

**CORPORATE LINKAGE WITH SELF-HELP GROUPS IN  
INDIA: GOOD, BAD OR BENIGN?**

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## Acronyms

AP	: Andhra Pradesh
APL	: Above Poverty Line
APMAS	: Mahila Abhivrudhi Society, Andhra Pradesh
BC	: Backward Castes
BPL	: Below Poverty Line
CSR	: Corporate Social Responsibility
DRDA	: District Rural Development Agency
FMCG	: Fast Moving Consumer Goods
HUL	: Hindustan Unilever Limited
MFI	: Microfinance Institution
NREGA	: National Rural Employment Guarantee Act
NABARD	: National Bank for Agriculture and Rural Development
NGO	: Non-Governmental Organization
OC	: Other Castes
PDS	: Public Distribution System
RSP	: Rural Sales Promoter
SC	: Scheduled Caste
SHG	: Self Help Group
SHPI	: Self Help Promoting Institution



## Abstract

This report explores the commercial marketing of fast moving consumer goods marketing through savings groups. The paper examines the case of Hindustan Lever's 'Project Shakti', which was started in Andhra Pradesh in 2001 and sells around \$100 million dollars worth of personal and home care items annually, through some 45000 women who are members of Self Help Groups. This is India's and almost certainly the world's largest effort of this kind.

The findings from a detailed survey of 31 women who are part of this Project, and six, who were part of it but recently dropped out, are supplemented by the results of a number of interviews with Company marketing staff and other authorities. The report also includes information about other corporate marketing initiatives in India through Self Help Groups.

The major findings are that the groups, and group federations and other supporting agencies such as NGOs and government departments, are used mainly to assist the Company to identify and then itself to select suitably qualified women. The groups play little part thereafter.

The women who are selected are often the group leaders and are rarely from the poorest members. They sell to individual consumers and to local grocery shops, and the business makes a modest addition to their household incomes. They generally have other sources of income, including their own grocery shops and government subsidised ration distribution dealerships. Their husbands assist and often manage the businesses.

The Company supports the women with a large dedicated field promotion force. The results, although they are substantial, have not come up to expectations, and the Company is introducing a new level of mobile sales agents, appointed from the husbands of the women who are the present agents.





# 1 Introduction

## 1.1 Background and objectives

The purpose of this paper is to explore the implications of commercial marketing through groups which have been formed to promote financial inclusion. We do this by examining 'Project Shakti', which has been undertaken by Hindustan Unilever Limited of India (HUL) to work through Self Help Groups (SHGs) in order to improve its outreach and sales to rural areas. HUL is a partly-owned subsidiary of Unilever, a multi-national company with a global turnover of about fifty five billion dollars in fast-moving-consumer goods, including personal care products, detergents, food and beverages.

We attempt to address the following questions, among others:

- Why the Project was initiated, what conditions made it desirable?
- What are the benefits to HUL and the SHG members from the Project?
- Is the Project sustainable, for all parties?
- What is the social impact of the Project?

Project Shakti was started in the year 2000 in the southern Indian state of Andhra Pradesh. It is now active in twenty-two districts in eighteen states. Around 45000 women, who are also members of SHGs, are now participating in this Project, and they are selling about one hundred million dollars a year worth of goods, to some three million households. This is about two and a half percent of HUL's total sales of almost four billion dollars. (HUL Annual Report, 2009-2010). (Note: Indian rupee figures have been converted throughout to US dollars at the rate of 45 rupees per dollar; the results are rounded for simplicity). The number of 'Shakti Ammas' (literally, 'Power Women'), as the women are called, is however slowly declining.

Self help groups are the dominant channel for the delivery of micro-credit (that is, microdebt) in India, although the growth rate of 'Grameen model' microfinance is much faster, and their numbers may overtake SHGs within a few years. (Srinivasan, 2010) The movement started with a small pilot in 1991, and by March 31, 2009, there were just over six million of these groups, with almost 100 million members, over 95 percent of who were women. About four million SHGs were borrowing from state, cooperative and private commercial banks, microfinance institutions and post offices, and they owed a total of five billion dollars. The six million groups had a total of around 1.2 billion dollars worth of savings on deposit with the banks.

This network has proved itself as an excellent channel for the distribution of financial services, particularly debt. It obviously presents opportunities for commercial marketing. Several companies, which produce food, energy efficient stoves and lamps, pressure cookers, mobile phones and other consumer products, have attempted to market goods or services through SHGs, but most of these initiatives have remained quite small or have not lasted. We attempt in this paper to examine the business and social results of Project Shakti, and to identify its successes and the outstanding problems.

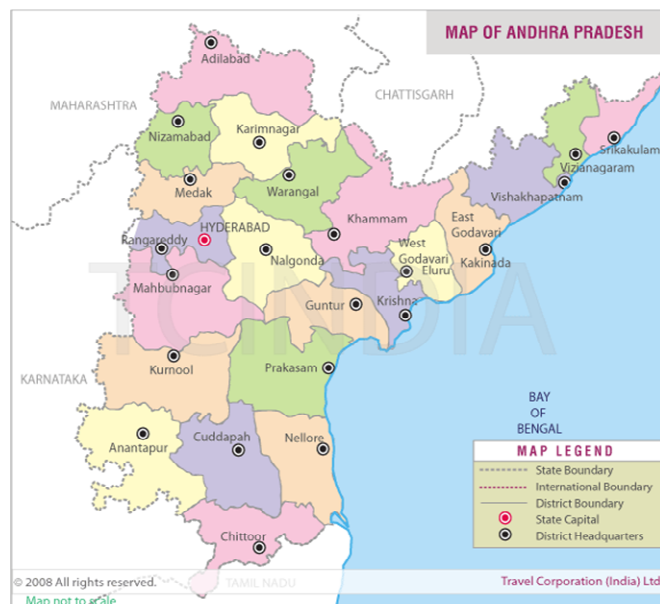
Project Shakti was started in 2000 with business objectives that were good for the company and social objectives that would benefit rural women. Its business objectives were to penetrate rural markets and expand its sales. Its social objective was to stimulate entrepreneurship and income opportunities for poor rural women.

Project Shakti is important in India but also more broadly. India has the largest concentration of groups of this type anywhere, and this Project is the only commercial example that has achieved substantial scale. It has provided a useful business opportunity for large numbers of individual rural women, and has provided a channel for sales of very large quantities of commercial products, but we also aim to assess its impact on the SHGs themselves, and their communities.

## 1.2 Methodology and limitations

The study was undertaken in Nalgonda and Chittoor, two districts in the State of Andhra Pradesh. Project Shakti operates in twelve districts of the State, which is where the Project was first started and is most active. Andhra is also the State where the SHG movement is most heavily concentrated. We also wished to examine the role of SHG Federations; over forty percent of India's SHG federations are in Andhra Pradesh.

Nalgonda was chosen because Project Shakti was started there in 2001, and in addition to HUL several other organisations, including the Scojo Foundation (spectacles), Hero bicycles, and Coromandel Fertilizers have attempted to market their goods through SHGs and their federations there. Chittoor is one of the six districts where SHGs are particularly active, because a major World Bank programme is being implemented there by the State government of Andhra Pradesh. The HUL staff in Chittoor and Nalgonda districts also responded positively to our requests for information. The following map shows the location of the two districts: Nalgonda lies to the East of Hyderabad, the State capital, and Chittoor is at the Southern end of Andhra Pradesh, adjacent to Tamil Nadu.



The Andhra Pradesh Mahila Abhivruddhi Society (APMAS), a Hyderabad-based research and development organization which works with and for SHGs, conducted the field work in July and August of 2010.

Thirty six Shakti Ammas were interviewed in the two districts. Thirty one were still active, and the remaining five had dropped out. The team also interviewed eleven HUL sales officers and executives, two non-government organizational representatives, Peace and Vision Spring, the local representatives of the Scoja Foundation, two Officers from the State Government's District Rural Development Agency and members and staff of the Jagdevpur SHG Federation.

It is important to stress from the outset that detailed field work was undertaken only in two districts of Andhra Pradesh, the State where Project Shakti started in 2001 and is still most active. A number of other key informants were interviewed, in person or by telephone, but it is impossible to generalise about this large Project as a whole from this small sample, particularly in so large and variegated a country as India.

## 2 The Context

### 2.1 SHGs in India

Indian Self Help Groups differ very significantly from the ‘Grameen type’ microfinance groups that are more familiar in Bangladesh and elsewhere, and which are rapidly growing in number in India. The fundamental difference is that SHGs are effectively micro-banks, independent financial intermediaries. They mobilise funds from their members’ savings, and from bank loans, and they on-lend these funds to their members. The members decide what rates of interest to charge, which should borrow, how much and for what purposes, and any surplus they may accumulate belongs to the group; it may be retained for further on-lending, or distributed to the members, as they decide. The SHG is a legal entity, although unregistered. It saves with and borrows from banks with its own accounts. The members may also have accounts with a bank, often the same one, but that is nothing to do with the SHG.

‘Grameen type’ groups, on the other hand, are not financial intermediaries. Each member has her own account with Grameen Bank, or the other MFI which has promoted the group, and she borrows and saves on her own account. The group meeting provides a forum where members can save and repay. The group usually has to approve members’ loan applications. They do this because they usually have to guarantee their fellow members’ loans, or even if they are not formal guarantors nobody in the group will get a loan if anyone is in arrears. Hence they also do their best to persuade their fellows to repay on time, sometimes with some force. (Fisher and Sriram, 2003)

Indian SHGs have to keep records, or to persuade or pay someone to keep them for them, whereas all the record keeping for Grameen groups is done by the MFI. Grameen group members have no say over interest rates, and the timing of loans and their amounts, is often also determined by the MFI. The MFI field officer attends every meeting, and receives savings and repayments, and is very much ‘in charge’; in some MFI groups, the members stand and salute their officer at the beginning of each meeting. Most SHGs are promoted by an NGO, or a bank or government institution. This may be done on a *pro bono* basis, or for a fee from the National Bank for Agriculture and Rural Development (NABARD), the government-owned apex institution which initiated and promoted the SHG movement, but the aim is to enable the group to manage its own affairs as soon as possible. Outsiders do not usually attend SHG meetings on a routine basis.

In general, Indian SHGs demand much more of their members than Grameen groups, because they are relatively autonomous, but they are for that reason more ‘empowering’. In 2009, the numbers enrolled in both types of groups expanded very rapidly; 6.9 million people joined SHGs and 8.5 million joined MFIs’ Grameen-type groups. The rate of expansion of the latter is however much faster, and the total membership of Grameen type groups seems likely to overtake that of SHGs within a few years.

