6. Lessons from Practical Livelihood Promotion Approaches

6.1 Pre-Independence Efforts for Livelihood Promotion

The thinking on livelihood promotion has evolved a great deal since the early days, with contributions from people such as Rabindranath Tagore, conceiver of the Sriniketan Experiment, Spencer Hatch of YMCA Martandam project, F.R. Brayne of the Gurgaon Project and Albert Meyer of the Etawah project, who initiated livelihood promotion in their own ways. In 1912, Rabindranath Tagore set up the Institute of Rural Reconstruction in Surul (Sriniketan experiment). Sriniketan introduced improved agriculture through new technologies, new breeds of cows and poultry and village crafts in 17 surrounding villages with a total population of 7,000. It emphasized a scientific study of the problem in villages before attempting a solution, to help people solve their own problems. In consonance with such ideas, they set up an agricultural college and a rural research center, created regular and non-formal schools, and trained village teachers over the years.

Mahatma Gandhi, one of the early livelihood thinkers of 20th century had a deep concern both for the poor and for sustainability and had a holistic vision of livelihoods. Gandhiji suggested that as members of a mutually supportive community people should get involved in development of local economies by promoting inter-dependent activities, eventually leading to 'Gram Swaraj'. The All India Spinners Association was set up to promote *khadi* (hand-spun, hand-woven cloth). Later, in 1935, the All India Village Industries Association (AIVIA) was set up in Wardha. The major focus of this initiative was village reorganization and reconstruction through revival of village industries. During this period, the emphasis was on building human capital and imparting knowledge as it was believed that people were not getting good remuneration because they lacked the knowhow to carry out their work better.

The Gurgaon project was implemented during the early 1920s by the then District Collector Mr Frank Brayne, as part of the Government's initiative for increasing production. The main focus of this experiment was to educate farmers on the use of tools and technology, improved seed varieties, improving soil fertility and raising better animal varieties. In 1921 Spencer Hatch initiated the YMCA experiment at Martandam, a village near Thiruvananthapuram. He aimed at not only bringing about physical and economic transformation, but also cultural and spiritual enrichment through utilization of available resources, self-help and cooperation among the village folk, involving all the people and reaching the poorest in a hundred villages. The activities included promotion of cottage industries, literacy programs, training of workers and establishment of cooperatives. Innovative and scientific methods were used for poultry farming, bee-keeping, cattle care, weaving etc.

In 1948, Albert Mayer, an American engineer and town planner started the Etawah Pilot Project in the Etawah district of Uttar Pradesh, with the ultimate goal of comprehensive modernization of villages through self-help and people's participation. It aimed at revitalization of 100 villages through village level workers who were trained to provide technical assistance, adult education and community organization to enhance agricultural production.

The Community Development Program of the Government of India was also designed on these lines. The second five year plan attempted to institutionalize this through various programs.

Two of the fountainheads of voluntarism - charity (*parmaarth*) and service (*seva*) are part of the Indian tradition. Voluntary action originated in religious activity. In the nineteenth century, the origins of voluntary action can be traced to Christian missionaries, who went beyond proselytization to attend to the worldly problems of the people in rural and tribal areas that they were working with. Partly in response to such efforts, Indian organizations such as the Ramakrishna Mission were formed by Swami Vivekananda and they aimed to do voluntary work. As described above, Rabindranath Tagore began the Sriniketan experiment for rural development in the areas adjoining Shantiniketan. However, Mahatma Gandhi can be called the father of the modern voluntary movement in India.

Gandhiji's inspiration for voluntary action came from multiple sources. The first of these was his religious upbringing, wherein he imbibed the message of empathy towards the suffering of others. This is poignantly captured in one of his favorite *bhajans Vaishnava jana to taine kahiye je pir parai jaane re* – 'Call only that person devoted to God, who understands the pain of others'. The second source was his exposure to the work of Christian missionaries and those engaged in social service activities in the West. The third came from exposure to the ideas of Leo Tolstoy and John Ruskin, who defined a virtuous life as living simply and being close to nature, pursuing spiritual rather than material goals.

Gandhiji experimented with these ideas in South Africa, first working in the Ambulance Corps during the Boer War, then practicing social activism and community living at the Tolstoy and the Phoenix Farms, living close to nature, in a frugal and self-reliant manner. When Gandhiji came back to India, Gopal Krishna Gokhale advised him to go around the country and see the people as they live. The poverty of the people made a deep impression on him. Gandhiji's first *satyagraha* in support of the indigo laborers in Champaran, while primarily a political struggle, also had elements of constructive work (as Gandhiji called voluntary action), such as training villagers in hygiene, educating children, building roads and digging wells. After this, Gandhiji made constructive work an integral part of his political strategy, where periods of intense struggle for Independence were interspersed with working for the alleviation of suffering and social and economic upliftment of the poor.

Gandhiji established these activities around interested individuals. His Ashrams, first near the Sabarmati in Ahmedabad and later at Sewagram in Wardha, were havens where various individuals with a strong sense of social purpose came to Gandhiji. He gave them different missions based on their background, ability and interest. Thus one was given the task of serving lepers, another of working with *Harijans*, yet another of promoting basic education, while some others were entrusted the task of promoting *khadi and village industries*. These activists eventually established organizations such as the Hind *Kusht Nivaran Sangh*, *Harijan Sevak Sangh*, *Buniyadi Talim* and the All India Spinners' Association, which worked in these areas. These organizations constituted the beginning of indigenous voluntary action in India.

6.2 Post-Independence NGO Efforts for Livelihood Promotion[132]

6.2.1 Gandhi and other Pioneers

In the post-independence era, some of the institutions inspired by Gandhiji, such as the *Harijan Sevak Sangh*, began to receive government support, while others became organs of the government, such as the *Khadi and Village Industries Commission*. Other institutions chose not to seek much state support. These were grouped under the umbrella of the *Sarva Seva Sangh*, which was a federation of Gandhian voluntary organizations in different fields

[132] This section is largely taken from a paper by Mahajan, Vijay (2002). Voluntary Action in India: A Retrospective Overview and Speculations for the 21st Century. National Foundation for India, New Delhi.Press.

and different locations. Its members were known as *Sarvodaya* workers, who worked out of *Ashrams* in different remote parts of the country. A training center for such workers was established at the *Shram Bharti Ashram* at Khadigram in Munger district of Bihar and for many years it trained scores of young *Sarvodaya* workers under the guidance of Acharya Dhiren Mazumdar.

Other Gandhians started independent ashrams or institutions all over the country. Among the most prominent ones was Manibhai Desai, who established the Bhartiya Agro Industries Foundation in Pune for rural development and attracted many professionals to work with him. The work of Gandhians was spread all over the country and in different fields, from the Gandhigram (now Rural University) near Madurai in Tamil Nadu to the Anandvan at Warora set up by Baba Amte to rehabilitate leprosy affected persons, to the Gandhi Peace Mission in Nagaland, to the Textile Labor Association, the progenitor of the Self-Employed Women's Association (SEWA) in Ahmedabad, Gujarat.

Many Gandhians resisted institutionalization and preferred individual or group voluntary action. Acharya Vinoba Bhave was one such pioneer. In 1951, watching the growing violence linked to the issue of unequal land ownership in the countryside, particularly in the Telangana region, he made a visit to the area and had a dialogue with the landless and the landlords. In the village of Pochampalli, 40 kms from Hyderabad, he had an inspired vision based on a simple gesture by Ramachandra Reddy, the young son of a landlord, who offered to donate part of his land to the landless people in his village. Vinoba decided that he would make it his mission to persuade landowners all across India to voluntarily give part of their land for redistribution to the landless. This became the *Bhoodan* Movement. Vinoba walked incessantly for nearly 14 years throughout the length and breadth of India and managed to collect 42 lakh acres of land under *Bhoodan* by 1966. This was a high point of Gandhian voluntary action in India and perhaps unparalleled in the world.

6.2.2 The Young Idealists

In 1966, the country had a major drought, and as a result near-famine conditions prevailed in many parts, particularly in Bihar. This resulted in an upsurge of voluntary relief efforts, often spearheaded by Sarvodaya workers who had established *ashrams* all over Bihar. Jayaprakash (J. P.) Narayan was the leader of this movement, working from the Sakhodara Ashram in Nawada district. After the relief efforts, many of the workers decided to take up longer term efforts to reduce dependence on rains, increase agricultural production and generally work for rural development. J. P. himself chose one of the poorest areas, the Musahari block, named after a community apocryphally said to eat mice (*musa ahar*) because they had no other food. J. P. also helped establish the Association for Voluntary Action in Rural Development (AVARD), as an all India forum for such efforts.

Many young student volunteers who came to work in relief efforts during the Bihar Famine in 1966 and later the Bangladesh refugee crisis in 1971, stayed on or came back to establish voluntary organizations. Bunker Roy, who established the Social Work and Research Center (SWRC) at Tilonia, district Ajmer, Rajasthan and Joe Madiath, who set up *Gram Vikas* in Ganjam district, Odisha are two examples of this. Dr Anil Sadgopal, a molecular biologist trained at CalTech, USA, who was working at the Tata Institute of Fundamental Research (TIFR), established a program for innovations in rural education at Hoshangabad district, Madhya Pradesh. A young doctor couple, Rajnikant and Mabel Arole, set out to improve the rural primary health care system at Jamkhed in Ahmednagar district, Maharashtra. Dunu Roy, who used to run the Front for Rapid Economic Advancement, a student organization at IIT Bombay, established the *Vidushak Karkhana*, combining appropriate technology with social analysis in Shahdol district of Madhya Pradesh.

These efforts, though small, were significant as they attracted a new generation of young people, urban and well-educated, who had access to mainstream opportunities but who chose to live and work in remote rural areas with poor people. By this time, many international relief and development groups such as OXFAM, UK, Bread for the World, Germany, and Catholic Relief Services, USA began work in the country, using donated food grains for food for work programs, offering short term lean season wage employment, and building rural community assets such as roads and tanks. Foreign donor agencies which were not directly active in projects also started to give funds to Indian voluntary groups for carrying out development programs. Many of the established NGOs such as ASSEFA, Tamil Nadu; MYRADA, Karnataka; AWARE and RDT, AP began their work in this period, largely with international donor support.

In 1975, Prof Ravi Matthai, founder Director of the Indian Institute of Management, Ahmedabad (IIM-A), conceived and led an experiment to test whether corporate management disciplines could be related to gut issues of Indian poverty. He selected Jawaja block which included about 200 villages with a population of approximately 80,000 people in a drought prone district of Rajasthan, and was then regarded by the government authorities as devoid of any scope for development. Believing that people were the greatest resource for development, Matthai began to work with village communities on issues of livelihood and empowerment.

Volunteers from IIMA and the National Institute of Design (NID) joined with the local citizens in their search for livelihood options that could be sustained in the face of social, environmental and political challenges.

Languishing skills in weaving and leather work were selected in an effort to develop new opportunities for earning that could be outside the control of local vested interests while remaining rooted in familiar and tested capacities. The Jawaja Experiment thus began with Prof Ravi Matthai leading a small group of volunteers to what seemed a barren patch of land with little resources and even less hope. Forty years later, the Jawaja Leather Association and the Jawaja Weaver's Association, linked as Artisan's Alliance of Jawaja (AAJ), continue their struggle for self-reliance and dignity. They have come a long way. The leather workers and weavers have won a degree of economic independence. Their products are reputed in India and in many parts of the world.

The Social Work and Research Center (SWRC)[133] was resurrected by Bunker Roy as The Barefoot College. It is a voluntary organization that uses skill development and education to focus on issues of electrification through solar power, health, drinking water and women empowerment. The Villagers' Barefoot College in the village of Tilonia gives lessons in reading, writing and accounting to adults and children especially the drop-outs, cop-outs and wash-outs. Girls heavily outnumber boys in the night schools. In 2008 there were approximately 3,000 children attending 150 night schools. The programs focused on building capacities of the villagers so that they could manage and maintain community infrastructure like water pumps (reducing dependence on outside mechanics), and on solar power to decrease dependence and time spent on kerosene lighting. The programs are influenced by the Gandhian philosophy of each village being self-reliant. The policy of the Barefoot College is to take students, primarily women from the poorest of villages and teach them skills such as installing, building and repairing solar lamps and water-pumps without requiring them to read or write.

At the same time, many idealistic youth rejected the route of voluntary action in favor of more militant activism, even the armed struggle. Not all those who were unhappy with the state of society, however, chose the path of the armed struggle, or at least, militant activism for social change. They recognized both their own constraints and structural constraints to social action.

