



State of India's Livelihoods: The 4 P Report

Edited by: Dr. Sankar Datta and Vipin Sharma





ACCESS Development Services is a national technical services company with focus on livelihoods and micro finance. Set up with the support of CARE and DFID India following implementation of CARE UK's 1999-2006 DFID India funded Credit and Savings for Household Enterprises (CASHE), the entire direct livelihoods and micro finance knowledge, experience and human resources of CASHE has moved to ACCESS. This sustainable legacy institution established as a Section 25 Co. in March 2006 is structured to provide technical assistance to a rapidly growing livelihoods and microfinance sector working with Civil Society organisations, Government Departments, Corporate sector, and Multilateral/ Bilateral agencies.

Although ACCESS has a national remit, given the low penetration of development services in certain regions, ACCESS focuses its efforts in the more underserved regions, helping to build local capacities and enhancing their abilities to work at scale. Recognizing the value of organising communities as a sustainable strategy, ACCESS helps develop robust community based models and demonstrate their efficacy as viable and sustainable institutional forms with a focus on building capacities of local partners in a region. ACCESS is positioned to work at all levels within the value chain. On the ground, it seeks to incubate innovations, develop community models and design 'lift and shift' models that can be replicated across contexts and regions. At a regional level, ACCESS works as a technical resource agency, supporting diverse stakeholders for more effective flow of benefits to the poor. At the national level, ACCESS seeks to bring together all key stakeholders to vision for the organized growth of the microfinance and livelihoods sector and help in building regional and national networks for effective access to resources, services and markets and facilitate the poor to negotiate more effectively within the value chain.

Based on its knowledge and practice, ACCESS has developed a strategy on Livelihoods and Business Development Services focusing on inclusive value chain approach and works within a few sub-sectors, those in which are poor are engaged and those have future potential.



The Livelihood School is an academic institution promoted by BASIX group, a modern livelihood promotion institution. The mandate of the School is to build up a scientific Knowledge Base on livelihoods and disseminate the same to livelihood practitioners for enhancing their understanding and implementation capabilities, who in turn will promote large number of livelihoods. After being incubated through a pilot phase of three years, from 2006-07, the School has now started operating as an independent body.

The School was ordained to focus on practice that is work on questions that arose from the predicaments of a practitioner and not from a theoretical construct. During the pilot phase, it attempted to generate adequate revenue to meet all its costs. This new phase of the School focuses on building it as an academically sound knowledge institution as compared to its earlier thrust marketing its services during the initial phase. The two focus areas of the School are: (i) Building capacity of the faculty and (ii) Building collaboration with other agencies engaged in livelihood promotion, building knowledge from their experiences helping them build the capacity of their teams. The School has also sharpened the target group focus. While working with some of the large Government livelihood programs, attention of the School is now drawn to a group of people who could play a critical role in supporting the livelihoods of the people like the Sarpanch and the leaders of the local governance system.

In the initial year of its work, The Livelihood School is greatly supported by all the members of the Board. The Livelihood School is also supported significantly by senior management of various collaborating institutions like SIRD Chattisgarh, WDC Bihar, UPASac Uttarakhand and the managers of BASIX, as parent organization.



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Disclaimer : *This report represents the personal views of the chapter authors. It does not represent the views of ACCESS Development Services, The Livelihood School, or of its sponsors, or of the Livelihoods India Advisory Group.*

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Foreword

As a part of its microfinance India initiative, three years ago ACCESS undertook the arduous task of bringing together the first State of the Sector Report for microfinance in India. In 2008, the third State of the Sector, commercially published by Sage Publications, is due to be released, and has become accepted as amongst the most credible reference documents for the sector globally.

Encouraged by this success, ACCESS undertook another, perhaps more complex task in 2008,, i.e. to bring out a similar report, attempting to track progress and trends relating to the livelihoods of the poor. An annual stocktaking of the impact of various initiatives, efforts, opportunities and the enabling environment on the lives and livelihoods of the poor is indeed far more complex than tracking growth of the microfinance sector. The nature and number of initiatives focusing on livelihoods of the poor are many. The stakeholders promoting the sector too are extremely diverse; while many like the government, dedicated promotional agencies of the government, donors, non-governmental agencies are directly engaged with the poor, many others indirectly influence the sector. The complex nature of demand and factor conditions, the dynamics of the marketplace, national and international trends too have an influence on the livelihoods of the poor. Natural and manmade disasters have historically had their toll on the poor. And importantly, policies of the government have a direct bearing on the poor and their livelihoods. Lack of broadly accepted indicators for “progress”, further compounds the challenge for bringing together a composite report on State of India’s Livelihoods: The 4 P Report (SOIL). Though formidable, it was increasingly being felt that a documented effort to track the aggregated nature and pace of progress on the issue and challenge of moving the livelihoods of the poor from subsistence levels to more stable and sustainable levels would be of value to the sector. ACCESS took the plunge.

Given the complex and daunting nature of the task, ACCESS joined hands with the Livelihoods School to co-initiate the effort. The initiative was kick-started through a series of consultations and brainstorming sessions with thought leaders from the sector, practitioners, promoters, researchers and academics. To converge the entirety of the sector, a group of authors were brought together as the core group of writers for different chapters. Some very respected and well known resource persons from the sector agreed to contribute to this effort as authors. The names include, among others, Vijay Mahajan, Chairman BASIX; Ajay Tankha; Prof M S Sriram, IIM Ahmedabad; Girija Srinivasan; Smita Premchander, Preeti Sahai, BASIX, Sampark; Dr. Orlanda Ruthven; Dr Braja Mishra and Dr. Sankar Datta himself. Each author was further supported by other knowledgeable persons from the sector.

Since the livelihoods challenge has many dimensions, to bring focus to the initiative, the document outline was developed along a 4-P framework focusing on the Poor, the Policy environment, Potentials and Promoters. To help string the document together, we were supported by a set of advisors. While Deep Joshi and Malcolm Harper helped with the overall review of the document, Vanita Vishwanathan helped with the gender focus. Pritha Sen of Plural India stepped in at the 11th hour to edit the report under severe time constraints and Pratigya Kalra helped with the proofing of the report. While two dedicated teams from the Livelihoods School and ACCESS worked tirelessly to coordinate this very difficult task, eventually it fell on Sankar and me to ensure that this combined effort could be brought together well, as a document that has a positive value for the sector, and of a quality that will keep ACCESS and The Livelihood School motivated to continue with the effort in the future.

“State of India’s Livelihoods: The 4 P Report” is an initiative to string together various views, opinions, analysis and perspectives on challenges poor face towards ensuring sustainable livelihoods. It also argues on various possibilities as well as closely looks into few select efforts of various stakeholders like Government, bilateral agencies and other support organizations. This report attempts, for the very first time, to bring on board some understanding on livelihoods issues and challenges; and is a stepping stone to further build on and contribute towards improving the livelihoods of poor.

There are many that I would like to thank for enabling ACCESS and The Livelihood School to pull this huge effort together. The go-ahead by the ACCESS Board, particularly the enthusiastic support from Brij, Chairman, ACCESS was very critical. Brij continued to be associated with the initiative at all stages. I would like to thank Sankar, Dean, The Livelihoods School, who immediately endorsed the idea and agreed to collaborate. The co-steering of the process was very smooth, which helped us to progress peacefully. I am most thankful to all the authors of various chapters for committing themselves to the effort, taking out time from their very busy schedules and delivering, by and large, on time. I particularly feel obligated to the authors since the resources available for the initiative were insignificant and hence there were no significant financial incentives.

Given the initial scepticism that prevailed around the initiative, I'm deeply appreciative of the support provided by DFID, Citi Foundation and IFMR Trust. And I am grateful to Vijay Mahajan, who not only put in financial resources from BASIX to plug the financial gaps, but came fully on board (eventually) himself and led a few initial consultations, even agreeing to write the Overview chapter. I owe my team at ACCESS a lot for coming together well around this "yet another new" ACCESS initiative. It brought a lot of pressure onto a small team, but they held forth. Particularly I'd like to thank Navin for the incredible effort he made to coordinate this initiative simultaneously with several other priorities, and Suryamani Roul who backstopped whenever, wherever necessary. I would also like to acknowledge the background support provided by K. Sreela of The Livelihood School.

The whole effort of bringing together the "State of India's Livelihoods – The 4-P Report –" has been a great experience. ACCESS is committed to further refining it in future years, bringing in greater focus and technical insights, strengthening the analysis, making it more topical and generally attempting to make it as relevant as possible for the sector.

Vipin Sharma

CEO, ACCESS Development Services

Preface

In the present-day context of a changing economic scenario, increasing population pressure on resources and hence, the livelihoods of the people, especially the poor, has emerged as an important challenge for us. Over the years, many institutions, government and non-government have made several attempts to address this issue. Some of these efforts have been in terms of actions or interventions, while others have tried to change the context within which the livelihoods are embedded. In all there have been many efforts and, therefore, there has been a growing need for stocktaking, something that has been voiced at many forums.

In view of this urgency to review the situation of livelihoods in India, ACCESS Development Services, an agency engaged in a variety of technical assistance and support services to those engaged in Livelihood promotion, and the Livelihood School, an institution engaged in building and disseminating knowledge required for supporting large number of livelihoods, made a first joint effort to take a close look at the status of livelihoods in India.

Recognising that the state of livelihoods is a complex reality, this report has emerged as a collective effort. Various reflective practitioners engaged in livelihood support and promotion, have contributed to this pioneering effort, in consultation with many others.

This first report is aimed at the practitioner, including both action practitioner and policy practitioner, trying to influence the livelihoods of the poor, especially women. Since it was the first such attempt, it was a struggle to find a way to weave the complex sets of information together into a comprehensive whole. We debated the possibilities of examining the issues related to livelihoods faced by some specific vulnerable segments of the people or looking at the sectors where the livelihoods of a large number of people are, or looking at specific geographical areas facing substantial livelihood challenges. But we chose to look at it through two windows -- the context and the promoters of livelihood.

Divided into three parts, the report looks at (i) the context in which livelihoods of the people are in; (ii) the various promoters' efforts at ameliorating the situation; and . Part I therefore is an attempt to articulate the context of the People and the livelihood challenges faced by them, the Policies that have tried to promote/support or hindered livelihoods of a large number of people, and the Possibilities, which can support a large number of livelihoods in the years to come.

In Part II, Promoters' efforts to support livelihoods are examined and viewed through the lens of initiatives implemented by government and multilateral/bilateral agencies, civil society organisations and finally the private sector. In the context of agriculture having been the mainstay of the rural economy and the recent spate of farmers' suicides, Part III looks at the current scenario of agrarian distress and whether agriculture can continue to be an integral part of livelihood opportunities.

This report therefore attempts to provide a holistic and balanced picture along with a few case studies and evidence from the field. We have also tried to make some information/data of related issues available in this report.

Having discussed the different views people hold about livelihoods and different frameworks to understand it, the report argues that though Article 39 of the Constitution of India recognises the right to livelihood, efforts in this direction are wanting. It highlights the fact that labour shortages in India coexist with massive unemployment. Employment growth in recent years accelerated to 2.62 per cent per annum from 1.25 per cent in the last decade. But the labour force grew at a faster rate of 2.84 per cent with an increase in unemployment rate. Though GDP growth rates have touched new heights, employment has not caught up in this period of 'Jobless Growth'. While the tertiary sector offered the best potential for supporting la arge number of livelihoods, both in terms of their contribution to GDP and their

employment growth, these sectors were dependant on the agricultural and manufacturing sectors, which offered no or little potential to support more livelihoods.

Thus the SOIL Report argues that concerted investments will have to be made in agriculture and manufacturing to enhance their productivity, while supporting the new livelihood opportunities in service, trade and transport. The report also critically looks at the 5th Five-Year Plan (FYP) where the livelihood opportunities paid attention to and 6th FYP, that focused on inclusive growth, both of which proposed to enhance employment generation through promoting labour-intensive sectors, such as Agriculture Food Processing, Rural Non-Farm Activities including the Khadi Village Industries Commission, Small and Medium Enterprises, Service Sectors, Tourism, Housing, and Real Estate.

Since this is a maiden attempt at capturing complex data, there are sure to be various shortcomings in this presentation. We would greatly appreciate feedback from all readers to improve this report and make it more useful for all of us who are engaged in addressing the Livelihood Challenge.

Sankar Datta

2008

Abbreviations

APMA	Agricultural Product Marketing Act
AYUSH	Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy
BAIF	Bhartiya Agro Industries Foundation
BB	Big Bazar
BRGF	Backward Regions Grant Fund
CC	Collection Center
CDS	Current Daily Status
CISF	Central Industrial Security Force
CoEs	Centres of Excellence
CRPF	Central Reserve Police Force
CSOs	Civil Society Organisations
CSR	Corporate Social Responsibility
CSWB	Central Social Welfare Board
DFID	Department for International Development
DGET	Directorate General of Employment and Training
DPAP	Drought Prone Areas Programme
DPCE	Daily Per Capita Expenditure
EU	European Union
FCI	Food Corporation of India
FDI	Foreign Direct Investment
FTAs	Free Trade Agreements
FYP	Five Year Plan
GDI	Gender Development Index
GDP	Gross Domestic Product
GP	Gram Panchayat
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
HYO	Hank Yorn Obligation
ICDS	Integrated Child Development Scheme
ICT	Information and Communication Technology
IDPs	Internally Displaced People
IIAA	Integrated Impact Assessment Approach
IMF	International Monetary Fund
IPR	Intellectual Property Rights

IRDP	Integrated Rural Development Programme
IT	Information Technology
ITIs	Industrial Training Institutes
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KVIC	Khadi and Village Industries Commission
MES	Modular Employable Skills
MFI	Micro Finance Institutions
MIS	Monitoring and Information Systems
MMRs	Maternal Mortality Rates
MoSPI	Ministry of Statistics and Programme Implementation
MPCE	Monthly Per Capita Expenditure
MRP	Mixed Recall Period
NBA	Narmada Bachao Andolan
NCVT	National Council for Vocational Training
NCW	National Commission for Women
NDDDB	National Dairy Development Board
NE	North-Eastern
NFBS	National Family Benefit Scheme
NFFWP	National Food for Work Programme
NGOs	Non-Governmental Organisations
NORAD	Norwegian Agency for Development Cooperation
NR	Natural Resources
NREGA	National Rural Employment Guarantee Act
NREGS	National Rural Employment Guarantee Scheme
NREP	National Rural Employment Programme
NRHM	National Rural Health Mission
NSDP	Net State Domestic Product
NSSO	National Sample Survey Organisation
OBC	Other Backward Classes
PMGSY	Pradhan Mantri Gram Sadak Yojana
PPP	Public Private Partnerships
PPP	Purchasing Power Parity
PRI	Panchayati Raj Institutions
QUIM	Qualitative Impact Monitoring
RBI	Reserve Bank of India

RIAA	Regulatory Impact Assessment Analysis
RMK	Rashtriya Mahila Kosh
RRB	Regional Rural Bank
RSVY	Rashtriya Sam Vikas Yojana
SC	Scheduled Caste
SC/STs	Scheduled Castes/ Scheduled Tribes
SCP	Special Component Plan
SCSP	Scheduled Castes Sub Plan
SERP	Society for Elimination of Rural Poverty
SEWA	Self-Employed Women's Association
SEZs	Special Economic Zones
SHGs	Self Help Groups
SIAs	Sustainable Impact Assessment
SME	Small and Medium Enterprises
SoR	Schedule of Rates
SRC	Supply Region Company
SSA	Sarva Shiksha Abhiyan
SSI	Small Scale Industries
ST	Scheduled Tribe
STEP	Support for Training and Employment Programme
TSP	Tribal Sub-Plan
TSRDS	Tata Steel Rural Development Society
UCB	Urban Cooperative Banks
URP	Uniform Recall Period
VAW	Violence against Women
WCD	Women and Child Development
WCP	Women Component Plan
WDC	Wholesale Distribution Center
WTO	World Trade Organisation



PART - I

Overview

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CHAPTER I

Overview

Vijay Mahajan, Mona Dikshit and Kaushiki Rao

Abstract

This chapter begins at a level which assumes that many of our readers are approaching the issue of livelihoods comprehensively for the first time. We begin therefore by defining livelihoods, look at the Sustainable Livelihoods framework and then explore a well-used livelihood promotion framework. We also examine why it has become necessary and urgent to address this issue, moving on to determine the livelihood aggregates for India as well as the situation disaggregated along three dimensions – segments, or vulnerable sections of the population, sectors or activities which generate or are likely to generate a large number of livelihoods and spatial regions where livelihoods are thriving or threatened. Following the trends as to how the livelihood situation is changing over a period of time, we carry on to identify the main constraints on livelihoods. The chapter ends with historical analysis of the major livelihood promotion initiatives by the government as well by the people, cooperatives, NGOs and the private sector. The way forward is briefly discussed, but only in an indicative way, so as not to pre-empt wider discussion.

1. What is ‘livelihood’ and ‘livelihood promotion’?

While there can be many definitions for the term, for the purpose of this report, we define Livelihoods as “a set of activities a household engages in on a regular basis in order to generate adequate cash and non-cash income to maintain a minimum desired standard of living, both on a day-to-day basis and over a longer period of time.” Usually, most livelihood activities are carried out repetitively, such as farming, shepherding, fishing, weaving, masonry, teaching or being a street performer. Thus they create a distinctive pattern of work and an identity for those households who engage in these activities. So, a weaver is not just someone who works on a handloom all day, but whose forefathers were weavers, whose immediate community are also weavers, and whose folklore and proverbial wisdom emanates from the vicissitudes of weaving.

A livelihood is “adequate” when the income and quality of life it can support meets widely accepted standards – such as the \$2-a-day international poverty line. It should be noted that the \$2 translates into about Rs 28 per day in purchasing power parity (PPP) terms. This is significantly above the official India poverty line, now defined as a monthly per capita expenditure (MPCE) of Rs 529 in 2007 prices¹. In any case, since household sizes vary considerably, being higher for the lower income groups, the same level of household income for a poorer household translates into a lower MPCE.

A livelihood can sometimes generate adequate income, but may not be desirable or dignified, such as being a sex worker or a beggar. In other cases, a livelihood may generate adequate income and may even be reasonably dignified, but may not offer adequate opportunities to participate in the wider social, cultural or political aspects of the community one lives in. In yet other cases, it may be adequate, dignified and offer opportunities to participate in social, cultural or political life, but may not be sustainable, as it may be based on fast-dwindling natural resources. Near shore fishing in Kerala and timber-logging in Arunachal Pradesh are examples of this. Two popular frameworks which capture some of the complexities involved in livelihood analysis, are described below.

We define Livelihoods as “a set of activities a household engages in on a regular basis in order to generate adequate cash and non-cash income to maintain a minimum desired standard of living, both on a day-to-day basis and over a longer period of time.”

¹ Shamika Ravi and Kapoor, Mudit, 2008

1.1 Livelihoods – static vs dynamic view

One of the most commonly used frameworks for understanding livelihoods is the Sustainable Livelihoods Framework. Here, a household is posited to have access to five types of capital: human, social, natural, physical, and financial.

Livelihoods must be viewed not as a static phenomenon but in a dynamic, ever-changing context. One of the most commonly used frameworks for understanding livelihoods is the Sustainable Livelihoods Framework originally posited by Conway and Chambers². Here, a household is posited to have access to five types of capital: human, social, natural, physical, and financial. Human capital refers to the ability to labour, skills, intelligence and talent. Social capital includes trust, status, networks, local institutions and norms. Natural capital includes land, water, forests, minerals and agro-climatic conditions. Physical capital includes tools, plant and machinery, and roads, electricity supply, etc. Financial capital includes cash, savings deposits, insurance paid up, debts given to others and bonds and shares, if any in an enterprise. These five types of capital/assets give a household a livelihood platform, and access to this is either enhanced or thwarted by social relations such as gender and caste, or by institutions such as customs, land tenure or market practices. A household adopts different livelihood strategies in the context of demographic trends, technical changes and policies and programmes, as well specific shocks like a drought, an epidemic or civil unrest. These comprise a set of natural resource-based activities such as farming, livestock rearing or fishing, as well as other activities like trading. Coping strategies adopted in times of crisis include sale of assets, diversification and migration. Fig 1.1 below represents this dynamic framework for livelihood analysis.

If successful, these strategies lead to livelihood security at the level of a household, and more widely, for the community. In a happy scenario, the strategies are also sustainable environmentally. In most cases, however, livelihood strategies may barely lead to household level livelihood security and may not be able to assure sustainability. It is here that one needs to come up with policy interventions³.

Fig 1.1: A Dynamic Framework for Analysing Livelihoods

Livelihood Platform	Access Modified by	In Context of	Resulting in	Composed of	With Effects on
Assets Natural capital Physical capital Humam capital Financial capital Social capital	Social Relations Gender Class Age Ethnicity	Trends Population Migration Technical change Relative prices Macro policy	Livelihood Strategies	NR-based activities Collection Cultivation (food) Cultivation (non-food) Livestock Non-farm NR	Livelihood security Income level Income stability Seasonality Degrees of risk
	Institutions Rules and Customs Land tenure Markets in practice	National econ trends World econ trends		Non-NR-based Rural trade Other services Rural manufacture Remittances Other transfers	Env. Sustainability Soils & land quality Water range-land Forests biodiversity
	Organisations Associations NGOs Local Admin State Agencies	Shock Drought Floods Pests Diseases Civil war			

1.2 The Coolies’ Framework

The status of livelihoods is determined by two types of conditions – external and internal. In his path-breaking book⁴, Prof Michael Porter had tried to explain why countries like Japan or Korea, which

² Conway, Gordon and Robert Chambers

³ Ellis, 2000.

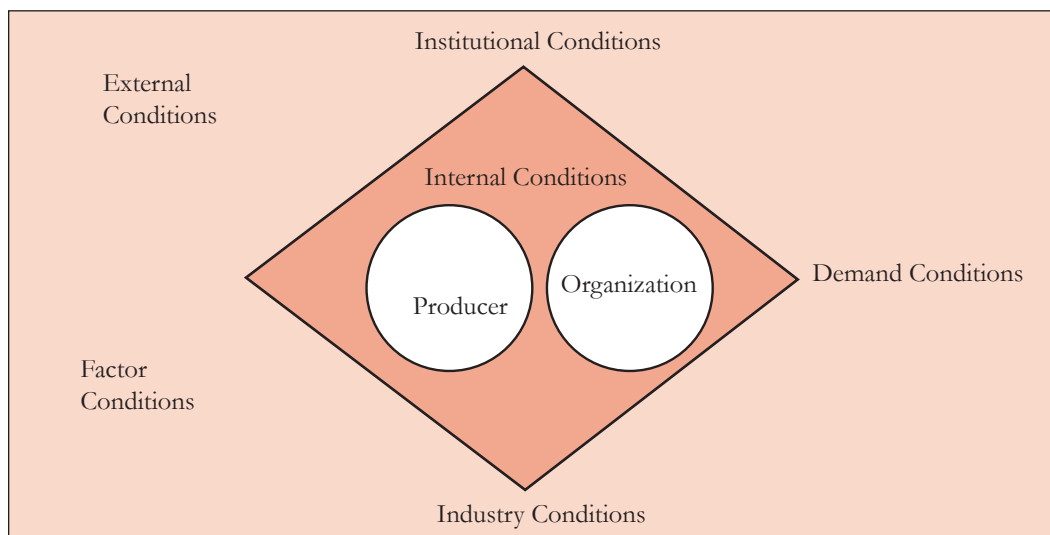
⁴ Porter, Michael, The Competitive Advantage of Nations

did not enjoy the traditional ‘Ricardian’ comparative advantage in factors of production like labour or iron-ore, became globally competitive in industries like steel and ship-building. He posited four sets of conditions – factor conditions, demand conditions, industry conditions and the presence of related and supporting industries as the determinant of competitive advantage. As they all interact with each other, Porter had depicted them as a “diamond”.