The SHG movement was started and is still almost entirely in rural India. It has been largely driven by NABARD, which is responsible for promoting institutional financial services, particularly debt, in rural areas. The urban areas, whose poor population has been growing very rapidly in recent years, were not part of the SHG programme, and a substantial proportion of the clientele of India’s rapidly growing Grameen type MFIs is in the towns and cities.

SHGs offer a more immediate opportunity for commercial marketers than Grameen groups. Most obviously, there is less need for additional ‘last-mile’ distribution in urban areas where there are already large numbers of markets, vendors and formal shops. Grameen groups are basically the ‘creatures’ of the MFI that has created and uses them; the meetings are directed

by the MFI field officer, and he (it is usually he) as well as the members are anxious to make the meetings as short as possible. As competition in microfinance increases, MFIs may also become jealous of access to ‘their’ groups. Access to Grameen groups is effectively controlled by the MFI; SHGs are autonomous, and firms which wish to do business with them or their members can deal with them individually.

There are also possibilities for consumer goods marketers to use Grameen groups, albeit in a less ‘empowering’ way. SKS, India’s largest and fastest growing MFI, has over seven million clients, and has attracted considerable publicity because of its 2010 initial public offering (IPO) and some aspects of the way in which the gains from the high valuation were shared. SKS already sells advertising space in its clients’ passbooks, and offers consumer goods marketing businesses the opportunity to use its group meetings for sampling, promotion and market testing. There is no reason why this facility should not later be extended to actual sales, and SKS and other MFIs who adopt this approach will of course charge a fee for access to their clients.

The following table summarises some of the advantages and disadvantages of SHGs and Grameen type groups, from the points of view of their members and of banks who work with them. Many of the same points also apply to any other institution which works with either type of group, such as firm marketing consumer goods.

Self Help Groups and the Graeme Method- Pros and Cons		
	SHGs	Graeme Bank groups
Plusses for clients	<ul style="list-style-type: none"> <li>• Flexible</li> <li>• No need for bank at all provided their own funds are enough.</li> <li>• Very empowering</li> <li>• Can save and borrow as needed</li> <li>• Can move to cheaper supplier</li> <li>• No enforced loan ladder</li> <li>• Can evolve from existing groups, chit funds etc.</li> <li>• Can access full range of bank services</li> <li>• Can evolve into Federations, Credit Unions etc.</li> </ul>	<ul style="list-style-type: none"> <li>• No need for literacy</li> <li>• No need for people’s initiative</li> <li>• Protected from internal exploiters</li> <li>• Poorer are included</li> <li>• Have support from bank/MFI</li> <li>• Bank/MFI can offer other tailor-made services</li> </ul>
Minuses for clients	<ul style="list-style-type: none"> <li>• Need management skills and time</li> <li>• Can be hijacked internally or externally</li> <li>• Cash may not be secure</li> </ul>	<ul style="list-style-type: none"> <li>• Must meet frequently</li> <li>• Little freedom</li> <li>• Group composition not in member control</li> <li>• Pressure to borrow</li> <li>• Interest rates inflexible</li> </ul>
Plusses for Banks	<ul style="list-style-type: none"> <li>• Lower costs</li> <li>• Can fit into any branch</li> <li>• Graduation easier</li> <li>• Can build on existing groups</li> <li>• Savings mobilisation easier</li> <li>• Groups have to be responsible</li> </ul>	<ul style="list-style-type: none"> <li>• Can resist ‘schemes’</li> <li>• Tighter control</li> <li>• Standardised MIS</li> <li>• Standardised procedures</li> <li>• Easier to forecast need for funds</li> </ul>

	for any expulsions	<ul style="list-style-type: none"> <li>• Can use less-qualified staff</li> </ul>
Minuses for Banks	<ul style="list-style-type: none"> <li>• Hard to monitor</li> <li>• May be tempted away to other lenders</li> <li>• Slow to develop</li> <li>• May form own federations</li> <li>• MIS more complex</li> <li>• Need NGOs to develop</li> <li>• The bank depends on the group promotion institution</li> <li>• If NGOs are not available, the cost of group promotion may be high</li> <li>• If the SHG loans grow large, the risk may become high.</li> </ul>	<ul style="list-style-type: none"> <li>• Higher transaction costs</li> <li>• Need continuous guidance and presence</li> <li>• Needs dedicated system</li> <li>• Hard to evolve and change</li> </ul>
Suitable conditions	<ul style="list-style-type: none"> <li>• Existing bank network in rural, poor areas.</li> <li>• Diffused communities, castes, wealth levels</li> <li>• Tradition of informal financial services</li> <li>• Variety of scale and nature of opportunities</li> <li>• Some local leadership</li> <li>• NGOs and/or committed bank staff</li> </ul>	<ul style="list-style-type: none"> <li>• Very poor, homogeneous communities</li> <li>• Oppressed people, lacking hope and initiative</li> <li>• Few informal traditional financial mechanisms.</li> <li>• Lack of any formal financial institutions</li> <li>• Resource poor, little hope of graduation</li> <li>• Large numbers of small enterprise opportunities</li> <li>• Few NGOs</li> </ul>
Source: Harper M, Practical Microfinance, ITDG Publishing, London, Sage Publications New Delhi, 2003		

The impressive membership figures, for both SHGs and Grameen type groups, should be treated with caution. A study of 96 SHG members conducted by APMAS in 2005 in Andhra Pradesh found that all of them were also members of MFI groups. A third were members of two or more MFI groups as well as of the SHGs. (APMAS 2005) Another study in peri-urban Bangalore found that 20 women were between them members of 79 groups, including SHGs and Grameen groups (Kamath, Mukherji, Ramanathan, 2010).

Three members of SHG Federations whom we met in our own study told us that nearly all the 7500 members of the 500 SHGs in their federations were members of those SHGs, but also of ‘government’ SHGs which had been promoted by a government agency as a means of distributing subsidised loans and matching grants to ‘below poverty line’ (BPL) women in their villages. They remarked that BPL cards had been handed out to everyone in the villages, irrespective of incomes, in order to achieve targets and attract political support. They added that they only knew one woman who was a member of only one SHG, and was not officially ‘poor’; she lived in a nearby town and was therefore not qualified as ‘rural’.

Groups of any kind, SHGs or Grameen, therefore, should not necessarily be treated as strong and exclusive people’s institutions which can command the loyalty of their membership.

Many of them are no more than transient conveniences, to be used to access subsidies or other facilities.

According to a study conducted by APMAS in 2008, there are about one hundred thousand SHG federations in India, of which over forty per cent are in Andhra Pradesh. (APMAS, 2008) Forty thousand of the 41,500 SHG federations in the State are primary federations at the village level, 1100 are sub-district or 'mandal' level secondary federations and 22 are tertiary federations at the district level. Not all the federations in the State, or elsewhere, are active, but they can provide a variety of services to their member SHGs, such as intermediation for savings and credit, access to insurance products, livelihoods assistance, marketing linkages with various organizations, and training. The federations played an introductory role in Project Shakti at the outset, but have not been substantially involved since then.

Most SHGs are promoted by NGOs. One important part of the promotion task is to 'link' the nascent SHG to a financial institution, at first to open a savings account in the name of the SHG and later, usually within one year of the start of the group, to help the SHG to get a loan. Some of these Self Help Promoting Institutions (SHPIs) have also attempted to 'link' the SHGs which they have promoted to other non-financial institutions, in order to provide the members with income generation activities or to create employment opportunities, but these activities appear generally to have been rather limited. The payment systems for SHG promotion which are offered to NGOs and others by NABARD are designed to motivate the promoter to bring the SHG as quickly as possible to the stage when it can take a loan from a bank; 'linkage' means borrowing.

It is also important to be clear that SHGs are not the same as the traditional voluntary savings groups, which exist in many variants, owing nothing to banks, microfinance institutions or development agencies. These are known as ROSCAs, ASCAs, money-go-rounds, susus, tontines and by hundreds of other names. Nor are SHGs the same as the more 'modern' 'induced' or promoted versions of these traditional groups, which have been branded as 'VSLAs', 'Saving for Change' and by other terms. These groups may not evolve into SHGs, but the traditional nor are the 'modern' versions set up with the objective of getting loans from a bank. That is the objective of an SHG, its members savings are seen primarily as a qualification for a bank loan, not as the major source of capital. This 'bank linkage' feature, particularly in India where most banks are still in the public sector, often leads to groups being used as a channel for government programmes and politically motivated subsidies.

## **2.2 Hindustan Lever (HUL)**

HUL and its constituent companies have been in India since 1931. According to the company's website, HUL is India's largest Fast Moving Consumer Goods Company, touching the lives of two out of three Indians. HUL's stated mission is to "add vitality to life" through its presence in over twenty distinct categories of home and personal care products and foods and beverages. The company states that it aims to meet everyday needs for nutrition, hygiene, and personal care, with brands that help people feel good, look good and get more out of life. (HUL Website)

HUL dominates the Indian market in fast moving consumer goods. They are stocked in over four million outlets, and HUL has built up a formidable sales and distribution system across the whole country. The company has a network of over seven thousand wholesale stockists who distribute the company's products to retailers of all kinds, including the Shakti Ammas. Detergents and personal care products make over eighty percent of sales. (Rangan and Rajan, 2007). HUL's sales depend critically on a high level of brand recognition and preference, and

the company zealously promotes and protects its brands. These include Rin, Pepsodent, Clinic, Lifebuoy, Wheel, Close-up, Fair and Lovely, Ponds, Talcum, Wheel, Rexona, Pears. Most of these are household names in India, and their success demonstrates the power of established brands in communities where local languages may not include generic names for many household products (Harper 1975).

A Harvard Business School case study examined HUL’s change in marketing strategy which led to the introduction of the Shakti Amma channel. Rangan & Rajan (2007) describe the shift from regional centres to a focus on differentiating markets based on accessibility and viability. HUL had for many years dominated its markets. It had many competitive advantages including its well-established brands, its local manufacturing capacity and its vast distribution network. In the 1990s, however, the move towards a more open and liberalised economy opened HUL’s market to a number of aggressive competitors. It was forced to re-examine its marketing strategy.

Until that time, HUL’s marketing was organised wholly on a regional basis, but top management recognized that it was necessary to focus more intensely on different market segments, in particular on the largely untouched smaller rural markets. Over seventy percent of India’s 1.1 billion people reside in rural villages, but per capita income in rural India is less than half of that in urban India. As HUL sought to reach rural markets, it hit a major stumbling block. The rural markets were scattered over large areas, and per capita consumption rates were low. Thus, while the aggregate potential was tremendous, the potential of each of the 638,000 villages was very low (Rangan & Rajan, 2007, p.6)

The old marketing strategy had been based on geography and products; the new one was focused on market segments, and one of the major reasons for this change was the company’s need to reach out more effectively to scattered small-scale rural consumers.