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[133] See http://en.wikipedia.org/wiki/Barefoot_College for more information

Some were inspired by the obvious success of the efforts of Dr Kurien in organizing milk producers into the famous AMUL dairy cooperative. They began to recognize that social change required more than just good intentions or ideological zeal. A degree of professionalism was needed. The Institute of Rural Management, Anand (IRMA) was set up in 1980 by Dr Kurien and provided scores of young graduates to the voluntary, particularly rural development sector. PRADAN was set up in 1982 to attract, train and support young professionals in rural development and brought in hundreds of professionals, who worked at the grassroots with tribal and other disadvantaged communities in remote locations.

By the 1990s, the working paradigm had shifted from volunteerism to professional voluntarism. The former implied working for no or a token remuneration, which was feasible only for either individuals who could be supported by well-off friends and families or the very few who could live very modestly and without any recourse to face life cycle contingencies. The latter emphasized that voluntarism meant of one's free will or in Hindi *swa-prerit* or self-motivated) and that taking of moderate remuneration did not come in the way of public-spirited work.

6.2.3 The State and the NGO Sector – A Difficult Relationship

The difficulties in the relationship between the state and the voluntary sector began soon after independence, with some of Gandhiji's followers opting for politics and power and others for voluntary constructive work. However, as most were comrades in the freedom struggle, their earlier friendships continued and resulted in state support to various voluntary agencies, which were mainly Gandhian in those days. The state also supported Vinoba's *Bhoodan* Movement (in some cases, by donating state land!). Nevertheless, the differences in social vision and approaches to growing disparities became a cause for increasing the hiatus between voluntary sector workers such as J. P. and political leaders, particularly Indira Gandhi.

The 1970s began with the euphoria of military and moral victory in the Bangladesh war. But soon, poor economic performance, coupled with decline in ethical standards in politics, caused widespread unrest. In 1973, the *Nava Nirman* (new construction) movement spearheaded by student activists in Gujarat led to the fall of a corrupt state government. By 1974, J. P. had developed serious differences with Indira Gandhi and started a political movement for total revolution, which led to the imposition of emergency in mid-1975, and clamping down on political opponents as well as voluntary activists, many of whom were seen as disruptive.

This is how the first post-independence downturn in the relationship between the government and the voluntary sector, came about. The Foreign Contributions Regulation Act (FCRA) was enacted in 1976 to control the inflow of foreign funds to voluntary agencies, which were by then beginning to be called non-governmental organizations or NGOs. The state began to take notice, but negatively. There was a complete reversal in 1977, however, when the first Janata government came to power after Indira Gandhi's defeat. Voluntary action was elevated to a high pedestal and many national programs designed on the inspiration of voluntary work. For example, the government launched a Food for Work program on the lines run by the voluntary sector, which later became the National Rural Employment Program. The work of the Aroles at Jamkhed led to a nation wide scheme for Community Health Workers. The Government of India launched the National Adult Education Program, the first government program designed to be implemented almost exclusively through voluntary agencies. As a result, many so-called voluntary agencies sprouted as implementers of government programs, while others expanded and became dependent on government funding.

There followed, inevitably, a downturn when Indira Gandhi was re-elected in 1980. One of her first acts was to set up the infamous Kudal Commission of Enquiry into the affairs of certain Gandhian organizations, particularly AVARD and the Gandhi Peace Foundation. This enquiry caused a lot of disruption for the voluntary sector, particularly to the Gandhian and Sarvodaya organizations, and led to a certain degree of loss of credibility as well. The government also further tightened the FCRA based on vague charges of foreign funds being misused for fomenting disruption. The Left separately launched an aggressive campaign against NGOs, with Prakash Karat accusing NGOs of being imperialist tools since they received foreign funds. These attacks led to a further loss of credibility and confidence in the voluntary movement.

In the next turn of the historical cycle, when Rajiv Gandhi came to power in late 1984, he decided to give a larger role to NGOs in implementing development programs. Archetypal voluntary activist Bunker Roy was brought in as Advisor to the Planning Commission and Rs 100 crore were earmarked in the Seventh Five Year Plan for funding NGOs. The Council for Advancement of Peoples' Action and Rural Technology (CAPART) was established to route government funds to NGOs, while government departments, state governments and District Rural Development Agencies were encouraged to work with NGOs. This soon led to a flood of government funding and in some cases, led to corruption on both sides - with lots of so-called NGOs sprouting up to mop up government funds.

In the early 1990s, the flow of foreign funds also went up significantly in the same period as northern governments began to channel more of their aid through their respective country NGOs. This was partly a result of the Reagan-Thatcher ideology in the US and the UK, under which the welfare state was dismantled and the private sector was encouraged to take over many of the roles that the state was playing. In the social and development sectors, this meant that Private Voluntary Organizations (PVOs), as they are called in the US, were to take the lead. The same ideas were imported to India. Under the pressure of foreign donors, and the increasing acknowledgment of the abysmal failure of government poverty alleviation schemes such as the IRDP, a large number of government programs and schemes were given for implementation to NGOs. This included the Integrated Watershed Development Program and the formation of SHGs for savings and credit, among others. Another trend that was seen was that several new generation government programs not only learnt to use NGO methods of participatory planning and implementation but also recruited a large number of NGO workers as staff.

By the end of the 1990s, the limitations of NGOs as implementers of government programs became apparent. The high quality of NGO work began to deteriorate when they tried to scale up, and many were not able to cope with the procedural needs of carrying out work using public funds. State support remained confined to a few enlightened senior bureaucrats, while a vast majority of politicians and lower level government functionaries remained hostile to NGOs. In some of the worst cases, shady NGOs established a nexus with the latter and shared in the spoils.

6.3 Post-Independence Government Efforts at Livelihood Promotion

Post-Independence, India took up planned development and started adopting five year plans. While the first two five year plans focused on increasing the area under irrigation through the construction of large multi-purpose dams, the Third Five Year Plan sought to achieve a rapid increase in the level of agriculture production through the Intensive Agricultural District Program (IADP-1960) and later the Intensive Agricultural Area Program (IAAP-1964). These programs followed the package approach of use of improved practices and achieved modest results. These programs operated within the limitations set by existing crop varieties which had relatively low response to fertilizers.

A major change occurred with the introduction of the high-yielding varieties. The propagation of various high-yielding varieties over fairly large areas was taken up as a full-fledged program from Kharif 1966 onwards. By 1967-68, 6.04 million ha were brought within the purview of this program. On the eve of the Fourth Plan, the coverage estimated was 9.2 million hectares.[134] This produced the desired results and food grain production shot up from 72 million tons in 1965-66 to 108 million tons by 1970-71. But it also led to unforeseen problems. The smaller farmers and the less irrigated regions were left behind. To correct this, the Government of India started special programs to address the segments or regions left behind. A serious limitation of the High Yielding Varieties approach also became apparent by the late 1960s when they realized that just the know-how was not enough, a variety of services to enhance livelihoods were also necessary. Therefore, an alternative strategy was evolved, which tried to integrate various services for a sector- wheat, paddy, milk or soybean, by building market linkages, technology transfer, building physical and social infrastructure, etc. The focus now was to bring all these elements under one fold, using the integrated approach.

The Small Farmers Development Agencies (SFDA) program,[135] aimed at the target group of small and marginal farmers and agricultural laborers, was operationalized since 1971 covering 1818 blocks in the country. The objective of the Program was to assist persons, specifically identified from this target group, in raising their income level by helping them to adopt improved agricultural technology and acquire means to raise agricultural production using minor irrigation sources and so on and also to diversify their farm economy through subsidiary activities such as animal husbandry, dairying, horticulture, etc. Up to March, 1980 the agencies had identified 16.7 million persons from the target group for such assistance. Out of these, 8 million beneficiaries, including 1.3 million belonging to the scheduled castes and scheduled tribes, had been given assistance. Some 6.1 million or 75 percent of these beneficiaries had been helped to access improved agricultural practices through subsidized supply of inputs, improved implements and field demonstrations.

A special program for the development of Drought Prone Areas (DPAP) was introduced in the mid 70s. A program of Food for Work was launched in 1977 to provide opportunities of work for the rural poor particularly in slack employment periods of the year which would at the same time create durable community assets. Irrigation facilities had been expanded manifold.

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[134] http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html

[135] http://planningcommission.nic.in/plans/planrel/fiveyr/6th/6planch11.html

With a view to removing regional disparities, particularly in less endowed or disadvantaged areas, like the hill and tribal areas, special sub-plans of development were introduced. A Minimum Needs Program was designed to secure to the rural areas within a reasonable time-frame certain basic amenities in the field of education, health, drinking water, electrification, roads and house-sites.

6.3.1 Efforts Targeted at Wage Employment

To take care of severe unemployment and related distress in drought years, various programs were devised and the most successful of these was the Maharashtra Government's Employment Guarantee Scheme (EGS):

EGS aims at providing unskilled manual work to all able-bodied persons looking for employment. The scheme will form part of the State Plan program of the Integrated Area Development Scheme for small farmers and agricultural laborers. The works proposed to be taken up under the scheme relate to contour bunding, irrigation, roads and village industries. The Gujarat Government's Right to Work Scheme provides for unskilled jobs to the unemployed workers on multipurpose, major, medium and minor irrigation works, capital projects, roads and soil conservation works.[136]

The Food for Work Program initiated in 1977-78,[137] aimed at the creation of additional employment in rural areas on works of durable utility to the community, with the use of surplus foodgrains available in the buffer stock for payment as wages. After its launch the program proceeded in fits and starts, but gained momentum in 1978-79 when over 12 lakh tons of foodgrains were utilized creating 372.8 million man-days of employment. During 1979-80, the utilization was estimated at 23 lakh tons of foodgrains resulting in about 600 to 700 million man-days of employment. The National Rural Employment Program was conceived along the same lines, with the main aim to take care of that segment of the rural poor, which largely depended on wage employment and virtually had no source of income during the lean agricultural period.

This was then sub-divided into a Rural Landless Employment Guarantee Program (RLEGP). This was introduced on August 15, 1983, with the objective of (a) improving and expanding employment opportunities for the rural landless with a view to providing guaranteed employment to at

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[136] http://planningcommission.nic.in/plans/planrel/fiveyr/welcome.html

[137] http://planningcommission.nic.in/plans/planrel/fiveyr/6th/6planch11.html

least one member of every landless household for up to 100 days in a year and (b) creating durable assets for strengthening the infrastructure so as to meet the growing requirements of the rural economy. An outlay of Rs 500 crore, to be fully financed by the Central Government, was provided under this program in the Sixth Plan. The implementation of the program was entrusted to the states and union territories, but they were required to prepare specific projects for approval by a central committee. During 1983-85, the central committee approved 320 projects with an estimated cost of Rs 906.59 crore. The target for employment generation in 1983-84 and 1984-85 was fixed at 360 million man days against which 260 million man days of employment was generated.[138]

Mid-way through the Sixth Plan, the RLEGP[139] was revamped. It started with the dual objective of expanding employment opportunities in the rural areas and providing sharper focus on the landless labor households, which constitute the bulk of people below the poverty line. Efforts were made to implement a limited guarantee for providing 80 to 100 days employment to the landless labor households through this program. In the seventh Plan an outlay of Rs 1,250.81 crore was provided for NREP in the Central Sector, which was to be matched equally by the states. An outlay of Rs 1,743.78 crore was provided in the seventh Plan for RLEGP which was to be borne entirely by the Center. Based on the average wage of Rs 8.61 per day as in 1984-85 and a wage material cost ratio of 50:50, a total employment of 1,445 million man days under NREP and 1,013 million man days under RLEGP were to be generated during the Seventh Plan period at an average rate of around 290 million man days and 200 million man days per annum respectively.

These wage employment programs eventually became the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the NREG Scheme was launched on February 2, 2006. In the first full year of operation which was 2006-07, the scheme covered 200 districts. The program was later expanded nationwide. The primary objective of the scheme is to provide guaranteed wage employment for hundred days in a financial year for a rural household who volunteer to do unskilled manual work. This work guarantee can also serve other objectives: generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity, among others.