Porter’s Diamond was extensively used by Fisher, Mahajan and Singha⁵ to carry out a nationwide study of the rural non-farm sector in India. However, while Porter made a virtue of excluding government from his diamond, relegating it to a secondary role, Fisher et al. highlighted the role of supportive policy and institutions (regulatory, promotional, financial and representational). The importance of “internal conditions”, of the producer households (farmers, weavers, traders) and the intervening organisation, such as NDDDB, SEWA, BAIF, PRADAN or BASIX was highlighted by subsequent studies by Datta, Mahajan and Thakur⁶. This led to the adoption of the Coolies’ Framework, so-named to honour the labouring poor (coolies, or porters) of India. The framework is presented in Fig 1.2 below.

The importance of “internal conditions”, of the producer households and the intervening organisation, led to the adoption of the Coolies’ Framework.

Fig 1.2: The Coolies’ Framework



This framework sees change in a livelihood sector being determined by two types of conditions – external and internal. While the first describe the surrounding context of the intervention, the second highlight the possible interaction between the change agent and the people whose livelihoods are being impacted. This framework further recognises four external conditions. The first – factor conditions – are those resources that go toward enabling production or services. Broadly, these are natural, physical, human, social and financial resources. They include land, water, agro-climatic conditions, availability of labour, and physical infrastructure such as roads and electricity. The second – institutional conditions – refer to the larger policy environment, local institutions including social norms, producer associations, financing, training and promotional institutions. The third – demand conditions – are the market demand for a particular livelihood product or service. Finally, industry conditions refer to the status of the sub-sector or industry of which a particular livelihood activity is a part.

This framework also recognises two internal conditions: those of the producer and those of the intervening organisation. The first take into consideration the livelihood portfolio (types of livelihood activities), livelihood capacity (skills, opportunities, resources) and livelihood strategy (preference in adaptive

⁵ Fisher, Thomas, Vijay Mahajan, and Ashok Singha, “The Forgotten Sector: Employment and Enterprises in the Rural Non-Farm Sector In India” 1996, IIDG Publications, Rugby, UK

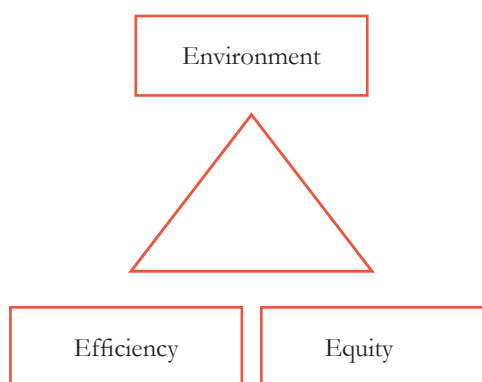
⁶ Datta, Sankar, Vijay Mahajan and Gitali Thakur “Livelihoods Resourcebook” 1999, BASIX, Hyderabad.

response, risks and shocks, entrepreneurial ability) of a household. The second take into consideration the agenda and the ability of a change agent. The framework suggests that the interaction of all these six conditions determines how the status of a livelihood will change.

2. Why the need to act on the livelihoods issue?

There are three reasons why we need to act on the issue of livelihoods urgently. The first is growth, the second is equity and the third is the environment.

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2.1 Efficiency – the cause of growth, the result of widespread livelihoods

After many decades of planning, investment and effort, the Indian economy has moved into a higher growth path, where GDP growth of 8% p.a. or more has become possible. This puts India among the fastest growing economies of the world. But this growth can be retarded if it does not simultaneously generate stable and adequate livelihoods for everyone. In the absence of livelihoods and adequate income for all, the demand for wage goods and consumer goods will not be widespread enough. For some time, it is possible to run industries mainly for exports. However, if exports account for a major part of the demand, then an industry can suffer from instability as demand can shift. On the other hand, if part of the demand is domestic, there is more chance of stability. Domestic demand requires a better income distribution – thus livelihoods for everyone, would promote economic growth in a virtuous cycle.

The widespread availability of livelihoods leads to broader and larger demand and thus the possibility of harvesting efficiencies in the economy.

The larger demand base also will lead to economies of scale and price competition, thereby enabling greater efficiency in the economy. On the other hand, a small demand base leads to inadequate capacity utilisation, higher costs and low competition, breeding overall inefficiency in the system. Thus the widespread availability of livelihoods leads to broader and larger demand and thus the possibility of harvesting efficiencies in the economy. An example of this is the low-end motorized two-wheelers. India became the world’s largest producer of mopeds because of strong and widespread domestic demand. The same is true of cell phones. With 260 million users, India is the second largest cell phone market in the world. This had been made possible only because a large number of poor households are able to use cell phones. This in turn has driven cell phone providers to compete with each other and bring costs down, generating more demand. Thus universal availability of stable and adequate livelihoods is the main requirement to ensure efficiency and continue the high growth path in the Indian economy.

2.2 Equity – do we still need an answer to that question?

The Constitution of India recognises the right to livelihood. Article 39A of the Directive Principles of the Constitution enjoins the State to ensure that every citizen has adequate means of livelihood. Inequitable access to livelihood opportunities leads to income disparity, extreme and widespread poverty, and to localised as well as nationwide social unrest and violence and political instability. Naxalism is an

example of how socio-economic disparities and limited livelihood opportunities resulted in contributing to political instability in West Bengal, Chhattisgarh and Andhra Pradesh. Agrarian distress in Vidharba and Andhra Pradesh led to thousands of farmers committing suicides. Economic growth also gets constrained when there is no equitable distribution of livelihood opportunities: for example, the IT industry in India is constrained by a shortage of skilled people. There is no shortage of young people, but an inequitable education system means that a vast majority are not employable.

Inequitable access to livelihood opportunities leads to income disparity, extreme and widespread poverty, and to localised as well as nationwide social unrest and violence and political instability.

2.3 Environment—from localised degradation to pervasive climate change

The third reason why we need to address the livelihood issue urgently is that lack of livelihoods causes the poor to engage in actions which add to degradation of the environment, which is already under stress due to the high and unsustainable consumption levels of the rich. This is most obvious in the case of deforestation – forests were denuded initially by the rich for timber and then for feeding paper mills and now the dwindling forest cover is used by the poor for extraction of firewood and small timber. This further worsens the livelihood prospects of, for example, farmers in the vicinity of forests as streams dry up and the micro-climate worsens. In the meanwhile, the collective impact of the damage that humans have been causing, particularly through untrammled greenhouse gas emissions, is leading to climate change. Catastrophic effects on livelihoods could follow, some of which are already visible in Bangladesh and Nepal.

3. Livelihood aggregates – employment, incomes and poverty

For assessing the livelihood scenario in the country, we need to first take a close look at the present employment situation, trends and quality of employment, followed by the existing level of income and trends thereof. Finally we will look at poverty. On studying these parameters, a comparative analysis can be drawn about the factors inhibiting the growth of livelihood, opportunities, future trends and possible ways forward.

Box 1.1: Basic Definitions

Labour force: Persons who are engaged in an economic activity (i.e. working), as well as persons who are not working but are either seeking work or available for work if work were to be available.

Workforce: Persons in the labour force who are engaged in an economic activity (i.e. working).

Employment: Being engaged in any economic activity (work), i.e., any activity that results in the production of goods and services that adds value to the national product.

Work Force Participation Rates: The number of persons/person-days employed per 1,000 person/person-days.

Usual Activity Status: Employment classification of a person depending on the economic activity, if any, in which s/he was engaged for the relatively longer time (majority time) in a year. A year is understood as the 365 days preceding the date of the NSSO survey.

Current Weekly Activity Status: Employment classification of a person depending on the economic activity, if any, in which s/he was engaged in a week. 'Working' gets preference over 'not working but available for work'; and the latter gets precedence over 'not working nor available for work'. The status is 'working' if a person has worked any one hour in the week, 'not working but available for work' if s/he has sought or been available for work at anytime during the week, and 'not available nor seeking work' if neither of the above two conditions hold. A week is understood as the 7 days preceding the date of the NSSO survey.

Current Daily Activity Status: Employment classification of a person depending on what work a person was engaged in on each day of a reference week, if any. A week is understood as the 7 days preceding the date of the NSSO survey.

3.1 Employment-labour shortages co-exist with massive unemployment

The projected population of India as on March 1, 2008 was 1.15 billion, showing a growth rate of 1.5 per cent p.a. in the previous year. This puts the annual increase in population at about 17 million persons. It is expected that the annual growth rate would be in the same order of magnitude for the next few years of this decade, and persons added in the last two decades would need jobs or employment. However, as employment and unemployment data is available with a certain lag, we use 2004-05 data below.

Worker-population ratios provide an idea about the participation of population in economic activity. Table 1.1 provides the worker population ratios for the period. Also see Box 1.1 for basic terms used in describing the status of employment.

Table 1.1 Labour Force and Workforce Participation Rates (CDS basis) (percent)

Census 1981	1983	1993-94	1999-2000	2004-2005
Labour force participation rates (LFPR)				
Rural male	52.7	53.4	51.5	53.1
Rural female	21.9	23.2	22.0	23.7
Urban male	52.7	53.2	52.8	56.1
Urban female	12.1	13.2	12.3	15.0
Work force participation rates (WFPR)				
Rural male	48.2	50.4	47.8	48.8
Rural female	19.8	21.9	20.4	21.6
Urban male	47.3	49.6	49.0	51.9
Urban female	10.6	12.0	11.1	13.3

Source : Various rounds of NSSO survey on employment and unemployment/planning commission, Economic Survey 2007-08

LFPR/WFPR represents No. of persons/person days in the labour force/work force per 1000 persons/person days.

During 1999-2000 to 2004-05, employment growth accelerated to 2.62 per cent per annum. However, since the labour force grew at a faster rate than the workforce, the unemployment rate also rose.

The National Sample Survey Organisation (NSSO) conducted an All India Survey (62nd Round) of a moderately large sample size on the situation of employment and unemployment in India during the period July 2005 to June 2006. The main findings of this survey are that the overall unemployment rate for rural areas according to the usual status approach was around 2 per cent (3 per cent for male and 2 per cent for females). Urban rates were higher than the rural rates except for the Current Daily Status (CDS) approach in which unemployment rates for rural and urban areas were almost equal (nearly 8 per cent).

Estimates on employment and unemployment on CDS basis (Table 1.2) indicate that employment growth during 1999-2000 to 2004-05 has accelerated significantly as compared to the growth witnessed during 1993-94 to 1999-2000. During 1999-2000 to 2004-05, about 47 million work opportunities were created compared to only 24 million in the period between 1993-94 and 1999-00. Employment growth accelerated from 1.25 per cent per annum to 2.62 per cent per annum. However, since the labour force grew at a faster rate of 2.84 per cent than the workforce, the unemployment rate also rose. The incidence of unemployment on CDS basis increased from 7.31 per cent in 1999-00 to 8.28 per cent in 2004-05.

Table 1.2 Employment and Unemployment in million person years
(by CDS basis)

	Million 1983	Million 1993-94	Million 1999-00	Million 2004-05	Growth p.a. (%)		
					1983 to 1993-94	1993 -94 to 1999-00	1999 -00 to 2004-05
Population	718.10	893.68	1005.05	1092.83	2.11	1.98	1.69
Labour Force	263.82	334.20	364.88	419.65	2.28	1.47	2.84
Workforce	239.49	313.93	338.19	384.91	2.61	1.25	2.62
Unemployment Rate (per cent)	9.22	6.06	7.31	8.28			
No. of unemployed	24.34	20.27	26.88	34.74			

Source: Economic Survey 2007-08

The decline in overall growth of employment during 1993-94 to 1999-00 was largely due to the lower absorption in agriculture. The share of agriculture in total employment dropped from 61 per cent to 57 per cent. This trend continued and the share of agriculture in total employment further dropped to 52 per cent in 2004-05.

It is likely that by the time this report is read, India would have crossed the historic point, when less than 50 per cent of the total employment would be in the agricultural sector. While the manufacturing sector's share increased marginally during this period, trade, the hotel and restaurant sector contributed significantly more to the overall employment than in earlier years. The other important sectors whose shares in employment have increased are transport, storage and communications apart from financial, insurance, real estate, business and community, social and personal services (Table 1.3).

It is likely that by the time this report is read, India would have crossed the historic point, when less than 50 per cent of the total employment would be in the agricultural sector.

Table 1.3 Sectoral Employment Shares (by CDS basis)

Industry	1983	1993-94	1999-00	2004-05
Agriculture	65.42	61.03	56.64	52.06
Mining & Quarrying	0.66	0.78	0.67	0.63
Manufacturing	11.27	11.10	12.13	12.90
Electricity, water etc.	0.34	0.41	0.34	0.35
Construction	2.56	3.63	4.44	5.57
Trade, hotel & restaurant	6.98	8.26	11.20	12.62
Transport, storage & communication	2.88	3.22	4.06	4.61
Fin..Insur. Real est. & business services	0.78	1.08	1.36	2.00
Comty. social & personal services	9.10	10.50	9.16	9.24
Total	100.0	100.0	100.0	100.0

Source: Economic Survey 2007-08

3.2 Incomes-the poor work all the time, but don't earn enough to make a living

India's GDP growth rate is one of the fastest in the world. GDP growth in the Ninth Five-Year Plan

(FYP) was 5.5 per cent, in the Tenth FYP it was 7.8 per cent (2002-07) the highest so far for any plan period. For 2007-08 the last year of the Tenth FYP, it has been 8.7 per cent. With this employment status, trends and economic growth, does this translate into a positive picture for livelihoods?

Real wages have been declining over the post reform period. Casual worker's wages in the non-agricultural sectors, saw a dramatic decline from 4.19 per cent to 0.76 per cent.

Of India's working population of 406 million (NSSO Survey 1990-2000), almost 92 per cent are in the unorganised sector. Income levels and income security in the unorganised sector are much lower than in the organised sector.

Another characteristic feature of the employment situation in the country is that the percentage of workers employed on regular salaried employment (16 per cent) is small. The bulk of the workforce is either self-employed (53 per cent) or employed in casual wage employment (31 per cent). Income levels and income security for the self-employed and the casual wage employed are much lower.

Yet another disturbing trend is that real wages have been declining over the post reform period. This is true both of regular and casual workers. Casual worker's wages in the agricultural sector saw a decline from 2.78 per cent in 1994-2000 to 1.31 per cent in the 2000-2005 period. Similarly, in the non-agricultural sectors, they saw a dramatic decline from 4.19 per cent to 0.76 per cent in the same periods.

For regular workers, while the real wage growth rate in rural areas was 5.38 per cent in 1994-2000, it declined to 0.56 per cent in 2000-2005. Similarly, the growth rate was 5.01 per cent in 1994-2000, which declined to 0.21 per cent in 2000-2005. The more disturbing trend however is the trend of declining real wages over every education level. While the growth rate for all categories of education status has declined from 1994-2000 to 2000-2005, the growth rate for graduates remains positive while for all others it is actually negative. This data shows that real wages of the poor are in fact shrinking.

Poverty is another aggregate which reflects the prevailing livelihoods scenario in the country. Incidence of poverty is estimated by the Planning Commission on the basis of quinquennial large sample surveys of household consumer expenditure conducted by NSSO. The Uniform Recall Period (URP) consumption data of NSS 61st Round yields a rural poverty ratio of 28.3 per cent, and 25.7 per cent in urban areas, and 27.5 per cent for the country as a whole in 2004-05. The corresponding poverty ratios from the Mixed Recall Period (MRP) consumption data are 21.8 per cent for rural areas, 21.7 per cent for urban areas and 21.8 per cent for the country as a whole. While the former consumption data uses 30-day recall/reference period for all items of consumption, the latter uses 365-day recall/reference period for five other items, namely, clothing, footwear, durable goods, education and institutional medical expenses and 30-day recall/reference period for remaining items (see Table 1.4).

Table 1.4 Poverty Ratios by URP and MRP (percent)

Sr. No.	Category	1993-94	2004-05
By Uniform Recall Period (URP) Method			
1	Rural	37.3	28.3
2	Urban	32.4	25.7
3	All India	36.0	27.5
By Mixed Recall Period (MRP) Method			
		1999-2000	2004-05
4	Rural	27.1	21.8
5	Urban	23.6	21.7
6	All India	26.1	21.8

Source: Planning Commission

A recent paper by Arjun Sengupta et al⁷ of the National Commission for Enterprises in the Unorganised Sector (NCEUS) used consumption expenditure data to show that around three quarters of India's population are poor and vulnerable and their numbers were a staggering 836 million as of 2004-05.⁸ Of this, 21.8 per cent of the people can be regarded as poor or extremely poor.

Around three quarters of India's population are poor and vulnerable and their numbers were a staggering 836 million as of 2004-05.

When we compare this information with the estimates derived from the 55th round of 1999-2000 and 50th round of 1993-94, there seems to have been some decline in the percentage of poor – from 31 to 22 per cent – in the last 10 years of high economic growth. However, almost 41 per cent of people, consisting of the extremely poor, poor and marginal groups, survived on an average daily per capita expenditure (DPCE) of less than Rs 15 in 2004-05, which is meagre. The vulnerable group, whose average DPCE was Rs 20 could be described as people just above the poverty line. They are vulnerable because just one shock such as illness can drive them below the poverty line again. This category of the vulnerable constituted about 36 per cent of the population in 2004-05.

These four groups of people – extremely poor, poor, marginal and vulnerable – constituted about 77 per cent of the population in 2004-05. Most of them are living with below the international level of poverty of \$2 per day – the 'aam aadmi' or common man, who has been bypassed by the high levels of growth.

3.3 Segments whose livelihoods are vulnerable— who are they?

There is a close association between poverty and vulnerability, and social identity. The two social groups who are at the bottom by this classification are the Scheduled Castes /Scheduled Tribes (SCs/STs), who constitute the bottom layer, and the Muslims, who are in the next layer. The next group is the OBCs. This does not mean that the other groups are far better off. Even for those who do not belong to any of these groups, the incidence of poverty is 55 per cent. The obverse of this is equally important - that in all communities there is a class of "better-off."

There is a close association between poverty and vulnerability, and social identity. The two social groups who are at the bottom by this classification are the Scheduled Castes / Scheduled Tribes who constitute the bottom layer, and the Muslims, who are in the next layer.

The depth of poverty is not the same across social groups even within the category of poor. What is striking is the evidence that this systemic and hierarchical segmentation along social groups is also reflected across economic groups represented by consumption expenditure classes, low education and informal work status. Within these economic groups, the only change in ranking is within the intermediate category of OBCs and Muslims in terms of per capita consumption. The latter has a marginally higher per capita consumption than the former among the poor and vulnerable but this edge is absent when all economic groups are combined.

The SCs who account for over 16 per cent of the population, remain backward in economic and social development and vulnerable to various forms of discrimination. Mostly landless and asset-less with little access to basic amenities, the incidence of poverty, illiteracy and ill health among them is significantly higher compared to the rest of the population.

The STs account for about 8 per cent of the population of the country but comprise a significant proportion of the poor and illiterate in the country. The STs are concentrated in the central and north-eastern parts of the country. While landlessness is not a major problem for the STs, most of the land owned by them is of inferior quality. Moreover, their isolation from the mainstream on account of geographical location often renders them victims of the development process. This is especially true

⁷ Sengupta, Arjun, K.P. Kannan, G. Raveendran, India's Common People: Who are they, How many are they and How do they live? Economic and Political Weekly, March 15, 2008.

⁸As we see then, an overwhelming majority of the Indian population, around three quarters, is poor and vulnerable. This includes 70 million or 6.4 per cent who may be characterised as extremely poor with a per capita consumption of less than or three-quarters of the official poverty line. To this should be added 167 million of those who are poor with consumption not more than that fixed as the official poverty line. If this is relaxed to include those with a per capita consumption of up to 25 per cent above the poverty line, called marginally poor here, then we find another 207 million. These three groups account for 444 million or 40.8 per cent of the population.

of the north-east where STs are in a majority in several small states. Mining and other developmental activities like power and irrigation projects in tribal belts often lead to large-scale displacement from traditional habitats and they are not properly rehabilitated economically, socially or culturally.

3.4 Sectoral overview – what do people do for a living?

A large number of poor families in rural areas have multiple livelihood activities which are diverse from each other, and each of the activities is carried out at a subsistence level.

As mentioned earlier, the share of agriculture in total employment has been declining in the post-liberalisation era, and is likely to drop soon to below 50 per cent for the first time in our history. What sectors substituted for agriculture? While the manufacturing sector's share increased marginally during this period, services – trade, hotel and restaurant sector – which contributed significantly to higher employment than in earlier years. The other important sectors whose shares in employment have increased are transport, storage and communications apart from financial, insurance, real estate, business and community, social and personal services.

A large number of poor families in rural areas comprising the landless poor or small/marginal agriculturally prosperous areas and the forest-based tribal and other households in remote areas, have livelihoods that have two essential characteristics: (i) they have multiple livelihood activities which are diverse from each other, and (ii) each of the activities is carried out at a subsistence level, mainly for household consumption or barter. Mahajan, Dikshit and Sasidhar⁹ called this the Diversified Portfolio of Subsistence Activities (DPSA). The household is thus involved in many sub-sectors, but stuck in a low-input, low-output equilibrium, unable to eke out a living. (See Table 1.5)

Table 1.5: Diversified Portfolio of Subsistence Activities of a Rural Landless Household in Jharkhand

Sources of household income	% Income from different activities
Collection of non-timber forest produce	30%
Livestock rearing	32%
Manual Labour	27%
Other sources	11%

Source: BASIX-UNDP Rural Livelihoods Studies for Madhya Pradesh Jharkhand States, 2003

3.5 Spatial overview – where is work to be had, and where do people sit idle?

While the economic centre of gravity has been shifting in the south-westerly direction, the demographic centre of gravity has been moving in the opposite direction.

Differential economic performance of the last two decades has increased the regional disparities in the country. Broadly speaking, while the western and southern States have experienced faster economic growth, the northern and eastern states have lagged behind. On the other hand, population growth continues to be significantly higher in the lagging regions as compared to the forward regions. As a result, the per capita income differentials have been widening even further. Thus, while the economic centre of gravity has been shifting in the south-westerly direction, the demographic centre of gravity has been moving in the opposite direction. Another dimension of the same problem is that while more and more employment opportunities are created in the developed regions of the country, labour force growth is much higher in the backward regions. This has adverse implications socially as well as economically.

State wise employment generation data also reveal increasing levels of inequalities over time. The Gini coefficient of variation, which measures inequality, increased from 53.7 in 1993-1994 to 63.7 in 1999-2000 across states. Out of the 15 major states and Union Territories, only three (Gujarat, Haryana and Karnataka) experienced a decline in the unemployment rate during this period.

⁹ Mahajan, Vijay, Mona Dikshit and TN Sasidhar "Rural Livelihoods Study for Madhya Pradesh and Jharkhand States", 2003. Sponsored by the UNDP. BASIX, Hyderabad.

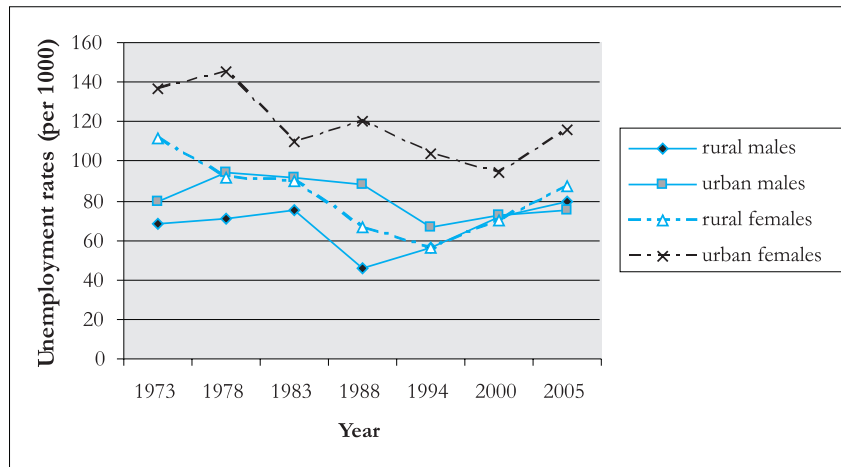
4. How is the livelihood status changing?

As the Sustainable Livelihoods framework described previously shows, livelihood status is not stagnant – livelihood situations change with changes in the market, the institutional context, and people’s capital and resources. People change their livelihood strategies as an adaptive response to changes in their environment. Some livelihoods flourish while others diminish, and this ebb and flow is the result of a changing livelihood context.