<b>HUL’s market segments</b>			
<b>Market segment</b>	<b>Of business</b>	<b>Characteristic of market</b>	<b>Marketing strategy</b>
Top of the diamond	10percent	Urban, sophisticated, high competition and high business potential	One stockist across all products in towns. Self-service.
Medium	50percent	Towns and semi-urban with high business potential	Regional centres
Upper Bottom	20percent	Small towns. Accessible and with high business potential	Direct coverage with one stockist across products
Lower Bottom	20percent	Scattered rural markets	Indirect coverage
Villages close to towns		Accessible markets with low business potential	Stockists travel to these villages fortnightly.
Inaccessible villages		Inaccessible markets with high business potential	Rural distributors to appoint star retailers among wholesalers
Inaccessible villages		Inaccessible markets with low business potential	<i>Shakti Amma</i> project using individual agents
Adapted from Rangan & Rajan (2007)			





### **3 The origins and evolution of Project Shakti – SHGs as a platform for Marketing**

Project Shakti was started in 2000. Its stated social aim was to create income-generating businesses for underprivileged rural women, by providing a sustainable micro enterprise opportunity, and to improve rural living standards through health and hygiene awareness. HUL hoped by 2010 to create 100,000 Shakti entrepreneurs, covering half a million villages.

HUL appointed MART, a leading national rural marketing consultancy, to initiate the Project. Andhra Pradesh was chosen as the first State, because it had the highest density of SHGs, and also because the Chief Minister, Chandrababu Naidu, was strongly supportive of private sector approaches to poverty alleviation and development. He was personally involved in the launch of the Project, and in December 2000 HUL entered into a public-private partnership with the Government of Andhra Pradesh to initiate Project Shakti in fifty villages in Nalgonda District. This District was recommended by the government because it is one of the most backward districts of the State; a large proportion of its population are from the so-called ‘scheduled castes’, many of whom were traditionally weavers. The pilot started in 2001 and operations were scaled up from 2002 onwards.

MART appointed a team of 25 people to assist HUL to start the Project. Initially, they tried to facilitate partnerships between HUL and SHG federations. These federations would buy from HUL and would then sell them to their member SHGs which would, in turn, sell them in their villages. However, the sales and resulting margins were small and there was little direct ‘ownership’ of the operation, since the “entrepreneurs,” were either federations or groups, (Rangan & Rajan, 2007).

MART also attempted to initiate two-way relationships between the SHGs and HUL. The Company needed castor seed, and it was hoped that the SHGs and federations would act as procurement channels for HUL, for this and perhaps other village produce. The yield per acre of castor was however only about a third of that in Gujarat, from where HUL was buying its castor at the time, so this was not successful.

The MART team soon found that the best approach was to inform individual women about the opportunity. The SHG federations introduced them to their member SHGs, and team members explained to the groups that they were looking for Shakti Ammas (SAs), women who could act as village level distributors for HUL products. They explained that the goods would not be sold on credit; the chosen women would have to provide their own capital of ten thousand rupees, or about \$220, from their own resources or by borrowing it from their SHGs. They would have to keep their own records, but the HUL distributors and local sales promoters would help them with sales promotions.

Most of the women were not interested. They lacked sufficient confidence, or their husbands were unwilling to allow them to go round selling to other households, their homes were too small or insecure to store any stocks, they were illiterate or they did not think they could raise the necessary capital. Two or three women would typically volunteer, who were usually literate and were often the SHG leaders. One would be chosen, sometimes with the use of simple psychological tests of initiative and independence, and HUL trained the selected women for a half day in sales methods and product features, and a further half day in record-keeping. Refresher training was offered every three months, which also included information about new products and promotions.

HUL allowed the women to return any unsold goods to distributors, so long as the cartons were unopened, and a free accident insurance policy was given to the households of

successful SAs. It was initially estimated that one woman could sell about \$450 worth of goods a month to around five hundred households. With an average net margin of eight percent, and some small expenses which amounted to a further three percent of sales, she could thus earn something over twenty dollars a month, which could in many cases double her family's income.

The HUL staff initially encountered some hostility from local village *kirana* or grocery shops, but this was overcome by allowing the SA women to sell to the shops as well as the consumers. They were allowed an additional three percent discount on these sales. This allowed the SA to earn more because she now retained the retail margin in addition to the discount HUL offered her, and by also selling directly to consumers she was able to promote her own sales but also indirectly to promote further purchases from the *kirana* shops, some of whose stocks had been bought from her. (Rangan & Rajan, 2007)

Shakti Ammas were appointed in the relatively poorer villages which did not qualify for inclusion in the 'higher' market segments which had been identified when HUL redesigned its marketing strategy. One SA was usually appointed for each village with a minimum of about 2000 population, and she would also service nearby smaller villages. HUL had found that the average rural household would spend about two dollars a month on soaps, detergents and cosmetics. They asked each Shakti Ammas to sell this amount of goods to all the families known to her, which made the task seem achievable.

HUL set up a large support system to service the Shakti Ammas. The women are serviced by dedicated 'rural sales promoters' (RSPs) who are employed by HUL. Each one of these covers something between thirty and forty Shakti Ammas. He (most are men) visits each of his SAs once a month, or in some cases once in two months. He accompanies newly recruited SAs on home selling visits, explains new products and promotions to them, and takes their orders for new stocks. These are passed on to HUL's independent dealers who deliver the goods, generally within two to three days, and collect payment.

The RSPs are paid about two hundred dollars a month, plus around sixty dollars for expenses, and a bonus of about fifteen dollars if they achieve their sales targets. Their main task is to ensure that the SAs sell more, so that they can themselves make their targets. Since almost half the SAs drop out each year, the RSPs also have to help in identifying new candidates. They submit suitable names to their superiors for final selection, and then have to train and orient the newly recruited SAs.

HUL allow the SAs to sell non-competitive products, such as mobile phone airtime, unbranded staple goods, sugar and biscuits and so on. They did not originally allow them to stock other branded goods but this policy is being eroded as an increasingly number of SAs 'graduate' and set up their own *kirana* shops. Many newly appointed SAs are already running *kirana* shops; they are selected because other SAs fail to achieve the demanding sales targets which are set for them.

Since the initial launch in Nalgonda in early 2001, Project Shakti has been extended to the states of Karnataka, Gujarat, Madhya Pradesh, Uttar Pradesh, Tamil Nadu, Chattisgarh and Orissa. In mid-2010, there were about 3000 Shakti Ammas in Andhra Pradesh, out of the total of 45000 in the whole of India. The Project has been implemented in different ways across the country; in collaboration with State Government agencies, or with NGOs, SHG federations, financial institutions or directly through individuals. In general, however, these agencies have done little more than to introduce HUL to the SHGs with which they are associated. Thereafter, HUL have selected the SAs and have worked with them as individuals.

By 2005 Project Shakti had been built to include 46000 Shakti Ammas, who were selling a total of one hundred million dollars worth of HUL goods. Since that time the sales have remained more or less static, and have increased at a lower rate than inflation. The overall numbers of SAs is also dropping slightly, because dropouts are not always being replaced. The original aim was that the Shakti Ammas would produce between fifteen and twenty percent of HUL's overall revenues, and would reach eighty percent of the rural population, or half a billion people, and this had already been proved to be unrealistic. (Kei et al, 2005). The results peaked at that time, partly because some of the Projects 'champions' at HUL left or moved to other work in the company, and partly because there was a clear need to improve the economics of the operation. The SAs were supported by a large dedicated sales and promotion team, but the sales per SA barely justified this cost. As a senior HUL manager put it: 'we have quantity; now we need to build quality'. It was clear that what he meant by this was profitability.



## 4 Findings from the Fieldwork

The following sections summarise the more important findings from the survey of thirty six Shakti Ammas. We assess the gains or losses and the value added to the SAs, the SHGs, their communities and to HUL. In general, our findings confirm and supplement the above descriptions of Project Shakti and how it operates, which are based on secondary data such as company reports and websites, case studies and interviews with HUL staff. There are however some inconsistencies. These may apply only in the areas where the women were interviewed, or they may be symptomatic of misinformation at higher levels.

### 4.1 Sample profile

All the 36 sample Shakti Ammas are women. This is required for the job, and 96 percent of all SHG members are in any case female. Their age ranges between 24 and 62; the average is thirty six years. Thirty two are married, three are widows and one is unmarried. They had been working as Shakti Ammas for between one and seven years, with an average of four years.

Twenty of the 36 SAs belong to the 'other caste' category of society. Caste is still very strong in rural India, and this means that these twenty women were not from the lower castes. Thirteen were from the 'backward castes', meaning that they were probably quite poor, and only three were from the 'Scheduled castes' who are usually the poorest people. They used to be known as 'untouchables', and are still treated as such in many rural communities.

Twenty six had attended school for between six and ten years, and six had attended a college of some sort. Only the remaining four had five years or less of schooling, and all were literate, as the task requires.

Twenty of the 36 were leaders of their SHGs. Better-off educated and women belonging to higher social categories tend to be elected as SHG leaders, and they were obviously the best candidates for HUL to select as village retailers.

Three quarters of the sample said that their primary occupation was business; they were usually referring to their work as SAs, as well as to the other retailing work in which many were also engaged. The remaining quarter work for government, or in other jobs, or in farming and as casual labourers. The caste and occupation profile of the sample shows that the SA's are generally not poor and were not selected on the basis of their need.

The official poverty relief system in India includes the right to receive limited amounts of heavily subsidised staple goods, such as rice, cooking oil and kerosene. A number of SAs are also the official distributors of these goods; the public distribution system (PDS) like most such programmes in India, is plagued by corruption and inefficiency, and many local distributorships have been allocated to SHG members in a effort to address these issues. (Harper M 2000)

This has led to some improvement, but eligibility for the goods is also problematic. Being officially 'poor' brings access to many benefits, and ration cards are often distributed more on the basis of political patronage, or in order to achieve target numbers, so that the possession of a 'white card', which denotes maximum eligibility, often bears little relationship to the actual economic status of the holder. Thirty four of the 36 sample Shakti Ammas had white cards, and one had a yellow card, which still denotes poverty, but at less serious level. Only one was officially not poor by this standard, but possession of these cards actually has very little to do with actual poverty.