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[138] http://planningcommission.nic.in/plans/planrel/fiveyr/6th/6planch11.html

[139] http://www.teindia.nic.in/mhrd/50yrsedu/15/8P/84/8P840203.htm

6.3.2 *Khadi* and Village Industries

The Khadi and Village Industries Commission (KVIC) was the largest livelihood promotion effort based on Gandhian thinking. Set up in the 1950s, KVIC is an example of the first large government intervention in the non-agricultural sector. The KVIC selected nearly 20 activities, from *khadi* (hand spun, hand woven cloth) to *gur* (jaggery) making to leather work, and promoted a network of training centers, production units, common processing facilities and marketing outlets. Even though the KVIC counts its outreach in crore, the benefits of KVIC programs were rather modest in terms of additional wages or employment. In addition, most of the industries required subsidies, given in the form of marketing rebate on products.

6.3.3 Efforts Targeted at Self-Employment

Recognizing that 'job-creation' was not a feasible option, the Government of India started focusing on self-employment opportunities in the latter half of 1970s.

Of the 350 million people below the poverty line in India, around 300 million were from rural areas. Landless laborers, small and marginal farmers, rural artisans, and other workers constituted the bulk of the people below the poverty line. Recognizing that the people in the target group possessed little or virtually no assets, appropriate skills or vocational opportunities, the program sought to assist them through an appropriate package of technologies, services and asset transfer programs.

The Integrated Rural Development Program (IRDP) was launched in 1980. The IRDP was morphed into the *Swarnjayanti Gram Swarozgar Yojana* (SGSY),[140] a major scheme for self-employment of the rural poor. The basic objective of the scheme was to assist poor families (*swarozgaris*) by providing them income generating assets through a mix of bank credit and government subsidy,to help raise their position above the poverty line. Credit was the critical component of the scheme, whereas subsidy was an enabling element. The scheme involved organization of the poor into SHGs build their capacities through a process of social mobilization, training, selection of key activities, planning of activity clusters, creation of infrastructure, provision of technology and marketing support, and so on.

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[140] http://planningcommission.nic.in/sectors/index.php?sectors=rural

Unfortunately credit mobilization under SGSY had been low. Furthermore, a large number of SHGs were formed, but many fizzled out midway after availing the revolving fund. The SGSY program was restructured and recast as the National Rural Livelihood Mission (NRLM) in 2011.[141]

6.4 Microfinance as a Livelihood Intervention in India[142]

6.4.1 Background of the Microfinance Industry in India

6.4.1.1 Era of Moneylenders and Early Attempts at Alternatives

Access to credit has for ever been a major constraint for the poor in India. Traditionally the poor depended on large farmers, merchants and middlemen, pawn brokers and moneylenders for meeting their credit needs. The relationship between money lenders and the poor was usually that of patron-client, meaning that the transaction affected their social and economic relations more widely. Unable to pay high interest rates, the poor often ended up forfeiting their land and eventually becoming bonded laborers to money lenders. Abusive practices were quite common and there seemed to be no escape from this situation.

Many attempts were made to break dependence on money lenders through provision of institutional credit. In the famine years of the 1860s, after the peasants rebelled in some areas, the British colonial administration started giving *tacavi* loans out of the land revenue. These were not widespread and became prone to patronage and corruption of lower revenue officials. In the 1890s, some British administrators tried to experiment with the Raiffeisen, Germany style savings and credit cooperatives and the colonial government passed the Indian Cooperatives Act in 1904. The cooperatives were, however, largely run by rich farmers and were embroiled in local power politics. The poor could only receive loans only if they worked for lower wages for the rural elite. In addition, unlike the German cooperative system, the Indian cooperatives were not based on savings and were merely seen as a channel for disbursing government loans. Thus the people had little stake in the health of the cooperatives and slowly the system become dysfunctional.

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141 http://megplanning.gov.in/plan/suplement/2012-13/sector/2.pdf

142 This section is partly based on a significantly updated version of Vijay Mahajan and T. Navin; *Microfinance in India: Growth, Crisis and the Future*, in Köhn, Doris (Ed.) Microfinance 3.0 Reconciling Sustainability with Social Outreach and Responsible Delivery, accessible at http://rd.springer.com/book/10.1007%2F978-3-642-41704-7#

6.4.1.2 Post Independence Efforts (1947-68)

The need to produce enough food to feed the growing population was a priority for the newly independent India. In the initial two decades 1947-67, cooperatives became less and less important as an answer to provision of credit for agriculture. After the All-India Rural Credit Survey (Gorawara Committee) report in 1954 showed that only 7 percent of rural credit came from institutional sources, the Government asked the then Imperial Bank of India (later SBI) to open 400 branches outside of big cities and extend credit for agriculture. The Reserve Bank of India established a Rural Planning and Credit Division and later the Agricultural Refinance and Development Corporation to extend wholesale loans to banks. But none of this proved adequate and when the high yielding variety package of intensive agriculture was launched in the mid-1960s, it became imperative to upgrade the rural credit system as well.

6.4.1.3 From Nationalization of Banks to Financial Sector Reforms (1969-1992)

The government put the banks under 'social control' in 1967 as the banks, on their own, were unable to address the credit needs of agriculture. But within two years, the then Prime Minister Indira Gandhi nationalized the top ten banks and mandated them to open a large number of rural branches. Then in 1975, after money-lending was abolished during the Emergency, the government set up a network of Regional Rural Banks (RRBs) to reach out to the rural poor, specifically small and marginal farmers, rural artisans and agricultural labor. With a focus on physical expansion of banking services the branches grew rapidly between 1969 to 1990.

Table 37: Growth of Commercial Bank Branches and Priority Sector Credit (1969-2010)

Year	Rural branches	Total branches	Population per branch (in 1000s)	Priority sector credit as % of total credit
1969	1833	8262	64	14
1980	15105	32419	21	33
1990	31114	55410	14	43.8
1995	33004	62367	15	33.7
2000	32734	65412	15	35.4
2010	32624	85393	13.8	35.1

(***Source**: RBI Progress of Commercial Banking at a Glance – RBI Statistical Returns*)

Though the last column in the table 37 looks impressive, the fact is that the so-called priority sector includes many non-poor sectors, such as large farmers, commercial agriculture, small-scale industry, self-employed professionals and exports. The banking system had limited ability to reach the small borrowers as was evidenced by the fact that in 2004, only about 5 percent of bank credit went to small borrowers. With insistence on collateral, only the well-off were seen as a bankable proposition and large number of poor remained excluded from the financial system. Despite the best of intentions of policy-makers, the actual beneficiaries of the expansion of banking network turned out to be medium and large farmers, both in their own names and indirectly in the name of small farmers by using social connections and bribes to capture cheap loans. The emphasis of the government was always on disbursement of loans often by organizing 'loan *melas*' (fairs) and the hapless bankers were left to their own means when it came to recoveries.

By 1989, the build-up of defaults had reached such a level, that the then Deputy Prime Minister, Choudhary Devi Lal, himself a large farmer, announced the first nationwide loan waiver – the Agricultural and Rural Debt Relief (ARDR) Scheme in 1989. This became an example of patronage that was copied by several state governments every time they wished to please the electorate. The culmination of this was the Agricultural Debt Waiver and Debt Relief Scheme, which during the financial year 2008-09, waived loans worth Rs 71, 680 crore (about USD 15 billion at the then exchange rate), covering some 43 million farmers.

6.4.1.4 Self Help Group – Bank Linkage model – Achievements and Shortcomings

In order to enhance access to credit to the poor, since the mid-1980s, NGOs started experimenting with credit groups. MYRADA, an NGO in Karnataka since 1986 and PRADAN in Rajasthan since 1987, began setting up SHGs for encouraging savings and credit and training on the principles of self-help. These SHGs consisted of 10-20 members who pooled savings monthly and lent to members from the pooled savings after a few months. In 1992 the RBI approved a pilot project of linking SHGs to banks, which eventually led to the SHG-Bank linkage program (SBLP) in 1996. The SBLP received major policy and promotional support after two industry advocacy groups worked with the RBI-appointed working groups in 1995 and later in 1999, both from the RBI, NABARD, the central and various state governments, in particular, Andhra Pradesh.

It was scaled up nationwide through support of National Bank for Agriculture and Rural Development (NABARD) refinance of largely public sector bank loans. As per NABARD's Annual Report 2012-13, (p. 51).[143]

Starting from a modest scale as a pilot in the year 1992, the SHG-Bank linkage program (SBLP) has turned into a solid structure with more than 79.60 lakh savings-linked SHGs covering over 10.3 crore poor households as on 31st March 2012. The total savings of these SHGs amounted to Rs 6,551 crore. The number of credit-linked SHGs under the program stood at 43.54 lakhs.

Though a great leap forward in terms of enhancing credit access by the poor, the SHG model suffers from a major lacuna - it is subsidy driven, with at least three types of subsidies:

- First, someone needs to organize the SHGs. In the early days, this was done by NGOs, a role increasingly taken over by the government agencies as the scale went up. But both required subsidies. In Andhra Pradesh, the funding came from World Bank loans of USD 600 million to the government run Society for Elimination of Rural Poverty (SERP).
- The second subsidy comes in the form of lower interest loan funds. While in the early years, banks lent to SHGs at 12 percent per annum, successive state governments tried to subsidize the rate at which SHGs got funds. In AP it came down successively from 12 percent in 1996 to 9 percent before the 1999 state elections, to 3 percent after the 2004 elections in which the SHGs were promised '*pavala vaddi*' (quarter % per month interest or 3% pa). In 2011, the subsidy was increased to cover the full interest, so the cost of funds to SHGs has been reduced to 0 percent.[144]
- The third subsidy is in the form of bad debts that banks have to write off. The recovery rates of SHGs in early years were 95 percent plus and have steadily fallen as the poor sensed the program becoming one of political patronage. The increasing subsidy had also led to increasing cornering of credit by the better-off members, corruption and reduction in repayment rates in expectation of loan waivers.

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[143] Annual Report, 2012-13, National Bank for Agriculture and Rural Development (NABARD), accessible at www.nabard.org/Publication_AR2012_13_E_fullr%20(1).pdf

[144] http://www.serp.ap.gov.in/AWFP/FrontServlet?requestType=BudgetLineReportRH&actionVal=Budgetline1&Year=20122013&FunctionalHead=-1&District=-1&Mandal=-1&CostCenter=-1

6.4.2 Achievements and Shortcomings of MFIs in India

After the 1989 loan waiver, banks had already got put off from poverty lending. With the advent of the economic reforms in 1992, banks became more oriented to their financial health rather than to their social obligation. Ela Bhatt, the founder of *Mahila* SEWA Cooperative Bank in Ahmedabad since 1976, and of the wholesale lender, Friends of Women's World Banking (FWWB), who was a member of the Planning Commission, led the demand for alternative credit channels for the working poor. Government of India established the *Rashtriya Mahila Kosh* (RMK) as an apex lender to NGOs on-lending to women's groups. NGOs, which were registered as not-for profit societies or trusts began borrowing from RMK and donors and lending to the poor in groups, following the SHG methodology as that was the one favored by the RMK.

Realizing the limitations of borrowing and lending as a non-profit NGO, BASIX established in 1996, India's first commercial *Microfinance Institution* (MFI), *Bhartiya Samruddhi* Finance Ltd, registered as a non-bank finance company (NBFC) with the RBI. The growth of MFIs was supported by the state owned Small Industries Development Bank of India (SIDBI) and loans from commercial banks under the priority lending quotas since 2000. Initially they lent to NGO-MFIs but within a few years, as the amounts outstanding increased, they sought some equity as a risk cushion. This is when the larger NGO-MFIs began transforming into for-profit NBFCs. In the next step, by 2006, these NBFCs started attracting equity investments from specialized microfinance investment vehicles and private equity funds. For example, SHARE got equity from Legatum, Spandana from JM Financial and SKS from Sequoia, by 2007, within a few years of having been NGOs. By 2010, the MFI growth in India had reached its peak growing at 80 percent per annum and the outreach had reached around 30.85 million.

