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**GOVERNING SUSTAINABILITY IN INDIA**

Saikumar Cheelurappa Bharamappanavara

## **Comparing Collective Action in Rural and Urban Group Based Microcredit**

Lessons from Survey and Experimental  
Research

**SHAKER  
VERLAG**

## Comparing Collective Action in Rural and Urban Group Based Microcredit



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**Saikumar Cheelurappa Bharamappanavara**

**Comparing Collective Action in  
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## Aim and Scope of the Series

*„Nothing endures but change“*. Heraclitus the Ephesian (ca. 535–475 BC)

Institutions, defined as “the rules of the game”, are a key factor to the sustainable development of societies. They structure not only the multitude of human-human interactions of modern societies, but also most of the human-nature interactions. Poverty, famine, civil war, degradation of natural resources and even the collapse of ecosystems and societies often have institutional causes, likewise social and economic prosperity, sustainable use of resources and the resilience of socio-ecological systems. Agriculture, forestry and fisheries are those human activities where the interdependencies between human-human and human-nature interactions are perhaps most pronounced, and diverse institutions have been developed in history to govern them.

Social and ecological conditions are, however, ever changing, which continuously challenge the existing institutional structure at a given point in time. Those changes may be long-term, like population growth or climate change, medium-term, such as new technologies or changing price relations, or short-term, like floods or bankruptcies, but all of them pose the question whether the rules of the game need to be adapted. Failures to adapt timely and effectively may come at a high social cost. Institutional change, however, face a principal dilemma: on the one hand, institutions need to be stable to structure expectations and effectively influence human behaviors; on the other hand, they need to be adaptive to respond to the ever changing circumstance mentioned above. Understanding stability and change as well as developing adaptive institutions and effective, efficient and fair mechanisms of change are, therefore, of central importance for societies and an ongoing research challenge for social scientists.

If we want to improve the effectiveness, efficiency and adaptability of institutions, it stands to reason that we have to develop a good understanding of the causes, effects, processes and mechanism of stability and change. This is the aim of the series “Institutional Change in Agriculture and Natural Resources,” which attempts to answer the questions “How do processes and mechanism of institutional change actually work? What and who are the main determinants and actors driving, governing and influencing these processes? What are the economic, political, social and ecological consequences? How can adaptive institutions be designed and developed, and what governance structures are required to make them effective?” These are the questions at the heart of the series. The works published in this series seek to provide answers to these questions in different economic, social, political and historical contexts.

Volker Beckmann and Konrad Hagedorn

Ernst-Moritz-Arndt-Universität Greifswald und Humboldt-Universität zu Berlin



## **Focus of the *Governing Sustainability in India* subseries**

Deep transformations of interconnected social, ecological and technical systems are taking place in many regions of the world, requiring complex processes of institutional change. In India, such processes of transformation are particularly intense. As in many other countries, the main drivers there can be found in population growth associated with demographic change and economic growth, closely interlinked with technological change. Especially in Indian society, this often occurs in contexts of high population density, extreme resource scarcity, weak carrying capacity of ecosystems and harmful pollution. The growing economy calls for reliable energy provision and increased energy efficiency while, at the same time, also needing to cope with climate change.

The ICAR subseries *Governing Sustainability in India* provides a collection of studies on such action situations in both rural and urban areas. Rural areas are increasingly affected by the above-mentioned problems, as people's livelihoods there often depend directly on well-functioning bio-physical systems. They suffer from soil erosion, declining water tables, loss of biodiversity, impacts of climate change and other crucial problems. In Indian cities meanwhile, particularly its emerging megacities, urbanization is proceeding rapidly, leading to increased demand on natural resources. Changing lifestyles and economic growth are increasing energy consumption and greenhouse gas emissions. Climate change impacts, worsened by such urban developments, are already causing extreme weather events such as floods, heat waves and droughts.