Livelihood status is not stagnant – livelihood situations change with changes in the market, the institutional context, and people’s capital and resources.

If we look at overall employment situation, we find that in general open unemployment came down from 14-15 per cent in 1973 to about 8 per cent in 1999. But thereafter, unemployment rate increased from 7.3 per cent in 1999-00 to 8.2 per cent in 2004-05 (see Fig 1.3). This was largely caused by saturation in agricultural employment.

Fig 1.3: Unemployment Rates Across Categories

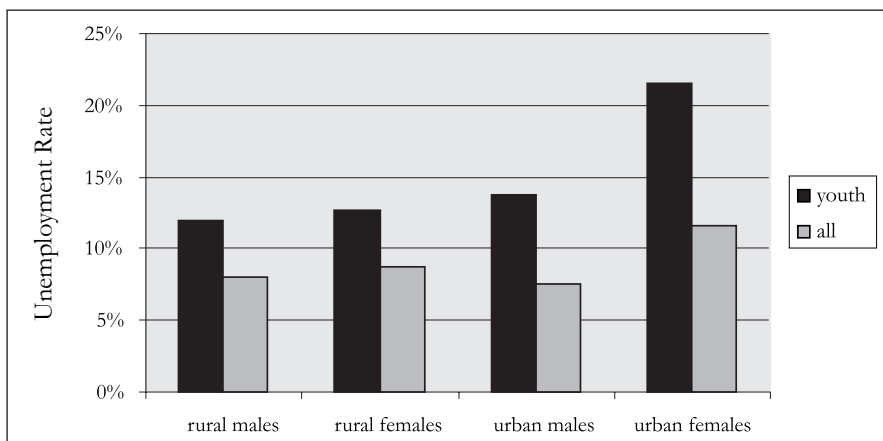


4.1 Segmental kho-kho – the unskilled lose, the skilled thrive

Generally, rural unemployment has been lower than urban and male unemployment has been lower than female. In addition to this general trend, youth (age 15-29 years) unemployment has been higher in every one of the categories – rural male, rural female, urban male and urban female. The unemployment among urban females is the highest at 22% (see Fig 1.4).

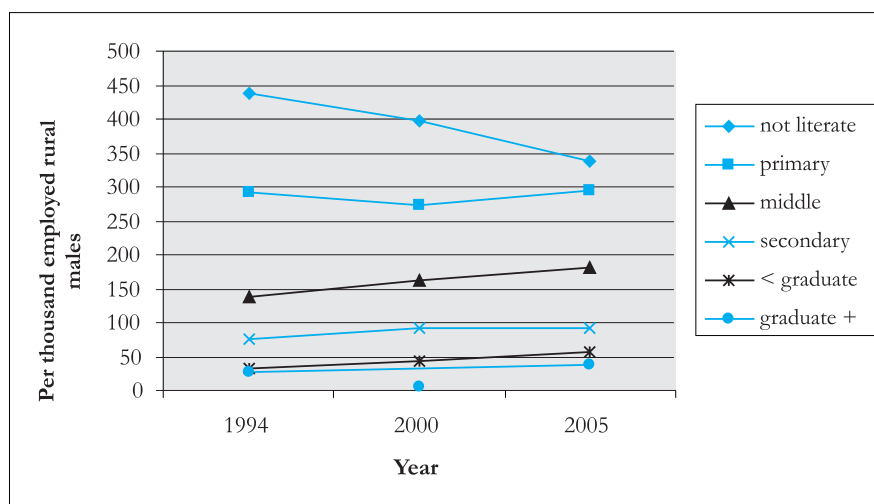
Generally, rural unemployment has been lower than urban and male unemployment has been lower than female.

Fig 1.4 : Unemployment Amongst the Youth



As can be seen in Fig 1.5, there seems to be a direct connection between education and livelihoods. From 1994 to 2005, the share of employment has raised the most for those with education greater than secondary. In absolute terms, most of the jobs lost by the illiterate have gone to those with middle-level education.

Fig 1.5: Employment and Education

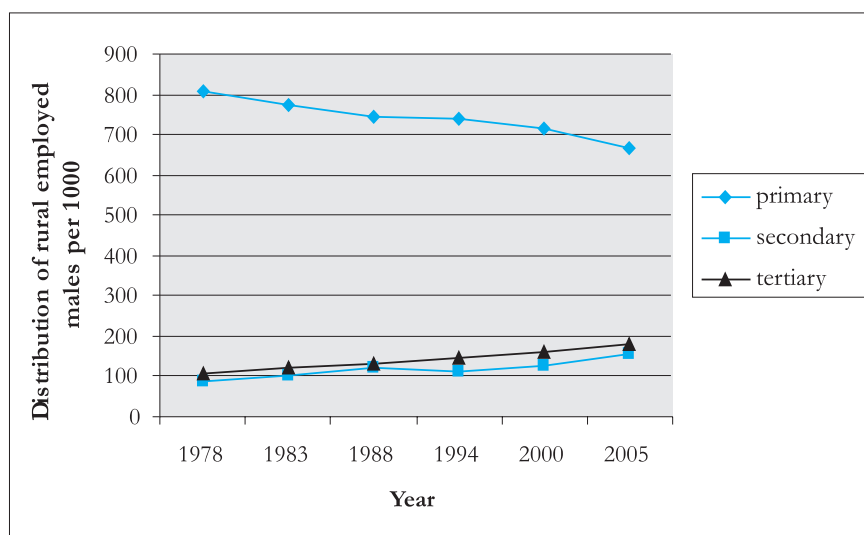


4.2 Sectoral bust and boom – from farms to firms

The decline of primary employment is not large enough to bring about a structural transformation in the rural economy, as the share of the non-farm sector has not increased as dramatically.

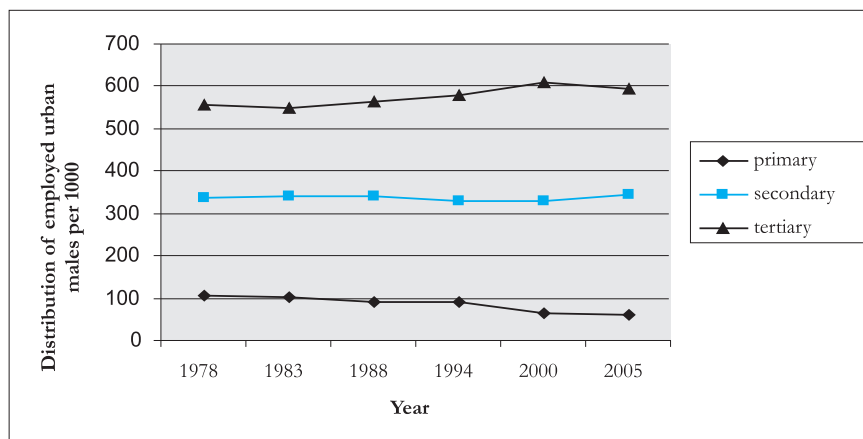
The long-term trend of rural livelihoods shows that the share of the primary sectors (agriculture, animal husbandry, fishing, mining, forestry, etc) has been declining steadily (see Fig 1.6). Within the primary sector, the share of employment in crop cultivation has been on a downward slide while that of horticulture, plantations, livestock rearing, etc. remained more or less constant. But the decline of primary employment is not large enough to bring about a structural transformation in the rural economy, as the share of the non-farm sector has not increased as dramatically as it has in the Chinese eastern seaboard. Instead, rural surplus workers have been migrating to urban areas.

Fig 1.6: Sectoral Employment – Rural Males



In the urban areas, there is a slight increase in secondary (manufacturing, construction, utilities) and significant increase in the tertiary sector (trade, transport, hotels, social and business services and public administration (see Fig 1.7). Within these sectors, there has been a shift in employment from the public sector manufacturing and utility enterprises, and government services, to the private sector; and from regular to casual employment status.

Fig 1.7: Sectoral Employment: Urban Males



4.3 Spatial chequerboard – Punjab prospers while Bihar remains at the bottom

Unequal growth rates were always a fact of life in India, but as the overall growth rates have taken off, the differences have become exacerbated. The 1990s saw a dramatic increase in regional economic inequality. For example, the 2002-03 per capita Net State Domestic Product (NSDP) of Punjab was about 4.7 times that of Bihar, an increase from 4.2 in 1993-94. Yet, using the same measurement of per capita NSDP, the hierarchy of rich states and poor states has remained the same – Punjab, Haryana and Maharashtra continued to be at the top with Bihar and Orissa at the bottom¹⁰.

Again, high growth states were not concentrated in any single part of the country. It is likely then that these states – Gujarat, Maharashtra, West Bengal, Tamil Nadu, Madhya Pradesh and Rajasthan – grew because they were able to create an environment that benefited from economic liberalisation. Interestingly, Kerala was a higher performer than average – its GDP grew at a faster rate in the '90s than the '80s. This can possibly be attributed to its low population growth.

The NSDP has grown differentially in different states, and the level of unequal growth has increased. While in the 1980s, it was a difference of less than 2 percentage points (with Kerala at 3.6 per cent and Rajasthan at 6.6 per cent), in the 1990s it became much higher at above 3.5 percentage points (with Bihar at 2.7 per cent and Gujarat at 9.6 per cent).

Apart from inter-state difference, within each state, a rural-urban divide exists in terms of economic and social development. This divide has also been widening in the recent past. The ratio of urban income to rural income which was just about 1.6 in 1951 and continued to remain within reasonable limits during the first three decades of development planning to reach 2.1 in 1980-1981. However, it worsened during the last two decades to record a level close to 4.5. While large and medium cities are experiencing unprecedented economic prosperity, the rural areas have been experiencing economic stagnation. While the share of agriculture in the national income declined to below 20 per cent, the share of population dependent on agriculture remains almost the same over the last two decades. The reports of farmers' suicide from various states, is only one of the symptoms of the current rural distress.

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¹⁰ Ghosh and Chandrasekhar (2003).

Though urban population is less than 30 per cent of the total, in states like Tamil Nadu and Maharashtra almost half of the total population lives in urban areas. Urbanisation has been accompanied by its own pitfalls - it is estimated that a quarter of the population in large cities lives in slums. In a city like Mumbai, a majority of 60 per cent of the population live in slum and slum-like housing. In a recent study, Mahajan et al¹¹, have identified 'the triple constraint' on urban livelihoods – skills, space and services. The urban poor are largely unskilled manual workers, short of living and working/vending space and have very limited access to financial services as well other civic services such as water, sanitation, electricity and transportation.

5. What are the main constraints on livelihoods?

The Sustainable Livelihoods (SL) framework mentioned earlier helps indicate the types of constraints that could exist in the livelihood sector. These can be capital constraints: human, natural, financial, physical, and social. Other constraints can be related to the context – demographics, markets, institutions, and policy. Each constraint interacts with the others in order to set a livelihood context.

5.1 Environment constraints – crowds, cattle and carrying capacity

The eco-system of the Indian subcontinent is being used beyond capacity. 1.1 billion humans and approximately 4.7 million cattle all live off the 320-million hectare of landmass.

Perhaps we need to begin by acknowledging that India has one of the highest densities of population per sq km, and certain parts of India, particularly the Indo-Gangetic plain, have four times higher density than the national average. In addition to the biotic load caused by *Homo sapiens*, the eco-system has to put up with a very high cattle load. Thus 1.1 billion humans and approximately 4.7 million cattle¹² (as per 1992 figures) all live off the 320-million hectare of landmass, of which no more than three-quarters is habitable. Thus the eco-system of the Indian subcontinent (including Pakistan, Nepal and Bangladesh at least) is being used beyond capacity.

In livelihood terms, this shows up first in terms of the small landholding size. Of the 116 million operational holdings in India, over 80 per cent are below two hectares, and in practice fragmented further. The holdings are so small in some areas that let alone a tractor, it is hard to turn around a pair of bullocks. Coupled with this small size are other drawbacks – only about a third of the cultivated area is irrigated, and only 27 per cent of all farmers have access to credit from formal sources, as per NSS 59th Round. In irrigated areas, with good credit supply, such as Punjab, the farms suffer from micro-nutrient deficiency as the same paddy-wheat crop cycle has been practiced for decades, with only NPK fertilisers. In other areas, such as Vidarbha, farmers have been growing cotton using increasing amounts of pesticide, which meet with more and more pest resistance to a point where the farmer loses hope, and in some cases commits suicide.

In vast areas of the heartland of India, farming is rainfed, and the yields unsteady depending on the vagaries of the monsoon and its seasonality. For example, only 10 per cent of Jharkhand's cultivated area is irrigated. Moreover, shrinking grasslands due to overgrazing and dwindling tree cover now fail to stem the rainwater run-off, which earlier used to feed thousands of streams. Agriculture becomes less and less adequate and reliable as a livelihood in such adverse environmental circumstances.

The same is true of the millions of hectares of forest areas of India, which at one time had dense canopy and tremendous bio-diversity. Today, the tree cover is thin, the number of species much less, and the number of people who eke out a living, manifold. The image of the tribal, living off the Mango, Mahua, Tendu, Imli and Sal trees is a romantic one, as even tribals living at the periphery of dense forests get no more than 15-30 days of collection of non-timber forest produce. When the forest is gone, livelihood is gone.

¹¹ Mahajan, Vijay, VR Prasanth, Preeti Sahai and Sathyannarayana, "Urban Livelihoods in India – The Triple Constraint of Skills, Space and Services", BASIX, Hyderabad. 2007.

¹²Source: Department of Agriculture and Cooperation Ministry of Agriculture

5.2 Manmade constraints – inequitable access to five types of capital

Environmental constraints to livelihoods pale into insignificance when we look at the impact of manmade constraints. These include disabling policies, infrastructure shortages, and a lack of credit and limited skills.

Perhaps the most notable example of a well-meaning but eventually disabling policy is the 1956 Industrial Policy Resolution, which reserved “the commanding heights of the economy” for the public sector, and introduced licensing of all other industries on the ground of capital shortage. This created a whole generation of rent seekers – both in the government and among industrialists, unable to grow and offer more wage employment.

In addition, credit has been a severe constraint for both cultivators and non-farm entrepreneurs, as can be seen from the fact that after nearly 40 years of bank nationalisation, only 27 per cent of cultivators get bank loans, as per the NSS 59th Round, and only 1.3 per cent of net bank credit goes to microenterprises (with plant and machinery worth Rs 5 lakh or less) as per the Reserve Bank of India (RBI).

Infrastructure constraints exist in roads, irrigation, electricity, agricultural markets as well as storage and processing facilities for agricultural products. Roads provide access to markets, and are crucial in expanding production. According to the Tenth Plan document, there were around 100,000 habitations with a population of more than 500 persons, unconnected by road ³.

With respect to electrification, while only 20 per cent of the inhabited villages remain un-electrified, the number of un-electrified rural households is 56.5 per cent – it ranges between 5.5 per cent in Himachal Pradesh and 95 per cent in Bihar. Electricity is an essential resource for home-based workers, and is a major constraint to livelihoods.

Irrigation potential has been greatly underutilised and creates a large constraint to agricultural livelihoods. By 1997-98, the 83 million hectare of irrigated area served only about 46.5 percent of total landholdings. At an average of one rural marketplace (haat) per 21 villages, and warehouses that can store only about 10 per cent of the total production of fruits and vegetables, marketing and storage infrastructure is woefully inadequate.

One of the biggest constraints to better livelihoods is the lack of skill, and lack of opportunity to get skills training. According to the NSS 62nd Round, of persons above 15 years of age only 1 per cent in rural areas and 5 per cent in urban areas have had any technical training. Only 7 per cent of rural youth between the ages 15-29 have received formal or informal vocational training; the number for urban youth is 9 per cent. In overall terms, only 2 per cent has had technical training and only 8 per cent of all workers in India have had any kind of vocational training. This has significantly reduced their livelihood options and earning potential.

5.3 Path dependency – inability to break away from the fate line

Douglass North, the Nobel laureate in Economics uses the concept of “path dependency” to explain why certain national economies are perpetually locked into low equilibriums. This has to do with early institutional choices made by these societies, often valid in those times, which then determine the subsequent “rules of the game” and the pattern of institutional evolution, or lack of it. Thus progress becomes dependent on the path initially taken, unless somewhere along the way, there is a major change due to colonisation, a revolution, or deep-seated reforms.

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³ Mahajan, Vijay, Sandeep Pasrija and Preeti Sahai, “Financial and Institutional Arrangements for Rural Infrastructure” India Infrastructure Report, 2007, Oxford University Press, New Delhi.

Path dependency is a useful concept for livelihood status analysis and can be applied to all three cuts – segmental, sectoral and spatial.

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In case of population segments, the most oppressive form of path dependency was the caste-based occupation system in India. So, a scavenger's son had to be a scavenger and a brahmin's son, a priest or a learned man. In today's India, it shows up in strident demands for reservations in government jobs and seats in professional colleges, and equally visceral opposition to it from the "forwards".

In sectoral terms, path-dependency shows up when we see erstwhile large employment share sub-sectors like handloom weaving, or safety-match making. Both of these have been protected by laws and regulations, on the grounds that lakhs of people were employed in them. The protection of handlooms led to oppression of powerlooms and the mill sector – there was a time, till the mid 1980s, when it was illegal to establish a powerloom, or increase production of a mill beyond specified capacity (even without adding additional machinery) without prior government permission. The handloom sector became more and more protection and subsidy-dependent. The introduction of the well-meaning Janata Saree scheme in 1977 to keep handloom weavers employed, led to massive corruption and deskilling and yet, this did not save the handloom sector, in the face of massive consumer preference shifts to powerloom and mill-woven cloth.

Spatially, path dependency shows up in Bihar versus Tamil Nadu. This can be traced to the land revenue system introduced by the British. Where they carried out 'permanent settlements' and specified a fixed level of revenue, the ryots had an incentive to be more productive, since they kept the entire remaining surplus. But where the land revenue continued to be collected by Zamindars, with multiple layers of intermediaries like bahrails and gumastas, the ryots had little left and so began to produce less and less, barely able to eke out a living. This is the tragedy of most of Bihar and Eastern UP, which in spite of being part of the most fertile Indo-Gangetic belt, records rather low levels of agricultural productivity, which in turn have thwarted growth and diversification into the non-farm sector in contrast to Tamil Nadu and coastal Andhra Pradesh. The demand for new states is a way of breaking spatial path dependency.

6. Livelihood promotion—What has been tried? What more can be done?

There have been many efforts at livelihood promotion – by the government, by civil society and increasingly by the corporate sector. Here we look at some of the prominent ones, with a view to drawing lessons from a historical analysis.

6.1 Livelihood programmes of the Government

Government poverty alleviation programs can be classified into four types: (i) wage employment programmes; (ii) self-employment programmes; (iii) minimum needs programmes; (iv) and area development programmes.

Also called rural works programmes, wage employment programmes provide employment while generating useful public goods. In 1973, the Congress government in Maharashtra began the one of the most significant of these programmes in India – the Employment Guarantee Scheme. It guaranteed employment to the rural poor in Maharashtra through piece rate wage labour. In 1977, the national Janata Dal government adopted this scheme and expanded it to the whole country as the National Rural Employment Programme (NREP). However, in the implementation of this programme, the landless were often unable to access the scheme – in order to remedy this, the Rural Landless Employment Guarantee Programme (RLEGP) came into being in the mid-1980s. Unlike NREP, it guaranteed employment to the landless poor. There were two area specific wage employment programmes. One is the Nehru Rozgar Yojana (NRY), which addresses wage employment issues in urban areas. The other was the Employment Assurance Scheme (EAS), which provided wage employment in resource poor areas. In

the late 1980s, these two merged to form the Jawahar Rozgar Yojana (JRY). In effect till the early 2000s, JRY was essentially a Food-for-Work programme.

The latest form of wage employment programme is the National Rural Employment Guarantee Scheme (NREGS) which offers 100 days of guaranteed employment to the rural unemployed poor. The defining feature underlying this programme is that it is based on the National Rural Employment Guarantee Act – a law passed in 2005 that guarantees that the government will provide 100 days of employment. Unlike the RLEG, the NREG is endorsed by a legal guarantee. Though this is a major step forward in the sense that it makes 100 days of employment or payment of unemployment benefit in lieu of that, an enforceable right, the implementation of NREGA leaves much to be desired. The “suicide” of a Block Development Officer in West Bengal, who was honestly trying to implement NREGA and the murder of activist Lalit Mehta in Jharkhand, within a month of each other, shows the extent of vested interest in the misuse of this programme.

The Antyodaya programme in 1978 in Rajasthan was the precursor to a nationwide self-employment promotion programme. In 1980, the central government up scaled it to an all-India level as the Integrated Rural Development Programme (IRDP). In this programme, each village collectively chose the five poorest households who were then given financial assistance by banks and subsidies by the government, so that they could begin their own businesses. A few years later, assessments of the programme showed that the IRDP was unable to reach women, so the Development of Women and Children in Rural Areas (DWCRA) programme was begun. Assessments also found that there were only a few kinds of livelihood activities that the poor wanted to engage in, so a training programme was set up to help them diversify. This was the Training Scheme for Rural Youth for Self-Employment (TRYSEM). In the late 1990s, the individual-based approach of these programmes was supplanted by a group-based approach. It was recast as the Swarnajayanti Gram Swarozgar Yojana (SGSY), and continues till today. Having run for over 28 years non-stop, the IRDP has covered over 80 million poor households with a subsidised bank loan to buy an income-generating asset. Yet its results have been quite disappointing, both in terms of incremental income for the poor and in terms of repayment of bank loans.

The idea behind the minimum needs programmes was that in order to access livelihood opportunities, the poor needed to have some minimum standard of resources. These programmes focused on building roads, ensuring drinking water and sanitation, and providing adequate housing. Each of these three had its own programme: the Pradhan Mantri Gram Sadak Yojana (PMGSY) for road infrastructure development, the Accelerated Rural Water Supply Programme to ensure that all groups of habitations with no more than 1,000 houses each, were provided with safe drinking water, and the Indira Awas Yojana, which provided subsidised housing for the rural poor. In 1995, the minimum needs programme was expanded to include providing old-age pensions, support to widows, disabled, and pregnant and lactating mothers. This was done through the National Social Assistance Programme.

Area development programs combined the three approaches above in a focused manner for resource poor areas. The Drought Prone Areas Programme (DPAP), Desert Development Programme, and Border Areas Development Programme are examples from the 1970s. However, some areas proved to be chronically poor, and this realisation led to the Rashtriya Sam Vikas Yojana (RSVY) in 2003. Here the 100 poorest districts were chosen and the government started investing in their development. However, investing in just one district did not alleviate poverty, and the government started the Backward Regions Grant Fund in 2005 to invest in the poorest districts.

The unhappy summary of nearly 60 years of government-run livelihood programmes is that they were generally well-conceived but poorly implemented. The more the intellectual power mustered to design these programmes in Delhi, the less was the investment in implementation capability to deliver these in the districts.

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Box 1.2 The Green Revolution – A Success (?) Story in Livelihood Promotion

Prior to the launch of the Green Revolution, Indian agriculture was largely based on subsistence-level farming which did not generate sufficient output to meet the country's food requirements. This had led to periodic food shortages, which were managed by huge imports from abroad. The Green Revolution was an attempt to increase food production to make the country self-sufficient. With the help of the Rockefeller Foundation, and the US Government, the GoI Agriculture Ministry undertook the promotion of high yielding varieties of wheat in the mid-1960s and later paddy. In order to do so it had to set up a vast number of new institutions - seed and fertiliser corporations, a network of extension agents for imparting new cultivation practices to farmers, a Food Corporation to buy the crop and an Agricultural Prices Commission to ensure remunerative prices to farmers. The ministry established 100,000 demonstration plots across the country to prove to the farmers that the hybrid varieties are indeed more productive.

The Green Revolution succeeded because of a comprehensive and well-coordinated strategy, with support from the highest political level. It enabled India to achieve food self-sufficiency within 5 years and a doubling of food production within 10 years. In the process, it dramatically enhanced the livelihoods of wheat and rice farmers in irrigated areas. While the Green Revolution succeeded in meeting the objective of national food-self-sufficiency, it led to increased disparities, across farmers with different landholdings, across farmers and the landless, and across irrigated and dryland regions.