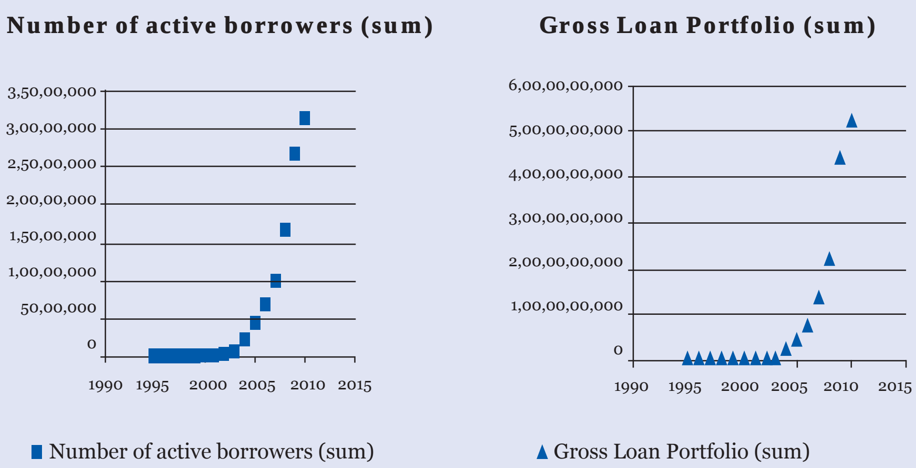
SHGs and MFIs emerged as two alternatives to meet the credit needs of the poor and initially the two models complemented each other. In certain districts of Andhra Pradesh, however, the models began to compete and lend to each others' clients. In the run up to the SKS Initial Public Offering (SKS IPO) in August 2010, this became a reckless rush to build portfolio and the multiple lending led to over-indebtedness in a small proportion of the borrowers. Many poor families were overwhelmed by the repayment obligations. As they began to skip installments, MFI staff, accustomed to near 100percent on-time repayment, increased pressure on recoveries. Reports of coercive recoveries and in some cases, suicides by borrowers, began to appear in the media.

This led to a political backlash and the AP state government enacted a law in October 2010 to curb MFIs. Though the law was aimed to protect MFI borrowers from coercion and over-indebtedness, it virtually stopped MFIs from functioning in AP. Two crucial provisions were – MFI staff could not go to the residence or work place of the borrowers for recovery, but instead had to sit in a 'central place' hoping for borrowers to come there. Second, no further loans were allowed, with government permission necessary for each individual loan. This by itself slowed down recoveries drastically. But Opposition leaders, particularly former Chief Minister Chandrababu Naidu, used this as an opportunity to win popularity by saying that the law had not done enough and told the poor not to repay MFI loans. This led to a mass wilful default. Over 9.2 million loans worth Rs 7200 crore became overdue and 90 percent remained unpaid till April 2012. Banks panicked and stopped lending to MFIs all over India and the outstandings of the MFIs shrank by half.

6.4.2.1 Enhancing Access to Microcredit by the Poor

MFIs could achieve what the banking sector could not achieve over the years. Within a short period of 15 years, borrowers from MFIs increased from a mere 3,000 in 1995 to 30.85 million in 2010. In the corresponding period, the banking sector with its huge infrastructure only showed a decline in terms of lending to small borrowers. MFIs offered a variety of loans for agriculture, agri allied and non-farm activities as well as for housing needs.

Table 38: Growth of Microfinance in India: 1995-2010



Source: *MIX Market data*

6.4.2.2 MFIs displaced Moneylenders rather than Competed with SHGs, even in AP

MFIs have been criticized for multiple lending, creating indebtedness of clients and charging high interest rates.

Studies by the National Council for Applied Economic Research (NCAER, 2011) and the Institute for Financial Management Research Trust (IFMR Trust, 2011) show a different picture. As per the NCAER Study[145] – On an all India basis, MFI loans for all household types made up a small portion of the overall debt. While 47 percent of the total amount borrowed by households in the sample was from informal lenders, only 12 percent of the amount was from MFIs. In Hyderabad, the informal lenders were largely substituted by SHGs. Thus MFIs were not the main cause of indebtedness anywhere in India, including in AP.

The IFMR study shows a similar trend. Indebtedness among MFI clients (11%) is drastically lesser in comparison to informal source clients (82%) and formal source clients (37%). While the interest rates of MFIs are higher than other formal sources, the NCAER study showed that the transaction costs of obtaining MFI loans were lower than that for SHGs when one includes costs towards wage loss, travel, food expenses, documentation charges, stamp duty and bribes. This explains why millions borrowed from MFIs at apparently higher interest rates.

6.4.2.3 MFIs have Mitigated Risk for the Poor by Providing Access to Insurance Services

MFIs in India have brought insurance services at the doorstep of the poor and low income segment. Following the lead of BASIX, which was a pioneer in micro-insurance, by 2010, about half of the MFIs were offering credit-linked life insurance and about 20 percent were also providing non-life insurance. A variety of risk coverage services were being offered which covered life risk, accident risk, health risk, and asset risk. BASIX – BSFL (Bhartiya Samruddhi Finance Limited) is the only MFI which also offered weather-index based crop insurance and livestock insurance to its borrowers. The number of micro-insurance policies was about 25 million.[146] This is in spite of the fact that under the Insurance Regulatory and Development Authority's (IRDA) micro-insurance guidelines, perversely, NBFC-MFIs are not allowed to market micro-insurance - only non-profit NGO MFIs can.

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[145] *Assessing the Effectiveness of Small Borrowing in India,* 2011.NCAER Center for Macro Consumer Research, New Delhi, p. 23

[146] *MFIN Micrometer, Issue* no 8, Dec 2013. Microfinance Institutions Network, Hyderabad-Delhi.

6.4.3 Conclusion

The scenario that is emerging is that of a movement towards a greater clarity on the regulatory role of the Reserve Bank of India, greater legitimacy for MFIs, closer monitoring of the sector and strengthened consumer protection norms for the sector, leading towards responsible microfinance. The current phase of microfinance sector could be viewed as the beginning of a period of qualitative transformation in the sector. While the first phase (1996-2010) could be characterized as a period of rapid expansion of the NBFC MFI sector with quantum jump in micro-credit lending to small borrowers, the current phase (2011- onwards) could be seen as a period of qualitative consolidation of the microfinance industry with the strengthening and increased clarity on regulatory framework and consumer protection norms.

While the first phase placed a larger emphasis on micro-credit, the second phase will expand the range of financial services offered by the MFIs to also include thrift, insurance, pension services and money transfer. In the first phase, the regulatory framework was mainly prudential and weak in consumer protection. In the second phase, consumer protection norms are stronger. With Credit Information Bureaus having access to over 70 million MFI loans, instances of multiple lending and over- indebtedness will reduce sharply. With the institution of Ombudsmen, the instances of misbehavior with customers and coercive recovery practices are bound to get minimized. The first phase was dominated by five fatal assumptions:[147]

(i) credit is the main financial service needed by the poor;
(ii) credit can automatically translate into successful micro-enterprises;
(iii) even the poorest wish to be self-employed and can be helped;
(iv) that those above the poverty line (APL) do not need micro-credit and
(v) all microcredit institutions can become financially self-sustaining.

These assumptions were not well-founded but led to growth and eventually to the microfinance crisis. Now as microfinance is reconstructed with stronger assumptions, based on experience, the industry is likely to become more scalable and sustainable, fair to both the clients and the providers alike. Already, the signs of a turnaround are visible – the MFI industry in India has regained its 26.5 million borrowers and Rs 24,000 crore loans outstanding

[147] Mahajan, Vijay. *Is Micro-credit the Answer to Poverty Eradication?* Association of Women in Development (AWID) Journal, Vol. II No.1 May 1997, Washington DC.

Overnight the leaders of the microfinance sector turned from being touted as the 'Messiahs of the poor' to 'blood-thirsty Shylocks'. When asked to comment on this volte-face by the media, a veteran put it rather poignantly, quoting Rudyard Kipling's celebrated poem 'If'

IF you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or being lied about, don't deal in lies,
Or being hated, don't give way to hating,
And yet don't look too good, nor talk too wise:

If you can dream - and not make dreams your master;
If you can think - and not make thoughts your aim;
If you can meet with Triumph and Disaster
And treat those two impostors just the same;
If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to, broken,
And stoop and build 'em up with worn-out tools:

If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;
If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so hold on when there is nothing in you
Except the Will which says to them: 'Hold on!'

If you can talk with crowds and keep your virtue,
'Or walk with Kings - nor lose the common touch,
if neither foes nor loving friends can hurt you,
If all men count with you, but none too much;
If you can fill the unforgiving minute
With sixty seconds' worth of distance run,
Yours is the Earth and everything that's in it,
And - which is more - you'll be a Man, my son!

by December 2013.[148] Coupled with its rival sibling, the SHG-Bank Linkage Program, with its 43.5 million borrowers and over Rs 36,000 crore loans outstanding by March 2012[149] the two models of microfinance in India reach at least 56 million poor households (assuming 20% overlap on the gross total of 70 million) with over Rs 60,000 crore loans outstanding.

6.4.3.1 Livelihood Impact of Microfinance

A study by SIDBI[150] showed that about three-fourth of the microfinance clients (of the sample) were able to develop their existing livelihood activities and about one-third were able to diversify into new activities. About three-fourth were able to increase their income levels through the MFI assistance. Two-third were able to improve food consumption, over half were able to improve housing conditions, a little less than half were able to increase their household assets, three-fourth were able to provide better educational facilities for their children, about three-fifths felt their social status improved as a result of their association with the microfinance movement.

A Randomized Control Trial (RCT) study by Abhijit Banerjee et al,[151] suggests that though microcredit has important effects on business outcomes and the composition of household expenditure, no evidence was found to suggest that microcredit empowers women or improves health or educational outcomes. More than a shortcoming of microfinance, it reflects a shortcoming of the RCTs, which cannot deal with effects which take longer than 18 months.

A study by Sane and Thomas[152] showed that due to the stoppage of micro-credit in Andhra Pradesh post the October 2010 state law, the consumption of poor households went down by 19 percent overall and within that overall total, went down by 16 percent for food items and by 43 percent for educational expenses. There cannot be stronger evidence on the effects of the absence of microcredit, nor on the folly behind the thinking which led to AP Government's action in 2010.

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148 *MFIN Micrometer,* Op. cit

149 *Annual Report,* NABARD 2012-13. Op. cit

150 Small Industries Development Bank of India, *Findings from the Impact Assessment Study:* EDA, 2008

151 Banerjee, A., Duflo, E., Glennerster, R., & Kinnan. *The Miracle of Microfinance?Evidence from a Randomized Evaluation,* Massachusetts Institute of Technology. 2009

152 Sane, Renuka and Susan Thomas, The real cost of credit constraints: Evidence from micro-finance. WP-2013-013, Indira Gandhi Institute of Development Research, Mumbai, July 2013, accessible at http://www.igidr.ac.in/pdf/publication/WP-2013-013.pdf

In 2013, Bandhan was the largest Indian MFI with over 5 million clients and Rs 5000 crore outstanding. An IIM Ahmedabad team studied Bandhan's work through a survey of 1,050 households comprising not only of microcredit recipients, but also several different categories of control households who did not receive any assistance. Here are some findings.[153]

Compared to the control group, the average annual household net income from all sources increased by Rs 13,231. This represented a 13.8 percent increase (inflation adjusted at 8% pa). Client households increased their ownership of non-farm business assets by Rs 15,588 on average. Client households could also generate on average 35.8 man-days per month of full-time employment for family members. Positive women empowerment effects were found concerning the woman member's influence over children-related decisions, e.g., educational expenses, family planning, girl education, daughter's marriage etc.

There cannot be a more unequivocal statement that indeed microcredit promotes livelihoods.

Table 39: Key Data on MFIN Member MFIs December 2013

Indicator	As of 31st Dec 2013	As of 31st Dec 2012	YoY change
Branches	9,568	9,138	5%
Employees	64,173	61,077	5%
Clients	26.48 mn	22.87 mn	16%
GLP (Rs)	239.97 bn	186.34 bn	29%
Loans disbursed (during the quarter)	6.26 mn	5.36 mn	17%
Loan amount disbursed (Rs) (during the quarter)	92.81 bn	61.19 bn	52%
Lives insured*	24.68 mn	na	na
Sum insured* (Rs)	384.69 bn	na	na
Pension accounts*	1.01 mn	na	na

* Insurance and pension products are delivered to the microfinance clients in partnership with insurance companies/national pension scheme (NPS)

[153] The IIMA-Bandhan report is accessible at http://www.iimahd.ernet.in/assets/upload/media/1423256596IIMA-Bandhan-WEB.pdf

Table 40: Data on SHG Bank Linkage Program March 2012

(As on 31 March 2012)

Industries	SHGs (Number in Lakh and Amount in crore)				MFIs* (Amounts in crore)			
	2011 @		2012 @		2011 #		2012 #	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Loans disbursed during the year	11.96 (2.41)	14,547.73 (2,480.37)	11.48 (2.09)	16,534.77 (2,643.56)	471 (2)	8,448.96 (843.77)	465 (12)	5,205.28 (239.42)
Loans out standing	47.87 (12.85)	31,221.16 (7,829.39)	43.54 (12.16)	36,340.00 (8,054.83)	2315 (139)	13,730.62 (3,041.77)	1960 (129)	11,450.35 (1,597.11)
Savings accounts with banks	74.62 (20.22)	7,016.30 (1,817.12)	79.60 (21.23)	6,551.41 (1,395.25)	-	-	-	-

@ Figures in parentheses indicate the share of SHGs covered under SGSY

* *Actual number of MFIs provided with bank loans would be lower as several MFLs availed loans from more than one bank/more than one loan*

 # Figures in parentheses indicate the assistance of SIDBI to MFLs

6.5 New Generation Government Development Programs

The fact that the Government of India flagship program was ineffective and not working well was widely accepted both outside and within the government by the mid-1990s. This led to a search for alternatives, and a range of state government programs came up with improved design and implementation models. We describe three of these – Kerala's *Kudumbashree*, Andhra Pradesh's *Velugu* or *Indira Kranti Patham* and National Rural Livelihoods Mission.