In such action situations, crafting institutions can be the key to achieving sustainable development. The young researchers presenting their analyses in this subseries have accepted this challenge and engaged in excellent, in-depth studies. A variety of related issues were analysed, including enhanced energy efficiency, power-generation efficiency, policies for renewable energy, political discourses for promoting biofuels, sustainable traffic solutions, sustainable food chains, localized food systems, food accessibility for the urban poor, electricity provision for irrigation, microcredit organisations to combat poverty, governance of water allocation, industrial water pollution abatement, collective action in watershed management, rehabilitation of displaced farmers, and local service delivery. We are very grateful to the authors for having employed well-developed analytical frameworks, enlightening theoretical approaches and multiple methods to contribute to our common knowledge base. They have been working together with many partners in India and elsewhere, to whom we also want to express our special gratitude.

Volker Beckmann and Konrad Hagedorn  
Ernst-Moritz-Arndt-Universität Greifswald & Humboldt Universität zu Berlin



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Berlin, June, 2018

Saikumar C. Bharamappanavara

## Summary

This study analyses how differences in the attributes of social capital of rural and urban societies matter in the formation of collective action in group-based microcredit. As microcredit institutions, Self-Help Groups (SHGs) have become a prominent channel for the implementation of poverty alleviation programmes in Indian rural areas. A recent initiative for extending rural SHG concepts to urban areas in the Greater Hyderabad Area forms the background that has motivated this study.

My research framework borrows from theories of social capital and collective action and distinguishes between structural and cognitive analytical dimensions. The study elaborates and tests various hypotheses within this research context. To study the attributes of selected structural and cognitive dimensions, I apply a mixed-methods approach, contrasting results of a general survey with those from framed field experiments.

I seek to show that most of the indicators describing the structural dimensions of social capital formation are very similar between rural and urban SHGs, though a few indicators do differ. For example, social ties are more kinship-neighbourhood based for rural SHG members, whereas friends-neighbourhood based ties predominate in urban contexts. Cognitive dimensions of social capital formation were studied, including the cooperative attitude, trust, trustworthiness and solidarity. Results of my framed field experiments reveal that cooperation works quite similarly in both rural and urban SHGs. It also appears that processes and outcomes of trust formation and attitudes towards trustworthiness are similar in many instances. However, outcomes of trust games suggest that levels of trust and trustworthiness are higher in rural as compared to urban SHGs. Similarly, results from solidarity games evidenced that rural SHG members are willing to sacrifice more than their urban counterparts, possibly indicating stronger solidarity among rural SHG members compared to their urban counterparts.

From applying a mixed-methods approach, I conclude that field experiments may be a more accurate way to measure cognitive indicators compared to survey methods. More generally, I conclude that trust and solidarity, as important attributes of social capital formation, play a somewhat greater role in rural SHGs as compared to urban ones. Though rural and urban SHGs have been praised for their relative stability and were found to function similarly, these differences in their attributes concerning social capital may play out differently in the future. The concept of SHGs within the defined boundaries of microcredit fits appropriately in both rural and urban environments. However, differences found in this study beg the question of threshold levels for the functioning of these groups within which this statement may be true. Policy makers as well as practitioners in the field may consider this when pushing for the next generation

of SHGs in a rapidly urbanizing India. Meanwhile, researchers may further explore the behaviour of SHGs in different contexts, with the aim of narrowing the knowledge gaps this study has analysed and pointed out.

Keywords: Self Help Groups, rural–urban, social capital, collective action, experiments, trust and solidarity.

## **Zusammenfassung**

Diese Dissertation untersucht, ob Unterschiede in Attributen von Sozialkapital zwischen ruralen und urbanen Gesellschaften für die Entstehung von kollektiven Handlungen in Mikrokreditgruppen von Bedeutung sind. Selbsthilfegruppen (SHG) - wie Mikrokreditinstitutionen - sind ein bedeutender Kanal für die Implementierung von Programmen zur Armutsbekämpfung in ländlichen Regionen Indiens geworden. Die Relevanz dieser Studie begründet sich durch die kürzliche Ausweitung des Konzepts der ländlichen SHG auf urbane Regionen im Großraum Hyderabad.