Since the 1920s, organised initiatives by social reformers and rights activities have promoted livelihoods for the poor. Some began with a focus on livelihoods and were transformed into larger, more multidimensional movements; others began as a multidimensional approach to addressing inequality, and had significant impact on livelihood issues. transformed into larger, more multidimensional movements; others began as a multidimensional approach to addressing inequality, and had significant impact on livelihood issues.

6.2 Livelihood initiatives by the People

Since the 1920s, organised initiatives by social reformers and rights activities have promoted livelihoods for the poor. These have tried to address issues of inequality, be it in the distribution of assets, access to opportunity and markets, or in the unsustainable use of natural resources. Some began with a focus on livelihoods and were transformed into larger, more multidimensional movements; others began as a multidimensional approach to addressing inequality, and had significant impact on livelihood issues.

Mahatma Gandhi led the Independence Movement and along with the political agenda, he also focused on a self-reliant economy. Khadi, hand-woven cloth made from hand-spun yarn, became the symbol of Gandhiji's attempt to strengthen India's rural livelihoods, to which he and Kumarappa added a whole range of village industries. This became institutionalised as the Khadi and Village Industries Commission (KVIC) after Independence. Even today, KVIC and institutions under its fold support the livelihoods of millions of spinners, weavers and rural artisans.

At the same time in Tamil Nadu, Periyar's self respect movement, indirectly promoted livelihoods through challenging social and human capital constraints. This movement stood up to a socio-political situation that favoured Brahmins over others, and in doing so relieved the politico-economic constraints of non-Brahmins in Tamil Nadu.¹⁴

In 1951, after seeing increased rural unrest due to unequal land ownership, Gandhiji's disciple, Vinoba Bhave initiated the Bhoodan (land gift) Movement which attempted land reforms through voluntary distribution of land.¹⁵

¹⁴ Where priesthood was an exclusively Brahmin occupation, the Self Respect movement advocated that non-Brahmins could become priests. This was just the tip of the pyramid. The movement opened up a range of otherwise unavailable livelihood options for the poor. Tamil Nadu's diversified economy can be partly traced to this.

¹⁵ Land owners were encouraged to donate some of their lands to be distributed among the landless poor. Between 1951 and 1967, Bhave travelled 25,000 miles on foot, convincing some 70,000 land owners to give up part of their land. Vinoba Bhave managed to gather pledges for over 40 million acres of land. The movement was institutionalised by the Indian government, under the Bhoodan Act of 1953, modified in 1970. It managed to redistribute only about 8 million acres, as much of the lands pledged as gift were disputed, encroached, uncultivable or barren.

In the 1970s, the Chipko movement¹⁶ began in the hilly Chamoli district of Uttarakhand. The movement protested against contractors of the state forest department which granted the contractors the right to fell trees for a sports goods company but locals were denied any right to use the trees to make farm tools. This largely village-based and women-led movement had a dual objective: to protect forests and to protect forest use rights of locals. Although the movement began in Chamoli, it spread to various parts of India, including Himachal Pradesh, Rajasthan, Bihar and Karnataka.

The Narmada Bachao Andolan (NBA) led by Medha Patkar, which started in the late 1980s is a people's movement against large dam construction on the Narmada river in Madhya Pradesh and Gujarat. The dams displaced 300,000 people, largely poor peasants and tribals who have not been adequately rehabilitated and inundated forests and prime habitats of rare species. The movement has succeeded in generating a debate across the subcontinent which has encapsulated the conflict between two opposing styles of development: one massively destructive of people and the environment in the quest for large-scale industrialisation; the other consisting of replicable small-scale activities harmoniously integrated with both local communities and nature.

6.3 Cooperatives

Cooperatives are a type of institution that aggregate production or demand in order to increase profitability and ensure the equitable distribution of profits among their members. The livelihood promotion effort in an institutionalised form of producer's cooperative has the objective for farmers to free themselves from intermediaries, gain direct access to markets and thereby ensure maximum returns for their efforts. Although there is an economic logic behind cooperatives, they are also influenced by an ethical logic of equality.

One of the first civil society cooperatives was AMUL – a milk cooperative in Gujarat established under the leadership of Dr Verghese Kurien. Based in the village of Anand, the Kaira District Milk Cooperative Union (better known as AMUL) which began in the 1950s has expanded exponentially. It inspired the formation of 13 district level unions, joined hands with them to establish the Gujarat Cooperative Milk Marketing Federation which covers 2.12 million farmers, and 10,411 village-level milk collection centres. The then Prime Minister Lal Bahadur Shastri asked Dr Kurien “Why cant there be an AMUL all over India?” and he answered it by asking to set up the National Dairy Development Board (NDDB) in 1965 and launching Operation Flood to replicate AMUL in over 120 districts. This effort largely benefited the livelihoods of small dairy producers in dryland areas.

While AMUL is an example of how a cooperative has impacted an entire sector, the Warnanagar sugar cooperative, set up in 1956 in the Kolhapur district of Maharashtra, kick-started the creation of various other community-based organisations such as a poultry farm, a milk-producers society, a cooperative bank, an arts, science and commerce junior college including a children's orchestra, and a medical trust. The total turnover of these societies is over Rs 600 crore. There are so many cooperatives in Warna, that the Government of India in fact calls them the “Warna Co-operative Complex”.¹⁷

The Self-Employed Women's Association (SEWA), established in 1972 in Gujarat under the leadership of Ela Bhatt, has been significant in promoting employment, finance and social security through the formation of cooperatives. SEWA, which has over 700,000 members, has three main methods of promoting livelihoods – a trade union which advocates for self-employed women's labour rights, a cooperative bank which provides financial services, and a set of about 100 occupation-based cooperatives such as of rag-pickers, tailors, embroiders, and those in some service sectors.

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¹⁶ Chipko means 'to stick', and the movement used non-violent methods of protest, including the famous one of tree-hugging (or 'sticking' to a tree) and interposed their bodies between the contractors axe and the tree. A 15-year ban on green felling in the Himalayan Forests of U.P. enforced in 1980 was a direct result of the Chipko movement, but it also generated pressure on the government to establish policies that were more ecologically balanced and considered forest-based livelihood needs.

¹⁷www.mah.nic.in/warna, accessed on May 17, 2008

6.4 Livelihood efforts by NGOs

Non-governmental organisations (NGOs) have played a large role in livelihood promotion. The time right before and well after India's Independence saw several Gandhian organisations promoting livelihoods in agriculture, khadi and village industries. One example of this was the Association for Sarva Seva Farms (ASSEFA), promoted by S. Loganathan in Tamil Nadu in 1969. ASSEFA originally meant to help formerly landless families who had received land through the Bhoodan movement, make their land more cultivable. Today, it works with marginal farmers and the landless, in about 8,000 villages in eight states through promoting land-based economic development – dairying, agriculture and micro-enterprises. It also works in education, community health and housing. With the help of BASIX, ASSEFA also set up Sarvodaya Nano Finance Ltd, a non-bank finance company (NBFC) which is owned by over 25,000 women's self-help groups (SHGs), and has provided micro-credit worth over Rs 400 crore since 2001.

MYRADA, whose original name was Mysore Resettlement and Development Agency, was established in 1968, by Capt Bill Davinson. It initially worked in resettling Tibetan refugees in Karnataka. A decade later it shifted focus to promoting livelihoods of the rural poor through microcredit, building appropriate peoples' institutions, and training in relevant activities. It works in partnership with other NGOs in six other states with about 75,000 families. Through a separate affiliate, Sanghamitra Rural Financial Services, it works with 6 lakh poor women, offering bulk loans to their SHGs

Starting with a nature cure centre on the outskirts of Pune, Maharashtra, the Bhartiya Agro Industries Foundation (BAIF) later renamed BAIF Development Research Foundation was promoted by Gandhian social worker Manibhai Desai. Using local affiliates, BAIF works on a variety of rural development initiatives, particularly livestock development and watershed and land resource development, agriculture, agro-forestry, Wadi (homestead orchard), renewable energy, and empowerment through SHGs. BAIF works in 45,000 villages in 12 states across the country.

MFI and NGOs have helped an impressive number of over 10 million households with cumulative loans of over Rs 10,000 crore. Some, like BASIX, recognise the limitation of minimalist microcredit and have built a significant multi-faceted livelihood promotion programme.

Professional Assistance for Development Action (PRADAN), began in Bihar in the early 1980s in order to help NGOs and government agencies make their development efforts more effective. It also began to assist corporate rural development efforts (ITC Ltd) and the largest government livelihood promotion programme, IRDP. In the mid 1980s it also began working directly with poor communities in livelihood promotion. Today PRADAN works in 30 projects in seven states, with over 120,000 rural poor households, supporting agriculture, livestock, and non-farm rural enterprises, providing access to credit by linking SHGs with banks, which PRADAN pioneered like MYRADA.

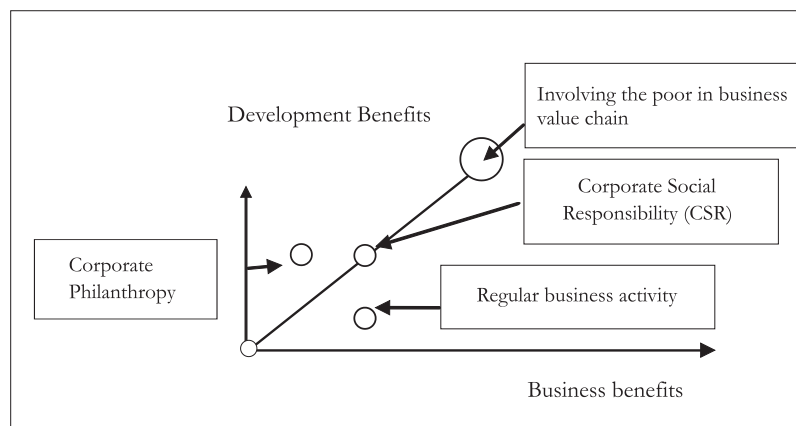
After liberalisation, since 1991, banks became more averse to lending to the poor. As a result, many livelihood promotion NGOs began to focus on microcredit, some forming SHGs and linking them with banks and others started lending directly to the poor. In 1996, BASIX was promoted as India's first commercial microfinance institution (MFI), as the founder believed that NGOs could not have significant access to capital markets. Yet, over 1000 NGOs got into microcredit with funds from FWWB, RMK and SIDBI. High unmet demand and supportive donors/lenders enabled rapid growth of these MFIs, and many of them including SHARE, Spandana and SKS, transformed from NGOs to NBFCs. Many others chose the intermediate form – a Section 25 company – like Sanghamitra of MYRADA, IASC of PWDS+HDFC, and CMC of Cashpor. Still others, like PRADAN decided to stay as SHG promotion agencies and link their SHGs with banks. Through these diverse forms, MFIs and NGOs have helped an impressive number of over 10 million households with cumulative loans of over Rs 10,000 crore. Some, like BASIX, however, recognise the limitation of minimalist microcredit and have over the years built a significant multi-faceted livelihood promotion programme.

6.5 Corporate efforts for livelihood promotion

India's large companies have made several efforts at livelihood promotion. These can be broadly classified into three categories (i) as philanthropic efforts, through charitable Trusts (ii) as corporate

social responsibility (CSR) cells or societies and (iii) as part of their mainstream business activities by involving the poor in the value chain. As Fig 1.8 below indicates, most private sector activity generates both business and developmental benefits. However, most regular business activity generates little of developmental benefit and much more of business benefit. In contrast, corporate philanthropy generates more developmental benefit than regular business activity but yields relatively little business benefit. This in turn constrains the amount of resources that businesses can put into corporate philanthropy.

Fig 1.8: Types of Relationships based on Development Orientation



Corporate social responsibility is an intermediate paradigm that tries to restore the balance between regular business activity and corporate philanthropy and succeeds in increasing the developmental benefit of businesses, without reducing, and sometimes increasing the business benefit. However, an even better strategy is involving the poor in business value chain.

The outstanding examples of the corporate philanthropy are the Tata Trusts, which together gave out grants of over Rs 400 crore in 2007-08, about half of it directly funding livelihood programmes of various kinds – land, water, forests, livestock, handicrafts, renewable energy, training, microfinance and the rest mainly for health and education. Virtually all major NGOs have received funding from the Tata Trusts over the years. Another example of this kind of philanthropic work is Lupin's Human Welfare Trust in Bharatpur, Rajasthan and Bhoruka Charitable Trust in Churu, Rajasthan, supported by the TCI Group.

In the second category also, one of the top examples is the Tata Steel Rural Development Society (TSRDS), a CSR initiative around the Tata Steel plant in Jamshedpur, Jharkhand. TSRDS runs livelihood programs related to agriculture, irrigation, watershed and livestock development, and various income-generation programmes. Other examples of CSR livelihood efforts are in the Aditya Birla Group, around their cement factory in Mirzapur, Uttar Pradesh and ITC Ltd around their factories in Munger, Bihar and Saharanpur, UP.

One the best examples of doing livelihood promotion through involving the poor in the value chain is ITC Ltd's 'e-Choupal' which is a village-level agricultural commodity procurement platform, predicated on giving the farmer a fair price, comparable to the mandi, but at his doorstep. This direct purchase gives the farmer an option to sell when he thinks the price is good, rather than be forced to do so, once he has taken his produce to the mandi. ITC saves dual transportation cost by carting the produce direct to its processing factories, apart from being assured a loyal supply base of farmers. In a different effort, ITC has also farmed out the production of its Mangaldeep brand of agarbattis to SHGs formed by NGOs.

Another example is FabIndia, a handloom and handicraft product marketing chain, which sources its products from thousands of rural weavers and craftsperson all over India, many formed with NGO support. In Madhya Pradesh's Khandwa region, BioRe Ltd works with over 10,000 cotton farmers to

Corporate social responsibility is an intermediate paradigm that tries to restore the balance between regular business activity and corporate philanthropy and succeeds in increasing the developmental benefit of businesses, without reducing, and sometimes increasing the business benefit.

help them grow organic cotton, which it then procures from them at a premium. Likewise, Pepsi works with BASIX-supported farmers in Jharkhand to procure special chip grade potatoes for its Frito Lays factory near Kolkata.

“The business of business is business” and it is not surprising that perhaps the maximal benefits towards the livelihoods of the poor have been generated by business corporations without intending to do so.

It has been said by Milton Friedman that “the business of business is business” and it is not surprising that perhaps the maximal benefits towards the livelihoods of the poor have been generated by business corporations without intending to do so. The greatest example of this in our times is the mobile telephone. The number of users in India as in March 2008 was over 260 million, a number which implies that a substantial number of poor households also own mobile phones. Apart from making the lives of millions of migrants and their families easier by enabling them to communicate, the mobile phone has become a tool for enhanced productivity among self-employed workers such as masons, plumbers, carpenters, caterers, masseurs, tutors and so on, who do not have any fixed work place since their work is done at the clients’ place.

Apart from direct and indirect increases in productivity and generating a large number of jobs, it is estimated that over three million people in India are now making a living fully or partially from mobile telephony related services. Yet it would be incorrect to say that mobile telephone companies came into this business to promote livelihoods for anyone.

7. The way forward

Livelihoods are dynamic in nature and also are influenced by external and internal conditions making the inter dependent influencing factors more complex in nature. Inequitable access to livelihoods opportunities leads to social unrest and violence and political instability. The ratio of urban income to rural income rose from 1.6 in 1951 to 4.5 in recent times. Unequal development made some states like Punjab, Haryana and Maharashtra far richer as compared to states like Bihar and Orissa. Investment goes to the richer states for enhancing the development of infrastructure, skill building, higher technical education etc.

Although GDP growth has accelerated, it has not been accompanied by a commensurate increase in employment, leading to a worsening in the employment situation in the post-reform period

There is almost a saturation in agriculture employment forcing people to shift to secondary sectors which again requires certain skill sets to survive. Due to uneven development of the secondary sector people are forced to migrate to a far location, as we have seen in the case of Bihar - people migrating to other states and cities (see Box 1.3) and the violence in recent times in different parts of the country. Some of the major challenges in primary sector are the low productivity, environmental impact on land and water resources, lack of access to formal financial system, poor forward and backward linkages, institutional setup, technical knowledge and assistance, lack of storage and transport infrastructure, poor-ineffective-corrupt delivery mechanisms etc. The organized sector is facing a shortage of skilled labour while the unorganised sector is full with migrant rural poor unskilled people willing to shift out of agriculture. Thus there is a huge investment required to build the skills of the workforce.

The last decade has seen a high growth rate of the economy. Evidence, both from field experience, studies and data, shows that the employment opportunities created is inadequate in spite of rapid growth. Although GDP growth has accelerated, it has not been accompanied by a commensurate increase in employment, leading to a worsening in the employment situation in the post-reform period. These considerations have led to a demand for greater attention to the employment objective.

Employment growth in the organised sector, public and private combined, has declined during the period between 1994 and 2005. This has primarily happened due to decline of employment in the public organised sector. As per NCEUS, which uses different classification of organised/ unorganised sector, the organised sector employment has increased from 54.12 million in 1999-00 to 62.57 million in 2004-05. However, the increase has been accounted for by increase in unorganised workers in organised enterprises from 20.46 million in 1999-00 to 29.14 million in 2004-05. Thus, increase in employment in the organised sector has been on account of informal employment of workers.

Box 1.3 Bihar – Underdevelopment in the State and Out-Migration

Economists believe that the backwardness of Bihar and the eastern region may be the key factor leading to migration, but it is not the whole truth. There are social factors too and the need of the hour is to end regional imbalances. Bihar's relative position has worsened considerably since the process of economic liberalisation was hastened in the 1990s. "When the Indian economy was growing at the rate of about 6%, Bihar's economy was left to falter at half the national rate. While population growth rates slowed down in the rest of the country between 1991 and 2001, in Bihar it continued to increase. This ensured that the income levels of the average Bihari worsened compared with average Indians elsewhere," Dr Datta explains. According to the 2001 census, the number of migrant labourers going out of Bihar state in search of work was over 2.4 million. This does not include seasonal migrant labourers whose figure runs into millions. An officially accepted fact in Bihar is that there is hardly a household without one or two members having migrated outside for jobs or education.

Both the census and National Sample Survey (NSS) reports suggest that Bihar has the highest rate of gross inter-state migration in India. Present estimates of the number of migrants differ. While Srikant believes around 55 lakh Biharis live outside the state, the Bihar Industries Association puts the number at a staggering 2 crore – almost a quarter of the state's population. Barring a handful of states, the entire country relies on them to build roads, till fields, run taxis and auto-rickshaws, and guard offices and homes. The hardworking Bihari migrant worker forms the backbone of the nation's workforce.

According to a study conducted by the New Delhi-based Institute of Human Development (IHD) in 18 villages of north Bihar, migration in search of work has recorded a substantive rise in the past two decades. The study reveals that in 2000 there was a migrant worker in 49% of the families surveyed compared with 28% in the early-1980s. The study notes that during the early-1980s, the most important destinations were rural areas of Punjab and Haryana. By the 1990s, Bihari migrants began opting for urban destinations like Delhi, Mumbai, Kolkata, Guwahati, Hyderabad and Surat. The IHD study adds that migrants contributed significantly to Bihar's economy in the form of newly acquired knowledge and technical know-how, and small savings by way of remittances. "Increasing trends in non-farm activities in the villages of Bihar provide evidence of this phenomenon," the study points out. The migrants' remittances were crucial to the Bihar economy though there are no official figures to quote. Annual remittances were pegged at anything between Rs 10,000 and Rs 15,000 crore. According to ODI, the total value of money orders sent to Bihar from other parts of India was Rs.4.5 billion in 2005-06.

InfoChange News & Features, March 2008

The Eleventh Plan recognises the need to increase the share of regular employment in total employment and a corresponding reduction in casual employment. The employment generation strategy is also predicated on the reduction of underemployment and the movement of surplus labour in the agriculture sector to higher wage and more gainful employment in the non-agricultural sector. The agriculture sector is projected to generate no increase in employment during the Eleventh Plan period. Employment in manufacturing is expected to grow at 4 per cent while construction and transport and communication are expected to grow at 8.2 per cent and 7.6 per cent, respectively.

The projected increase in total labour force during the Eleventh Plan is 45 million. As against this, 58 million employment opportunities would be created. Thus we are on the verge of reducing unemployment in absolute numbers, for the first time in our history. There is a concern about increase in unemployment of the youth and educated unemployed, as this will lead to waste of human resources and to social tensions. India will still have a very large population dependant on agriculture. There has been a gradual

The challenge of the decade is then not just new jobs, but to make existing livelihoods generate more income, do so in a stable and sustainable manner.

increase in casual labourers and large number of persons is employed in sectors which are not of high growth. All this requires investments in new skills.

The Eleventh Plan thrust will be on creating a pool of skilled personnel in appropriate numbers with adequate skills, in line with the requirements of the ultimate users such as the industry, trade and service sectors. Such an effort is necessary to support the employment expansion envisaged as a result of inclusive growth including in particular the shift of surplus labour from agriculture to non-agriculture.

The challenge of the decade is then not just new jobs, but to make existing livelihoods generate more income, do so in a stable and sustainable manner. *This “State of India’s Livelihoods” Report 2008 is a small contribution to that goal.

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**The People: Their Livelihoods and
Critical Challenges**

CHAPTER II

The People: Their Livelihoods and Critical Challenges

Bruja S. Mishra and Sourindra Bhattacharjee

Abstract

Providing sustainable livelihoods to the poor has been a major thrust area for development planners, policy makers and practitioners. As outlined in the Overview chapter, the vulnerable segment comprises almost three-fourths of the total population and lives well below the international poverty line standard of \$2 a day. In this context of vulnerability, understanding the livelihood challenges at a sectoral, segmental or a spatial level or even at the country level as a whole, as touched upon in the previous chapter, would be more appropriate. The opportunities and challenges at all levels are contingent upon or influenced by structural changes in the overall economy; lopsided development with a resultant widening of the gap between the poor and rich segments as well as the states; and high dependency on some sectors despite their low growth. This chapter looks into all these factors which have a direct and indirect impact on the livelihoods of vulnerable segments and identifies the critical issues in each of them.

1. Only a small share of the total workforce belongs to the salaried class

The overview has analysed in great detail the employment and unemployment scenarios in the country. A deeper examination of these scenarios throws up some interesting nuggets of information. It is evident from data generated by different rounds of the National Sample Survey Organisation (NSSO) across both male and female categories that while structural changes in the economy have had an impact on the nature of employment generated in the various sectors, there is still high dependency on the agricultural sector for employment in the backward states. Moreover, the employment generated in the burgeoning services sector is in the unorganised sector especially for those whose education levels are below secondary level and in real terms, their wages have decreased. Thus this segment of the population also remains vulnerable, despite its integration into growing sectors in the economy such as real estates, construction, etc.

Based on the three categories of employment in the primary, secondary and tertiary sectors, (see annex. Table A.2.1) it is seen that in rural areas there is a consistent decline in employment in the primary sector and a rising trend has been observed in the secondary and tertiary sectors. The other interesting factor is that in rural areas the engagement of women is higher in the primary sector and lower in other sectors in comparison to men. It shows that participation of women is greater in labour-intensive sectors such as agriculture.

In urban areas, the engagement in the primary sector is less than that in the secondary and tertiary sectors for both men and women across the 57th to 62nd Rounds. On the other hand, in the manufacturing sector, the figures for men have improved marginally whereas they have remained stagnant for women. In the tertiary sector, the situation changes with the engagement of men remaining stagnant over the rounds whereas for women it shows an increase. The latter may be triggered by more women moving out to work as domestic and construction workers.

While structural changes in the economy have had an impact on the nature of employment generated in the various sectors, there is still high dependency on the agricultural sector for employment in the backward states.

An enumeration of the dependency of the poorer and less developed states for employment in agriculture (see annex. Table A.2.2) reveals that although there has been a decrease in the employment share of agriculture between 1993-'94 and 2004-'05 across all states, 64 per cent of the employment for the bottom five states is still in agriculture whereas it is about 50 per cent for the average and developed states. The share of employment in the manufacturing and services sectors has increased across all the states in the period mentioned. However, the percentage share in these two sectors is much higher for the average and developed states, which is about 5 per cent in the manufacturing sector and 10 per cent higher in the services sector. Thus regional disparity in employment share in various sectors in the country is evident and has a consequent impact on livelihoods in terms of higher and a regular flow of income to those seeking employment in less developed states.