6.5.1 Kudumbashree – Kerala Women's Empowerment Program

Kudumbashree,[154] launched by the Government of Kerala in 1998 to wipe out absolute poverty from the state through concerted community action under the leadership of Local Self Governments, is today one of the largest women-empowering projects in the country.

[154] Shihabudheen N. *What is right and wrong with Kudumbashree: the field experiences* in International Journal of Humanities and Social Science Invention; ISSN (Online): 2319 – 7722, ISSN (Print): 2319 – 7714; www.ijhssi.org Volume 2 Issue 5 – May. 2013 – PP.09-21).

The program has 37 lakh members and covers more than 50 percent of the households in Kerala. Built around three critical components, microcredit, entrepreneurship and empowerment, the *Kudumbashree* means prosperity (*shree*) of family (*Kudumbam*). The mission statement of *Kudumbashree* is:

"To eradicate absolute poverty in ten years through concerted community action under the leadership of local governments, by facilitating organization of the poor for combining self-help with demand-led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty, holistically".

One of the largest women's movements in Asia with a membership of 37.8 lakhs that represents the same number of families, *Kudumbashree* developed an innovative methodology to identify the poor using non-economic parameters. The poor thus identified are organized under a well networked Community Based Organization (CBO). For effective convergence of the program, a three tier CBO is in action. This methodology has since been incorporated into the policy framework of the state for identification of the poor. Poor families were brought under the Neighborhood Groups (NHGs) - groups of 10-20 women from the same neighborhood, form the foundation of the structure. These are federated into 19,773 Area Development Societies (ADSs) which are federations of NHGs within a ward of a municipality. The ADS are further federated into 1,072 Community Development Societies (CDSs) – which are registered as a Society under the federation of an ADS within the municipality. The entire program has 2.05 lakh NHGs.

The program has helped women mobilize a sum of Rs 1688 crore as thrift, and disbursed loans amounting to Rs 4195 crore to the members of Neighborhood Groups. 150,755 NHGs were graded under the Bank Linkage program, of which 127,467 NHGs were linked with banks and an amount of Rs 1140 crore was mobilized as credit. The program helped set up 25,050 individual enterprises and 1757 group enterprises (with minimum 5–10 members) of women developed in urban areas and 3516 individual enterprises and 10620 group enterprises (with minimum 5–10 members) of poor women formed in rural areas. In addition, 570 group enterprises and 810 individual enterprises were started under the Special Employment program (*Yuvashree*).

In addition, 248 entrepreneur groups (*Thelima*) were formed for the municipal solid waste management in urban areas. Sales from monthly markets and festival fairs were about Rs 2 crore per month. The

Kudumbashree also runs welfare programs like *Ashraya* - Destitute Identification and Rehabilitation Project under which 71011 destitute persons were identified and a chain of 31 special schools for physically and mentally challenged children set up. *Kudumbashree* functions as the voice of the community – in particular the voice of the economically and socially weak, and of women,through the medium of local self-government (LSG). Most plan interventions of *gram panchayats* and urban local governments in the areas of poverty reduction and women's development use the CDS network for implementation.

The Nine Point Index (Urban) used for identifying vulnerable households (in place of poverty line) for *Kudumbashree:*

1. Those with no land or those holding less than 5 cents of land
2. Those with no house of their own or living in a dilapidated house
3. Those with no access to sanitary latrine
4. Those with no access to safe drinking water within 150 meters from the house
5. A household headed by women: a widow, a divorcee, an abandoned lady or an unwed mother
6. Households where no person in the family has regular employment
7. Socially disadvantaged groups (SC or ST)
8. Presence of mentally or physically challenged person or chronically ill member in the family
9. Families without color TV.

In order to include a household into the program and into a NHG, at least 4 out of 9 points must be applicable.

Kudumbashree has been studied by a number of development agencies and scholars and by and large found to be an effective program compared to the older generation IRDP and DWCRA. We cite below an independent evaluation of *Kudumbashree*:

"*Kudumbashree* no doubt has contributed to the socio economic development of women. Despite the remarkable achievements, there are clouded and hidden deficiencies, which will work against the established goals of the mission affecting the sustainability and other serious problems in future. The over politicization, the loss making micro enterprises, the cross borrowing practices, the mis-utilization of funds etc., darkens the shining image of the project".

"The high interest rates especially in housing programs is a trap against the beneficiaries and making such programs interest free will make it really empowering. It is high time to think about tackling these defects, otherwise it will lead to a vulnerable end of this program acting against women and the poverty eradication mission. Now the approaches are going the right way, but practices are in conflict with the approaches and hence go in the wrong direction. Hence the *Kudumbashree* practices need an urgent treatment; otherwise it will remain as another platform for exploitation of women and extravagance of state resources".

Unsustainable micro enterprises: The results of the field survey reveal that about 80 percent of SHG members who run micro enterprises lack entrepreneurial skills. Above 60 percent enterprises are found to be unsustainable but continue to operate to avail the subsidy and other facilities from government. Over 38 percent of the respondents complained that they have been facing stiff competition from enterprises of neighboring *Kudumbashree*. They have felt that the competition between such units is by and large unhealthy. MA Oommen,[155] who studied 393 micro enterprises spread over the districts of Thiruvananthapuram, Kollam, Malappuram, Palakkad and Wynad, reported that 35 percent of such micro enterprises do not break even.

6.5.2 SERP, Andhra Pradesh

Perhaps one of the most effective poverty alleviation programs, and the largest in terms of coverage of poor households, Society for Elimination of Rural Poverty (SERP) was started in Andhra Pradesh in the mid-1990s. It began as an UNDP promoted South Asia Poverty Alleviation Program (SAPAP) in six *mandals* of three districts – Mahabubnagar, Kurnool and Anantapur. Its appointed CEO was K. Raju, then a young IAS officer who was earlier the District Collector of Nellore and later of Kurnool district. One of the advisors of SAPAP was the Pakistani development expert Shoaib Sultan Khan. Raju combined the lessons from Khan's work in the northern provinces of Pakistan, where he ran the Aga Khan Rural Support Program, with the local concept of self-help groups, increasingly being linked with banks for savings and credit. By 1999, the SAPAP proved to be a grand success, but in just six *mandals* (each covering about 25 villages).

[155] M.A. Oommen, 2007, Kudumbashree of Kerala: An Appraisal, Institute of Social Sciences, New Delhi., cited in Shihabudheen N. op. cit.)

Raju then brought in the World Bank, whose District Poverty Initiatives Program (DPIP) was to roll out in Andhra Pradesh in six districts. The Government of AP established a special implementation agency — the Society for Elimination of Rural Poverty (SERP). The program was named *Velugu* (new dawn) by the then Chief Minster Chandrababu Naidu and it became a very successful poverty alleviation program. This was show cased to the World Bank's President Jim Wolfensohn, who visited AP in November 2000 and a few months later the Bank approved the state-wide expansion of AP-DPIP into the AP Rural Poverty Reduction Program (APRPRP). By 2004, when Naidu lost the elections and YS Rajasekhar Reddy came to power, the program was renamed by the Congress government as *Indira Kranthi Patham* (IKP) or Indira's Revolutionary Path. SERP has been supported by a series of World Bank loans, beginning with USD 111 million under the DPIP from 2000 to 2006 and then a further USD 474 million (over three phases) under the APRPRP from 2003 to 2011. In addition, the State Government contributed to the cost of SERP and many of its programs (outlays not known).

The following excerpts from the SERP website[156] describe the program in greater detail.

SERP was established by the Government of Andhra Pradesh [in the late 1990s] SERP implements *Indira Kranthi Patham* (IKP) in all the 1098 rural *Mandals* [administrative unit comprising of 25-30 villages] of 22 rural districts in AP. The vision of SERP is to enable every poor family in rural Andhra Pradesh to come out of poverty and stay out of poverty. SERP works on a comprehensive multidimensional poverty alleviation strategy by focusing equally on the Livelihoods Value Chain and Human Development Indicators. The fundamental unit of development at SERP is the rural poor household and all interventions of SERP strive to achieve essentially two outcomes - sustainable per capita household incomes of Rs 1,00,000 per annum from multiple sources and improved Human Development Indicators.

SERP has promoted three levels of poor women's institutional structures as follows:

Self-Help Groups: Increasing the confidence of the poor calls for preparing and organizing the poor into SHG. SHGs are organized based on principles of homogeneity and commonality of interests.

[156] www.serp.ap.gov.in

A typical SHG comprises 10–12 members. The rules of organizing are kept simple and flexible to ensure inclusion of the poorest. For instance, norms relating to group meetings, weekly savings etc. are decided by the members themselves to suit everyone's convenience. Each SHG identifies its own leaders, and also engages the services of a bookkeeper for maintaining group records. The organization building encompasses the entire household; women, men and youth.

The SHG include thrift and credit activities, participatory monitoring of the groups, and group level poverty reduction plans. The SHGs are encouraged to develop a vision and short and long-term goals and priorities. This is accomplished through a series of dialogues held by the Community Coordinator (CC) with the communities. Simultaneously, the CC also encourages the community to identify representatives, called Community Activists, who share many responsibilities in the social mobilization process along with the CCs. The challenge of CCs has been to develop village-specific, group entry point strategies for developing confidence among the poorest of the poor so that they realize that organizing themselves into groups is an important step to solving their own problems.

Village Organizations (VOs): All the Self Help Groups in a village are federated into a Village Organization (VO). Typically, the VO includes 8–10 SHGs. The main logic behind building a federation at the village level is to address the commonality of issues at a larger forum. The VO leaders manage the affairs of the VO. The people select community leaders through a process of informed choice. The Community Activists (CA), who are committed community members volunteering their time, actively collaborate with the Community Coordinators and Self-Help Groups in project implementation. The Village Organization also monitors the function of self-help groups, helps strengthen and provides access to credit to the SHGs. VOs are also responsible for organizing training to the SHG members on various aspects of group management. Training of trainers is conducted with multiple stakeholders (i.e. community activists, bookkeepers and village professionals) to enhance capacities who in turn transfer knowledge and practice to group members.

Mandal Samakhyas: The MS is the apex organization at the sub-district level representing all the VOs. Locally-elected members from the VOs form the executive body of the MS and monitor the functions of the Village Organization, make linkages and access with Government Departments, audit the self-help groups and help with microfinance.

SERP has relentlessly worked on a unique structure of community-based organization by organizing 1.14 crore rural women into 10.27 lakh SHGs, 38646 Village Organizations, 1098 *Mandal Samakhyas* and 22 *Zilla Samakhyas*. SHG membership in Andhra Pradesh is the largest in the country with around 30 percent of the total SHG members in the country. SERP has established a unique institutional structure for the Community-Based Organizations in the World. This CBOs structure in A.P. has facilitated cumulative bank loans of Rs 34,889 crore of commercial bank loans to SHG members, Collective Marketing to the tune of Rs 3925 crore resulting in a benefit of Rs 75 to Rs 100 per quintal to the farmers. Pesticide free cultivation in 23.0 lakh acres in 2010-11 alone resulted in a saving of Rs 3000 to Rs 15,000 per acre to the farmers. This unique model has been adopted by *Aajeevika* (National Rural Livelihoods Mission) at the national level in India.

SERP monitors project processes (i.e. how and why things are happening) through Process Learning. A key objective of this system is to help people at different levels in the project make causal linkages and then take action on the basis of that new knowledge. Local groups generate indicators during group self-assessments and exchange visits. Usually, the bookkeeper of each SHG has been trained in facilitating the administration of the Self-Monitoring Tool. This is done once every quarter. The SHGs take up a discussion of the scores obtained on the tool, the trend in scores, areas requiring attention, action planning, etc.