This data on official poverty cards contradicts the earlier information on occupation and caste, and the findings on household monthly incomes of the Shakti Ammas confirm that the SAs are generally not poor. Their monthly incomes vary between Rs.3,000 and Rs.30,000 with an average of Rs.11,335 or some \$250. Half of the sample households' monthly incomes are between Rs.5000-10,000; another one-fourth of households' income is between Rs.11,000-15,000; five earn more than \$350 a month, and only five earn less than a hundred dollars. Only one-third of sample households earn less than \$2000 per annum. Income data of this kind is notoriously unreliable, but it is fairly certain that these are not poor people by the standards of rural India. Personal observation confirms this; they did not 'look poor'. A number of informants also remarked that the village elite, the best off SHG members, are often unwilling to take on a role of this kind because it is socially demeaning to go door to door, or they may be forbidden from such behaviour by their husbands.

As stated above, over half the 36 sample Shakti Ammas are leaders of their SHGs. All the nine Shakti Ammas whose household's primary economic activity is other than business are SHG leaders. It may be that the non-leaders were unable to spare time for group activities as they are busy with their own business activities. In other cases, the non-leader SAs may have been chosen by HUL because their husbands were owners of local *Kirana* shops, and were thus well-qualified to distribute more HUL goods. The following table shows the position in more detail.

Position	Business		Non-business		Total	
	F	percent	F	percent	F	percent
1. Leader	11	40.7	9	100.0	20	55.6
2. Member	16	59.3	-	-	16	44.4
Total	27	100.0	9	100.0	36	100.0

**Case study-1: Latha of Cholleru. A successful Shakti Amma**

*Latha is not poor, but nor is she rich; the family has a little land, and her husband has a half day clerking job at nearby explosives plant. She used to do a little tailoring work for her neighbours, which sometimes earned her a dollar a day; her sewing machine is now gathering dust in the corner of her house; her Shakti Amma business is a much better way to earn money.*

*Latha was one of the pioneers of the SHG movement she started her SHG in 1995, and was naturally elected its President; she still holds the office in the original group, from which three other groups have split off in the intervening fifteen years. There are three hundred households in Cholleru, and 456 SHG members. Some are members of the same household, but most women in the village are members of groups like Latha's as well as of state sponsored velugu SHGs, in order to access low cost loans and subsidies. They have white 'BPL' below poverty cards as is necessary to be eligible for membership of velugu groups; they mainly obtained their cards by paying the usual \$10 bribe.*

*Life is hard for the villagers, but Latha says that casual labour rates have increased from about one dollar to three dollars a day since she started her group; she thinks that the main reason is the government NREGA, which guarantees*



every household one hundred days of work every year. The velugu programme has also helped; when she started her SHG it was financed by bank loans at 12 percent annual interest. The members in turn borrowed from the SHG at 24 percent interest, or two per cent a month. Then PEACE, a local NGO, started an SHG federation. The member SHGs paid 18 percent interest on loans from this federation; borrowing from the bank was always a slow process, and the members also felt that it was worth paying more because the margin went to their own federation. Now however, they naturally prefer when they can to borrow from their velugu SHGs, at three percent interest.

She heard about Project Shakti from PEACE, and after she had attended a meeting about it she applied to be the Shakti Amma for her village and the surrounding area. The allocations were made on a day when she was away visiting a temple, so the position was allocated to another woman in her



SHG. This woman bought the required initial stock of \$220 worth of HUL goods, but she found that sales were very slow. After some months, Latha took a \$100 loan from her SHG, bought the remaining stocks and took over the position; the local HUL representative was pleased to find a replacement so easily. One or two other members were slightly jealous of Latha, but it was clear that they were not prepared to do the necessary work. Latha was not poor, but she was by no means well off. Better off women preferred to use their SHG loans to expand their own money lending business, and not to bother with HUL products.

Her biggest outlet for HUL goods are the main kirana shop in Cholleru and 12 other kirana shops to which she delivers in nearby villages. She sells about \$700 worth of goods to them every month, and about \$200 worth to villagers who come to her house to buy. She used to sell door-to-door when she started her HUL business, but she has now dropped this. Her husband helps with the HUL deliveries in the afternoons when he comes back from his job

Latha estimates that she makes something over a hundred dollars a month from her HUL business. Her Sales Promoter comes every week, to take her orders and explain new lines and promotions. Latha tells him whenever she is dissatisfied with the service she gets from her dealer, such as half packages, old stocks and so on. When her dealer tried to charge her too much, and to bill some items at pre-offer prices, HUL took the dealership away from him. It is sometimes difficult to keep track because of the frequent special offers; the same soap bar can be priced at four, five six or seven rupees, depending on which offer is being promoted.

Latha makes more money on her retail sales than on sales to kirana shops. She pays 490 rupees for a carton of Clinic shampoo sachets, for instance. When she sells it to a dealer, she gets 530 rupees for the carton, but if she sells the sachets individually the total sales value is 640 rupees. Most of her retail sales are on credit, however; she has never experienced any bad debts, but some customers may take as long as six months to pay. She knows very well that this is affordable if she is financing the debt with a two percent loan from her velugu group, but she can only borrow a limited amount from that source. She sometimes gives her regular retail customers a 5 percent discount when they pay cash, but she ignores the 'official' HUL discount of three percent to SHG members, because everyone is a member.

Latha also sells around \$300 worth a month of non-competitive non-HUL grocery goods, as permitted by the Company. She also bought 25 Purit water filters from a different division of HUL in November 2009, and had sold 21 of them by August in 2010. She made \$3 on each one, but she has decided not to sell any more; many of the people who bought them have stopped after replacing the filter once or twice.

*She also sold VisionSpring spectacles. She sold 400 pairs in four years. They sold for about \$3.80 a pair, and she made about \$1.10 on each pair, but sales dropped suddenly when it was reported that they were not as good as properly prescribed spectacles. Latha had been given some simple training in sight testing and selecting the correct lenses, but she has nevertheless decided to stop selling them. In spite of the problems, she thinks that her HUL Shakti Amma dealership is the best way to earn money for her family.*

## **4.2 HUL support for Shakti Ammas**

HUL supports the Shakti Ammas before or at the time of selection, and after selection, in order to enhance their business skills and through them to promote awareness of HUL products among rural customers.

Twenty five of the 36 sample Shakti Ammas were told how to market HUL products at the initial 'joint meeting' which was facilitated by the promoting agency. They were given further one-on-one training by their RSPs once they had started working with HUL. Early in the Project joint meetings were organized for working SAs at various times for training and information sharing, but these had not taken place recently.

At the beginning of the Project, the RSP and Shakti Amma together visited 30-40 households every one or two months to promote HUL products and to describe the offers and schemes which were available. Most of the sample Shakti Ammas stated that this practice had now been discontinued, and this was confirmed, albeit with some reluctance, by the two HUL RSPs whom we interviewed. The greater availability of telephones means that the many RSPs communicate with the SA's for whom they are responsible by telephone rather than by personal visits.

One of HUL's main reasons for working with SHG members was that they could borrow money from their SHGs to finance their stocks of HUL products. The bank loans to SHGs were however often insufficient to allow one member to take the relatively large sum needed to finance her purchases from HUL; in some cases HUL helped the SA's to borrow direct from banks, but they never provided any formal guarantee. The fact that a women had been chosen by HUL to sell their products was in itself an important recommendation. The sample Shakti Ammas all said that they could borrow from their SHGs when they needed to, but only ten had borrowed to finance their HUL stocks. The other 26 had used their own money or had borrowed direct from banks or elsewhere.

Twenty three of our sample of 36 SAs had participated in 'Shakti Day' programmes, where HUL organised a village show to create awareness among rural households on HUL products, to introduce new products and to introduce the Shakti Ammas and their role to the community. At the beginning of the Project these Shakti Days were apparently organised once or twice every year, but since 2007 HUL has only organised Shakti days when releasing completely new products; this is a fairly rare occurrence.

All our 36 Shakti Ammas said that the HUL dealer supplies goods direct to their homes. They liked this benefit because the goods were not damaged, and they did not have to pay for transport or to waste time collecting goods themselves. They also appreciated the HUL television advertisements, and some had noticed how specific campaigns affected their sales.



All the 36 SAs said that their HUL dealers deliver their orders to their homes between one and four days after they have given their indents to their RSPs. If any items are out of stock, the dealers send them later with the RSP or by bus or other local transport, or sometimes bring them on their next visit. At other times the Shakti Ammas collect un-delivered items from the dealers themselves.

The Shakti Ammas do not have to pay advances or deposits or to prepay their bills to get HUL stocks. They pay cash on delivery to the dealers' representatives. In a few cases, however, SAs who do a large amount of business and have been known to their dealer for many years are sometimes given one week's credit for up to a fifth of their bill..

Two-thirds of the Shakti Ammas sell HUL products throughout the year and the remaining one-third sell only seasonally. Most of the latter are also dealers for the government public distribution service (PDS); their sales of subsidised ration goods are seasonal, and they fit their sales of HUL goods into the same pattern..

Most of the SAs were quite satisfied with the supply situation; their orders are delivered in full, there are few damaged goods, and the company delivers goods including gifts and special offers reasonably reliably. Supplies were irregular at the beginning of the Project when there was only one HUL Dealer for an entire district, but this has been improved and there is now a regular supply of goods because there is an HUL dealer within 50 Kms of every SA. Some SAs reported that a few dealers do not always supply the right free gifts and other offers along with the stock. One Shakti Amma made a complaint to HUL against her dealer about this, and HUL cancelled his dealership

### **4.3 The role of SHG Federations and SHG Promotion Institutions**

In the early years of Project Shakti, support agencies such as the local District Rural Development Agencies (DRDA), non-governmental organizations (NGOs), SHG federations and banks played important roles in facilitating the linkages. SHG federations helped to identify prospective SAs. DRDA and NGOs raised awareness and provided information and support for meetings and other contacts, and banks and SHG federations provided credit to SHGs to enable the SAs to finance their stocks.

The role of SHG federations has always however been less than was originally envisioned. One reason for the failure of HUL's early plan to use the federations as wholesalers was that the federations were unwilling to bear the initial costs, which would have included the construction of suitable buildings. The federation members were also unwilling to pay other members to manage the business. This initial reluctance was the main reason why HUL abandoned this approach and decided instead to encourage individual members to be retailers on their own.

Peoples Action for Creative Education (PEACE), a local NGO in Bhongir in Nalgonda District, helped HUL to identify SAs in the early stages, through SHGs and SHG federations which it had promoted. There was no evidence that the SHGs themselves benefited from this, although some individual members did, and HUL did not offer to pay PEACE for their time or the expenses incurred. Now that the initial introductions have been made, PEACE plays no further role and HUL's staff meet the SHGs and identify new SAs as they require, without assistance.