At an All-India level, about 60 per cent of the people depend on non-salaried employment, be it self or wage employment.

In the urban areas, there is not much difference between developed states and the undeveloped ones. However, self-employed persons are interestingly the highest in Bihar with nearly 54 per cent of households engaged in the same followed by Uttar Pradesh, Uttaranchal, Jammu and Kashmir and Punjab and Gujarat. On the other hand, the salaried class is larger in the developed states such as Delhi, Maharashtra, Gujarat, etc. At an All-India level, it can be said that about 60 per cent of the people depend on non-salaried employment, be it self or wage employment. (See annex. Table A.2.3). Only 16 per cent of the total workforce belongs to the salaried class

2. The unorganised sector remains the lifeline of the poor

It is widely known that a GDP growth rate of 8.7 per cent makes India the world's fastest growing economy after China. The trend of overall economic growth and reduction of the share of employment as well as contribution to GDP from agriculture is a welcome sign for the Indian economy. However, the stark reality of inequality across regions and its impact on the vulnerable sections of the society is much more evident when we delve further into these numbers. (See annex. Table A.2.4 and A.2.5)

Since the services sector is generally more inclined towards educated and skilled personnel, it is yet to provide any cushion against endemic poverty. employment, and deprivation of social opportunities.

As outlined above, employment opportunities and consequent income in the less developed states are primarily dependent on agriculture, especially for the unskilled and labour category. Hence, the per capita income of persons engaged in agriculture would be lower in comparison to other sectors. These people constitute the poor and vulnerable sections among whom the phenomenon of migration for work is high. Since the services sector is generally more inclined towards educated and skilled personnel, it is yet to provide any cushion against endemic poverty, unemployment, and deprivation of social opportunities such as the lack of a minimum standard of living in terms of food, clothes and shelter, facilities for elementary education and health to the uneducated and poor.

Thus the unorganised or informal sector, comprising 92 per cent of India's working population (see Table 2.1), is characterised by uncertainty of income and low social protection or security.

Table 2.1: Distribution of Total and Unorganised Sector 2004-'05

Poverty Status	Total Worker (Million)	Work Participation Rate (%)	Unorganised Worker	Share of Unorganised Worker to Total Worker
Extremely poor and poor	89.3	37.7	87.8	98.3
Marginal and vulnerable	225.8	42.7	244.8	95.7
Poor and vulnerable (1+2)	345.1	41.3	332.6	96.4
Middle and high income	112.4	44.3	90	80.1
Total	457.5	42	422.6	92.4

Note: Work participation rate= (Total workers/Total Population)*100

Source: NSSO 61st Round and EPW, Arjun Sengupta, K P. Karan and G. Raveendran, March 15th 2008.

As evident from Table 2.2, the contribution to GDP by the organised and unorganised sectors is 49.4 and 50.6 per cent respectively, whereas, as mentioned earlier, the majority of workers are engaged in the unorganised sector. This implies that per capita income per worker is much lower in the unorganised sector.

Table 2.2 Estimate Share of Unorganised Sector in GDP in 2004-'05 (per cent)

Industry Group	Unorganised	Organised	Total	Share of Unorganised sector
Agriculture	94.5	5.52	100	37.7
Industry	28.9	71.15	100	15
Service	44.7	55.26	100	47.2
Total	50.6	49.39	100	100

Source: NCEUS 2007. Report of the Sub-Committee on Contribution of the Unorganised Sector GDP.

If we look at the distribution of workers by type of employment in different sectors (Table 2.3), it can be seen that the unorganised/informal sector employed 99.64 per cent of the workforce in 2004-'05, which is a significantly high number. The National Commission for Enterprises in the Unorganised Sector (NCEUS) also argues that there are layers of poverty, incomes and employment among the unorganised workers. Agricultural labourers are the most vulnerable, followed by other casual workers, marginal farmers in agriculture, the self-employed in rural and then in urban areas etc. There has to be a different strategy and consequent thrust to address the vulnerability of workers in these different strata (see Box 2.1).

There are layers of poverty, incomes and employment among the unorganised workers. Agricultural labourers are the most vulnerable, followed by other casual workers, marginal farmers in agriculture, the self-employed in rural and then in urban areas

Table 2.3: Distribution of Workers by Type of Employment and Sector (per cent)

Sector	1990-'00			2004-'05		
	Informal	Formal	Total	Informal	Formal	Total
Unorganised sector	99.6	0.4	100	99.64	0.36	100
Organised Sector	37.8	62.2	100	46.58	53.42	100
Total	91.17	8.83	100	92.38	7.46	100

Note: Unorganised/Informal workers consist of those working in the unorganised sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers.

Source: NSSO 55th Round 1999-'00, Employment and Unemployment; NSSO 61st Round 2004-'05, Employment and Unemployment data computed.

Box 2.1 Macro Level Livelihood Challenges: Addressing Different Fronts

Some Macro-level livelihood issues are:

1. As suggested by NCEUS, there is a need to recognise the problems and constraints faced by the vulnerable section for addressing poverty and livelihood issues. Otherwise, efforts will always be partial, sporadic and based on emergency needs.
2. Creation of employment and income opportunities, especially for the uneducated and labour segment in the rural areas, more importantly in the less developed states, is a major challenge.
3. Support to the self-employed in the unorganised sector is also a key issue, which is often not thought of by those concerned with development. The problems of dispersed presence of these small entrepreneurs and their varied work, especially in the non-farm sector, makes support work more difficult.
4. With about 58 per cent of the country's working population still dependent on agriculture, another critical challenge is the consequent low per capita income, high possibility of debt trap and sudden distress due to exogenous shock. There is a need to shift some families out of agriculture into local non-farm enterprises.
5. The demand for such non-farm services should be generated from agricultural surplus which could be achieved through increase in productivity, crop diversification, access to markets, etc. This calls for indirect investment in research and development, rural roads, market infrastructure, etc.

3. Access to resources is essential to enhancing livelihoods

The key to supporting livelihoods of the poor is provision of access to various types of resources such as land, water, finance, etc. All these have a direct impact on income and employment, especially for those in the unorganised sector. In addition to these, certain kinds of infrastructural support also offer scope for livelihood enhancement. This section looks into how the resources have been used and made available to poor and vulnerable sections as well as raises the issues to be tackled to make livelihoods more sustainable.

3.1 Land resources

With the changing scenario of agriculture through integration with global markets, increased participation of corporates in agri-business and competition from alternate uses of land such as bio-fuel production, there is a possibility of land becoming a critical resource in the long run. This is more so due to the current debate on food security across the globe, the inflationary trend due to rising fuel prices and the increasing trend of use of agricultural land for non-agricultural purposes. (See Chapter VIII for a detailed analysis)

One of the issues with regard to land-holding is the increase in the number and area under small and marginal holdings (see annex. Table A.2.6). The percentage of small operational holdings (<2 ha) to total rural holdings increased from 59.6 per cent in 1953-'54 to 85.9 per cent in 2002-'03. With the low surplus thus generated, there is little investment in land for improvement of agricultural productivity. This also denies the farmer access to credit, leading to increased risk and vulnerability. Further, the small land-holding pattern is a hindrance to large-scale commercial farming and therefore requires additional efforts towards collectivisation, either at the production stage or for accessing markets or both. This is more true for accessing distant or specialised markets, especially for cash crops.

Other issues which could have an impact on livelihoods include the conversion of agricultural land for other purposes, especially housing. In the past such loss of agricultural land was compensated by conversion of forest land, which has now stopped. Land degradation is another major problem in India - overall fertility of land has come down and thereby productivity has either stagnated or declined.

3.2 Irrigation

Irrigation is an investment which can boost the agriculture-based rural economy. The total irrigated area increased from 20.58 million hectare in 1950-'51 to 55.85 million hectare in 2002-'03. However, the increase in irrigated area is mostly due to private investment rather than efforts by the government.

There are, however, other issues in irrigation that could impact livelihoods in the long run and therefore need to be noted. The submergence of land due to surface reservoirs is leading to displacement of people and causing extensive damage to ecosystems. It is estimated that the number of people displaced as a consequence of surface reservoir systems is between 21 million and 40 million¹. Also, excessive harnessing of groundwater is affecting the quality of not only irrigation water but drinking water as well. Such overuse has resulted in salinity in coastal areas - 13 states in India have evidence of fluorosis, and arsenic is found in West Bengal. Surprisingly, water logging of areas due to excessive irrigation using groundwater is a cause of salinity and alkalinity.

3.3 Infrastructure

Given the crucial linkages of infrastructure with economic growth, poverty alleviation and human development, emphasis on rural infrastructure is critical in achieving balanced growth in the Indian context. When seen in relation to livelihoods, this includes the creation and maintenance of basic rural infrastructure such as roads, electricity, irrigation systems, etc., that can help the local economy and calls for huge investment. (See annex. Tables A.2.7 and A.2.8) Then there are other areas that need concerted effort and support. For example, the quality and quantity of educational and technical institutions in rural areas need to be assessed and trainings, to help the rural masses build necessary skills, imparted. The provision of protective and curative health services is of prime importance too. Livelihood promotion institutions have to look for both direct and indirect support (health insurance) for reaching health services to the poor and vulnerable, which is again an uphill task. Identification of possible areas of public-private partnership (PPP) also needs to be looked into. This could be a step forward to provide infrastructural support to the rural economy, for example, creation of special economic zones (SEZs) around certain commodities like floriculture, grapes (Maharashtra) pineapple (West Bengal), etc. Cold storages could also be another major area of investment. Losses due to spoilage as well as forced/distress sales in the absence of cold storage facilities is widely known. Investment in this area could help in shifting cultivation to vegetables and other high value crops. (See Chapter III).

Livelihood promotion institutions have to look for both direct and indirect support (health insurance) for reaching health services to the poor and vulnerable.

3.4 Financial Resources

Despite the spread of the formal banking system in India, financial exclusion of the economically backward classes is still a reality. The All-India Debt and Investment Survey (AIDIS), 2002 for cultivator households records a remarkable decline in the share of non-institutional sources of credit to cultivator households between 1951 and 1991, mainly due to reduced dependency on moneylenders. However, in the post liberalisation period, the share of non-institutional credit has increased by 30 per cent (from the 1991 base) which is primarily accounted for by an increase in the share of moneylenders. This implies that the formal financial sector, due to policy and operational changes after liberalisation, has focused less on the rural sector, especially the vulnerable segments or poorer households. There is, therefore, reason to believe that financial exclusion may actually have increased in the rural areas over the last 10-15 years.

There is reason to believe that financial exclusion may actually have increased in the rural areas over the last 10-15 years.

¹ India Infrastructure Report 2007

In addition to the above, the protection of livelihoods in the form of insurance and other services such as pension, remittance, as well as commodity futures is as much essential as credit and savings. However, these services are not available to the poor and vulnerable sections. *Insurance penetration*² in India is about 3.14 per cent and *insurance density*³ is about USD 22.7 (UNDP-Micro-Insurance Report, 2005). The total population excluded from insurance in India is estimated to be 950 million.

The growth of the microfinance sector has been noteworthy but is still insignificant in comparison to demand. As on March 31, 2007, the SHG-Bank linkage programme has enabled about 58 million households to open savings accounts and financed 1.11 million SHGs through credit linkage (5.5 million households, if we assume five members getting credit from SHGs). Thus unserved poor households who do not have access to bank credit is roughly around 55 million. Assuming the credit requirement per household is Rs 10,000, the estimated credit gap would be Rs 55,000 crore per annum!

The most important challenge therefore is how basic financial services such as savings, credit and insurance can be made available to the poor in adequate quantum, at an affordable cost and time.

All these data indicate that access to financial services, one of the critical inputs for sustaining livelihoods, is not available in the rural economy, especially for those who are under-privileged and resource-poor.

4. Agricultural labourers are at the bottom rung of the poverty ladder...

As per ESCAP (Economic and Social Commission for Asia and the Pacific of United Nations) studies, persistent poverty and widening inequality is the result of decades of neglect of agriculture, despite it being the mainstay of the poor. Agriculture has not really been remunerative for quite some time. Several studies have shown that the profit margins for farmers growing food grains are declining in many parts of the country. (see Chapter VIII Sriram)

Box 2.2 represents a 2005 cost analysis of a kharif crop grown by a marginal farmer from Basrahiya village in Lucknow district that shows how much a small farmer can really earn. The study was done for the planning department of the government of Uttar Pradesh.

While on a gross basis it seems that the farmer is at least making a profit of Rs 8,600 in the case presented,

Box 2.2 How much can a small farmer really earn?

Land cultivated	3 bighas (0.75 hectare)
Investment	Rs 12,200
Total returns expected	Rs 20,800
Labour input	5-6 months of work by the farmer, his adult son and daughter-in-law
Net profit	Rs 8,600 or Rs 1,720 per month
Amount each of the members would have earned had they worked as wage labourers for 30 days	Rs 1,800 (at Rs 60 a day)

Source : *Bhattacharya, Amit, 'Farming Unviable for Small Growers' The Times of India, New Delhi, April 4, 2008*

² *Insurance Penetration* is Gross Insurance Premium as a per cent of Gross Domestic Product (GDP). It is used as an indication of the level of risk awareness in the population and significance of insurance in the economy.

³ *Insurance Density* is calculated as Per Capita Insurance Premium. It measures the progress of the insurance industry and is used as an indicator of the industry's maturity in an economy.

in reality even this is not available to the farmer. As Sriram discusses later in the chapter on Agrarian Distress, a large part of the agricultural produce is held back for household consumption. Thus there is a net negative cashflow from the agricultural activity.

Then why does a farmer take so much risk and responsibility to make such a paltry sum? A survey done by NSS says that an estimated 27 per cent of farmers do not like farming because it is not profitable and, given an opportunity, 40 per cent say they would take up some other career other than agriculture.⁴

There is an interesting gender dimension to the employment of men and women in agriculture. The majority of women workers continue to be agricultural workers even as the men migrate or take up new employment opportunities in rural areas. Therefore, the share of agricultural workers in the female workforce is very high – 72.8 per cent in 2004-'05, while for males it is much lower at 48.9 per cent.⁵

Where agricultural labourers are concerned, their socio-economic profile is characterised by poor physical and human capital and high poverty levels. The real wage rate has not only remained low, its growth has decelerated through the decade (1994-2004).⁶ It is estimated that in 2004-'05 about 91 per cent of agricultural labourers received wages below the statutory minimum wage under the Minimum Wages Act, 1948 except in states like Kerala, Jammu and Kashmir, Himachal Pradesh and to some extent Punjab and Haryana.

Poor asset base and landlessness are the real reasons why workers in rural areas work as agricultural labourers. In fact, it is they who move out or migrate to other areas in search of work with no asset base to pull them back. The grim picture is that agricultural labourers are the most marginalised group among the rural poor who constitute the bottom rung of the poverty ladder. Overall, the poverty estimate for agricultural labourers at 28.4 per cent is much higher than the poverty ratio for agricultural workers as a whole, at 19.9 per cent.⁷ (See Fig. 2.1. Also see Box 2.3 for definitions of key terms used here).

The poor therefore are not only constrained in terms of assets and resources, they come across various types of livelihood challenges: when they face a depressed agricultural scenario; migrate with an expectation for a better livelihood; are displaced from their habitation in the wake of any so-called development projects or become more vulnerable as a result of natural disasters; or are deprived of newer opportunities in the globalised society due to lack of education and skills. Their lives are also wrought with occupational hazards. Besides normal health problems due to low levels of nutrition and lack of access to health services, agricultural labourers are also afflicted with various occupational health hazards because of their exposure to excessive usage of fertilisers, insecticides, pesticides and mechanisation. Illiterate or less educated labourers are hardly aware of the hazardous effects of coming in direct contact with such toxic substances in the absence of protective equipment. The increasing use of powered machines has further aggravated their vulnerability.⁸

Poor asset base and landlessness are the real reasons why workers in rural areas work as agricultural labourers.

The poor are not only constrained in terms of assets and resources, they come across various types of livelihood challenges.

Box 2.3: Operational Definitions

Agriculture: In the context of discussion and data agriculture refers to crop cultivation, forestry, fishing, hunting and livestock rearing.

Farmers: Those who are self employed in agriculture.

Agricultural Labourers: Those who work as wage labour in agriculture

Agricultural Workers: Both the farmers and agricultural labourers are referred to as agricultural workers

⁴ Govt. of India (2005) : NSS 59th round – Some Aspects of Farming

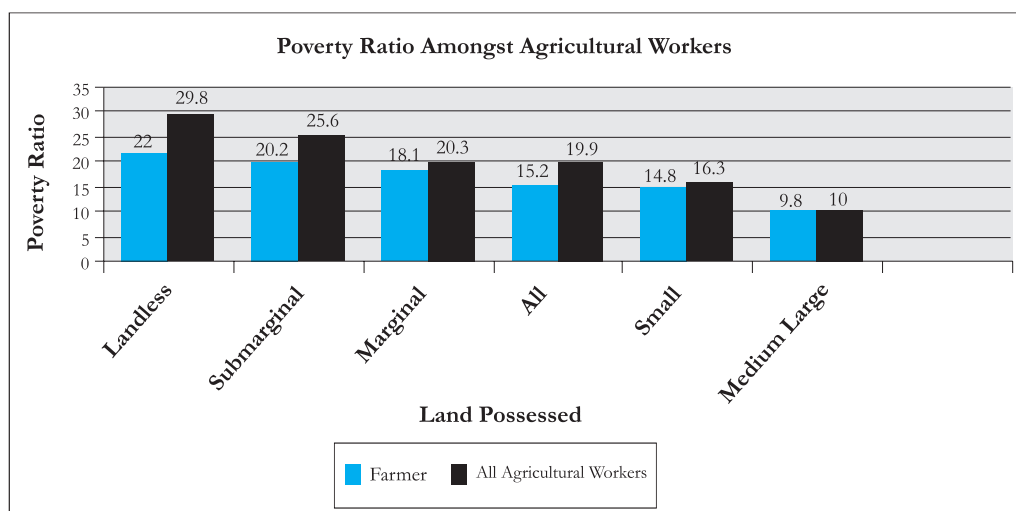
⁵ Govt. of India,(2007) Report on Conditions of Work and Promotion of Livelihoods in the Unorganized Sector, NCEUS, pp 110)

⁶ Ibid., 123-124

⁷ NSS 61st Round (2004 – 2005), Employment-Unemployment Survey

⁸ Government of India (2007) Report on Conditions of Work and Promotion of Livelihoods in the Unorganized Sector, NCEUS

Fig 2.1: Poverty Ratio amongst Agricultural Workers and Farmers by Land Possessed (2004-'05)



5. Migration is one of the most common coping strategies of the poor to overcome poverty

Distress migration occurs due to lack of physical assets and human capabilities, initial condition of extreme poverty, low social status, lack of availability of gainful work and low bargaining power of the poor.

While migration also takes place in search of prosperity like in the case of the Laxmi Mittals and Swaraj Pauls and the educated middle-classes who migrate for better employment, our discussion in this section shall focus on the poor who migrate under distress and the lack of alternative work to different places in search of livelihoods. Distress migration occurs due to lack of physical assets and human capabilities, initial condition of extreme poverty, low social status, lack of availability of gainful work and low bargaining power of the poor who are driven from their homes in search of work both in rural and urban areas. They end up as domestic servants, construction workers, rickshaw pullers, workers in small and informal manufacturing units of urban centres, workers in quarries and mines, brick-kilns, farm labourers etc.

Migration can be internal (within the country intra-state, inter-state, rural-urban, rural-rural, urban-urban and urban-rural) and international. Unskilled labourers from resource-poor areas as well as areas having extreme poverty migrate to the rural and urban centres where there is demand for such labour. For example, poor rural labourers from Bihar and eastern Uttar Pradesh migrate to Punjab and Haryana and others from Bihar, Jharkhand, Orissa, West Bengal and Andhra Pradesh migrate to Delhi, Mumbai, Surat. Similarly, the poor migrate from Rajasthan to the farms and factories of Maharashtra and Gujarat. Though Biharis are popularly known as the largest migrants in the country, the actual percentage of out-migration is only 3.1 per cent. Similarly Uttar Pradesh has only 0.8 per cent out-migration and surprisingly an economically poor state like Orissa gets an in-migration of 0.6 per cent because of the pressure of land in neighbouring states like West Bengal, Andhra Pradesh, Madhya Pradesh and infiltration of Bangladeshis. Similarly, in Kerala, a sizeable population emigrates to the Gulf and other countries and at the same time the state receives a good number of migrant workers from the poor and rain-fed neighbouring areas of Karnataka and Tamil Nadu. The two main reasons cited are a high level of minimum wage as a result of remittance money and trade union activities. Thus, Kerala has a net in-migration of 0.6 per cent.⁹

The migration patterns have also been different – in some cases cyclical, systematic and in others, sporadic and chaotic. In the absence of effective regulation of employment conditions, the migrant workers are

⁹ Aiyar, Swaminathan S Anklesaria, (2003) 'Swaminomics'. The Times of India, August 03

more vulnerable. Migration also occurs because of natural disasters like flood, drought, cyclone etc, which result in a loss of livelihoods. In fact, natural disasters were considered one of the main reasons for migration in the 1981 and 1991 census, but surprisingly this has dropped in the 2001 census. However, migration also now takes place because of caste and communal conflicts and riots.¹⁰ So, there are issues of enumerating the various dimensions of migration. A bird's-eye view on comparative reasons listed in census and NSS data is a testimony to this fact (see Table 2.4).

Table 2.4: Reasons for Migration: A Comparison of Census and National Sample Survey (NSS) data

Census 1981	Census 1991	Census 2001	NSS
1. Employment	1. Employment	1. Work/employment	1. In search of employment
2. Education	2. Business	2. Business	2. In search of better employment
3. Family moved	3. Education	3. Education	3. To take up employment/better employment
4. Marriage	4. Family moved	4. Marriage	4. Transfer of service/contract
5. Others	5. Marriage	5. Moved with birth	5. Proximity to place of work
	6. Natural calamities like drought, floods etc	6. Moved with household	6. Studies
	7. Others	7. Any other reason	7. Acquisition of own house/flat
			8. Housing problem
			9. Social/political problem
			10. Health
			11. Marriage
			12. Migration of parents/earning member
			13. Others

Source : Census of India 1991 and 2001, NSSO(2001)

Looking at census data it is estimated that migration is predominantly short distance – 60 per cent migrate within the district, 20 per cent within the state and 20 per cent outside the state.

5.1 Issues related to migration of resource-poor people have been largely ignored by policymakers due to the lack of reliable data.

Though migration has been an age-old phenomenon, labour migration over the last few decades has become a complex issue and has rarely been reliably studied.¹¹ Mobility has been really very critical to the livelihoods of migrant labour especially amongst tribal people, socially deprived groups and people from resource rich and economically poor areas. However, because of lack of classified data, the issues relating to migration of resource-poor people has largely remained invisible and ignored by policy makers.¹²

¹⁰ Bhagat, Ram.B (2003) Conceptual Issues in Measurement of Internal Migration in India, paper presented in XXVth IUSSP International Conference held in Tours, France, 18-23 July

¹¹ Srivastava,Ravi and Sasikumar (2003) An Overview of Migration in India, its impacts and key issues (paper presented at he Regional Conference on Migration, Development, and Pro-poor Policy Choices in Asia, sponsored by DFID, held in Dhaka on 22-24 June

¹² Ibid.,

Poor migrant labour often suffer from longer working hours, poor living and working conditions, low and delayed payment and sometimes non-payment of wages, social isolation, poor access to basic amenities, lack of social security measures and the like. In recent times migrant workers have started facing another form of threat to their livelihoods – expulsion and eviction – by the ‘sons of the soil’ at their destinations.

There is a large gap between the insights from macro data and those from field studies. It has however been seen that there are varied economic and social impacts on migrant labourers and their families. Poor migrant labour often suffer from longer working hours, poor living and working conditions, low and delayed payment and sometimes non-payment of wages, social isolation, poor access to basic amenities, lack of social security measures and the like. They have very little bargaining power too. Most migrant labourers are employed in the unorganised sector where the lack of regulation compounds their vulnerability. While there are some important labour legislations meant to protect workers in general, and unorganised workers including migrant workers in particular, implementation on the ground has been limited.