Important features of the Self-Monitoring Tool are:

- Pictorial based, no text, easy to comprehend and score
- Indicators based on realistic assessment by SHG members
- Scope for adding new indicators relevant for Self-Help Groups
- Refined after elaborate field testing

There are thirteen indicators used by the groups for self-assessment:

1. Participation in group meetings
2. Group discussion (all participants are not only leaders but members)
3. Norms of group functioning (meetings on time)
4. Capital formation; savings
5. Access to credit
6. Repayment of loans
7. Cooperation among themselves
8. Cooperation with other groups
9. Linkages with outside agencies
10. Participation in trainings
11. Abiding by social contract (i.e. children going to school)
12. Awareness on all group related issues among the members
13. Do the poor have an identity in the community.

The World Bank carried out a number of evaluation studies of the two programs – AP DPIP and APRPRP, implemented by SERP, and we cite below from the End of the Project Evaluation:

"As this is a panel study, all the 4800 baseline study (BLS) sample households were revisited and around 98 percent of the BLS sample households surveyed could be contacted. The traditional Double Difference method to assess the impact of APRPRP was found to be inadequate as it could not capture the positive externalities generated by the program due to saturation of the coverage of the project, finding strict control groups was almost impossible".

"Therefore the assessment compared project participants, essentially households where the woman has joined an SHG, with non-participant households, where the women have not joined an SHG. There may be some biases therefore in comparing the two in terms of end of project benefits, either because non-participants may have self-selected or have been excluded from joining SHGs due to their socio economic conditions, or benefited from a project externality, such as social support from the SHGs to the wider village community. Comparing like for like groups among the poorest of the poor or poor to some degree minimizes this, although this is not perfect either. It is assumed that the sample survey households have been sampled so that they do not represent a group which would have benefited to a greater degree than the overall population by one of the project's pilot".

"APRPRP contributed to a considerable reduction in rural poverty in AP. The percentage of households below the poverty line declined from 29.4 percent to 20.7 percent between baseline (2004) and end term (2009)—a decline of about 2.1 percentage points per annum. However, the estimates indicate that most of this decline was due to the rapid reduction of poverty among the participants, which reduced from 29.8 percent to 17.5 percent in comparison the poverty ratio for non-participants declined to just 27.2 percent. In comparison the percentage of households below the poverty line in rural AP as per NSSO data the poverty estimates declined from 42.5 percent in 1993-94 to 29.3 percent in 2004-05, at 1.2 percentage points per annum. Subsequently, between 2004-05 and 2006-07, rural poverty declined sharply at the rate of 2 percentage points per annum to 25.3".

"In comparison, analysis across social groups indicates that poverty declined among participants from socially excluded households (SCs and STs) more substantially than non-participant SCs and STs between the baseline survey and the final evaluation. In the case of SCs, the decline was 14.7 percentage points compared to 6 percentage points among the non-participants, and for ST households the poverty among participant households declined by 15.5 percentage points against 8 percentage points among the non-participants".

"At the institutional level, systems have been put in place, especially for last mile service delivery: banks, insurance, delivery of food grains etc. Services have changed the way they do business. SERP and associated institutions has built up a considerable capacity for innovating and delivering rural development. Staff from SERP had also moved to key government positions, such as District Collectors, influencing further how programs and schemes are implemented. And at the higher level, both by local and State government to modifying, and/or developing new programs and schemes to address new needs for SHG members, for example in schemes addressing pensions, social safety nets, credit policy, land access for leaseholders, nutrition etc".

"At the policy level, a very significant number of policies that have been changed or introduced at State level have often been drafted by the concerned project officers. The project has influenced livelihoods programs in other States, and the design and approach for the National Rural Livelihoods Mission".

"While no overall economic rate of return (ERR) analysis was done, Economic and Financial Analysis was carried out for total project investment of US$472 million taken at current prices. With the provision of only US$ 190 million for the livelihood investments, the FRR is 18.1 percent. Institutional linkages with Banks providing access to US$7.86 billion for 0.9 million SHGs improved the financial rate of return (FRR) significantly to 26.3 percent. Diversifying the income activities through community-managed sustainable agriculture, livestock, community led marketing and employment generation activities further enhanced the FRR to 31.2 percent. Inclusion of all project costs resulted in 30.1 percent FRR for the project as a whole. Net present value increased from Rs 3 billion (only project led CIF) to Rs 82 billion (with institutional linkages for additional credit) and further to a maximum of Rs 112 billion (with diversified income generation activities)".

"Livestock and sustainable agriculture are two pre dominating activities and is an option of 73 percent of the beneficiaries. ERR is not expected to be much different from FRR, since international traded inputs and outputs are only marginal. What is therefore important is the financial attractiveness of the community led project interventions. This is confirmed by the annual income levels of US$488 per annum to US$1,132 per annum for all groups according to Impact Evaluation Study by CESS 2010, which means sustainability of project interventions is most likely".

Results on the Ground: The poor and their organizations have cumulative savings exceeding USD340 million and have leveraged more than USD1.2 billion in credit from commercial banks since 2000 [till 2009]. [This number exceeds USD 7 billion by 2013]. According to an independent evaluation by the Center for Economic and Social Studies, Hyderabad, the average income has increased by 115 percent from USD483 to USD1041 per annum for project participants over the last five years as against 64 percent increase for non-participants. A household is spending three times more on education of the family. There has been a reduction in indebtedness and vulnerability as well as distress migration.

Food insecurity is a major vulnerability faced by the rural poor and is an important goal when addressing rural poverty. In order to meet the shortfall, in income and consumption needs, households borrow from money lenders and traders at very high interest rates, pushing them further into debt trap. Alternatively, the poor reduce the quantity of food consumed. This model of food security is a market based one that offers food as a credit product rather than grant or aid. Food Security Line is a community managed credit and food distribution mechanism to address the food requirement of the rural poor. The Food Security Line provides a single window within a village for purchase of food grain, packing and distribution of food grains and recovery/repayment of the outstanding credit, thus making it accessible for the poorest.

"I used to survive on head loading. In 2004, I joined a few others to learn from the women in Anantapur district. After returning, we started weekly savings and received small loans. Initially, a lot of people migrated and it was difficult for us to repay the loans. But after starting the food security credit line, it became much easier. I want to convey, on behalf of my community that there have been a lot of changes for the better. The incidence of tuberculosis has greatly been reduced, women are using the hospitals for deliveries and more of our children are going to schools" — Chenchu Tribal Leader, Mahbubnagar District.

Creating a Cadre of Grassroots Professionals: For every program activity, community members are offered training in specialized skills that provide a sustainable and cost-effective medium for scaling up. There are over 140,000 grassroots professionals across the state known as Community Resource Persons. These professionals offer services such as mobilizing and monitoring institutions and federations, management of enterprises, quality control, para-legal services, community health services, job resource information, micro-planning, and business agents. Many resource persons from AP are currently helping mobilize groups and federations in Bihar.

Future Plans: The decadal experience at SERP has shown the success in terms of Universal Approach. The challenge to SERP is now to design focused interventions for the poorest of poor households in rural AP. Given this, SERP has articulated the need for a new vision and a fresh approach to finish the unfinished business of the elimination of poverty in the POP households. SERP's comprehensive new approach is aimed at achieving minimum income levels of Rs 100,000 per annum per family for all the 30 lakh poorest of the poor households identified in the State in addition to improved human development indicators.

Project Development Objective Indicators - APRPRP[157]

Table 41: Project Development Objective Indicators- APRPRP

Indicator		Baseline	Current	Target
Number of poor organized and mobilized into Self Help Groups				
	Value	0	11,100,000	11,000,000
	Date	May 31, 2003	June 30, 2010	Sept 30, 2011
	Comment	The outcome targets for a number of PDOs have already been met including those for number of poor mobilized and number of SHGs formed.		
Number of SHGs formed and strengthened	Value	0	994,595	930,671
	Date	May 31, 2003	June 30, 2010	Sept 30, 2011
	Comment	The outcome targets for a number of PDOs have already been met including those for number of SHGs formed.		
Number of SHGs linked to the Banks	Value	0	929,356	800,000
	Date	May 31, 2003	June 30, 2010	Sept 30, 2011
	Comment	The outcome target for the PDO has been achieved. There was an error in measurement which was corrected to reflect the actual number of SHGs credit linked to the Banks.		
Formal sector credit obtained by SHGs through linkages with Banks	Value	$219,327		$ 7 billion
	Date	May 31, 2003	Sept 30, 2010	Sept 30, 2011
	Comment	The targets are likely to be met based on the credit plans of the commercial banks for FY 2010-11		

157 http://www.worldbank.org/projects/P071272/andhra-pradesh-rural-poverty-reductionproject?lang=en&tab=overview

6.5.3 *Aajeevika* - National Rural Livelihoods Mission (NRLM)

The NRLM was launched by the Ministry of Rural Development (MoRD), Government of India in June 2011. Though the IRDP was rejigged after 20 years as the *Swarna Jayanti Swarozgar Yojana* (SJSY), it continued to be run a lot like the earlier IRDP with emphasis slowly shifting from loans to individual poor households to loans being given to Self-Help Groups, who had come together for income generating activity. But the weaknesses of IRDP in terms of inadequate skills, and poor access to backward and forward linkages, continued to mar the SGSY. In the meanwhile, several state level programs, in particular the World Bank funded Andhra Pradesh Rural Poverty Reduction Program (APRPRP) run by the State Government promoted Society for the Elimination of Rural Poverty (SERP), proved to be much more effective in mobilizing and empowering the poor and giving them permanent access to credit, insurance and market linkages.

Based on this successful experience, the NRLM has been conceived as an ambitious program in scale and scope. It has an agenda to cover 70 million poor households, across 600 districts and 6 lakh villages in the country through self-managed SHGs and federated institutions and support them for livelihood collectives in a period of 8-10 years. In addition, the poor would be facilitated to achieve increased access to their rights, entitlements and public services, diversified risk and better social indicators of empowerment.

The NRLM envisages that if properly helped, the poor have the ability to move gradually on the continuum from increasing consumption from their present level of deficit till they reach adequate levels. Once this level is reached they have the ability to retire their old debts most of which were to meet consumption shortfalls and start borrowing for enhancing existing livelihoods till they reach a point of intensifying their existing activities and/or diversification. Pushing them to diversify before this could actually be harmful for the very poor.[158] Thus the major focus of NRLM is to stabilize and promote the existing livelihoods portfolio of the poor, in farm and non-farm sectors. NRLM examines the entire portfolio of livelihood activities of each household and facilitates support for the activities at the individual or household level, and at a collective, or at both levels. As agriculture is the mainstay livelihoods activity for the rural poor, NRLM lays special emphasis on allied activities such as animal husbandry, fisheries and collection of non-timber forest produce.

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[158] Quite similar to the warning voiced by David Hulme and Paul Mosley (1996) Finance against Poverty, London, Routledge, when microfinance had just started taking roots.

The Key Principles of NRLM, the largest livelihood promotion or support endeavor of the government is given in the box.[159]

Box 17: *Key Principles of NRLM*

Excerpt from *'Framework for Implementation'* NRLM, MoRD

1) **Universal Social Mobilization**
   a) 100% saturation from periphery
   b) Promotion of institutions of the poor at various levels
   c) Livelihood promotion/support related decisions to be taken up by these institutions: matching their capacities, endowments and expectations, through a transparent process.

2) **Special Financial Provisions**
   a) Substantial allocation for training, capacity building and skill development
   b) The revolving fund
   c) Funds for community owned infrastructure
   d) Universal financial inclusion
   e) Provision of interest subsidy
   f) Encourage use of Information, Communication & Technology
   g) 5 percent of the Central allocation is earmarked for innovations

3) **Livelihoods**
   a) Poor have multiple livelihoods including: wage labor, small and marginal holding cultivation, cattle rearing, forest produce, fishing, and traditional non-farm occupations.
   b) Infrastructure creation and marketing support

4) **Convergence and Partnerships**
   a) Linkages with PRIs
   b) Partnerships with NGOs
   c) Partnership with other financial institutions
   d) Technical Support: Use of community resource person instead of external extension agents

5) **Sensitive Support Structures:**
   a) Independent specialized implementation agency
   b) Monitoring and Learning
   c) Phased Implementation in view of the social capital of the poor

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[159] http://indiagovernance.gov.in/files/NRLM.pdfand http://www.aajeevika.gov.in/

6.5.3.1 Other Government Programs to Support Livelihoods

On its part, the Government of India (GoI) has started taking many initiatives to promote or support livelihoods. However, in a broader sense, many of the initiatives taken up by GoI in areas of health and education indirectly affect the livelihoods of a large number of people. But as has been already stated earlier in this report, we focus on only those initiatives that are directed to augment the livelihoods of people, improving their economic wellbeing.