Agencies such as the District Rural Development Agency (DRDA), some NGOs and SHG federations played a key intermediating role between the SHGs and HUL particularly in the start-up phase. They organized meetings with SHG federation members to publicise the opportunity and shared information with the SHG members and helped to identify prospective SAs. The following table lists some of the key roles and expectations of these intermediary institutions at the beginning of Project Shakti

<b>Roles of Various Intermediaries in initial HUL-SHG</b>		
<b>Agency</b>	<b>Role</b>	<b>Expectations</b>
DRDA	<ul style="list-style-type: none"> <li>• Information on marketing of HUL products</li> <li>• Organized meetings with SHG Federation members at sub-district level</li> <li>• Facilitated issue of licenses to allow SAs to sell HUL goods</li> <li>• Facilitated bank loans for SHGs with SA members</li> </ul>	<ul style="list-style-type: none"> <li>• To provide income generation opportunities to the rural poor and vulnerable women.</li> <li>• To enhance the household income</li> <li>• To provide linkages with the corporate sector</li> <li>• To provide lower cost consumer goods</li> </ul>
NGO	<ul style="list-style-type: none"> <li>• Information on Shakti project</li> <li>• Organized joint meetings of SHG/federations with HUL representatives</li> <li>• Facilitated SA selection process</li> <li>• Provided credit directly or through SHGs to Shakti Ammas</li> </ul>	<ul style="list-style-type: none"> <li>• To provide income generation opportunities to the rural poor and vulnerable women.</li> <li>• To enhance household incomes</li> <li>• To link people to corporate sector suppliers and buyers</li> <li>• To provide lower cost consumer goods</li> </ul>
Bank	<ul style="list-style-type: none"> <li>• Promised to provide credit linkage (did not always deliver)</li> </ul>	<ul style="list-style-type: none"> <li>• New credit customers</li> <li>• On-time loan repayments</li> </ul>
Federations	<ul style="list-style-type: none"> <li>• Information to SHGs on Project Shakti</li> <li>• Identification of Shakti Ammas as per the guidelines of DRDA/NGO and HUL.</li> <li>• Provided working capital as credit to Shakti Ammas</li> </ul>	<ul style="list-style-type: none"> <li>• Improved repayment of loans by member SHGs</li> <li>• Financial &amp; livelihood services to SHG members</li> </ul>

Many of these expectations were not fulfilled, because HUL found that it was better to appoint and deal with individual women as SAs rather than to work through the three level channel from the federation to the SHG and then to its members. One of the weakest areas of support was the provision of credit, which was one of the main reasons for working with SHGs in the first place. The banks did not see the Project as a sufficient reason for relaxing their normal lending criteria, or for extending more than the usual amount of credit to the SHGs, and in the event most of the women who were selected as SAs were able to obtain the necessary working capital from their own resources.

The managers of Maitri, Manjeera and Vasundara, three SHG federations in Jagdevpur in Medak District of Andhra Pradesh, close to Nalgonda, with a total of 513 SHGs and 7533

members, were asked by HUL at the beginning of the Project to suggest names of SHGs and members who appeared to have the potential to be effective Shakti Ammas.

They made their suggestions from their member SHGs, based on the criteria which HUL had given, which included ten years of education, good communication skills and community rapport, residence in well-connected villages, ability to raise the necessary \$220 of working capital, and already working from home, rather than outside, usually with a small home-based business. Most of the women they suggested were office bearers in their SHGs, because such people were better known to the federation staff and were in any case more likely to satisfy these criteria.

HUL finally selected a total of twelve SAs from the SHGs which the federations had suggested, but thereafter the federations played no further role in the Project.

#### **4.4 The Role of SHGs**

HUL selected most Shakti Ammas directly rather than through intermediary agencies such as their SHGs. Three quarters of the 36 sample Shakti Ammas were selected by the HUL representatives, sometimes but not always on the recommendation of the DRDA or NGO which had promoted the groups. Seven Shakti Ammas were nominated by the DRDA or NGOs, using the HUL guidelines. Another seven of our sample applied to be SAs on their own initiative themselves to market HUL products. Only one said that she had been selected by her fellow SHG members. Another said she had been chosen because she was an Integrated Child Development Scheme worker in the village. The SHGs appear to have played a rather modest role in the selection process.

The staff of DRDA, NGOs and HUL said that at the beginning of the Project, HUL had involved the self-help promotion institutions, but after one or two years, the HUL staff had instead directly approached SHG members who were already engaged in marketing activities, and had good relations in their villages, such as child support workers, government Fair Price Shop dealers and so on. Most SAs were selected by HUL staff; they gave preference to SHG members who could invest in the business, or were already running a *Kirana* shop or some other business.

The sample Shakti Ammas themselves, and other informants, said that the ideal criteria were SHG membership (which in rural Andhra Pradesh is something of a formality, as nearly all rural village women are members of at least one SHG, and many are members of more than one), a minimum of five years primary education in order to be able to keep records and indent for new stocks, ability to invest \$220, having business skills or already being in business, having good relationships in the village, having no other source of livelihood, being vulnerable or disabled, having a good credit record in the SHG, and having support from their husband or other household members to do door-to-door marketing. In practice, however, not all these criteria were realistic.

Most Shakti Ammas were selected because they could mobilise the necessary working capital, and they had some past experience and skill in marketing and were already doing some business at home, rather than being field labourers. This effectively excluded the poorer women, including those who were disabled. Many poor women were excluded not by HUL and the NGOs, but by themselves. There were, however, some exceptions. One woman, whose husband was disabled, had been earning about fifty cents a day by making and selling biscuits from home. She was chosen because of this experience, and had now stopped her biscuit making, and was making almost a dollar a day as a Shakti Amma.

The age of the 36 SHGs of which our sample SAs were members varied between one and fifteen years. The average was eight years. Two thirds were more than five years old, and eight were more than ten years old. They had started before Project Shakti itself. The 36 SAs had been members of their SHGs for between two and fifteen years, with an average of about eight years.

## 5 The Impact and Sustainability of Project Shakti

### 5.1 The Impact on the Shakti Ammas

As is usual with fast-moving consumer goods, everywhere, the trade margins are small. The SA's margins are complicated because of special deals and promotions, but the following table shows the official prices as set by HUL.

Type of Customer	Shakti Amma's buying price in rupees	Shakti Amma's selling Price in Rupees	Net Profit in Rupees
Retail Shops	Rs. 89	92	3
SHG Members from SA's home		97	8
Door to Door sales		100	11

On average, HUL claims that an SA sells about Rs 10000 worth of goods a month. The bulk of sales are not to retailers, but to consumers, so that the average margin is between eight percent and eleven percent; average earnings are thus about one thousand rupees or \$22 a month.

This picture is clouded by the fact that most SAs do not allow SHG members the three percent discount which HUL introduced in order to encourage groups to support 'their' Shakti Ammas. Because nearly every woman is a member of an SHG, or more than one, this discount became meaningless, and has been abandoned by most Shakti Ammas. Only five of our samples were offering it, and only to their cash customers; most of their sales are on credit, and they do not give any discount on these sales.

The 31 active Shakti Ammas in our sample (five had stopped their HUL business) sold a total value of about eight thousand dollars worth of HUL products during June 2010, which gives an average sales of just over \$250 each, or \$3000 a year. Three of them spent an average of eight dollars each on transport, and none reported any storage and other maintenance costs. They reported net monthly earnings of an average of just over thirty dollars each. Half had earned between twenty and thirty dollars during the month, and five had earned less than twenty dollars.

The assets employed to achieve these results include the value of unsold stocks of HUL goods, any amounts owed by customers for goods sold on credit and the amount some had invested in baskets, boxes and other equipment. It is not easy to separate out the assets employed in the Shakti Amma business from other assets, because most of the women were already running a shop with the necessary equipment. Many of those who did not have a regular shop were PDS ration dealers and had some stocks of ration goods as well as the HUL goods. None of them kept a separate sum of cash for the HUL business, so this item does not appear.

#### **Case study-2: Padma, a successful Shakti Amma**

*Padma started her SA business in 2004. Another member of her SHG had been offered the position by HUL but she was too busy. Padma managed the business on her behalf for a few months and then took it over completely, with HUL's approval.*

*She sells between \$150 and \$250 worth of HUL goods every month, and estimates that she makes about \$40 profit, including the value of promotions and special offers. The HUL sales representative calls on her every month. He takes her orders, and passes them on to the local HUL dealer, but Padma also places orders by telephone. She did some house-to-house selling when she first took on the SA position, but she now has no time for this. Like all SAs, she has had some problems with HUL. Their field staff sometimes remove the gifts which accompany promotions, they are reluctant to take back unsold goods in spite of the Company's commitment, and they try to persuade her to take slow selling goods or items which are about to have price reductions. Nevertheless, HUL brands are well known and relatively easy to sell. She also has a PDS ration dealership, from which she makes about \$100 profit a month, and she earns \$150 a month as an administrator in the Federation. Her family earns a further \$500-\$600 a year from selling crops they grow on their smallholding.*

*She took an initial stock of five 'Purit' drinking water purifiers, which are also marketed by HUL. She sold them, and found that they had been very popular with women who worked at home rolling local cigarettes, or 'bidis'. The women drank more water because it tasted better than before, and thus reduced the leg pains they suffered because of the way they had to sit to roll the bidis. In spite of this, however, Padma said that she did not stock any more 'Purits' because of quality problems, such as leaking taps, and because of the high price of replacement filters. Padma finances the HUL business with her own money, and prefers to use her SHG loans to help to pay for her children's education. She herself has a degree from a local college, and her daughter is taking a BSc in pharmacy. This costs Padma about \$500 a year, but she also tries to send another \$500 to her son in the United States. He won a scholarship to Southern Alabama University, but he needs additional spending money.*

*The women had raised the majority of the working capital from their own funds. Smaller amounts had been provided from other sources which included the HUL dealers and banks. Five of the 31 women had borrowed from their SHGs, and two had been allowed credit by their HUL dealer. All HUL's sales to SAs are for cash except for the 'platinum' class SAs, who sell over \$550 worth of goods a month. These high performers are allowed 15 days credit for half of their purchases. They are also eligible for special gifts and promotions. Only one of our samples, Latha of Cholleru village, was a 'platinum' SA. Nine were 'diamond' class, selling between \$350 and \$550, six were 'gold', selling between \$220 and \$350, and the rest were 'silver', selling below \$220.*

The following table is an approximate average 'balance sheet' for the 31 active SA's in our sample. It also includes the numbers of SA's who had a particular asset, or used a particular source of funds.

Assets, uses of funds			Liabilities, sources of funds		
Stocks	All	\$145	Payable to HUL dealer	2 cases	\$10
Accounts receivable	23 cases	\$100	Borrowed from SHG	5 cases	\$40
Equipment	8 cases	\$75	Own funds	All	\$270
Total		\$320			\$320

Many of the women said that shortage of credit was the main reason why there was little competition by SHG members to become Shakti Ammas. A number of SA's had apparently dropped out of the Project in its early stages because their expectations of getting credit were

disappointed, and some women also said that their sales turnover was lower than it could have been because they could not mobilize large amount of working capital.

