Groups are of fundamental importance to economic, social, and political outcomes. Group formation among the poor may affect poverty directly, via improved income generation, or indirectly via empowerment and political action. Groups can be important vehicles for representing and promoting the interests of their members. In a number of significant ways, however, the chronically poor are disadvantaged in group formation, and this may form a significant part of the vicious circle and dynamics of chronic poverty.

Different Groups with Different Functions

**Market Failure or Efficiency Functions.** To overcome market failures such as externalities associated with non-excludability, groups or collective action are needed to produce public goods. There are three types of market failure groups: producers’ associations, credit and savings groups, and natural resource management organizations.

**Claims Functions.** These arise where a primary purpose of a group is to advance the claims of its members to power and/or resources. Examples of these are lobby groups, trade unions, women’s

**SOURCE:**
groups, associations of the poor such as the landless. For these groups to be successful, the mobilization of mutually beneficial social networks and institutions is important.

**Pro Bono Functions.** Pro bono functions aim to alter the distribution of benefits within society, but they are (in theory) mainly directed toward individuals outside the group, in contrast to claims groups. Pro bono functions are performed by groups in the public sector, or non-government organizations (NGOs), and are typically associated with the provision of services such as health, education, or microcredit. Groups fulfilling pro bono functions also often contribute to overcoming market failures, such as externalities or indivisibilities, and to claims goals.

### Factors Inhibiting Successful Group Formation among the Poor

Groups potentially do offer an escape from poverty. However, the poor may be less likely to form groups in the first place, or to make a success of groups. The poorest may typically be excluded from successful groups. Following are the main factors inhibiting successful group formation among the poor and, in particular, the poorest:

**Lack of Assets**

Poverty, and in particular chronic poverty, is associated with lack of education, capital, labor, social status, and other assets. Yet, these make important contributions to group formation and organizations. Hence, the poor are structurally weak in terms of group formation, relative to others in society. In relation to market failure groups, the poor often cannot make productive contributions that make their inclusion worthwhile, which results in what some have analyzed as a middling effect, whereby the poorest and the richest tend to be excluded from groups. While the rich may not need groups in order to produce efficiently, the poorest may be excluded because they have no assets to contribute to group enterprises.

**Lack of Access to Markets**

Unequal access to networks results in asymmetric information about opportunities. In particular, the poor often lack access to social networks, which can be a major handicap to the success of groups. For the chronically poor, a lack of social networks may also inhibit group formation in the first place, as destitution leaves little space for networking. In addition, deprivation tends to worsen some forms of conflict and thereby damages the trust essential for networking and economic exchange more generally. In turn, the resulting limited and biased economic networks among the poor, generally strongest within their own income group, limit knowledge about and access to market opportunities. Flawed access to market information is worsened by the isolation of rural poverty.

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**The Case of Thailand and South Asia**

In Thailand, despite the adoption by the state of legislation to promote community forestry, certain groups has not been able to benefit from this due to lack of political entitlements, including immigrants of the last 100 years who were not able to obtain citizenship.

In South Asia, social stratification explains why cooperation is almost totally absent in some regions and a common feature of others. This seems especially true where caste and ethnic factors interact with class. For example, in the wet rice areas of West Bengal, the only “cooperation” found is a form of forced labor for building roads. In many countries, immigrants, squatters, and scavengers suffer from similar disadvantages in terms of their status and political entitlements, which makes it hard for them to organize and act as a group.

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**Credits and Savings Groups**

For credits and savings groups, the control of capital and management rest entirely with the group, and thus, levels of autonomy and responsibility are high. Operating through a group instills the discipline to save through group encouragement and solidarity, which would be hard to achieve individually. Groups in this sense play a protective role against the demands of kin and clan, which can be crucial for women members.
Lack of Rights
Access to political institutions seems to have a crucial bearing on the ability of groups to succeed among the poor. This is strongly influenced by the enforcement of rights or political entitlements, while a lack of citizenship, territorial claims, influence, and so forth can be crippling.

Leadership
Group formation often needs a catalyst, the nature of which is crucial. Leadership, whether from inside or outside the group, has generally been vital for group success. Internal leadership is the healthiest form, subject to achieving the fine balance between leadership and domination/exploitation.

Dependence on External Intervention
Many successful group ventures among the poor depend on external actors such as the state, an NGO, or social activists. The poorer the group, the more important the outsider’s role is; though internal leadership can be successful. Yet, such external leadership roles typically go wrong, in which case the poor, by their very dependence on such actors, are placed at a disadvantage.

In many cases, it is the appropriation of groups for ideological, political, or economic ends external to the group’s objectives that results in disaster. Forestry groups and microfinance groups are often subordinated to external objectives (environmental conservation, financial sustainability, etc.) resulting in a lack of genuine participation and the disempowerment of the so-called beneficiaries.

Groups and the Very Poorest
The problem for efficiency groups is that they are more often than not, exclusive. The landless people are usually automatically excluded from agricultural production ventures. Many microfinance groups exclude the poorest, and where they are included, they are usually exploited. Although claims groups, which are about voice, are less likely to exclude, problems of inclusion might arise from factors such as caste, gender, and ethnicity. Some might exclude for cohesion as in the case of South African housing groups which excluded the poorest, the majority of whom were illegal immigrants.
Policy Implications and Recommendations

There is a need for concerted efforts to qualify the widespread propagation of market norms and to emphasize those of trust and cooperation. International organizations, NGOs, and governments can make contributions in a variety of ways, including in their own modes of operation and in the recommendations they make and the demands they impose on developing country institutions. Successful groups among the poor do exist, and it should be the policy of national and local governments to document and publicize such successes and to promote their replication.

- Most structures of government (and aid policy) need to be reviewed to make them supportive of groups for the poor.
- Legal systems should be reviewed to ensure they do not discriminate against the asset — poor.
- Credit systems can be geared to be more favorable to groups incorporating poor people. In India, for example, banking regulations require a certain proportion of lending to low-income activities.
- Public expenditure in relation to infrastructure, education, and training in particular needs to be reviewed to assess and improve its impact on pro-poor group functioning.
- Effective policies of decentralization, based on devolution of power and resources, with adequate support to enhance accountability and promote understanding of group formation, can be an important mechanism of support for many of the group activities and in turn be helped by the prevalence of proactive groups, generating a virtuous cycle. However, local governments too can be subject to elite pressure groups.

Specific efforts are needed either to extend groups among the poor to include the poorest, or by implementing special initiatives geared toward the poorest. The policies of governments and NGOs toward group formation among the poor should seek to promote inclusiveness in coverage, through training programs, institutional arrangements, leadership development, and ways in which groups are held accountable.

There will always remain challenges in group formation, but the overall effects of groups — creation of self-esteem, empowerment, shared identity, and mutual support — appear to outweigh all such challenges.

Suggested Readings