Mein Forschungsrahmen nimmt Bezug auf Theorien des Sozialkapitals und kollektiver Handlungen und unterscheidet zwischen strukturellen und kognitiven analytischen Dimensionen. Die Studie erarbeitet und testet verschiedene Hypothesen in diesem Forschungskontext.

Um die Attribute der strukturellen und kognitiven Dimensionen zu untersuchen, wähle ich einen Mixed-Methods Ansatz, bei dem Ergebnisse einer fragebogenbasierten Erhebung denen aus Feldexperimenten gegenübergestellt werden.

Ich zeige, dass die meisten Indikatoren, die strukturelle Dimensionen von Sozialkapitalbildung abbilden, zwischen ruralen und urbanen SHG sehr ähnlich ausgeprägt sind. Ich finde allerdings auch einige Indikatoren, die sich unterscheiden. Zum Beispiel sind soziale Bindungen zwischen ruralen SHG Mitgliedern eher verwandtschaftlich-nachbarschaftlich, während sie zwischen urbanen SHG Mitgliedern eher freundschaftlich-nachbarschaftlich sind.

Kognitive Dimensionen von Sozialkapitalbildung wurden in ihren Attributen, wie kooperative Einstellungen, Vertrauen, Vertrauenswürdigkeit und Solidarität, untersucht.

Ergebnisse der Feldexperimente zeigen, dass Kooperation in ruralen und urbanen SHG sehr ähnlich funktioniert. In Bezug auf Vertrauensbildung und Einstellungen zu Vertrauenswürdigkeit deuten die Ergebnisse auch darauf hin, dass Prozesse und Resultate in vielen Fällen ähnlich sind. Die Ergebnisse des Trust Game zeigen jedoch, dass Vertrauen und Vertrauenswürdigkeit in ruralen SHG ein höheres Niveau erreicht als in urbanen SHG. In ähnlicher Weise belegen die Ergebnisse des Solidarity Game, dass rurale SHG Mitglieder im Vergleich zu urbanen Mitgliedern bereit sind höhere Verzichtse in Kauf zu nehmen. Dies deutet darauf hin, dass Solidarität bei ruralen SHG Mitgliedern stärker ausgeprägt ist als bei urbanen SHG Mitgliedern.

Aus der Anwendung des Mixed-Methods Ansatzes schlussfolgere ich, dass Feldexperimente im Vergleich zu fragebogenbasierten Instrumenten eine genauere Messung von kognitiven Indikatoren ermöglichen.

Allgemeiner komme ich zu dem Ergebnis, dass Vertrauen und Solidarität als wichtige Attribute von Sozialkapitalbildung eine etwas größere Rolle in ruralen SHG als in urbanen SHG spielen. Auch wenn rurale und urbane SHG für ihre relative Stabilität gelobt worden sind und in dieser Studie festgestellt wurde, dass sie ähnlich funktionieren, könnten sich diese Unterschiede in den Attributen des Sozialkapitals in der Zukunft als wichtig erweisen.

Das Konzept der SHG innerhalb der Grenzen von Mikrokredit scheint auf ländliche und städtische Umgebungen angepasst zu sein. Dennoch werfen die Unterschiede, die in dieser Studie aufgezeigt wurden, die Frage nach Schwellenwerten auf, in denen diese Aussage zutrifft. Politische Entscheidungsträger und Fachleute können dies berücksichtigen, wenn sie auf die nächste Generation von SHG in Indien drängen, wo eine schnelle Urbanisierung stattfindet. Wissenschaftler können das Verhalten von SHG in verschiedenen Kontexten weiter untersuchen um die Wissenslücken, die diese Studie herausgestellt hat, weiter zu verkleinern.

Schlagwörter: Selbsthilfegruppen, ländlich, städtisch, Sozialkapital, kollektive Handlungen, Experimente, Vertrauen, Solidarität.

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