## 5.2 Impact on Shakti Amma's households

We have seen earlier that the SA's monthly earnings from their HUL business was on average about thirty dollars. The women do not come from very poor households, and in 29 out of the 36 cases their income from their HUL business was under a quarter of the household's total income. In the remaining seven cases, it was between a quarter and half the family's income, and never more than half. The contribution of HUL business is significant, but it is a supplement rather than the main source of income.

The Shakti Ammas receive a great deal of support from their household members. Thirty two of our sample of 36 said that their husbands helped, ten said their children helped and six mentioned their in-laws, presumably referring to those who lived in their extended family households.

The nature of this help varied. Most referred to help with transport and work in their shops, but they also mentioned book-keeping, finance, debt collection, sales promotion and preparing their indents for new supplies from the HUL dealers. This assistance is often associated with the fact that the women, or other family members, are running other businesses, so that assistance with one can serve others as well.

Well over half the sample Shakti Ammas said that their husbands play a major role in managing their HUL business. A third said that the responsibility was shared by the husband and wife, while the remaining five SA's said that they managed it on their own. In the higher caste families, the husband was more likely to play a major role. In so-called 'backward' caste families, husband and wife usually played an equal role in managing the activity. In general, the women seemed to play a smaller role than their husbands in managing their HUL marketing businesses.

Social Categories of family member running the HUL business				
Person playing the major role	Social category			Total 36 cases
	'Scheduled', lowest caste, 3 cases	'Backward' lower castes, 13 cases	'Other' better-off Castes, 20 cases	
1. Wife	1	1	3	5
2. Husband	1	5	13	19
3. Both	1	7	4	12

Although Project Shakti was intended to provide employment to rural SHG women, in practice it appears to have made little difference to women's roles. . This may be because many of the SAs, even before they took on the HUL agency, were running a shop in the village. The HUL business has not made a significant difference to these women's roles, and the men's role tends not to be recognised.

The majority of our sample of 36 Shakti Amma households was engaged in multiple economic activities. Almost half of them were running a *kirana* shop, a quarter of them were tailors, and another quarter were farmers. Six were PDS fair price ration distributors, five were raising dairy animals and three ran tea shops, while others were employed, or were running other small businesses.

The SAs were asked to compare their HUL activity with other household economic activities. The majority said that HUL was more profitable, required less investment and took less time than others. Around a quarter disagreed; they felt it was less profitable, with more investment and occupied more time than other activities. They tended to be those who also ran ration shops and other businesses.

One woman compared her income from HUL to what daily labourers can earn through the National Rural Employment Guarantee Act (NREGA). This is a new programme under which every household in rural India is entitled to 100 days work a year on various public works, at a minimal wage. She said that on an average the NREGA labourers get Rs. 100 per day, or about \$2.20, whereas a Shakti Amma earns around a dollar a day. She did not compare the time she spent on her HUL business with the full eight hours manual work demanded by the NREGA, but she was right to conclude that it would not be possible for a poor person completely to depend on HUL for their income.

### **5.3 Impact on SHGs**

Only five of our sample of 36 Shakti Ammas reported that any other members of their group had benefited from the Project. These were the five SA's who were offering the three percent sales discount to SHG members which was included in the original Project Shakti guidelines but is generally not offered, because most SHG members buy goods on monthly credit. Both SHG members and non-members benefit from HUL's frequent promotions, which include gifts and offers, and some members may learn about these earlier than non-members, but this is not a significant benefit. They did not mention any other benefits to fellow-SHG members. Other SHG members to whom we spoke agreed; the fact that one of them was a Shakti Amma was not of any particular significance to them.

There had apparently been some minor squabbles, particularly at the start of the Project when the first SAs were being chosen. In one case, there was disagreement between two SHGs in the same village. One wanted one of their members who already had a *kirana* shop to be chosen, while another SHG in the same village wanted a member who had recently returned from working elsewhere to have opportunity. HUL helped to resolve the dispute. They selected the returned migrant, but insisted that she agreed to sell to the *kirana* shop owner at the maximum allowed rate of discount.

Some members of one SHG complained that 'their' SA's do not give them the three percent discount which was mentioned at the original meetings. The SHG's President passed the complaint on to their federation, whose staff reported it to the local HUL sales promotion manager. He discussed the issue with the SA at the next promotion and sales meeting in the village, and asked the SHG to give the SA a loan. They agreed and in return she agreed to give the three percent to all her cash customers because all were members of at least one SHG. .

The Project has apparently had little impact on SHG's group solidarity, within and between SHGs, because most of the Shakti Ammas were selected by HUL staff or in a few cases by the promotion agencies, following the Project Shakti guide lines. There is little competition for the SA positions, hence the selection process has little impact on the groups. Many SHG members lack business skills, or are unable to invest the required amount in HUL stock. They may also find it difficult to take goods to other villages or shops, or they may merely have too many other things to do. During the pilot phase of the Project, there was occasionally some competition for SA appointments between the leaders and the better-off members of SHGs, but this had no long-lasting effects.



SHG members and their leaders were initially very interested because they thought that Project Shakti was a government programme, like so many other micro-business programmes being implemented by DRDA; they hoped that subsidies and low-cost bank loans would come with it. But they were soon disillusioned by what they learned at the initial joint meetings with SHG members, HUL and SHPI staff. Many applicants lost interest at this point. A number of SHG members who were not poor, who could invest the necessary amount, were educated and had some business skills were dropped as they were unwilling to make door-to-door sales; they felt that this would lower their social status.

Eleven of the 36 Shakti Ammas said that their work had no effect on their group's finances; nine said that they occasionally took loans from the group, five said that their groups gained by earning interest on the loans they had taken and eight said that they had been able to repay their loans regularly, unlike some other members. Project Shakti has thus had a minor but positive effect on the finances of the SHGs to which the SAs belong.

In general, our field findings suggest that the role of the SHGs was fairly limited at the outset, and has been insignificant thereafter. As discussed above, only one of the 36 SHGs to which our sample belonged played any role in the selection of the Shakti Amma, only about a quarter of the SAs used SHG loans for their HUL business, and, fundamentally, HUL marketing is an individual member activity rather than a group activity.

We asked our sample SAs what methods they used to increase their sales. None of them mentioned their SHGs in this context. Three quarters of the women said that they had done some door-to-door campaigning and direct selling, but generally not in recent years. Half of them had helped HUL to organise 'Shakti days' to promote new products and promotions, and they also used HUL's special offers to improve their business. Just over half sold goods on credit, usually on a monthly basis, and they found that this was by far the most effective way to increase their sales. A third mentioned price promotions, and sixteen of the SA's said that they had increased their business by selling PDS foodstuff and products of other companies besides HUL.

During discussions, the Shakti Ammas said that of all the business promotion strategies, selling on credit worked the best, because of rural people's irregular cash flows and low purchasing capacity. They agreed that they never offered discounts to credit customers, apart from price concessions which had been promoted by HUL. Their margins on credit sales were therefore relatively generous, and debt collection was generally not a serious problem. They also said their sales of HUL products benefited from the fact that they were also selling PDS ration products and others goods.

We were also told of cases in the early days of the Project when SHG membership was not so widespread, where the HUL field promoters had identified suitably qualified candidates who were not SHG members. Project Shakti was known because it worked through SHG, so the HUL promoters had apparently asked the women to enrol in an SHG merely in order complete their eligibility for the SA dealership. This presumably benefited the SHGs which they joined, but was something of a reversal of the original design. It may be that "shell" SHGs were created for the sole purpose of pretending that pre-selected individuals are part of SHGs. It was even said that some HUL staff, because of the pressure to ensure that SAs were SHG members, had promoted their own SHGs to include their chosen agent; we were not able to verify this.

## 5.4 Impact on Communities

The HUL products which are sold by the SAs were available in 32 of the 36 villages before Project Shakti. They could be bought from *Kirana* shops in most cases, in periodic markets and from nearby road side traders.. The Shakti Ammas said that many villagers, including some of their fellow-SHG members, bought HUL products from nearby villages and towns before and after Project Shakti, rather than from themselves. They preferred to buy from people whom they already knew, or from *Kirana* shops which were run by women who had stopped being SA's and were running these shops instead.

There are between one and fifteen retail shops in the 36 villages where our sample of 36 SAs live. Only one village has just one shop, and the majority have between two and four shops; most of the SAs live in small or medium sized villages. The Shakti Ammas said that they generally sell to around one hundred clients, mainly on credit. They have to pay cash for their supplies, but they continue to sell on credit because the villagers need it and because of their earlier business relations with the villagers. Under these circumstances, it is very difficult for any new SA to compete with other shop-keepers in the village.

The villagers to whom we spoke have mixed opinions about Project Shakti. They appreciate the local availability of many different branded items, but they criticise the SAs, as well as other shop-keepers, because they take advantage of customers who have to buy on credit by selling them less popular HUL products in order to clear their unsold stocks and reach their sales targets. They also remarked that there are many copies of HUL products which are in good demand, with similar names, such as 'Climic' for 'Clinic', Fare and Lovely for Fair and Lovely, Rim for Rin, and so on. The shop-keepers promote these imitation products since they carry more generous profit margins than the genuine HUL products.

The impact of Project Shakti on the community is not significant. There is little competition between Shakti Ammas and other *Kirana* shops in their villages because many of the Shakti Ammas already have shops in their village so the question of competition does not arise. There is no difference in the prices of goods between Shakti Ammas and other shops, since both are selling at the published maximum retail price, which must in India be printed on the packets. The HUL dealers give more or less the same discounts to Shakti Ammas and other retail shops in the village, and the SA's provide wider choice.

Although HUL is India's largest supplier of fast-moving consumer goods, its products do not constitute a major share of a typical village shop's total turn over; the major sales are of unbranded staples such as rice, flour, cooking oil and sugar. The retail shops themselves can get slightly higher margins when they buy from the SA's, but they tend to prefer HUL dealers and other sources in nearby towns where they can get credit. They need this, because most of their customers can only buy on credit..

The question of competition between Shakti Ammas also does not arise because there is only one SA in each village, and she services the smaller villages and hamlets in her area. We heard of one case in Jagdevpur village in Medak District, where HUL appointed two SAs to cover a rather large village, but it treats them as one, and only bills supplies to one of them. Both are equally eligible for the gifts and other benefits which SAs enjoy.

Project Shakti and the SHG channel did not so much introduce a new distribution channel as extend one that already existed. Many of the SAs already owned their own *kirana* shops and supplemented this business with their HUL SA supplies. Other SAs sell mainly through other local shops, and this does not affect overall availability of HUL's products in the village.

