

## **Abstract**

Self-Help Groups (SHGs) are the most common form of microfinance in India. We study the impact of collective actions undertaken by these groups, composed of women only, on the variety of public goods the elected local authorities deal with. We provide a simple model that suggests two hypotheses that we test and confirm using first hand data. The first hypothesis states that local authorities provide a larger variety of public goods when SHGs undertake collective actions, compared to a situation with exclusive provision by the local authority. The second hypothesis states that local authorities begin or increase the provision of public goods preferred by SHGs and that these might include goods that exert a negative externality on other villagers. We provide evidence of an important non-financial benefit of microfinance: it provides a platform that allows socially disadvantaged women to meet regularly and discuss problems. When they undertake collective actions to solve those problems, these are recognized by the local authorities. Problems that are closer to the needs of women seem to find their way into the political agenda.