It can be seen that the Government has launched several programs to enhance the livelihoods of the people. The GoI has made its intent clear by making large allocations for these efforts, which have also been increasing over time. The following table, Table 42, gives a fair sense of some of the important livelihood promotion programs of the GoI.

Table 42: Govt of India- Key Livelihood Programs Annual Outlays (2011- 2014)

Key Livelihood Programs Outlays in Rs crore	2013-2014	2012-2013	2011-2012
Rashtriya Krishi Vikas Yojana (RKVY)	9,954	9,217	7,860
Bringing Green Revolution to Eastern India (BGREI)	1,000	1,000	400
National Rural Livelihoods Mission (NRLM)	4,000	3,914	2,921
National Rural Employment Guarantee Scheme (NREGS)	33,000	33,000	31,000
Food Security subsidy	85,000	75,000	72,823
Total Investment in Livelihood Programs	1,32,954	1,22,131	1,15,004

In addition to these programs directed to enhance livelihoods, there are several other programs of the GoI in areas of Crop Husbandry, Soil & Water Conservation, Animal Husbandry, Dairy Development, Fisheries Development, Forestry & Wild Life based Livelihoods adding up to about Rs 18,781 crore in the Budget of 2013-14, which feed into the livelihood of the rural producers.

In addition to these programs, the GoI has also launched a program National Urban Livelihoods Mission (NULM) which will be rolled out across the country. The NULM actually an improved version of the earlier poverty alleviation program for the urban poor titled *Swarna Jayanti Shahari Rozgar Yojana* (SJSRY) under the Ministry of Housing and Urban Poverty

Alleviation (MoHUPA). Even for this program a budget of Rs 6,404 crore has been provided for the remaining period of the 12th Five Year Plan for cities with a population of one lakh or more, with Rs 950 crore being allocated for 2013-2014. From this it can be estimated that the Government had invested more than Rs 1.25 lakh crore for various livelihood generation programs in 2011-12, which has been increasing since then.

Though no accurate figure is available, it has been estimated that the total funds granted to various development NGOs in year 2011-12 was about Rs 10,334 crore 2011-12 (report from Times of India, January 20, 2013), including programs for health and education. Even if it is assumed that one-third of this fund was utilized for livelihood promotion or support programs, it would add up to about Rs 3,500 crore per year, about 2.5 percent of the budget allocated for similar purpose by the GoI.

Ever since the sustainable livelihoods framework was proposed as a unified framework for development intervention in 1991, and adopted as the primary framework for development aids by agencies like DFID in 1997, many countries including India started focusing their attention on supporting the livelihoods of the weaker sections of the population. Apart from getting special emphasis in the 11th and 12th Five Year Plans, the annual budget allocations for programs augmenting livelihoods also have been steadily going up. As has been pointed out in the State of India's Livelihoods (SOILs) Report, 2012, the GoI allocated Rs 1.21 trillion for programs specifically directed towards livelihood promotion and/or support such as NRLM; *Rastriya Krishi Vikas Yojana* (RKVY), and National Rural Employment Guarantee Scheme (NREGS). Apart from these, Rs 6.6 trillion was also invested in programs that supported livelihoods of people indirectly, such as subsidies for agriculture, food security among others. But in spite of such large investments by the GoI, livelihoods of a large number of people are not yet stable.

	(in million)
Livelihood Support Budget in Rs	1,211,310
Livelihood Support Budget in $	22,024
Estimated Population	1,220
Population % below Poverty Line $1.25/day	32.7%
Population below Poverty Line $1.25/day	399
Livelihood Budget per Poor Household	$ 303.6
Livelihood Budget per Poor Household/Day	$0.83

But this leaves us with a serious question of why, in spite of India doing reasonably well in terms of its GDP growth performance and such serious efforts by the Government of India, we have not been able to stabilize the livelihoods of such a large proportion of our citizens.

Several possible explanations have been proposed by different scholars looking at the India development scenario:

1. India is a large diverse nation, run by a mammoth bureaucratic machinery. Therefore, the intent and the spirit of the policy are often not translated into effective implementation all across the country.
2. India has also adopted a representative democratic structure, where the elected representatives who formulate policies, are responsible to the people who elect them only once in five years. Diversity among the large number of people they represent is also too large for them to coherently consolidate their needs.
3. The livelihood perspective necessitate that the portfolio of activities that all the members of a household across multiple sectors, which often involves trade-off in resource (especially their time) allocation are considered together. But most development programs till recently have focused on individual beneficiaries: and most of these programs also have been sectoral. Shifting from this individual focused sectoral thinking to livelihood basket thinking has often not happened.
4. Livelihood interventions often involve creatively thinking of the resources accessible and markets that can be tapped. Though there is no dearth of creative energy in India, large bureaucratic machinery often fails to respond to situations creatively. Despite there being some creative individuals who come up with innovative responses to situations, a large majority of the officers stick to the few illustrations given in the detailed guidelines.
5. Over long periods of time poor people have been pushed to less endowed geographical areas in the country. Areas with lower productivity, inadequately developed infrastructure and often with high natural risks. Therefore, their costs of production as well as costs of accessing the markets are far higher, making their products non-competitive and posing a different challenge.
6. Poor being inhabitants in poorer areas, these areas are also not attractive for the posting of the best people in the system. Many people who get posted in these areas look at these as ‘punishment postings’ and try to complete their tenure. On the other hand, the well performing officers are ‘rewarded’ with working closer to the senior decision makers who are mostly not located in these poorer areas. So the officers left behind in these areas where the poor live, are not-so-competent people, mostly interested in completing their tenure, to solve a much more complex problem.

7. In the absence of high quality implementation and supervision in these areas, local leaders in these areas and residual bureaucrats often develop a network of interests. These often perpetuate the status-quo, which ensures their power positions.
8. India has an elite-driven democracy, which often is not in complete grip over the local structures. These often create artificial barriers within the poor group, often making their aggregation and effective participation in the market. The divisions between Below and Above Poverty Lines to be eligible to benefit from some programs, special provisions for SC/ST/OBC etc. also often create divisions among the poor and increase their allegiance to different certifying authorities.

Some of these factors together have not allowed various livelihood promotion and/or support programs to achieve their intended outcomes.

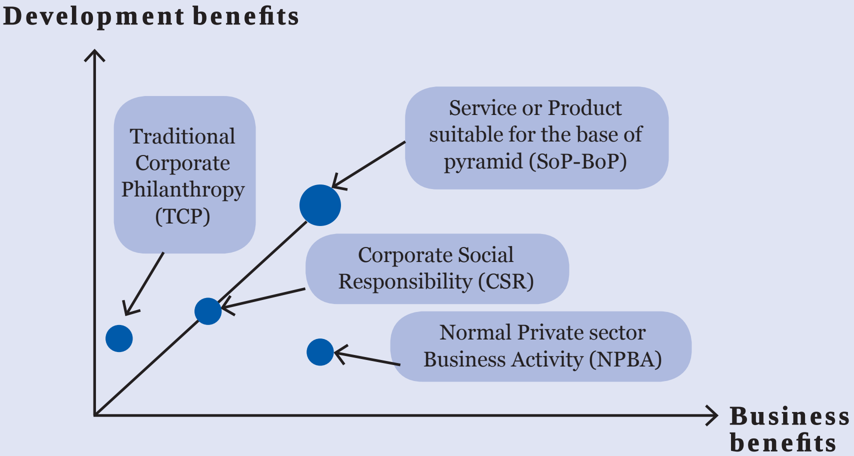
6.6 Private Sector Interventions with Significant Effect on Livelihoods

In this section, we describe several important livelihood promotion interventions undertaken by the private sector. If we look at the private sector in its broadest sense, that is not just the corporate sector but the entire large, medium, small and the informal sector, then we come to the surprising realization that the private sector can be the preeminent sector for livelihood promotion. For example, fully 93 percent of all workers are employed in the informal sector, including agriculture. As the resources of the state dwindle (as a percentage of the GDP), the main repository of financial resources is the private sector. It also has the ability to tap into the capital market. Thus, it makes sense to explore how the private sector can play the role of poverty alleviation in a more explicit and deliberate manner.

When one talks of poverty alleviation or development work by the private sector, attention is immediately drawn to corporate philanthropy efforts, such as the work being done by the Tata Trusts and the Tata Steel Rural Development Society, or to Corporate Social Responsibility (CSR) initiatives such as the Azim Premji Foundation's program for urban schools in low-income areas. Thousands of crore of rupees are spent each year through corporate philanthropic efforts. Though it is laudable , most of this spending goes into activities that are not congruent with the mainline business strategies of the corporations and is thus seen as non-strategic, public relations type of activity at best or a drag on corporate resources, at worst. Consistent top management support to such initiatives is an exception.

As **Figure 19** below indicates, most private sector activity generates both business and developmental benefits. However, most Normal Private Business Activity (NPBA) generates little developmental benefit and much more of business benefit. In contrast, traditional corporate philanthropy (TCP) generates more developmental benefit than NPBA but yields relatively little business benefit. This in turn constrains the amount of resources that businesses can put in corporate philanthropy.

Figure 19: Balancing between Development Benefits and Business Benefits



Corporate social responsibility (CSR) is an intermediate paradigm that tries to restore the balance between NPBA and traditional corporate philanthropy (TCP), and succeeds in increasing the developmental benefit of businesses, without reducing, and sometimes increasing the business benefit. However, both TCP and CSR work is generally carried out by large business corporations and not by the vast majority of smaller (and non-corporate) private sector entities.

In contrast, a Service or Product suitable for the Base of Pyramid (SoP-BoP) would increase both business and developmental benefits. For this to be achieved sustainably, businesses must be engaged in commercial relationships with the poor, rather than philanthropy. In this project, we begin with the premise that it is possible for business to move from the TCP, NPBA and the CSR paradigm to the Services or Products for the base of the Pyramid (SoP-BoP) paradigm.

However, this requires some amount of awareness building and championing. Some successful examples have to be demonstrated and showcased and structures set up to promote a large number of others.

Late Professor C. K. Prahalad had argued that the poor constitute a large emerging market segment and they need to be seen as such. Calling this segment the 'bottom of the pyramid',[160] he has brought attention to the enormous potential of the poor as a market provided the private sector changes the way it looks at them and adapts its practices to match the attributes of this market. The success of the 'shampoo in sachets' strategy propounded by Prof Prahalad is now well known but it needs to be coupled with strategies to enhance the incomes of the poor to be able to afford the goods and services being offered by the private sector.

There are many innovative ways in which companies are already serving the world's poor in ways that generate strong revenues, lead to greater operating efficiencies and innovation. An example from Mexico is Cemex, the large cement manufacturing company, selling cement and other construction material to poor slum-dwellers to upgrade their housing. The program, known as 'Patrimonia Hoy' is tied with microfinance and the material is delivered by Cemex in instalments to suit the pace at which the poor can afford to build their house using mainly their own labor. In India, Essilor, the world's largest optical lens manufacturer, runs a program called *Eye Mitras*, under which rural youth are trained by the Basix Academy for Building Lifelong Employability (B-ABLE), to test people's eyes and recommend and provide spectacles to them. Rural people get a much needed service and the youth get a stable, dignified livelihood.

In general, however, such SoP-BoP ideas are largely incubated in small civil society organizations in closer proximity to the poor, or by government organizations charged with the responsibility of providing citizen services. Both of these organizations have limited understanding of business scenarios. The private sector, particularly at the lower end, is too concerned with its issues of day to day survival and will respond to such initiatives only if sees a profitable opportunity for itself. However, in its quest for new markets, the private sector does come up with product and distribution innovations which extend their offering to the poorer segments.

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[160] Prahalad, CK and Stuart Hart, 2004. *The Fortune at the Bottom of the Pyramid*. Wharton Publishing.

Larger private businesses on the other hand are often far removed from poorer communities and encounter problems while assessing the business viability of innovations incubated by NGOs and government organizations. Transaction costs of search for scalable ideas are high for an individual corporation dealing with a large number of products of services, many of which could potentially serve the poor and make money. But managers find it hard to spare the time and energy to do this consistently, while attending to their mainstream work. Change agents and champions within the private corporate sector also need support mechanisms that allow them to build services or products suitable for the BoP around new ways of doing business. This includes resources and staying power during the phase of experimentation, trial and error and the time required to reach break-even.