The Shakti Ammas do not seem to have increased the availability of HUL's products in the villages, but they do provide more competition; this presumably increases the visibility of the products, and thus their sales. The SAs are now competing with existing shopkeepers, except of course when they are shopkeepers themselves. Those SAs who do not also run shops confirmed that it is difficult to compete with other shops because they offer a wider range of goods, and they can usually offer more credit.



## 6 Dropouts, Other Companies and Sustainability

### 6.1 Drop-outs

As we have seen, a large number of Shakti Ammas drop out of the Project every year. One HUL sales promoter reported that about forty percent of the SAs whom he serviced dropped out in a year, and another said that he had had to replace a quarter of his SAs within three months. PEACE, the NGO which was involved in the Project Shakti start-up in Nalgonda in 2001, reported that only one of the twenty-two SAs whom they had proposed to HUL was still running her SA business in 2010.

We included five ex-Shakti Ammas in our sample, in order to obtain some information as to why they had dropped out, and what had been the impact on them. It is naturally difficult to identify people who have dropped out of any programme, because those who remain in the programme may be reluctant to discuss those who have left, and the drop-outs themselves may have left the area or be ashamed of what may be a personal failure. This issue has arisen in earlier research on Indian SHGs (Sinha 2009); the five dropouts whom we did meet may not be typical cases.

Three of them were from the lowest 'scheduled' castes and two from 'backward castes'; they were thus lower in the social hierarchy than most of the 31 SAs who had not dropped out. All of them, however, were leaders of their SHGs. Four of them had been SHG members for more than nine years. Their primary sources of household income were similar to those of the active SAs, except that they did not have *kirana* shops or PDS ration dealerships. Their household incomes varied between \$100 and \$200 per month, which was rather lower than the active SAs, although still well above the incomes of the poorest people.

They had earned between ten and sixty dollars a month from their SA business, and had been active SAs for an average of four years. Two had dropped out less than a year before they were interviewed, one two years before, and another two four or five years before. They gave a number of reasons for dropping out. They all said that they had been disappointed in their expectation that they would get bank loans to finance their stocks. They had thought it would be a subsidised government programme, with grants, or cheap loans. They had also been unable to get credit for the non-branded staple goods that HUL allowed them to stock in addition to its products, and the people in their villages preferred to continue buying from shops in nearby towns. Some also mentioned that their other activities earned them more money in less time than their SA business, or that they lived in the wrong locations. Some had lost money when their customers did not pay their bills, and they found that higher caste customers did not like to buy from them.

The five ex-Shakti Ammas reported that they had unsold stocks worth between \$50 and \$110 when they dropped out. They were able to sell some of these goods to local retailers, sometimes at a discount, and the HUL field staff had agreed that some could be returned. Some of the unsold items were still stored in their houses six months after they had closed their HUL businesses.

#### ***Case Study-4 : Laxmi Krishna Veni, an SA 'drop out'***

*Laxmi Veni has two small children, and she and her husband farm their small plot. She heard about the opportunity to sell HUL goods in 2005, when she was talking to one of the staff of the federation to which her SHG belonged. She financed her initial stocks with a ten thousand rupees (about \$220) loan from her SHG, and sold around between twenty and one hundred dollars worth of goods per month for ten months, for a monthly profit of ten dollars at best.*

*She found that it took a lot of time, she had to sell on credit and her customers repaid their debts very slowly. After a year she decided to run down her SA business and to invest the money in a small poultry unit instead. She also secured a PDS dealership, and her total earnings are now around fifty dollars a month.*

Our respondents also pointed out that Project Shakti was not the only option of its kind. One ‘scheduled caste’ member of an SHG was selected by HUL to be an SA, but she turned down the offer because she found it more profitable to sell cable TV connections.

## **6.2 Problems faced by Shakti Ammas**

All business people have problems, and small retailers are in particular always ready to talk about them, particularly if they believe that their complaints may reach the ears of their suppliers.

Our 36 Shakti Ammas mentioned many routine problems such as supply difficulties, over-stringent company norms, limited demand for some HUL goods, restricted profit margins and so on. Thirty said that their clients asked them for products from other competing companies which HUL did not allow them to sell. Half of them complained about irregular supplies, or supplies of goods for which there was no demand, and which they had not ordered. They also mentioned cases where the wrong quantities had been supplied, or when goods had been damaged. They said that they had often lost money when prices were increased or decreased with little notice. As the last link in the value chain, they felt that they were also the last to receive information, and were the dealers’ obvious choice as a ‘dumping ground’ for redundant stocks.

They also complained that the HUL dealers often failed to supply the gifts or other promotions that had been advertised. Over half the SA’s complained that the margins on their sales to local shops were too low, and they also asked why HUL was unwilling to supply goods on credit so that they could expand their sales.

Nearly all the Shakti Ammas said that their customers want to buy on credit, and to get larger packages at lower prices, when possible from local companies. They said that HUL should appreciate that they could only maximise their sales, of HUL as well as other products, allowed to stock other branded and local company products.

## **6.3 Problems faced by HUL**

HUL has managed to deepen its rural market, diversify its consumer base and increase the numbers of outlets through SAs. It has been profitable since 2004 though growth has begun to level off. The Project was said to be contributing between one and three percent of company revenues within three years. By 2004, Project Shakti had grown to over fifteen percent of HUL’s rural business turnover in the territories where it operated. That is quite sizable considering that this channel represents inaccessible markets with low business potential (Rangan and Rajan 2008).

The HUL staff to whom we spoke acknowledged that the lack of finance was a major problem for the SAs. They mentioned that they had had some discussions with State Bank of India (India’s largest bank, with some 10000 branches) about facilitating credit for SHGs, but that it had been impossible to finalise any arrangements because SHGs were eligible for much cheaper subsidised credit, under the World-Bank assisted *velugu* scheme in Andhra Pradesh but also under similar schemes in other states.

The local HUL Retail Sales Promoters (RSPs) reported a number of problems which they face with the Shakti Ammas, with senior HUL managers, and with the SHG promoting agencies. The Shakti Ammas frequently drop out so that new ones have to be identified and trained, their sales are too low, their bills are not paid on time and they sometimes lack the skills they need.

Like any junior field employees, they also have problems with their employers. Their sales targets are too high, their salaries and allowances are too low, and they are transferred too often so that nobody is one territory for more than six months to a year. . They also complained about dealers' late delivery of stocks to Shakti Ammas who are in distant villages, and part-deliveries and stock-outs of popular products. They mentioned that the SHG promotion agencies such as NGOs, the government DRDA, the banks or the federations, which played some part in the initial introductions and nomination of SAs, had failed to provide any continuing support or follow up.

The HUL dealers in their turn complained that the Company sets excessive targets for sales through SAs, that the SAs do not sell enough, that HUL's deliveries are too slow, that the transport costs to distant villages are too high and that between a quarter and a half of the SAs drop out each year.

#### **6.4 HUL's plans to extend beyond Project Shakti**

The numbers of SA's and their sales, have not grown significantly since 2006. Initial growth was slower than expected because of the cost of training and the need to introduce RSPs. Language problems also limited the reach of some SAs, and RSPs, and the lower density of SHGs outside Andhra Pradesh made recruitment more difficult.

The Shakti Ammas have not achieved all that was hoped, although the programme is not a failure. The Company has recently announced a new programme, known as 'ShaktiMaans' (literally, 'Power Men'), under which the husbands of existing Shakti Ammas will further extend the Company's rural outreach. The aim is to triple the numbers of communities in which HUL's products will be available, by mobilising a total of 25000 men. The Company will provide them with bicycles, on which they will reach 150,000 additional villages. Fifteen hundred of these Shaktimaans are already successfully operating in the State of Orissa (Times of India, 23 August 2010),. This may be interpreted as a further shift away from the stated original intention of working with women's groups, and then of creating thousands of individual women entrepreneurs, and only time will tell if it achieves the ambitious targets which are being set.





## 7 Other Corporate Marketing Using SHGs

The following table summarises the nature and outcome of some other attempts to use SHGs and their members as a channel for the marketing of consumer goods.

Company	Product	Promoted 'social benefits'	Results
TDK	Pressure cookers	fuel and nutrition saving	Failed, perceived as an urban product, too high price, infrequent purchase, needed explanation
Pioneer	Farm seeds	Better higher yield seeds and training to grow them	Used SHGs to gather for training, federations to sell seeds to trainees. Stopped because no margin for federation.
Hero	Bicycles for women in Rajasthan	Enable girls to cycle to school, women to sell HUL and other products, be more 'mobile' as empowered by SHG	Too high price, occasional purchase, but eventually killed off by government free bicycle distribution programme for girls, which was stopped after elections
Vision Spring Foundation USA	Low cost Spectacles	Shakti ammas trained to test eyes, improve vision, save cost of trip to town to buy spectacles, better school performance, literacy...	Some success, still selling, but price higher than locally available options, switched to using jobless young men who are more mobile, can cycle round 4-5 villages, more trainable.
Coromandel	Organic fertilizer	Organic, reduce off-farm purchases, increase labour use.	Study only, found that women not best qualified to sell to male farmers. Also seasonality issues
Colgate	Toothpaste	Dental hygiene, allegedly preferable to local 'neem' sticks	Limited product range, found that male youth more able to cycle round circuit of weekly hats, women less mobile.
BP	'Oorja' smokeless stoves and pellets fuel	Less smoke in home, less de-forestation, save time collecting wood....	Trial only, In Tamil Nadu. Cost \$20, needs replacement battery for fan, limited success so far, using 600 SHG members.
RCM	General consumer goods range, promoted by AP Govt to add to PDS	For PDS ration dealers, to even out seasonality, shortages of PDS goods, lower prices and higher margins than HUL, 20 percent gross.	Unknown brand, no promotion, slow sales, sold Rs 600 sales kit, pant and shirt for men. One woman paid for her saree, found RCM had closed when she

	products		went to collect it.
HUL (difft division from SA)	Purit water purifier	Less diseases, cheaper than bottled water, in-home supply....	\$40 initial cost, \$8 candle per 1500 litres, container quality problems, some sales but not as expected
Shaki Retail	Large range of 'green' products, including Selco, Purit, Oorja as above	Energy saving, smoke reduction, time saving	830 women retailers, use their SHGs for loans and promotion, average earnings \$20 a month, growth limited by shortage of finance
Selco	Solar charged lanterns system	'Green', lower cost than diesel generator or batteries	Investment too high for most SHG members, some sales to SHG Presidents or other better-off members

These attempts, and there may be many more, made greater or lesser use of SHGs, but in all cases the companies appear at least to have used the SHGs as a channel through which to identify individual women. In no cases, so far as we could gather, was the SHG itself the trading entity, as it is in its 'core' financial business. This role was taken by one member, and her colleagues might in some cases provide some informal assistance in promotion.

