantial amount of social capital both horizontal and vertical. They forge new networks with the government and non-governmental officers, bureaucrats, other leaders of SHGs, etc. The level of trust among the members and the trust between members and non-members are also enhanced after participating in SHG activities.

It is found from the study that 37.7 percent of the respondents obtain high scores in accumulation of social capital, 53.3 percent of the respondents get moderate scores and 9.1 percent of the respondents obtain low scores. Higher percentage of respondents getting high or moderate scores indicates that SHGs help members in accumulating higher amount of social capital. After becoming the members of SHGs, the women come in contact with several officers and outsiders such as bank

3. Blocks are the next level of administrative divisions after districts. Block offices are responsible for carrying out developmental schemes formulated by Women and Child Development Department (WCD). These offices often facilitate formulation of SHGs through the representatives of Integrated Child Development Schemes (A scheme by WCD Department for the development of Children) known as Anganwadi Workers.

personnel, NGO personnel, ICDS personnel, etc. and establish vertical linkages with them which they further use to benefit themselves in individual level as well as in the group level. Having worked together for a long time and sharing a lot of space together, members develop trust among each other. Through the process of lending to outsiders and getting the repayment with interest, the members develop trust on outside women. This helps the women generate horizontal networks and linkages. By taking loan and utilizing it for Income generating activities (IGAs), they develop trust on the formal financial institutions. Women of small income generally do not have much trust on these institutions when they are not very much acquainted with formal banking facilities. But after becoming the member of SHGs, they start transacting with the formal financial institutions and develop trust on those institutions.

The level of participation is one of the variables having significant impact on the effectiveness of SHGs (Nayak, 2013). Thus it is pertinent to examine the relationship between level of participation and accumulation of social capital. The hypothesis proposes that higher the level of participation higher will be the accumulation of social capital.

The correlation value between the level of participation and accumulation of social capital is 0.563 which is positive, moderately high and highly significant. Thus, there is a valid correlation between the two variables. Increase in one leads to the increase in other ( $p < 0.01$ ). Our hypothesis suggests that the direction of relationship is from level of participation to accumulation of social capital. Thus we can conclude that increased level of participation leads to the increased accumulation of social capital. Increased level of participation means more years of participation, more loans from bank, more loans to group members, more IGAs, etc. They automatically lead to more network and trust among the SHG members which is considered as the accumulation of horizontal social capital. Similarly they also lead to increasing interaction with personnel/officials of SHPIs, Banks, NGOs, ICDS, etc. for several years and result is accumulating more vertical social capital.

The table 1 shows the relationship between level of participation and members' accumulation of social capital after becoming the members of SHGs. The pattern of the data in different cells affirms the positive relationship between the two variables. (Table 2)

The chi-square value, as depicted in table 2, is highly significant and thus it is suggestive of a close association between the level of participation and social capital acquired by virtue of being the members of SHGs.

The chi-square value and a moderately high and positive  $r$  value between accumulated social capital and total effectiveness of the group ( $r=0.671$ ,  $p < 0.01$ ) indicated that there is a spiral and cumulative relationship between the two. Accumulated social capital helps the members to become more and more effective which in turn helps them in gaining more social capital and the process goes on. Women members of SHGs forge considerable volume of network and generate substantial level of trust among the members and on other institutions. They also convince other institutions to have trust on the group and the members. As a result, they reap the benefits in terms of more loans from financial institutions, training and marketing support from SHPIs which enhance their level of participation and thus lead to more effectiveness in all the dimensions.

Table 4 shows that all the respondents having high scores in socio-economic status have high score in accumulation of social capital. 54.7 percent of the respondents having moderately high scores in socio-economic status have higher scores in accumulation of social capital. 41.7 percent of the respondents having moderately low scores in socio-economic status have higher scores in accumulation of social capital. Similarly there is a kind of convergence of low scores of both the variables. This pattern shows that there is a strong correlation between socio-economic status and accumulation of social capital.