6.6.1 ITC *e-Choupal*

ITC is one of India's leading private companies, with annual revenues of US$2 billion. The company has initiated an *e-Choupal* effort that places computers with Internet access in rural farming villages. The *e-Choupals* serve as both a social gathering place for exchange of information (*choupal* means gathering place in Hindi) and an e-commerce hub. What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company.

The *e-Choupal* model has required that ITC make significant investments to create and maintain its own IT network in rural India and to identify and train a local farmer to manage each *e-Choupal*. The computer, typically housed in the farmer's house, is linked to the internet via phone lines or, increasingly, by a VSAT connection, and serves an average of 600 farmers in 10 surrounding villages within a five kilometer radius.

The host farmer, called a *sanchalak*, incurs some operating costs and is obligated by a public oath to serve the entire community; the *sanchalak* benefits from increased prestige and a commission paid him for all *e-Choupal* transactions. The farmers can use the computer to access daily closing prices on local *mandis*, as well as to track global price trends or find information about new farming techniques—either directly or, because many farmers are illiterate, via the *sanchalak*.

They also use the *e-Choupal* to order seed, fertilizer, and other products such as consumer goods from ITC or its partners, at prices lower than those available from village traders; the *sanchalak* typically aggregates the village demand for these products and transmits the order to an ITC representative. At harvest time, ITC offers to buy the crop directly from any farmer at the previous day's closing price; the farmer then transports his crop to an ITC processing center, where the crop is weighed electronically and assessed for quality. The farmer is then paid for the crop and a transport fee.

Farmers benefit from more accurate weighing, faster processing time and prompt payment, and from access to a wide range of information, including accurate market price knowledge, and market trends, which help them decide when, where, and at what price to sell. Farmers selling directly to ITC through an *e-Choupal* typically receive a higher price for their crops than they would receive through the *mandi* system, on an average about 2.5 percent higher. In areas covered by e-Choupals, the percentage of farmers planting soy has increased dramatically, from 50 to 90 percent in some regions, while the volume of soy marketed through *mandis* has dropped as much as half.[161] By 2012, *e-Choupal* services reached to over 4 million farmers across 6,500 *e-Choupal* outlets covering 40,000 villages.[162]

6.6.2 Hindustan Unilever Project *Shakti*

Project *Shakti* is a rural distribution initiative of Hindustan Unilever Limited (HUL) that targets small villages populated by less than 5,000 individuals. It benefits business by significantly enhancing HUL's direct rural reach, and by enabling HUL's brands to communicate effectively in media-dark regions. It also impacts society by creating livelihood opportunities for underprivileged rural women. Project *Shakti* impacts society in two ways — the *Shakti* Entrepreneur (SE) program creates livelihood opportunities for underprivileged rural women.

The Shakti Entrepreneur (SE) program recognizes that while micro-credit plays a key role in alleviating poverty, its ability to do so depends on the availability of investment opportunities. *Shakti* contributes by creating profitable micro-enterprise opportunities for rural women- *Shakti Amma*. Armed with microcredit, rural women become Shakti entrepreneurs.

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[161] Kuttayan Annamalai Sachin Rao, University Of Michigan, 2003

[162] http://www.itcportal.mobi/businesses/agri-business/e-choupal.aspx

In 2010, HUL rolled out the *Shaktimaan* initiative through Project *Shakti*. Through the *Shaktimaan* initiative, men in the *Shakti Amma* families distribute HUL products to villages adjoining the respective *Shakti* village. Through the Geographical Information System (GIS), villages around the *Shakti* families are tracked and based on this the *Shaktimaan* has also been given bicycles to ensure smooth travelling between villages.

Through Project *Shakti* and *Shaktimaan*, HUL reaches over 100,000 villages across 15 states in India and over 3 million households every month. On an average, an SE earns Rs 700 to 1,000 a month, and since most of them live below the poverty line, this earning is significant, often doubling the household income.[163]

6.6.3 Fabindia

Founded in 1960, by John Bissell to market the diverse craft traditions of India, Fabindia started out as a company exporting home furnishings. It was founded with the strong belief that there was a need for a vehicle for marketing the vast and diverse craft traditions of India and thereby help fulfill the need to provide and sustain employment. The first Fabindia retail store was opened in Greater Kailash, New Delhi 15 years later.

By the early eighties, Fabindia was already known for garments made from hand woven and hand printed fabrics. The non-textile range was added in 2000, while organic foods, which formed a natural extension of Fabindia's commitment to traditional techniques and skills was added in 2004, with personal care products following in 2006. Handcrafted jewelery was introduced in 2008.

Today, with a pan-India presence, Fabindia is the largest private platform for products that derive from traditional crafts and knowledge. A large proportion of these are sourced from villages across India where the company works closely with the artisans, providing various inputs including design, quality control, access to finance and raw materials. Fabindia links over 80,000 craft based rural producers to modern urban markets, thereby creating a base for skilled, sustainable rural employment, and preserving India's traditional handicrafts in the process.

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[163] Indian Management, Feb 2012

Fabindia's endeavor is to bring customers a choice of products and lifestyle – that offers an alternative to the mass-produced, while creating sustainable livelihoods in the rural sector.[164]

6.6.4 Public-Private Partnerships in Livelihood Promotion

6.6.4.1 India's First Telecom Revolution – STD PCOs

India had fewer than 2,500,000 telephones in 1980, almost all of them in a handful of urban centers. In fact, 7 percent of the country's urban population had 55 percent of the nation's telephones.[165] The country had only 12,000 public telephones for 700,000,000 people, and 97 percent of India's 600,000 villages had no telephones at all. What was worse was that India, like most of the Third World, was using its priceless foreign exchange to buy the West's abandoned technology and installing obsolete equipment that doomed the poor to move like telecom snails. The Europeans, Americans, and Japanese were beginning to move like information greyhounds. The technological disparity was getting bigger not smaller. India and countries like her were falling farther behind not just in the ability to chat with relatives or call the doctor but, much more critically, in the capacity to coordinate development activities, pursue scientific study, conduct business, operate markets, and participate fully in the international community.

In Mr Sam Pitroda's words, "My message was that India should abandon electromechanical switching and move immediately toward digital systems for switching and transmission. My reasoning was two-fold. First, electromechanical switching was ill-suited to the Indian climate and to Indian conditions. With few available telephones, most lines were intensively used, and electromechanical equipment was much more likely than digital to malfunction from overuse. (We later discovered that some public phones in India generate as many as 36 calls per hour at peak volume, compared with maybe 10 to 12 in the United States.) Electromechanical switches are also more vulnerable to dust and moisture. Analog transmission, finally, suffers over distance, while digital transmission is what gives those astonishingly intimate connections halfway around the world. In a country with low telephone density like India, distance -- and therefore static -- were nearly unavoidable.

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164 http://www.fabindia.com

165 Excerpts from Pitroda Sam- Development, Democracy and the Village Telephone

Second, the development of digital technology would help build native industries in electronics, software, and related fields. Moreover, India needed one piece of digital equipment that no other country manufactured but that many developing nations could use: a small rural exchange. In the United States and Europe, the smallest exchanges built will accommodate 4,000 to 10,000 lines, and, in small towns and rural areas, these exchanges are installed and then deliberately underutilized. This kind of waste may be tolerable in a country where the number of small exchanges is tiny. In India, exchanges with a vast overcapacity would have to be installed in hundreds of thousands of villages, and waste on such a scale was unthinkable. Development of an efficient exchange for 100 to 200 telephones would not only solve India's problem, it would give the country a valuable high-tech export.

By 1987, within our three-year limit, we had delivered a 128-line rural exchange, a 128-line private automatic branch exchange for businesses, and a small central exchange with a capacity of 512 lines, and we were ready with field trials of a 10,000-line exchange. Better yet, the components for all these exchanges were interchangeable for maximum flexibility in design, installation, and repairs, and all of it was being manufactured in India to the international standard: a guaranteed maximum of one hour's downtime in 20 years of service. We had fallen short on one goal-our large urban exchange was well behind schedule - but, overall, C-DOT had proved itself a colossal, resounding success.

In most areas, coin-operated phones seemed a poor idea for any number of reasons, including the fact that they cost a great deal to manufacture. Instead, we equipped ordinary instruments with small meters, and then put these phones into the hands of entrepreneurs who set them up on tables in *bazaars*, on street corners, or in cafes or shops whose owners feel they attract customers. These telephone 'owners', frequently the handicapped, take in cash from their customers but are billed only six times a year, with 20 percent to 25 percent discounted as their commission. The phones are in such constant use that, in most cases, the revenue is enough to support a family. We launched a drive to install 200,000 such phones in public places nationwide, creating more than 100,000 jobs along the way. Today, the small yellow signs indicating a public telephone can be seen all across India."

The telecommunications sector plays an increasingly important role in the Indian economy. It contributes to Gross Domestic Product (GDP), generates revenue for the government and creates employment. From 2001 to 2011, the total number of telephone subscribers has grown at a Compound Annual Growth Rate (CAGR) of 35 percent. The comparable rates in the 1980s and 1990s were 9 percent and 22 percent, respectively. However, the composition of the subscribers shows that mobile subscribers have led the way. The increase in teledensity has mainly been driven by the increase in mobile phones. Demand side factors—ultra low cost of handsets, low tariffs and ultimately the ease of using a phone—as well as supply side factors have made mobiles popular in India.

International comparisons show that India has one of the lowest mobile tariffs in the world. Between 2007 and 2010, prepaid and blended rates show a decline of 25.3 and 21.5 percent, respectively. In contrast, postpaid tariffs show a decline of only 8.23 percent. The majority of the subscriptions in India are of the prepaid type. This has been termed as the budget telecom network model, an innovation that took birth in South Asia.

6.6.4.2 Common Services Centers (CSCs)

Common Services Centers (CSCs) Scheme is a nationwide initiative of the Government of India to assist the establishment of one lakh CSCs in six lakh Indian villages. The CSCs scheme was started in 2006 with a vision of developing these centers as a front-end delivery points for governmental, private and social sector services to rural citizens in an integrated manner.[166] In addition, around 10,000 urban CSCs were also expected to be operationalized.

A typical CSC comprises of PC(s), printer(s), scanner(s), UPS, digital or web camera and broadband connectivity. Additional equipment in the form of projection systems, biometric devices, and others are included, where it is relevant and sustainable. It was estimated that the monthly operational costs per CSC would be approximately Rs 10,000 per month. It was expected that revenue from online Government to Citizen (G2C) services would meet approximately one-third of the operational costs. Further, since the number of available online G2C services were insufficient to contribute to the estimated Rs 3300 per month revenue of the CSC from G2C services, it was envisaged that viability gap funding up to a limit of Rs 3300 per CSC per month would be provided to the SCA.

[166] Common Service Centers program —India Development Gateway.

It was also assumed that there would be enough B2C services that would enable the Village Level Entrepreneur (VLE) to earn at least Rs 7000 pm.[167]

As on 30th June 2013, the CSC network has been operationalized across 32 states and Union Territories. While 129,428 CSCs are reported to be operational, 110,055 are connected. A rollout of the scheme is yet to commence in Daman & Diu, Dadra & Nagar Haveli and Karnataka. As per the data available, during the period of April 2012 to March 2013, 78,895 unique CSCs were reported to have executed transactions. It is estimated that about 11.67 crore transactions worth Rs 3,190 crore have been executed through CSCs during this period. While about 67.73 percent of the reported transactions through CSCs were for G2C services, about 16.32 percent were for utility services. The remaining transactions come from B2C services like financial inclusion (9.46%), telecom (4.15%), education (0.05%) and other services (2.28%).

Success of the CSC initiative depends highly upon availability of G2C services. Due to absence of G2C services, footfalls at the CSC are not as per the expectations of the VLEs and SCAs. As a result of below average footfalls, income of the VLEs is currently not as per expectation. In spite of this, almost all VLEs are willing to expand the operations of their CSC, which shows their optimism about the CSC initiative. There is also a need to increase awareness of the CSC scheme itself, the services available at the CSCs and their benefits amongst the rural citizens. Poor connectivity and electricity are the other two major issues impacting the growth of the CSCs. It was found that majority of the villages do have electricity supply but it is not regular. Fifteen percent of CSCs have less than six hours of electricity available per day. Most CSCs have alternate power backup arrangements.

[167] CSC 2.0 – A Discussion Note (2014). Department of Electronics and Information Technology, GoI.