Airtel, Tata Indicom, VSNL and other telecommunication companies also sell coin phones to village women. These are usually installed within *kirana* shops but are sometimes at homes where there is no shop. The Airtel phone costs about \$30, and over half of our surveyed SAs have such phones. They typically take between \$10 and \$12 worth per month; the operators pay \$10 for a card which gives time for \$13 worth of calls. These companies do not identify potential phone clients through the SHG channel, but they are apparently more willing to give credit for the cards to SAs than to other women.

## 8 Analysis, Lessons and Conclusions

### 8.1 The need for the Project, and the implications for corporate marketing

HUL wished to increase its sales, and in particular to improve its ability to reach the mass of rural Indians whose incomes are well below those who live in urban areas. As India's oldest and largest fast moving consumer goods manufacturer, it was facing increased competition in the better-off areas. The Company was reaching the 'bottom of the pyramid' market, but the Company wished to improve its outreach and to establish a strong position for its brands. It was also important for the Company to show itself to be a good 'corporate citizen', and to play some part in the alleviation of rural poverty which is still India's major weakness.

The Self Help Groups had proved to be an effective channel for the distribution of financial services, in particular for micro-debt. The SHGs were ready-made, officially supported entities, with access to capital, and with very high coverage, particularly in the better off Southern States. They were therefore an obvious potential channel for the marketing of consumer goods which are designed for the mass market. And, because the groups had been promoted as an instrument to address rural poverty, the Company could contribute to this goal, and reap some reputational advantage, by offering SHG members a potential means of increasing their incomes.

The SHGs had proved to be a good channel for credit, but credit is no more than debt, and debt is merely an added burden unless the money can be profitably used. Selling HUL goods was a new business activity, particularly for rural women, so it could also strengthen the SHGs.

The Company thus initiated Project Shakti in order to increase their sales penetration in smaller rural communities which were not being adequately covered by their pre-existing sales channels, and to contribute to more equitable economic development, by 'empowering' women to act as the 'last mile' of its rural distribution system. The Company was able to use the NGO and government SHG support structures as channels through which to reach the SHGs, and to legitimise the initiative.

Project Shakti has not achieved all the goals that were set for it, but it nevertheless appears to be the only long-term large-scale and sustainable attempt to distribute commercial physical products, as opposed to information and services such as credit, insurance, phone calls and so on, through SHG members in rural India.

The reasons for their success, and for the apparent failures of some others, include the following:

- HUL products have well-known brand names, and are self explanatory.
- HUL products are bought frequently, with little seasonal variation,
- HUL products are generally such as are bought and used by women, not by men.
- HUL products are very 'low-ticket', single items being available for two cents or even less, and typical retail prices being around twenty cents or less.
- HUL has a far wider range of household brands than any other company
- HUL use NGOs and government channels to make initial contacts, but do not rely on them thereafter for continuing support.
- HUL provide a very intensive level of sales support to Shakti Ammas.
- HUL have a nationwide network of stockists.

- HUL products are by their nature high volume mass-produced items which can bear the necessary high marketing costs.

The mediocre results of the other attempts which have been made to imitate Project Shakti may in part be the result of bad management, in particular when they have been initiated by government or NGOs rather than by a highly professional company such as HUL, but most of the above list of reasons for the success of the Project relate to the nature of the Company, its financial strength, its existing brand franchise, and the nature of its products. Other companies, or agencies wishing to distribute ‘social’ products, are unlikely to start with the same advantages.

## **8.2 The Sustainability of the Project’s benefits to HUL and the SHG members**

The best indication of sustainability, or the lack of it, for HUL and the SA’s themselves, is the high drop out rate of Shakti Ammas. HUL pressures its sales promoters in turn to pressure ‘their’ SAs to increase their sales. Some SAs are dropped, and others drop out on their own initiative. It costs HUL money to identify, introduce and train a replacement, and sales are presumably lost during the ‘interregnum’.

HUL representatives were not willing to share confidential company information as to the profitability of Project Shakti, but a senior management informant stressed that the emphasis has switched to improving profitability, rather than increasing numbers and volume. The new ‘Shaktimaan’ initiative is totally based on the Shakti Amma project, since it mobilises the SAs’ husbands to extend sales outreach still further. This in some ways merely reflects the fact that most Shakti Ammas depend on their husbands’ assistance and often their management to run what are nominally their businesses but are actually part of the whole household’s livelihood.

As with microfinance in general, the fact that women are the chosen borrowers, or members of groups, does not mean that their households’ incomes therefore move under their control. Traditional gender roles, and household unity, do not (and some would perhaps have the temerity to suggest should not) always follow the intentions of group promoters or company CSR managers.

Some key informants were not troubled by the minimal effect of this corporate linkage on SHGs; they felt that groups are fragile and generally function better if they perform one simple function, and nothing else. This leaves them to “stick with their knitting.” This contradicts Tushaar Shah’s arguments (Shah, 1995) as to the need for a group’s function to be central to its members’ livelihoods, but is consistent with other work in Orissa and elsewhere (Harper and Roy 2000) which found that groups were more likely to survive if they only did one task.

## **8.3 The Social impact of the Project**

Project Shakti may have stimulated some new village entrepreneurs as HUL’s stated social objectives suggested, but many of our samples SAs were already running shops or ration outlets before they took on the HUL agency. As is inevitable with any intervention of this kind, the main beneficiaries have been those of the chosen target group that is SHG members, who were already better-off. They are not usually the elite, for whom such work would be unacceptable, to themselves or their husbands, but they are not the poorest, and HUL appears to have moved away from poorer agents, who only sell HUL products, and to chose SHG members who already run *kirana* shops, or PDS outlets, or are *anganwadi* child support

workers. Within the SHGs, therefore, none of whose members are well off by Indian standards, Project Shakti supports those who were already relatively better off.

The wider availability of HUL's packaged products also raises broader issues as to the benefits, or otherwise, of including low-income rural communities in the 'modern' industrialised economy. Large numbers of people in rural India use twigs from the *neem* tree rather than manufactured tooth brushes and toothpaste, and it can be argued that this is more healthy and less damaging to the environment. This issue is perhaps beyond the scope of this paper.

It would also seem likely that the poor are as so often paying more per unit of items such as shampoo which they buy in small sachets, when compared with the cost in the larger containers which better-off people usually buy. We found, however, that the per gram cost of 'Clinic' shampoo, one of HUL's best selling lines and India's brand leader, was 0.375 rupees per gram when sold in an 8 ml sachet, and 0.55 paise when sold in a 200 ml bottle. Prices vary continuously in this competitive market, but in this case at least the poor appear to pay less.

#### **8.4 Conclusions, and lessons for development agencies working with groups**

The overall conclusion is that Project Shakti and its linkage between SHGs and HUL is neither transformative, nor dangerous. It is not an example of corporate exploitation of the poor, except when viewed in a very broad Marxist perspective, and nor is it a remarkable 'win-win' alliance between development and commercial interests. In fact, it is somewhat benign.

The Company appear to have moved gradually away from working more directly through federations and groups, which they used primarily as a means of identifying groups. The Shakti Ammas are individual businesswomen, who have used the SA agencies to make a fairly modest addition to their households' livelihoods. HUL itself is now moving even further away from the developmentally attractive notion of creating village women entrepreneurs, and is working with their husbands. This may be the right thing to do, both commercially and in the interest of overall household sustainability, but it involves a further move away from the original concept which was so developmentally attractive.

The Project has not made much difference to the groups to which the Shakti Ammas belong. It may have marginally improved the quality of their loans books, although rather few of the women whom we interviewed said that they used their SHG loans for their HUL business. It has also caused little jealousy, because most SHG members lack the resources, the time, the skills or perhaps the confidence to take up the agency. HUL cleverly forestalled any jealousy from existing local stockists, and the main outcome for the company has probably been a marginal increase in sales, whose profits have perhaps been more than absorbed by the extra costs of the Shakti Amma support system.

These findings may come as a disappointment to those who believe that group enterprises are the answer to poverty and social exclusion, or, more narrowly, that savings groups, of any kind, can be used as a platform for other business activities. It is not clear whether HUL initially intended that the SHGs should in some way actually take on the dealerships as a group enterprise. It is quite difficult to imagine how such a thing might have operated; where the stocks would have been held, who would have been responsible for placing orders, selling

goods, and recovering debts, and how the profits might have been distributed. The sales volumes and resulting profits which individual women have achieved are also too small for any reasonable division of the rewards. A larger group might have been able to mobilise more working hours, but the volume of sales is probably limited by local purchasing power and not by shortage of unskilled labour hours.

There are some important if perhaps rather familiar lessons which development agencies can learn from this intervention:

- Development agencies should not expect savings groups to act as businesses, unless, as is the case for their financial service business, the business is quite simple, all the members have an important stake in the business, and all can benefit.
- Savings groups which are in receipt of low cost credit or other subsidies are particularly unlikely to be a good basis for a group enterprise of any kind, since the members will have come together to obtain the benefits and will not perceive the group as something to which they should commit their own resources or efforts beyond what is necessary for that.
- If potentially profitable opportunities are offered to any group, and particularly if the opportunities require any financial commitment, risk taking or extensive social contacts, the benefits will almost inevitably be ‘captured’ by the least poor and most able members.
- Commercial companies operate in competitive markets. Their openly charitable ‘CSR’ activities can be of high quality and purely ‘social’ in their intentions, but if any activity is linked to the mainstream business it will inevitably be driven by the requirements of that business. ‘Doing well’ can also ‘do good’, and the two motives can to an extent overlap, but profit will and in the interests of long-term sustainability probably should dominate whenever the two motives may conflict.

## Key informants

Informant	Organization
Pradeep Kashyap	MART
Krishnendu DasGupta	HUL Mumbai
Ramesh Babu, B	HUL Bhubaneswar
Rewa Misra	MasterCard Foundation
Graham Wright	Microsave India
Ashis Kumar Sahu	Selco
Ranjit, D	National Bank for Agriculture and Rural Development, Mumbai
Prema Gopalan	Swayam Shikshan Prayog, Mumbai
Srinivasan, N.	Author of 2010 State of Microfinance Sector Report
Girija Srinivasan	Consultant in microfinance
Srinivas, C.H.	Lately staff member of MART
Vipin Sharma	Access India CEO
Frances Sinha	EDA Rural Systems
Matthew Scott	Cosmos Ignite (solar lamps)
Mandeep	D.Light; BP India (bio-fuel pellets and cookstoves)

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