A new development observed in recent times is that apart from various forms of economic, physical and sexual exploitation, migrant workers have started facing another form of threat to their livelihoods – expulsion and eviction – by the ‘sons of the soil’ at their destinations. This is mostly a politically motivated move which ignites emotive issues. (See Box 2.4).

Box 2.4: Migration – For Better or Worse?

A study conducted on the status of migrant workers in the Punjab by the Centre for Education and Communication (CEC) pointed out gross violations of the Child Labour (Prohibition & Regulation Act 1986), the Minimum Wages Act (1948), the Contract Labour Act (1970), the Inter State Migrant Workmen Act, 1979 and the Equal Remuneration Act (1976). The violation of these laws was found to be most rampant in the case of brick kilns. Different kinds of harassment were meted out to migrant workers by the police, postal department, owners of the establishments, owners of workers’ dwellings, shopkeepers, labour contractors and the railway police during their journey. Migrant labour is recruited from various parts of a particular state through contractors or agents for work outside that state in large construction and other projects. This system lends itself to abuses – working hours are not fixed and workers have to work under extremely harsh conditions.

Fifty-six Biharis were murdered in Assam in November 2003, over a week of sustained ethnic violence. In the face of intense competition for the semi-skilled D category of jobs (requiring a minimum of Eighth standard education) in the Indian Railways (the single largest employer in the world), targeted bloodshed was the answer. A mere 2,750 vacancies in Assam had attracted 20,000 prospective applicants from Bihar. This prompted the local ULFA (United Liberation Front of Assam) to call for protection of employment opportunities for the sons-of-the-soil, a long-standing ideology of Bal Thackeray’s Shiv Sena in Maharashtra. In the days of violence, 11 wage labourers were also brutally murdered because they hailed from Bihar. But what is the root of a force so vicious and desperate that it instigates mass murder on ethnic lines?

Again recently in 2008, Raj Thackeray, nephew of Bal Thackeray, engineered an anti-North Indian movement in Mumbai, Maharashtra to establish his new political outfit, Maharashtra Navnirman Sena.

Source: <http://www.labourfile.org/cec1/cec> and Narayan, Swati ‘Unemployment and Migration’ www.indiatogether.org, March 2004

In a vast country like India where millions are migrating internally there is no effective policy to address the issues relating to livelihoods and quality of life of migrant workers. However, government employment schemes under different rural and urban development programmes have been able to somewhat reduce distress migration in dry and rain-fed regions.¹³ Similarly, the Employment Guarantee Scheme (EGS) of Maharashtra has also contributed to the reduction of distress migration.¹⁴ It is believed that SHG based

¹³ PRAXIS (Institute for Participatory Practices) (2002). MP Participatory Poverty Assessment. Report prepared for ADB.

¹⁴ Narayan, Swati (2004, **Unemployment and Migration**, www.indiatogether.org, March, visited on June 14, 2008

economic activities promoted by the government and the massive rural employment guarantee scheme launched under the National Rural Employment Guarantee Act (NREGA) in 2005 has had some impact on reducing distress migration across the country. A national daily carried a report some time back saying that the National Rural Employment Guarantee Programme (NREGP) has held back many agricultural labourers from Bihar and Uttar Pradesh from migrating to Punjab and Haryana, thereby creating a crisis for the farmers in those states.¹⁵

There are quite a number of non-governmental organisations (NGOs), trade unions, community-based organisations (CBOs) and sometimes gram panchayats working for the welfare and development of migrant workers. However, in the absence of a focused policy and institutional arrangement, it is becoming a huge challenge to cater to the millions of migrant workers across the country.

6. What appears as a paradox though is ‘development-induced’ displacement

Box 2.5: Defining Development-Induced Displacement

“Development induced displacement is the forcing of communities and individuals out of their homes, often also their homelands, for the ostensible purpose of social and human development, but which is actually nothing more than ‘economic development’ and the benefits accruing from such almost never if ever percolate down to the ones that bear its costs. It is a subset of forced migration.”

Source : http://en.wikipedia.org/wiki/Development-induced_displacement

The need to build infrastructure for large and heavy industries, mining, irrigation, power generation, transportation highways and railways, airports and services like hospitals, schools and universities is indisputable in the context of the development of the nation. However, while these development projects ostensibly serve to improve people’s lives, they also serve to displace another section of the population from their lands, livelihoods, individual and community resources.¹⁶ (See Box 2.5 for a working definition of development induced displacement). Most of the projects are government-sponsored except for some by corporate bodies. Though the principle of “greater good for the larger numbers” is used to rationalise the involuntary displacement of indigenous people, it raises an ethical issue on the fundamental rights of displaced people. There has been no end to such issues even today. The Narmada Bachao Andolan, Nandigram, Singur, Kalinga Nagar and Niyamgri all stand testimony to this paradox.

As per the estimation of the World Bank, in the last five decades, around 25 million people in India have been displaced by development projects. One statement by N C Saxena, former secretary, Ministry of Rural Development, Government of India, however, puts the total number of persons displaced due to large dams at 40 million¹⁷. Similarly, a study by the World Commission on Dams says “impoverishment and disempowerment have been the rule rather than the exception with respect to resettled people around the world.” It provides further evidence that the vast majority of the displaced are the indigenous and tribal populations who are hit by loss of livelihoods, assets, debt-bondage, hunger and cultural disintegration, the worst affected being women and children.¹⁸ Also see Table 2.5.

The vast majority of the displaced are the indigenous and tribal populations who are hit by loss of livelihoods, assets, debt-bondage, hunger and cultural dis-integration, the worst affected being women and children

¹⁵ Bhatia, RK (2008) Migrant labourers trigger labour pains in Punjab, The Times of India, Bhubaneswar, June 20

¹⁶ Cernea, Michael, (2000) Risks, Safeguards and Reconstruction, in Michael Cernea and Christopher McDowell, eds Risks and Reconstruction: Experiences of Resettlers and Refugees, World Bank, Washington DC).

¹⁷ Roy Arundhati, (1999) The Greater Common Good, India Book Distributors, Delhi

¹⁸ World Commission on Dams (2000) Dams and Development: A New Framework for Decision-Making. London and Sterling, Virginia: Earthscan).

Interestingly, the Government of India which spends huge resources to undertake the NSS does not have any authentic data on displacement resulting from different development projects. A review by the World Bank says that each large dam in India has displaced an average of 13,000 people. On the basis of that calculation then one can assume that the more than 3,000 dams in India have displaced around 39 million people.¹⁹

Table 2.5: Independent Estimate of Total Persons Displaced by Dams during 1950-'90

Category	Number (million)	Percentage (%)
Total number of persons displaced	16.4	100
Total number resettled	4.1	25
Backlog	12.3	75
Total number of tribal persons displaced	6.32	38
Total tribal persons resettled	1.58	25
Backlog	4.74	75

Source : Fernandes, Walter, and Vijay Paranjpye. 1997. Rehabilitation Policy and Law in India: A Right to Livelihood. New Delhi: Econet and Indian Social Institute.

A study undertaken in Orissa shows that landlessness has increased after displacement despite people being rehabilitated with land and financial support.

In some of the recent projects (under construction or planned to be constructed), the majority of the displaced are tribals. (See annex. Table A.2.9) As a result a significant number of tribal and other socio-economically backward people are not only displaced from their land and common property resources including water and forest resources, their livelihoods are destroyed and no amount of rehabilitation in terms of providing some land and money have been able to restore their traditional livelihoods reasonably enough. Displacement has brought psychological trauma and made their lives more miserable and impoverished.²⁰ Interestingly enough, a study undertaken in Orissa shows that landlessness has increased after displacement despite people being rehabilitated with land and financial support.

So far, it was mostly the government that was the major agency effecting displacement through development projects. However, in recent years, there has been an upsurge of private/corporate-driven expansion of industrial and SEZs. The states too have been aggressively facilitating the process with a promise to create more employment and achieve a better growth rate. Land acquisition by the states is leading to the people being displaced from their own lands for some monetary compensation and some of them at best end up as labourers in the new industries. Amit Bhaduri (1997) has been a strong critic of the governments' move and says that 'states' alliance with corporations to dispossess people of their livelihoods in the name of development is nothing but 'developmental terrorism'.²¹

Other activities like illegal mining within the knowledge of the government and local administration in the forest areas, excavation of mineral reserves like limestone in plains where people grow crops and graze their livestock to sustain their livelihoods etc, have all put tremendous pressure on the livelihoods of the people.²² (See Box 2.6) For instance the cement industry alone has taken away substantial agricultural land.

A detailed cost benefit analysis of different development projects and the people displaced (physically, socially and psychologically) and loss of livelihoods is beyond the scope of this discussion. We can only make an attempt here to highlight displacement as a major livelihood challenge for the poor.

¹⁹ Cernea, M.M. (1996) Public Policy Responses to Development Induced Population Displacement in Economic & Political Weekly June 15

²⁰ Biswaranjan Mohanty (2005) Displacement and Rehabilitation of Tribals, Economic & Political Weekly, March 26

²¹ Bhaduri, Amit (2007) Development or Developmental Terrorism? Economic & Political Weekly, Feb 17

²² Bhusan, Chandra & et al (2008) Rich Lands Poor People: Is Sustainable Mining Possible?, Centre for Science and Environment, New Delhi

Box 2.6: Loss of Common Property Resources and Loss of Livelihood Dukhi Naik

Dukhi Naik is a 50-year-old scheduled caste landless woman of village Hensmul. She was married at the age of 15 to Tihili Naik of Purnia village situated between Ananta and Jagannath collieries. Her husband was an agricultural labourer. She used to earn Rs 250 to Rs 300 a month by collecting and selling forest produce from the nearby forest. Her husband died of cholera within eight years of her wedding. By that time she had become the mother of a son and a daughter. After the death of her husband she went back to her old village Hensmul, but started living separately from her parents, depending on forest resources for a living. But for essential needs, she had to work hard. To fetch water for instance, she had to walk a long distance, since the mining authorities had not provided water to her village. Once, while carrying water, she fell and broke her leg, as a result of which she was bedridden for two months without any medical care. But despite great odds, she sent her son to school, and from her meagre earnings she also got her daughter married. The son studied up to Class VI but could not continue because of financial constraints. Dukhi's financial problems started with the rapid clearing of the forest by the authorities for mining operations. This affected her source of livelihood, and a stage came when her earnings came to an end. As she was landless, and therefore did not lose any land to the mining authorities, Dukhi could not claim any compensation or rehabilitation assistance from them either. Her son, who is now 21 years old, rarely works for a living, since firstly, there is not much work available in the area, and secondly, he is not inclined towards taking initiatives on his own to find gainful employment. As a result, today, Dukhi's only support is her married daughter who provides her with financial assistance, which she is accepting out of sheer necessity, but at the cost of her self-esteem and pride. Apart from depriving her of her source of livelihood and affecting her mentally, the developments around her in the wake of the mining operations have also ruined her physically. She is suffering from a respiratory disease (which could have been caused by the pollution in the environment), as well as swelling in her legs. There is very little possibility of her receiving any proper medical treatment, given her own meagre financial resources as well as the dearth of medical facilities in her area.

Source: Pandey, B. (1998b) Displaced Development: Impact of Open Cast Mining on Women, Friedrich Ebert Stiftung, New Delhi.

One of the primary concerns of those protesting such land acquisitions has been the question of alternative livelihoods, home and land. As a result of various movements by civil society organisations (CSOs), a conscientious citizenry and some landmark judgments of the Supreme Court and high courts, the government is in the process of formulating a progressive rehabilitation and resettlement policy. Some state governments like Orissa have already done it. However, a mere policy without any legislative back-up is unlikely to be tenable and sustainable. Probably, 'rehabilitation of livelihoods' will continue to pose the biggest challenge.

Rehabilitation of livelihoods will continue to pose the biggest challenge.

7. An estimated 25 million people are affected by natural disasters in India every year

Topographically, India has been vulnerable to various natural disasters like floods, droughts, cyclones, earthquakes and landslides. It is said that about 60 per cent of the land mass is prone to earthquakes of various intensities; 13.5 per cent prone to floods; about 8 per cent to cyclone and 68 per cent is susceptible to drought.²³ In fact, India has been one of the badly affected countries in the South Asian region with the Tsunami of 2004 and the very recent Kosi floods in Bihar. It is estimated that around 25 million people are affected by natural disasters every year in India. (See annex. Table A.2.10)

²³ National Disaster Management Division (2004 - August), Disaster Management in India - A Status Report, New Delhi: Ministry of Home Affairs, Government of India

The effective cost of natural disasters in India in terms of human life, loss of property and assets, loss of livestock, shelter and livelihoods has been immense. The livelihoods of millions are directly or indirectly affected. An assessment of the effects of a disaster like the Tsunami in India shows how much damage it does to the livelihoods of millions. (See Tables 2.6 and 2.7).

Table 2.6: The Tsunami's Toll on Life in India

State	Deaths		Injured	Missing	Evacuees	Refugees
	Official	Estimated				
Tamil Nadu	7,960	8,000	–	–	500,000	310,000
Andaman & Nicobar	1,310	7,000	200	5,544	17,000	37,000
Pondicherry	590	665	–	75	70,000	6,100
Andhra Pradesh	105	116	–	11	34,000	0 (All returned)
Kerala	171	171	700	–	25,000	25,000
Total	10,136	16,000	900	5,630	650,000	380,000

Table 2.7: Extent of Damage Caused by the Tsunami in India

Tsunami damage in India					
Factor	Andhra Pradesh	Kerala	Tamil Nadu	Pondicherry	Total
Population affected	211,000	691,000	2,470,000	43,000	3,415,000
Area affected (km ²)	7.9	Unknown	24.87	7.9	40.67
Length of coast affected (km)	985	250	1,000	25	2,260
Extent of penetration (km)	0.5 - 2.0	1 - 2	1 - 1.5	0.30 - 3.0	
Reported height of tsunami (m)	5	3-5	7-10	10	
Villages affected	301	187	362	26	876
Dwelling units	1,557	11,832	91,037	6,403	110,829
Cattle lost	195	Unknown	5,476	3,445	9,116

Source: http://en.wikipedia.org/Effect_of_the_2004_Indian_Ocean_earthquake_on_India.

Not only are the poor the worst-hit, but their capacity to recover from a disaster is also limited by their social, economic and political situation.

Further, the death or disability of the main earning member in the family during a disaster can cause a lifetime of destitution for the entire family. The death of a family's livestock or the loss of capital or the tools of trade can likewise lead to a complete devastation of earning capacity. In coastal areas, salt-water contamination of land during floods can result in the loss of not one, but several harvests in a series. Poor, small and marginal farmers can ill afford a soil reclamation and treatment process. Thus, for an already malnourished people, this could mean a rise in mortality and morbidity as a secondary result of disasters. Moreover, disease and epidemics in the wake of a disaster and the lack of access to adequate public health services causes immense damage to the working capacities of the people. And, the poor and marginalised communities are, unfortunately, the worst affected by virtue of their spatial positions.

Not only are the poor the worst-hit, but their capacity to recover from a disaster is also limited by their social, economic and political situation. In India, the vulnerabilities are inextricably linked to certain processes of marginalisation that protect the interests of particular groups and areas at the cost of others. The nature and direction of economic development followed over the past 50 years has been unsuccessful in expanding or even distributing, social opportunity across the country.²⁴ For instance in

²⁴ Ibid.,

the relief and rehabilitation of Tsunami-affected areas of Tamil Nadu, it has been established that the poor, women, the widowed and *dalits* (Scheduled Castes) have been discriminated against with regard to support for restoring livelihoods.²⁵ A sizeable section of the affected population thus migrates as a survival strategy to overcome the aftermath of the shock post a disaster in order to make a living.

It is being argued that man-made disasters like building big dams indiscriminately, encroachments on mangroves and sea coasts, deforestation, rampant mining activities, global warming and excess pressure on land and ground-water altogether are contributing to various natural disasters. If one report of an international aid agency, Christian Aid, is to be believed, then climate change can cause 300 million 'environmental refugees' globally by the year 2050, pushing the number of forced migration to about one billion.²⁶

8. Globalisation has bypassed the economically disadvantaged groups in developing countries

The early Nineties saw major changes in the economic policy of the country where it slowly started moving from the local paradigm of a great degree of protection from foreign economies to a more liberalised and open economy, popularly known as globalisation. In a globalised economy opportunities are not limited to the territory of the nation but open to the entire world. Similarly our country is also open to other countries for investment, trading and other economic activities. Some argue it has brought more opportunities, investment and expansion of wider economic activities, while others say that it has brought opportunities only for powerful multinationals and the Indian elite, pushing the majority into further poverty. It is observed that the Indian economy has grown at a faster rate in recent years. However, the higher growth rate in India cannot be attributed to globalisation alone, but to major internal policy changes, says Nobel Laureate Prof Stiglitz.²⁷ He further argues that America's agricultural subsidies depress prices of cotton, for which cotton farmers in India commit suicide!²⁸

In his paper *Globalisation, Work and Livelihood*, Sharma (2006) argues that the process of globalisation has generally excluded the socially and economically disadvantaged groups in developing countries. In India they constitute SCs, STs, women, rural workers and women from lower economic strata. Though India has been one of the fastest growing economies in the world, a large number of the vulnerable section of the population has failed to catch up with the benefits of globalisation and in the process been further disadvantaged.²⁹

In India, agriculture and the allied sectors provide livelihoods for around 60 per cent of the population, where globalisation and trade liberalisation in the agriculture sector has far reaching implications like widening the agricultural trade balance – agricultural imports increased and exports decreased.³⁰ Though neo-classical economists predict that liberalised markets will allow smallholders (who constitute the overwhelming majority of farmers in India) to advance, they have failed to recognise the serious institutional deficiencies.³¹ Farmers do not have adequate access to information, appropriate technology, quality inputs, fair forward and backward linkages, contractual enforcement, suitable irrigation and land management infrastructure and financial services.

However, the argument that globalisation has facilitated informalisation of manufacturing and the services

Though India has been one of the fastest growing economies in the world, a large number of the vulnerable section of the population has failed to catch up with the benefits of globalisation and in the process been further disadvantaged.

²⁵ Frenkel, Gal (2005) India After the Tsunami- The Rights of Affected People, TRCC-Tamil Nadu & Pondichery

²⁶ Batiwalla, Lisa in <http://infochangeindia.org>, visited on June 18, 2008

²⁷ BBC News, New Delhi, Dec 20, 2006

²⁸ *ibid.*,

²⁹ Sharma, AK (2006) Globalisation, Work and Livelihood in Panel Discussion no. 12 on Globalisation : Its impact and ramifications at European Association for South Asian Studies,

³⁰ Haen, Hartwig de, (2001) The impact of Globalisation and Trade Liberalisation on Food Security in European Media Seminar on Global Food Security, Stockholm,

³¹ Kydd, Jonathan, (2002) Agriculture and Rural Livelihoods : Is Globalisation Opening or Blocking Paths of Rural Poverty ? Network paper, ODI, 2002

sector and thereby casualisation of workers is not well taken by many analysts like Rhini Hensman.³² Some of the highlights of the study are indeed thought provoking:

- Globalisation does not have any mechanism to cause degradation of labour standards, rather it advocates for levelling of labour standards both within and between countries. However, it is the employers within the country who push the standard downwards, so as to compete and maximise on profits.
- Expansion of the informal sector and casualisation of workers is again not promoted by globalisation or the World Trade Organisation (WTO), rather it is being done by the domestic business lobbies who are actually providing an excuse that globalisation gives them no option but to attack workers' rights.
- Workers in the disadvantaged section of society like women workers, migrant workers, tribal workers, dalit workers etc. have not gained anything from the nation-State, and therefore have nothing to lose from globalisation. They will rather gain something if international labour standards and basic rights are protected by the State.

Globalisation is transferring the ecological assets of the poor in India to global corporations and the Indian elite.

According to Vandana Shiva³³: "Globalisation is transferring the ecological assets of the poor in India to global corporations and the Indian elite". She argues that the land, water and bio-diversity, which used to be the basis for survival and source of livelihoods of the majority of the population, are being privatised, corporatised and eroded for the benefit of the rich and multinationals.³⁴

There have been rising instances of protests by the people against indiscriminate alienation of natural resources and sources of livelihoods. One such case speaks about how common people could fight and close down a factory belonging to a multinational company. (See Box 2.7)

Box 2.7: Water, the Only Real Thing

In a little village of Plachimada (Kerala), tribal women took on the soft drink giant, Coca Cola, and are succeeding in their struggle to shut down the plant. The Coca Cola Plant in Plachimada was started to produce Coke, Fanta, Sprite, Limca, Thums Up, Kinley and Maaza. Within a year, the water table had started to fall, as six bore wells extracted 1.5 million litre per day, according to the local community. Not only did the water table decline, the water was polluted. Women had to walk miles to get drinking water. They decided to end Coca Cola's hydro-piracy by starting a protest outside the gates of the plant. In April 2004, the women's protest completed two years. Women saying "no" to Coke, and "yes" to "Water, The Only Real Thing" is an expression of our living and direct democracy. Since then, the locally elected panchayat has spearheaded a legal campaign. When the panchayat asked Coca Cola for details, the company failed to comply. The panchayat therefore served a show-cause notice and cancelled the license. Coca Cola tried to bribe the panchayat president A Krishnan with Rs 300 million, but he refused to be corrupted and co-opted.

On December 16, 2003 Justice Balakrishnana Nair of the Kerala High Court ordered Coca Cola to stop pirating Plachimada's water. As the Honourable Justice stated, "The Public Trust Doctrine primarily rests on the principle that certain resources like air, sea waters and the forests have such a great importance to the people as a whole that it would be wholly unjustified to make them a subject of private ownership."

Source : The impact of globalization on India's environment by Vandana Shiva in www.ecocouncil.dk/global visited on June 19, 2008

³² Hensman, Rohini (2001) The Impact of Globalisation on Employment in India and Responses from the Formal and Informal Sectors, CLARA Working Paper No. 15, International Institute for Asian Studies, Amsterdam

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³⁴ The impact of globalization on India's environment, www.ecocouncil.dk/global visited on June 19, 2008)

The process of globalisation has brought unabated competition amongst various stakeholders, which is probably one of the prime reasons for grabbing more and more resources. There are a number of instances in India where the state is trying its best to acquire land, common property and other natural resources in order to make them available to national and multinational private corporations to create wealth.³⁵ This is dispossessing millions and their livelihoods are under threat. It is not any new law in the wake of globalisation, but the archaic and colonial laws of the land that have been systematically used to dispossess the people of their resources. In India, economic liberalisation was effected under a critical situation without making any efforts for legislative deliberations.³⁶

As a matter of fact, people from disadvantaged sections are unable to absorb the benefits of growth and competition in a globalised economy because of lack of education, adequate skill sets and access to resources. Globalisation is a continuous process and unstoppable. The larger issue remains as to how it can be converted into opportunities for a large number of poor people. It is empirically difficult to get enough statistics to make any analysis on a single equilibrium.

People from disadvantaged sections are unable to absorb the benefits of growth and competition in a globalised economy because of lack of education, adequate skill sets and access to resources.

³⁵ Randeria, Shalini (2007) *The State of Globalisation : Legal Plurality, Overlapping Sovereignties and Ambiguous Alliances between Civil Society and the Cunning State in India*, in *Theory, Culture and Society*, Vol24(1): pp1-33

³⁶ Ibid.

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CHAPTER III

Policy: Pathways to Sustainable Livelihoods

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Abstract

It is now well accepted in development discourse that the 'trickle down' theory does not work, and as growth takes place, economies also experience increasing inequality. This has social repercussions, in rising unrest, which in turn makes the economies unstable, less attractive to investors, resulting in flight of capital from these areas, and thus further economic degradation. Thus a vicious cycle of low development continues in specific regions, while other parts of the economy develop, causing the phenomenon of the dual economy, already established in India, to get further embedded. This chapter reviews the current official livelihoods policies in India to understand how they contribute to the promotion of better livelihoods. In order to answer this question, we examine three aspects of sustainable livelihoods: economic (income or growth), social protection for all, and social inclusion of the excluded groups, with a relatively greater emphasis on economic aspects. The chapter considers some key policy documents, budget allocations and priorities set by the 10th and 11th Five-Year Plans. The analysis aims to assess whether they answer the critical issues arising in terms of growth, social protection and social inclusion. As policy has focused on key women-friendly measures in the 11th Plan, e.g. gender budgeting, a separate treatment of gender policy is justified in this chapter.