A highly significant chi-square value (see table 5) indicates that there is a strong association between the socio-economic status and accumulation of social capital of respondents through SHGs. Socio-economic status, therefore, is found to be a factor influencing accumulation of social capital. Higher the socio-economic status of

the respondents, more social capital they acquire after becoming the members of SHGs. From the non-participant observation it was found that women having higher socio-economic status have better education and thus have better ability to communicate with the bank, block and NGO officials and thus acquire more social network and thus enhance the social capital.

Table 6 displays the relationship between socio-economic status of the members of SHGs and accumulation of social capital by them. It is observed that with a higher pre-membership socio-economic status, women accumulate more social capital after becoming the member of SHGs, but it may not be proportionate. The correlation value between pre-membership socio-economic status and change in the respondents' accumulation of social capital ( $r=0.363$ ,  $p < 0.01$ ) is positive and significant. Though it is low it is highly significant and thus is indicative of an association between the two variables. From qualitative study through observation and case studies we found that this relationship between pre-membership socio-economic status and accumulation of social capital may be as follows<sup>4</sup>:

1. Members having high socio-economic status are also more educated thus can easily forge a network with others on the basis of their interpersonal communication skills and win the trust of other members because of their better understanding of the phenomena.
2. They are from higher castes making it easier for them to approach people from all walks of life.
3. Better family occupations and higher income also facilitate their access to officials of banks, block offices and NGOs.

## 8. Conclusion

On the basis of the above empirical evidences we conclude that by participating in SHGs, women members are able to secure and enhance all three kinds of social capitals (Woolcock, 2000) namely bonding (social capital

arising out of solidarity among members), bridging (capital generated because of groups coming together for common purposes like savings and credit) and linking (social capital arising out of groups forming links with external institutions like banks, other community and government institutions and social movements) social capital (Burra, Ranadive & Murthy, 2005: 63). As per the results presented above, the members of SHGs are developing closer relationship among themselves. The members are collectively involved in community mobilization activities such as revolting against alcoholism (in Baragarh district of Odisha), planting trees, protecting forests, cleaning the village roads, purifying the village pond, beautifying the village entrance (in Angul district of Odisha) and campaigning for their own candidates in election (in Jaipur district of Odisha) (Nayak, 2013). These collective involvements further give impetus to the existing solidarity among the members and increase their stock of 'bonding social capital'. Further the women members organize themselves into SHGs for saving thrift, getting loans, undertaking income generating activities, obtaining economic, social and political benefits etc. These common goals keep them bound together. Though they sometimes perform different activities following division of labour, their common goals keep them together. This increases their level of trust upon each other and accelerates their accumulation of 'bridging social capital'. Participation in SHG activities require the members to forge linkage with banks, block offices and officers, Panchayat office and Sarpanch, Gram Sabha, political leaders, NGO personnel, capacity building agencies, market, etc. Frequent encounter with these linkages and networks enhances the 'linking social capital' of SHG members.

## Acknowledgement

I am thankful to my Ph.D. supervisor Prof. Binay Kumar Pattnaik from Indian Institute of Technology Kanpur who have thoroughly guided me from the beginning till the end of this empirical exercise.

4. These reasons are based on the indicators of measuring socio-economic status i.e. education, caste, income and occupation

**Table 1**  
**Level of Participation vs. Accumulation of Social Capital by Respondents through SHG Membership**

			Accumulation of Social Capital by Respondents through SHG Membership			Total
			Low Score	Moderate Score	High Score	
Level of Participation	Low Score	Count	17	105	18	140
		Expected Count	12.7	74.6	52.7	140.0
	Moderate Score	Count	14	78	78	170
		Expected Count	15.4	90.5	64.1	170.0
	High Score	Count	1	5	37	43
		Expected Count	3.9	22.9	16.2	43.0
Total	Count	32	188	133	353	
	Expected Count	32.0	188.0	133.0	353.0	

**Table 2**  
**Chi-Square tests**  
**Level of Participation vs. Accumulation of Social Capital by Respondents through SHG Membership**

	Value
Pearson Chi-Square	84.532**a(4)
Likelihood Ratio	91.093**(4)
Linear-by-Linear Association	65.143**(1)
N of Valid Cases	353

Notes:

1. \*\* The value is significant at the level of 0.01.
2. Number in the bracket indicate degree of freedom.