1. Social Services have moved up to first place in the allocation hierarchy in the annual budgets of 2007-'08 and 2008-'09

It is assumed that a policy framework that promotes sustainable livelihoods will care for those in vulnerable situations, and promote structures and processes that enable the poorest to follow strategies with positive livelihood outcomes. The 11th Plan adopts an 'inclusive growth' agenda as the key policy objective for the next five years. A rights-based approach to livelihoods is pursued, evident in The National Rural Employment Government Act (NREGA) which has wide implications not only for social protection, but also in moving towards greater transparency and accountability. (Reviewed in detail in Chapter 4.) Development perspectives explained in Plan documents are however only one aspect of policies that affect livelihoods; the other equally important ones are trade and financial policies. This policy review examines whether the priorities and allocations set by the 10th and 11th Plan approach papers and the two annual budgets are likely to lead to a positive livelihoods spiral.

The framework used for this analysis was developed through a wide range of field projects supported by the British Department for International Development (DFID) worldwide (see annex Fig A.3.1). It defines secure livelihoods as the existence of sufficient stocks and flow of food and cash to meet basic needs (Chambers and Conway, 1992). The key assumption here is that people pursue a range of livelihood outcomes (e.g. health, income, reduced vulnerability) by drawing on a range of assets to pursue a variety of activities. Their livelihood strategies are determined by the assets they own and have access

A rights-based approach to livelihoods is pursued, evident in NREGA, which has wide implications not only for social protection, but also in moving towards greater transparency and accountability.

¹ The authors would like to acknowledge contributions from Ms. Reiko Tsushima, Senior Gender Specialist, ILO, Delhi and Mr. Suryamani Roul, Livelihoods Advisor, ACCESS development services, Delhi for their valuable contributions to this paper.

to, the vulnerability context in which they live, and by the structure and processes (such as government schemes, cultural, political and institutional factors) prevailing in society at the time.

The allocation to the agriculture sector was 3.74 per cent of the total Budget. Given that more than half the population is still dependent on agriculture, the agriculture sector deserves greater allocations to be able to achieve food security.

To begin with, an analysis of the government's financial allocations for various sectors would present an overview of its sectoral priorities. The total planned expenditure as per the 11th Plan is Rs 36, 44,717 crore (\$911 billion), over twice the 10th Plan budget (see annex. Table A.3.1) Out of the total, 69 per cent is allocated for energy, social services, transport, rural development and irrigation and food control, which is a reduction of 10 per cent compared to the 10th Five-Year Plan. Emphasis on these is well taken, as they are key sectors that have a positive impact on livelihoods. The allocation to the agriculture sector was 3.74 per cent of the total budget. Given that more than half the population is still dependent on agriculture (Census 2001; MoSPI, 2005), the agriculture sector deserves greater allocations to be able to achieve food security.

However, the three sectors to which the highest allocations have been made are social services, energy and transport, with social services moving up to the first position in the annual budgets of 2007-'08 and 2008-'09. As components within each budget head have been changing, an analysis of financial allocations alone is inadequate, and calls for analysing the most important schemes in the relevant sectors – employment-related policies, urban and rural livelihoods policies, and the social inclusion perspectives spelt out by the 11th Plan.

2. The 11th Plan deems it appropriate to work towards a strategy in which there is higher growth in non-service sector employment opportunities in rural areas

The 11th Plan has an ambitious approach to increasing employment and it has identified the following weaknesses in the employment matrix:

- The rate of unemployment has increased from 6.1 per cent in 1993-'94 to 7.3 per cent in 1999-2000, and further to 8.3 per cent in 2004-'05.
- Unemployment among agricultural labour households has risen from 9.5 per cent in 1993-'94 to 15.3 per cent in 2004-'05.
- Under-employment appears to be on the rise, as evident from a widening of the gap between the usual status and the Current Daily Status (CDS) measures of creation of incremental employment opportunities between 1994 to 2000 and 2000 to 2005.
- While non-agricultural employment expanded at a robust annual rate of 4.7 per cent during the period 1999-2000 to 2004-'05, this growth was largely in the unorganised sector.
- Despite fairly healthy GDP growth, employment in the organised sector actually declined, leading to frustration among the educated youth who have rising expectations.
- Growth of average real wage rates in non-agriculture employment in the period 1999-2000 to 2004-'05 has been negligible. Seen over the longer period of two decades the wages have steadily increased at over 2 per cent per annum.
- Real wages stagnated or declined even for workers in the organised industry although managerial and technical staff did secure a large increase.
- Wage share in the organised industrial sector has halved after the 1980s and is now among the lowest in the world.

Box 3.1 Gender Concerns in Employment Policy

- Enable women to own land and find investment for enhancement of productivity in the agricultural sector.
- Facilitate migration and mobility of workers.
- Develop women's generic as well as specific skills to facilitate transition from traditional occupations to relatively modern, more productive activities in rural as well as urban areas; develop systems of certification and accreditation; and encourage on-the-job training.
- Gender sensitise Credit/Micro-credit/SHG policy. Women's creditworthiness is currently assessed along with other family members, discrediting her access due to default by others. There exists an unspecified bias in favour of married, older women, which results in younger women with small children being left out. Size of loans to women is small and short-term. Currently, SHG clusters are not accepted as a group for financing by banks. Policy changes are needed to correct all these biases and ensure empowering ways of extending credit to women.
- Issue individual rather than family cards for social security benefits to home-based and own account workers in the unorganised sector. This is necessary to recognise women's unpaid, home-based work.
- Follow a decentralised approach to employment creation, specific to local context, district-level planning and participation of women.
- Provide women access to information regarding the demand for female labour, kinds of skilled personnel required by the newer employment avenues and workers rights as well as redressal mechanisms.
- Promote women workers' organisations, as lack of organisation and "voice" leaves women workers in the informal economy invisible and excluded from policy-making processes. Organising informal workers and strengthening their collective capacity must become an important strategy to improve the conditions of work in the informal economy, improve access to social protection, credit, and productive resources, fight against discrimination and facilitate access to benefits, ensuring rights.

Reiko Tsushima, Senior Gender Specialist, ILO, Delhi

Having identified the above, the Plan adopts a multi-layered approach, with emphasis on improving human assets through vocational training, and a special focus on rural and urban livelihoods that considers small and medium enterprises key to offering greater employment opportunities. The projected increase in the labour force during the 11th Plan period is estimated at 58 million, with a significant emphasis on services and manufacturing sectors, and reduction in employment envisaged in agriculture in the long run till 2016 (See annex. Table A.3.2)

Employment projections are not gender disaggregated; this is desirable, as just the exercise of projecting women's employment in different sectors will draw attention to the need for promotional measures to facilitate such access. Currently, women's employment is concentrated in low productivity, low wage segments, and in gender stereotypical activities. While the growth of employment appears to have been much higher for female workers compared to male workers both in rural and urban areas, the increasing representation of women in the labour force has not received sufficient attention in policy making. The Ministry of Labour and Employment has started the process of formulating a National Employment Policy, with technical support from ILO, and has constituted a Working Group on Women Workers to address the gender dimensions of women's employment and at the same time improve skills and mobility to access decent and productive jobs (see Box 3.1).

While the growth of employment appears to have been much higher for female workers compared to male workers both in rural and urban areas, the increasing representation of women in the labour force has not received sufficient attention in policy making.

It would be useful here to take a quick look at the sector-wise strategies for increasing employment potential in the 11th Plan and expected to be carried through in the 12th Plan period, as outlined below.

The performance of the policy prescriptions of the 10th Plan was found deficient. Agricultural employment increased only at about 1 per cent per annum till 2004-'05, and was also associated with a sharp increase in unemployment among agricultural labour households which represent the poorest groups, whose unemployment increased from 9.5 per cent in 1993-'94 to 15.3 per cent in 2004-'05.

The 11th Plan assumes that the projected doubling of the rate of agricultural growth during the Plan period will be possible without any increase in agricultural employment. Whereas agriculture contributed 8.8 million job opportunities in the 11-year period from 1993-94 to 2004-05, it is projected to contribute no increase in the 11th Plan and a net decrease of four million agricultural workers over the 12th Plan period (2006-'07 to 2016-'17). Rising wage differentials between the agriculture and non-agriculture sectors are also very likely to shift labour out of agriculture, and the continued growth into the 12th Plan period would provide the sufficient pull factor from non-agriculture to encourage such a shift.

An alternative projection of agricultural employment has also been made, which shows positive growth of employment in agriculture at 0.6 per cent per year and productivity growth is correspondingly lower at 3.4 per cent per annum. The 11th Plan document states that the main employment issue in the agriculture sector is the increase in farm labour income, and not the creation of a larger number of employed workers; it would be appropriate to work towards a strategy in which there is higher growth in non-service sector employment opportunities in rural areas which can provide additional income for the rural workforce by providing additional non-agricultural employment.

When irrigated area increases it generates additional employment year after year. Water resources projects, particularly irrigation development and flood control works, generate significant employment opportunities during construction period as well as in the post-project phase. The overall employment potential likely to be generated in the 11th Five-Year Plan in the irrigation sector is as per Table 3.1.

Table 3.1: Employment Potential in Irrigation area

	(Million Person Years)	
	Direct Employment	Indirect Employment
MMI	2.1	10.1
MI	5	1.05
Flood Control	2.5	—
Total	9.6	11.15

Higher agricultural productivity is critical to ensuring that other sectors of the economy attain the growth levels projected.

The key issue in agricultural employment is not just the number of person-days, but that specific attention is needed to increase productivity so that higher production of food grains is possible, and food security can be assured. Higher agricultural productivity is critical to ensuring that other sectors of the economy attain the growth levels projected.

3. The 11th Plan approach to the MSME sector marks a shift from the welfare approach to that of empowerment

The Plan approach considers the Micro Small and Medium Enterprises (MSME) sector as an important segment of industry, which is unorganised and hence needs support and access to all schemes of industry with special enabling provisions. The strategy is two-pronged, focusing on livelihood and social security.

The MSME sector in India has grown significantly since 1960, when there were only 12,376 MSMEs providing employment to 10 lakh people, of which direct employment was 1.85 lakh; annual production level was Rs 875 crore. At the beginning of the 10th Plan, 249 lakh people in the rural and urban areas were employed in 105.21 lakh MSMEs. This has increased to 295 lakh people in 128 lakh units now; an average annual growth rate of 4.4 per cent in the number of these units and 4.62 per cent in employment. If the units in the khadi industries, village industries, and coir industries are taken into account, the employment is estimated to be over 332 lakh persons in 2007-'08 (shown in Table 3.2).

Table 3.2: Year-Wise Employment Potential in SMEs during 11th Plan

	2007-'08	2008-'09	2009-'10	2010-'11	2011-'12	CAGR
Employment target (lakh persons)	322.28	338.39	355.31	373.08	391.73	4%

The MSME sector is viewed by the Plan as primarily comprising weavers, artisans, and people engaged in food processing, hawkers, vendors, and carpenters. Inadequate working capital, lack of information to access markets and foreign business opportunities, lack of trained personnel, and obsolete technology are the major barriers to its growth. The 11th Plan prioritises the sector on the basis of its capacity to provide livelihoods, check rural-urban migration, generate export earnings, and improve the lives of the remotest and most marginalised people. The needs, problems, and potential of this sector differ not just with the nature of activity (weaving, building components for big industries, etc.), but also with size, geographical location, and structure (organised/unorganised). There is provision to provide social security cover that is sensitive to women's special needs along with easy access to credit to women entrepreneurs and appropriate advisory and mentoring services.

A cluster-based approach (discussed in Chapter IV) would be a major thrust of the 11th Plan in the case of all the areas of MSMEs. This approach includes a number of enterprise-specific programmes such as credit for modernisation, credit guarantee for tiny units without collateral, market development assistance and local infrastructure development through industry associations, and testing laboratories for product quality. (Also see Box 3.2).

The 11th Plan prioritises the sector on the basis of its capacity to provide livelihoods, check rural-urban migration, generate export earnings, and improve the lives of the remotest and most marginalised people.

Box 3.2: Cluster Development Approach

Clusters are defined as a sectoral and geographical concentration of enterprise, institutions, service providers and related regulatory bodies, engaged in the production of homogeneous or inter-related products and faced with common opportunities and threats. In India there are about 6,600 clusters which are broadly categorised as i) high-tech clusters targeting innovation for existence ii) traditional manufacturing clusters (around 400) targeting competitiveness and consequent employment and iii) low-tech micro enterprise 'poverty-intensive' clusters (around 6,000) that have employment as well as poverty implications.

With the inclusion of handlooms, handicrafts, wool, and sericulture, the total number of jobs in the MSME sector in India goes up to 650 lakh. The employment intensity of the registered units indicates that an investment of Rs 0.72 lakh is required for creating one employment in the MSME sector as against Rs 5.56 lakh in the large organised sector.

4. The 11th Plan aims at accelerating growth in employment in other sectors, countering past trends

The sectors with prospects for high growth in output, creation of new establishments and for creation

of new employment opportunities are listed in Box 3.4. While employment in manufacturing is expected to grow at 4 per cent per annum against 3.3 per cent in the preceding 11 years (1994-2005), with several ambitious projects on the anvil, the demand for construction manpower is expected to grow at a consistent pace of at least 8-9 per cent, thereby resulting in an annual additional employment of around 25 lakh persons.

Planning initiatives in health, nutrition, care of children, care of the aged, education, skill development and expansion of social security services will create a large potential for employment for delivery of these services. There is also a four-fold increase over the 10th Plan in central funding for education, which while laying emphasis on improving the quality of education and reaching these services to underserved districts, it also aims to enrol one crore children in vocational education and skill development streams, along with a substantial increase in the number of teachers employed.

The boom in the tourism sector is expected to generate an exponential demand for workforce at the managerial, supervisory, skilled and semi-skilled levels. The Plan commits to bridge the widening gap at skill-level through a range of measures to increase the number and quality of courses and training organisations, in both government and the private sector. Likewise, the human resources requirement just in road transport is estimated to grow from 12.83 million in 2007 to 17.64 million in 2012, out of which 66 per cent will be drivers, four-fifth of which in turn would be absorbed in the goods vehicle category. To substantially improve driving skills and enlarge the pool of drivers, training facilities will be adequately developed. Maritime human resources development and training will receive similar attention with India's share currently pegged at 6 per cent of the world's seafarers.

The largest private sector employer in the country however has been the Indian IT-ITES industry with revenues of US\$39.6 billion and direct employment of 1.6 million professionals, and indirect employment for over six million people in different sectors. This fast expanding sector in India has opened new doors of opportunity for women. (Annex. Table A.3.3 shows the manpower requirements for IT-ITES in India) The biggest challenge is, of course, in relation to the number and quality of human resources, which have to be tackled in different time – frames: the short, medium and long-term respectively.

Among other measures, the 11th Plan envisages village kiosks across the rural areas of the country, in particular to facilitate the expansion of an IT-enabled governance set-up. This is intended to meet the demand for public services that will guide the diversification of the economy from agriculture and towards the secondary and tertiary sectors, duly supported by: (i) investments in industrial infrastructure; (ii) creation of institutional infrastructure in the rural areas; and (iii) for fostering integration of rural markets with the rest of the economy.

The financial sector as a whole is estimated to employ between 3.5 million to 4 million people, including direct employees and agency forces. To support the GDP growth aspiration of 9-10 per cent per year, the financial sector would need to grow by 25-30 per cent annually over the next five years. The underlying GDP growth rate and higher penetration potential offer a substantial opportunity for employment creation.

With regard to the 11th Plan labour policy plans, a review of existing laws and regulations is on the anvil so as to encourage the corporate sector to move into more labour-intensive sectors and facilitate the expansion of employment and output of the unorganised enterprises that operate in the labour-intensive sectors. The proposed changes in labour laws include incentivisation of high employment potential areas, women's employment, contract labour in the domestic tariff area, and IT-friendly monitoring of the implementation of labour laws. The Plan will also take steps to improve the quality of employment in the unorganised sector. NCEUS in its August 2007 Report has summarised, in the form of a 13-point Action Programme, the main recommendations for the workers of enterprises in the unorganised/informal sector (See Box 3.3).

The proposed changes in labour laws include incentivisation of high employment potential areas, women's employment, contract labour in the domestic tariff area, and IT-friendly monitoring of the implementation of labour laws.

Box 3.3: A 13 Point Action Plan Suggested by the NCEUS for Employment in the Unorganised Sector

A. Protective Measures for Workers

1. Ensuring Minimum Conditions of Work in the Non-agricultural and Agricultural Sectors
2. Minimum Level of Social Security

B. Package of Measures for the Marginal and Small Farmers

3. Special Programme for Marginal and Small Farmers
4. Emphasis on Accelerated Land and Water Management
5. Credit for Marginal/Small Farmers
6. Farmers' Debt Relief Commission

C. Measures to Improve Growth of the Non-agricultural Sector

7. Improve Credit Flow to the Non-agricultural Sector
8. Encouraging SHGs and MFIs for Livelihood Promotion
9. Creation of a National Fund (NAFUS)
10. Up-scaling cluster development through growth poles

D. Measures to Expand Employment and Improve Employability

11. Expand Employment through Strengthening Self-employment Programmes
12. Universalise and Strengthen the National Rural Employment Guarantee Act (NREGA)
13. Increase Employability through Skill Development

While it is important to review performance against policy, employment and livelihoods outcomes in a country are not only the result of official policies, rather a large number of variables including private, public, and informal sector businesses are responsible. These trends and their likely impact need also to be considered while assessing policy impacts, and taking further policy decisions. While the 11th Plan claims that the changes in labour laws will facilitate industrial growth, there are other repercussions. The contractualisation of labour will affect security of employment, the responsibility of which is clearly shifted from the employers to the state. Further, impact of such contractualisation is felt more by women, whose jobs become more insecure and underpaid and as primary income – earners for their families, this is likely to negatively impact well-being, especially among the poorer and more vulnerable populations.

5. Different sectors have different needs

Handloom: The handloom industry directly and indirectly provides livelihood to 124 lakh people, of which 60 per cent are women, 12 per cent SC, and 20 per cent ST.² Government interventions for revival of handlooms during the 11th Plan will focus on two kinds of interventions: policy and programmatic. For the latter, many of the existing 10th Plan schemes have been suitably restructured. In the 11th Plan, schemes for the wellbeing of weavers will include (i) Health Insurance Scheme, (ii) Mahatma Gandhi Bunkar Bima Yojana, (iii) Thrift Fund Scheme, (iv) Pension Scheme, and (v) Distress Relief Fund. The insurance schemes not only offer social security but also have a component for education of weavers' children. Recommendations include (i) cleansing of balance sheets of apex societies and primary societies; (ii) waiver of overdue loans and interest of primary weavers' cooperative societies and apex societies; (iii)

² Ministry of Textiles, 2001 cited in 11th Plan Document.

interest subvention – working capital; and (iv) contribution to the Handloom Development and Equity Fund and Credit Guarantee Fund Scheme for handloom weavers. On the basis of this report and the Vaidyanathan Committee report, a Rs 1,200-crore package for handlooms has been formulated.

For schemes to be effective, strengthening of the delivery mechanism with the help of an NGO/voluntary sector is essential. All the schemes will be widely publicised in local and regional languages. A convergence between various schemes for health, nutrition, education, etc., will be ensured. A necessary step in this direction would be a mapping of weavers and artisans.

Handicrafts: Like handlooms, this sector also touches upon the lives of the most marginalised and has the potential to transform the economy of difficult areas such as the North-East, border states, J&K, desert habitations etc. During the 11th Plan, it is proposed to more than double the production of handicrafts so as to create almost 11 lakh additional jobs. In order to augment the government resources, schemes will be adopted in the public-private partnership (PPP) mode, which will involve NGOs. The 11th Plan schemes for handicrafts are indicated below:

- **Baba Saheb Ambedkar Hastshilp Yojana:** Revised to a demand-driven, needs-based scheme for integrated development of handicraft clusters. Setting up of CFCs and e-kiosks, publicity, toolkit distribution will be included. Target: 375 new clusters in 322 districts covering four lakh artisans.
- **Design and Technology Upgradation:** Thrust on skill upgradation, new designs, technologies, innovative products, revival of languishing crafts, setting up of a Design Bank to benefit 38,600 artisans.
- **Marketing Support, Services, and Export Promotion:** This scheme will continue and cover 1.2 lakh artisans.
- **R&D Scheme:** Conducting research studies, all-India census for handicrafts, setting up of six labs, technology development, transfer/adoption of technology.
- **Handicraft Artisans Comprehensive Welfare Scheme:** The scheme includes Bima Yojana and Rajiv Gandhi Shilpi Swasthya Bima Yojana. Target: Two lakh artisans per year for each scheme.
- **Human Resource Development:** Special Handicraft Training Programme (SHTP) implemented during the 10th Plan has been modified. Target: Capacity building of two lakh artisans and stakeholders.
- **Infrastructure Projects** for development of specific need-based infrastructure, building haats, expo marts, etc.

Programmatic interventions focus on research and technology upgradation, promotion of value-added textiles, strengthening of existing infrastructure facilities, creation of design banks and Computer Aided Design (CAD) centres, and easy access to credit and a modernised work-shed scheme.

Power looms: Today, the decentralised power-looms sector provides employment to 48.6 lakh persons and contributes 62 per cent of the total cloth production in the country. Policy interventions are aimed at dealing with issues such as yarn availability and pricing and resolving the perceived 'conflict' between handlooms and power-looms. Programmatic interventions focus on research and technology upgradation, promotion of value-added textiles, strengthening of existing infrastructure facilities, creation of design banks and Computer Aided Design (CAD) centres, and easy access to credit and a modernised work-shed scheme. Weavers will be organised into SHGs and be encouraged to move their looms into common work-sheds. During the Plan period, cluster development activities will be undertaken in 50 power loom clusters. Health insurance schemes that have been announced for below poverty line (BPL) workers would be made available to the power-loom workers and their families.

Unorganised wool sector: The wool sector plays an important role in linking the rural economy and shepherds with the small, medium, and large-scale manufacturing units. India is the seventh largest producer of raw wool accounting for 1.8 per cent of the world production. In 2003, it had about 4.2

per cent of the world's total sheep population. With an Employment Growth Rate of 17 per cent, the end of the Plan envisages employment of 60 lakh persons. Schemes in this sector include the Integrated Wool Improvement and Development Programme; Quality Processing of Wool and Woollen Products; a Social Security Scheme with a target of insurance for 93,500 sheep breeders in case of natural as well as accidental death; and sheep insurance.

Khadi and Village Industries (KVI): The KVI sector comprises khadi manufacturing and production from village/rural industries spread all over the country. The KVI programmes have now reached over 2.61 lakh villages providing employment opportunities to the rural poor in remote and hilly areas, border and tribal areas, with women comprising 46 per cent of the workforce.

The 'Product Development, Design Intervention and Packaging (PRODIP)' scheme (initiated to provide incentives for development of new products, designs, and better packaging of both khadi and village industry products) and the Rural Industries Service Centres (RISC) scheme (for establishing CFCs by providing grants up to Rs 5 lakh per RISC) have proved successful and will be carried forward into the 11th Plan. Similarly, the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) such as khadi, village, and coir industries approved in October 2005 will be continued in the 11th Plan. New products and new designs will be developed with the help of the National Institute of Design (NID) and National Institute of Fashion Technology (NIFT). Product quality will be priority and packaging will be improved to position khadi as a fashion statement for youth.