**Table 3**  
**Chi-Square Tests**  
**Accumulated Social Capital and Total Effectiveness of SHGs**

	Value
Pearson Chi-Square	120.704**a (4)
Likelihood Ratio	135.476** (4)
Linear-by-Linear Association	103.880** (1)
N of Valid Cases	353

Notes:

1. \*\* The value is significant at the level of 0.01.
2. Number in the bracket indicate degree of freedom.

**Table 4**  
**Socio-economic Status vs. Accumulation of Social Capital by Respondents through SHG Membership (Crosstab)**

			Accumulation of Social Capital by Respondents through SHG Membership			Total
			Low Score	Moderate Score	High Score	
Socio-economic Status	Low Scores	Count	15	83	21	119
	Moderately Low Scores	Count	13	85	70	16
	Moderately High Scores	Count	4	20	29	53
	High Scores	Count	0	0	13	13
	Total	Count	32	188	133	353

Notes: N = 353.

**Table 5**  
**Chi-Square Tests Socio-economic Status vs. Accumulation of Social Capital by Respondents through SHG membership**

	Value
Pearson Chi-Square	49.773**a (6)
Likelihood Ratio	55.841** (6)
Linear-by-Linear Association	37.545** (1)
N of Valid Cases	353

Notes:

1. \*\* The value is significant at the level of 0.01
2. Number in the bracket indicate degree of freedom.

**References**

Bebbington, D. H. and Gomez A. (2006). Rebuilding Social Capital in Post Conflict Regions: Women’s Village Banking in Ayacucho, Peru and In Highland Guatemala. In Fernando (Ed.), *Microfinance: Perils and Prospects*, (pp. 97-114). London, Routledge.

Borkman, T. (1999). *Understanding Self-help/Mutual Aid: Experiential Learning in the Commons*, London, Rutgers University Press.

Bourdieu, Pierre (1986). The forms of Capital. In J. Richardson (Ed.), *Handbook of Theory and Research for Sociology of Education* (pp. 241-58). Westport, CT, Greenwood.

Burra, J. D. Ranadive, Murthy, R. K. (2005). *Micro-Credit, Poverty and Empowerment: Linking the triad*, New Delhi, Sage Publications.

Katz, A. and Bender, E. (1976). *The Strength in Us: Self-help Groups in Modern World*, New York, Franklin-Watts.

Nayak, A. K. (2013). *Self-help Groups Movement and Socio-economic Development: An Empirical Exploration from the Eastern Indian State of Odisha*. Ph.D. thesis submitted to IIT Kanpur, India.

Oka, Tomofumi and Borkman, Thomasina, (2000). The History, Concepts and Theories of Self-help Groups: From an International Perspective, <http://pweb.sophia.ac.jp/~t-oka/papers/2000/jjot.html>, published in January, 2000.

Santhanam, S. (2010). Impact of Microfinance on Women Empowerment and Poverty Reduction: A Study in UT of Pondicherry. In Kaushik and Rangarajan (Ed.) *Microfinance and Women’s Empowerment* (pp 45-76). New Delhi, Serials.

Pangannavar, A.Y. (2008). Self-help Groups and Rural Poverty. *Kurukshetra*, 57(2), 12-16.

Putnam, Robert; (1993). *The Prosperous Community: Social Capital and Public Life*. *The American Prospect*, no. 13, (Spring 1993), 35-42.

Woolcock, M. (1998). Social Capital and Economic Development: Towards a Theoretical Synthesis and Policy Framework. *Theory and Society*, 27 (2), 151-208.

**Akhaya Kumar Nayak** is a faculty in the area of Humanities and Social Sciences at IIM Indore. He teaches courses such as Introduction to Sociology, Indian Society and Culture, Contemporary Social Issues, etc. He has earned his Ph.D. degree from Indian Institute of Technology Kanpur, India.