Coir Industry: This industry provides livelihoods and/or additional income to more than 31.25 lakh people, mostly from the disadvantaged sections of the population. Women constitute 80 per cent of its workforce. During the 11th Plan period, most of the 10th Plan schemes will be continued to reduce drudgery and increase production and wage levels. A major cluster development project with an approved outlay of Rs 56.8 crore has been taken up. It is proposed to increase the level of growth of the industry to 15 per cent and achieve a turnover of Rs 2,100 crore by the end of the Plan period. Approximately 1,76,250 new jobs will be created of which 1.41 lakh jobs will be for women. There is a need however to focus on R&D for diversification and popularising new coir products. Modernisation, and technology upgradation schemes are planned during the period. Better conversion rate of husk-to-coir products as a result of this scheme will require 50,000 additional coir workers. Five mega clusters, one each in Kerala, Tamil Nadu, Andhra Pradesh, Karnataka, and Orissa, with a thrust on technology upgradation will be promoted.

There is a need however to focus on R&D for diversification and popularising new coir products. Modernisation, and technology upgradation schemes are planned during the period.

Food processing industry: India currently produces about 50 million tonne of fruits, and 90 million tonne of vegetables. Yet, only about 2 per cent of these fruits and vegetables are processed. Lack of processing and storage capacities for fruits and vegetables results in about 35 per cent waste in annual production, valued at approximately Rs 54,000 crore. The 11th Plan proposes to improve infrastructure by establishing food parks, abattoirs for modernisation, cold chain infrastructure and value-added centres. It aims to upgrade technology, provide quality assurance, code standards, and R&D and promotional activities. Potential entrepreneurs, especially women, SCs and STs will be identified, and tailor-made EDPs, skill development programmes, study tours, etc., will be organised. Gender sensitisation programmes for stakeholders including extension functionaries and other implementing agencies will be carried out. Training programmes promoting women entrepreneurs will be redesigned to include technology, management, and microcredit. Most importantly, provision of utilities, basic amenities, and crèches for women staff workers will be made mandatory in the infrastructure projects.

The total projected Gross Budgetary Support (GBS) for the 11th Plan is Rs 3,564 crore (2006-'07 price) and Rs 4,031 crore (current price). A matching private sector investment and a leveraging ratio of 2.5 would result in an investment of about Rs 20,000 crore in the processing units. This would lead to creation of 28 lakh additional jobs in the organised sector during the Plan period.

6. The 11th Plan proposes to launch a major Skill Development Mission

During the 11th Plan, it is proposed to launch a major 'Skill Development Mission' with an outlay of Rs 22,800 crore. It is aimed at enhancing training opportunities of new entrants to the labour force from the existing 2.5 million in the non-agricultural sector to 10 million per year.

The growth rates in employment in individual sectors are expected to be realised through supportive measures such as skill development, which will ensure availability of the relevant skills without which the growth of employment will probably stagnate. Therefore, during the 11th Plan, it is proposed to launch a major 'Skill Development Mission' (SDM) with an outlay of Rs 22,800 crore. It is aimed at enhancing training opportunities of new entrants to the labour force from the existing 2.5 million in the non-agricultural sector to 10 million per year.

The core strategy will consist of a two-track approach, of a public arm of amplified action through ministries and state governments and a private arm of specific and focused actions for creating skills by the market through private sector-led action. PPPs will be encouraged. Among other measures, the Mission also envisages a National Skill Inventory and another National Database for Skill Deficiency Mapping to address last mile unemployability. The 50,000 Skill Development Centres (SDCs) will eventually be expanded into a 'Virtual Skill Development Resource Network' for web-based learning. Employment linkages will also be facilitated along with career counselling.

Detailed suggestions are made in the Plan to attend to each of the above strategic objectives of skill development. Twenty high-growth sectors of industries and services have been identified which have the ability to provide expanded employment. (See Box 3.4) However, the skill development needs of the unorganised sector, and capacity building and motivation of persons and trainers in vocational training systems have not received adequate attention.

Box 3.4: List of 20 High Growth Sectors

1. Automobile and Auto-components
2. Banking/Insurance and Finance Services
3. Building and Construction Industry
4. Chemicals and Pharmaceuticals
5. Construction Materials/Building Hardware etc.
6. Educational and Skill Development Services
7. Electronics Hardware
8. Food Processing/Cold Chain/Refrigeration
9. Furniture and Furnishings
10. Gems and Jewelry
11. Health Care Services
12. ITES or BPO
13. ITS or Software Services/Products
14. Leather and Leather goods
15. Media, Entertainment, Broadcasting, Content Creation and Animation
16. Organised Retail
17. Real Estate Services
18. Textiles, Apparel and Garments
19. Tourism, Hospitality and Travel Trade
20. Transportation Logistics, Warehousing and Packaging etc.

The increased emphasis on vocational training is well placed, given that higher labour productivity will directly lead to higher incomes. These have to be done alongside an increased prioritisation of primary and secondary education, as low performance on these affects further vocational development. Given that the vocational training sector is to be highly privatised, it is likely to become more and more commercial in its orientation. This implies that only those who can pay for services will be able to access these, more so now when even government institutions are to be under private managements and collaboration. Therefore the State's responsibility for basic literacy and primary education needs to be fulfilled first before these vocational training opportunities become accessible to the rural poor. Unless these connections are perceived and prioritised, the danger is that the 11th Plan will also end up contributing to increased inequalities, despite its claims to, in fact, do the opposite.

7. It is suggested that the 11th Plan integrate the self-employment strategy into an integrated programme cutting across all ministries

The 10th Plan referred to the role of women's SHGs in creating self-employment. It proposed that the SHG movement focus on women, with at least 50 per cent of the SHG groups comprising women and a minimum of 25 per cent of the women in a village/habitation covered under SHGs programmes. As SHGs are formed by a wide range of organisations, the processes of social mobilisation, financing norms and other related activities differ from organisation to organisation. The 10th Plan suggested a comprehensive review to evolve a commonality in the approach of different SHG programmes. Further assuming that credit supply through banks is a major constraint, it suggested creation of a microfinance equity fund, with contributions from commercial banks, which could be treated as a part of their priority-sector lending programme.

The perspective paper on the 11th Plan critiqued the present strategy for promotion of self-employment in rural areas, which relied mainly on formation of SHGs to empower rural communities and enable them to take up economic activities. It suggested that the 11th Plan integrate the self-employment initiative into an integrated programme cutting across all ministries. Such an integrated programme should also provide for training and capacity building of educated unemployed youth, particularly in rural areas, as such unemployment has assumed serious proportions especially in the southern parts of the country.

Regarding SHGs, it recommended that marketing support be provided to them to ensure their sustainability. At the same time, the 11th Plan must also examine the need to expand the SHG movement in urban slums. Other measures emphasised promotion of village industries and one of the mechanisms suggested was development of Rural Business Hubs, since developed as a scheme of the Ministry of Panchayati Raj (www.rbh.in), and described in Box 3.5.

Contrary to expectations, the mid-term review of the 10th Plan pointed out that not much progress was achieved either in launching new initiatives/ programmes or scaling up some of the existing programmes in a major way in the first three years of the 10th Plan. The achievements under the sector-specific special Plan programmes for employment generation, agriculture and allied sectors, small and medium enterprises (SMEs), food processing industries and the services sectors, were not expected to be significant. Moreover, an assessment of increase in employment, compartmentalised by growth-induced employment and employment additionally generated through special programmes, was not available. Such assessments of policy performance are needed to refine policies and monitor them effectively, and some ways towards these are suggested at the end of the chapter.

The 11th Plan approach paper supported the trend taken at the time of mid-term appraisal of the 10th Plan. It reinforced the commitment to the public guarantee for employment, and also underscored importance of SSIs and village industries. It expanded the focus on vocational training and accorded greater importance to self-employment. The focus on increasing employment thereafter was on offering an employment guarantee programme, which was launched along with some other measures taken for

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Box 3.5: Rural Business Hubs

The 73rd Constitutional Amendment, 1992, has mandated panchayats as Institutions of Self Government to plan and implement programmes of economic development and social justice. Over 14 years, panchayats across the country have achieved varying levels of success in delivering basic services. Though some of panchayats have also been promoting economic development of local resources by supporting micro-credit and micro-enterprises etc, government interventions in the directions of promoting rural industry and economic growth have largely been ignored or neglected by the panchayats. The need has been to encourage and involve panchayats in economic development of rural areas and also to help private and public sector entrepreneurs to link with panchayats, for enhancing local business potential. Further the private and public sector lack information and control with elected representatives of the people at the local level. Therefore, in June 2004, the Ministry of Panchayati Raj and Hon'ble Prime Minister initiated the concept of the Rural Business Hubs (RBH) aimed to promote rural industries and increase rural non-farm incomes through providing regular livelihood opportunities. RBH involves a bottom-up approach where private, public and Panchayati Raj Institutions participate as main stakeholders. Panchayats are the local units for decentralised governance at village, block and district levels, and are managed by elected representatives of the people. The partnership envisages involving local organisations, companies, NGOs and the government for local economic development, through identification of industrial clusters and involving poor households in cluster development. Local firms are thus utilised for enterprise development and augmenting skills of the poor. Infrastructure development is overseen by the panchayats, and inward investment is provided through seed capital by the ministry, and further funds flow is envisaged through other official schemes for poverty reduction, regional development and cluster development.

improving livelihoods of the poor. A successful example of state-level programmes in Madhya Pradesh that have been scaled up and integrated into a statewide strategy is given in Chapter V.

8. Development discourse now recognises that growth does not necessarily reduce poverty

Despite impressive growth, India has an estimated 300 million people living in poverty. The 11th Plan recognises that some who have low or no access to employment need special measures. These include the poor, those living in remote and backward regions, and groups of population that are especially disadvantaged by gender, caste, ethnic origin, age or disabilities. Employment is recognised as the most critical need of this vulnerable segment. It is more severe in the districts where agricultural productivity is low and rural infrastructure is inadequate to attract investment. Therefore as per earlier measures, the poorer and remote districts were the first ones to get the employment-oriented relief programmes.

The Indian government's experience of having launched the National Food for Work Programme (NFFWP), which was launched in 150 districts, was that it was useful to meet the high demand for wage employment in these areas, and also created the minimum infrastructure for supporting livelihoods for the poor. The experience of NFFWP and an earlier scheme of the Maharashtra government were combined to launch the National Rural Employment Guarantee Scheme (NREGS) in 2004. The strengths of NREGA, and accompanying weaknesses are now well accepted in current discourse. The success of NREGA is predicated upon access to information, high quality and speed of execution, and intensive monitoring of all aspects of programme implementation. However, an analysis of the impediments shows that the existing bureaucratic machinery is just not willing to adhere to the strict provisions of NREGA and often actively sabotages its implementation. (See Promoters: Chapter V for a detailed discussion on NREGA)

Studies highlight that both the number and quality of human resources deployed so far are completely inadequate for shouldering the complex and manifold responsibilities of NREGA implementation (Ambasta, Shankar and Shah, 2008). If NREGA has to achieve its potential as a major measure for livelihoods protection, the government will need to dedicate adequate and well qualified personnel required at each level for NREGA, and continuously build their capacities, as well as provide sufficient financial resources.

The 11th Plan has taken steps in this direction, by prioritising:

- Preparation of a Labour Budget, Annual Shelf of Projects, and Perspective Plan;
- Vigilance and Transparency
- Public Accountability, through use of the Right to Information Act
- Financial Management, by establishing a non-lapsable Central Employment Guarantee Fund
- Empowering Workers to claim entitlements under the Act, by enhancement of knowledge levels, development of literacy skills, organising workers, and enhancing social security levels of workers
- Linkages with other development programmes, such as National Rural Health Mission (NRHM), National Mission for Literacy and Elementary Education, and other livelihood and infrastructure initiatives to ensure basic human entitlements to the workers and to strengthen the natural resource base of livelihoods

The inclusion of NREGA workers under the cover of various life and health insurance schemes will also raise their security thresholds. The invitation to open savings accounts of workers in banks and post offices is a major step that will eliminate much of the leakages in the pipeline, and will encourage thrift and small savings among them. However, the decision to open one account for wife and husband is retrograde, as it is likely to reduce access and control of the woman over her own wage earnings.

Other social protection measures include social security through microinsurance, compensation for accident at work, death and old age pensions for workers in the unorganised sectors, and welfare schemes for other categories of those disadvantaged. In 2002, social security was offered through a number of institutional structures to certain categories of the unorganised workers. These were under the insurance industry, welfare funds set up under the Acts of the central or the state governments. All these measures were financed from resources outside the Central Plan budget. The 10th Plan envisaged the preparation of a comprehensive perspective plan to provide social security cover to all workers in agriculture, small establishments and in the informal sector. The central government drafted legislation for the welfare of unorganised workers. The Plan also envisaged that the insurance industry would pursue the development of social security schemes for agricultural labour. It proposed that the present provision of the central government, of about Rs 1,000 crore every year, under the National Family Benefit Scheme (NFBS), which includes old age pension for the poor, and some payment on death of the family breadwinner, would be tied up with an insurance company.

The needs of these special interest groups have been considered and relevant solutions have been designed, with new approaches being tried in recent years. New schemes have been introduced, and new Bills have been placed in Parliament, some have been enacted too. The performance of these policies is, however, not yet fully assessed and a more concerted effort in outlining achievements will be needed by the middle of the 11th Plan to refine and consolidate many of these measures.

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9. The achievement of gender and caste equality is considered a cross-cutting theme to be mainstreamed in all sectoral development policies

In India, the advancement of women has been aimed at in different spheres, within the framework of the democratic polity, and the conceptualisation of empowerment has been refined since the 5th Five-Year Plan. The dimensions of power, which are not specifically considered under the 10th Plan but are important in the context of women's empowerment in India, relate to their collectivisation, greater participation in political processes, especially panchayati raj institutions (PRIs) as the most important grassroots institutions. Another aspect not mentioned in the 10th Plan but needs to be highlighted while elaborating the concept of empowerment relates to cultural parameters, e.g. respect of rights of indigenous people and inclusion of their knowledge and practices. An important caution in dealing with women's empowerment, and women's issues in general, is to be able to allow for diversity, and the representation of multiple views and interests, thereby not treating 'women' as one monolithic category, but allowing for the preferences of different castes, ethnic groups and classes to be articulated.

The 11th Plan endorses all the areas emphasised in the 10th Plan and has expanded the concept further, but highlighted three key elements of gender equity – women as diversified groups for planned intervention, inclusive development, and a five-pronged intervention for women for sustained long-term impact.

'Empowerment of Women' as agents of social change and development was continued in the 10th Plan. Towards this a sector-specific three-fold strategy based on Social Empowerment, Economic Empowerment and Gender Justice was adopted based on the National Policy for Empowerment of Women. This approach was criticised for its omission of cultural aspects, and a more elaborate view of empowerment, which accounts for views of CSOs. This also needs to be revised to account for the synergies between different aspects of empowerment. The 11th Plan endorses all the areas emphasised in the 10th Plan and has expanded the concept further, but highlighted three key elements of gender equity – women as diversified groups for planned intervention, inclusive development, and a five-pronged intervention for women for sustained long-term impact. The last aims to

- a. provide women with basic entitlements;
- b. address the reality of globalisation and its impact on women;
- c. ensure an environment free from all forms of violence against women;
- d. ensure the participation and adequate representation of women at the highest policy levels, particularly in Parliament and Assemblies;
- e. strengthen existing institutional mechanisms and create new ones for gender mainstreaming and effective policy implementation.

This has also led to the 11th Plan widening the basic strategy net for women's empowerment- economic empowerment through employment, social empowerment and engendering social change; political empowerment; strengthening mechanisms for effective implementation of women-related legislations; and creating institutional mechanisms for gender mainstreaming and strengthening delivery mechanisms for effective implementation of women-related programmes, by strengthening the Women's Component Plan (WCP), and universalising gender budgeting and gender outcome assessment in all ministries/ departments at the Centre and the states.

The 11th Plan has prioritised engendering of national policies, tackling the issue of food security, and addressing the issue of globalisation, and its impact on women, especially those who are most marginalised. It seeks to curb the increasing violence against women, and ring in an era of zero tolerance for caste-based discrimination against SC/STs and women. It also claims to support, strengthen, and qualitatively improve the microcredit regime in favour of women, based upon a comprehensive national-level review of SHGs and microcredit policies from a gender perspective.

These ambitious plans are to be achieved by continuing some old schemes and launching many new ones. The major lessons from Swayamsidha and the first phase of Swashakti will be integrated into STEP, a

scheme for skills training of women. The Rashtriya Mahila Kosh (RMK) will also be integrated with the STEP scheme in the 11th Plan. Several social empowerment schemes such as relief and rehabilitation of rape victims, condensed course of skill training and vocational training for adult girls, maternity benefit scheme for women and mass media for awareness generation on issues relating to the status, rights and problems of women will be implemented in the 11th Plan. Leadership Development of Minority Women will be implemented as a pilot scheme reaching 35,000 to 50,000 women.

The 10th Plan directed both central and state governments to follow a special strategy of Women's Component Plan (WCP). This was to be achieved by allotting a minimum of 30 per cent of the funds/benefits to women from all the general departments. This was to be monitored through a mechanism of Gender Budgeting Units to be set up in all departments. Initially, only 15 departments accepted the process, but now gender budgeting is mainstreamed in many departments, with some allocating 30 per cent of their budgets, and some dedicating schemes where 100 per cent of the money is spent on and for the welfare of women. The 13 departments that spent over Rs 151 crore are shown in Box 3.6.

Box 3.6: Gender Budgeting Departments

- Rural development
- Health & family welfare
- School education & literacy
- Higher education
- Agricultural
- Women & child development
- Tribal affairs
- Social justice & empowerment
- MSME
- Youth affairs & sports
- Textile/handloom/handicraft
- Housing & urban poverty alleviation

The effects of gender budgeting are not yet analysed, though there are indications that it highlights women's needs and helps overcome many constraints they face in access to official resources.

The quota system has opened the door for women to influence local governance and development planning at the grassroots, though a lot of ground remains to be covered in capacity building of women to represent their constituencies better and improve their leadership abilities. Similar success in establishing a quota for women in Parliament, has, however, not yet been achieved, where women currently hold only 9.2 per cent of the seats (Wichterich, 2008).

10. New emphasis on education, health and other basic public facilities will work towards creating adequate human resources necessary for growth

The 11th Plan proposes to cater to the needs of the most vulnerable children such as street children, trafficked children, children affected by conflict or calamities, children of sex workers, child labourers, children with HIV/AIDS, victims of child sex abuse, differently-abled children, and juvenile delinquents. The means envisaged to ensure their secure childhood, in addition to child-care and primary education are adoption, rescue and rehabilitation, juvenile police units, shelter homes, counselling and medical

The 11th Plan also seeks to increase adult literacy to 85 per cent by the end of the 11th Plan and in the process give special attention to bridging regional, social and gender gaps.

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The second major part of the inclusive strategy of the Plan is to have a comprehensive health approach which encompasses individual health care, public health, sanitation, clean drinking water, access to food and knowledge about hygiene and feeding practice. The National Rural Health Mission (NRHM) has already been launched to ensure quality health care in rural areas, and will be extended to the Sarva Swasthya Abhiyan that also covers the health needs of the urban poor. As lack of institutional deliveries has been identified as the major reason for child and maternal mortality, the state will explore the possibility of an entitlement system for pregnant women to have professionally supervised deliveries. While the measures outlined are commendable, the key to achievement lies in their implementation, which is marred by inadequate investment and lack of quality in the health infrastructure.

11. The 11th Plan discusses regional divides and proposes allocation of central and state funds towards specific gaps

The debate is about allocation of funds between states, tied to specific purposes, and untied funds. It focuses on *HOW MUCH* each state should get, by what formula and *HOW TO SPEND* these funds. In this debate differences in poverty levels, education and health, gender and human development indices, housing shortages etc. become important as criteria. In keeping the overall emphasis on the Centre deciding these formulas and retaining fiscal dominance, it completely misses an opportunity to connect with the claimed 'rights-based' perspective. Application of a rights-based, self governance, transparency and accountability approach calls for greater decentralisation, and would lead towards greater collection of taxes at the state level and reduce central lists. The current planning perspective does not yet approach this problem.

The Plan recognises that communities that have been left behind in the growth story include SC/STs, and minorities, and other special groups that need attention include those affected by disabilities, the old, and beggars.

The Plan recognises that communities that have been left behind in the growth story include SC/STs, including the Primitive Tribal Groups (PTGs) and nomadic tribes, and minorities,³ and other special groups that need attention include those affected by disabilities, the old, and beggars. The first major means for integrating them into growth is through protective measures like reservations for education and employment, supplemented by a 15-point programme for the welfare of minorities. The economic development measures include setting up of a Land Reform Commission to enable their control over land distributed earlier, and preferential or joint land ownership of women. Preferential access to the employment guarantee scheme and training under the Apprentice Act are further measures to promote employment and employability of these especially disadvantaged groups. Rehabilitation and resettlement of tribals is given importance wherever they have been displaced. However, the Draft National Rehabilitation Policy of 2006 had invited much criticism and therefore the 11th Plan proposes a comprehensive and integrated national policy for land acquisition, compensation, and resettlement. Moreover, total eradication of the practice of bonded labour, which especially targets SCs and STs, is expected to be achieved, through intense efforts to identify and rehabilitate bonded labour and their children.

12. Trade policies must adhere to the principles of transparency, preference to people's needs and rights

Fiscal policies and development budget allocations reveal a mix of policy approaches. There is recognition of the need to develop human capital, and to create employment for the masses. The rights-based approach taken to employment generation for the rural poor holds tremendous potential for social protection, especially of the poorest. Similarly, regulations are proposed for providing social security to

³ Religious minorities include Muslims, Christians, Buddhists, Sikhs and Zoroastrians (Parsis)

those employed in the unorganised sector. An analysis of trade policies demonstrates how neo-liberal approaches may dictate the outcomes, especially in terms of sectoral performance, and its implications for gender and social protection. Trade policies of developed countries seek to promote their “internal policies of creating a single market by an agenda of progressive liberalisation and deregulation”.

India has already become important as a trade partner for the developed economies, and is already an important production base and outsourcing destination for European operators. It considers an export-led and free trade model a powerful driver of economic growth, development, and employment, and has adopted the liberalisation model, enhancing its export industries in manufacturing and information technologies, and its access to foreign markets. The question that arises in the context of sustainable livelihoods in India is whether there is coherence between India’s development agenda and its trade and investment agenda. Will trade and other policies of liberalisation contradict or support the Indian policy perspectives on poverty eradication, social protection, social inclusion, and gender equality?

If one examines just one large trade partner, the European Union (EU), analysis shows the following areas of concern:

1) Current trade policies uphold the competition paradigm subordinating and redefining the development paradigm. This is based on the trickle-down theory, which believes that growth will lead to development. Despite rising evidence to the contrary, the EU has cut down its aid for human development and anti-poverty-programmes and instead shifts assistance to economic cooperation and aid for trade. This reverses the means-end-relation: Development aid becomes a tool for enhancing trade.

2) The EU gives special attention to non-tariff-barriers, to international regulatory convergence and reciprocity of trade liberalisation. The underlying assumption is that the EU and India are equal partners. However, a high asymmetry prevails in many sectors and areas, let alone the fact that the Indian per capita GDP is only 7 per cent of the EU GDP. Demanding reciprocal trade liberalisation in asymmetric power relations and advancing equal trade rules between unequal trade partners disregards the existing economic disparities, in particular different levels of development and different social needs. Mechanisms like reciprocity and harmonisation of tariffs and regulations among unequal partners tend to privilege the stronger parties, countries and companies, and disadvantage the weak actors in the markets. Seeking the removal of domestic regulations which protect local industries against foreign investors, lifting of foreign direct investment (FDI) restrictions on performance standards like local content requirements and dismantling of capital control means to limit the policy space of the partner. It limits governments’ right to use regulation as a policy instrument for their development priorities e.g. food sovereignty or for positive affirmative action, e.g. subsidies for small women producers because positive discrimination would be considered trade-distorting.”⁴

Additionally, the EU asks for opening up government procurement and does not exclude essential services,⁵ patenting of living organisms like seeds in agriculture,⁶ and enforcement of intellectual property rights for pharmaceutical products, which would prevent production of cheap medicines. Further, the process of trade negotiations lacks transparency and democratic legitimation through consultation of parliaments and civil society, with business confederations from both sides getting privileged space to lobby (Wichterich, 2007).

The crucial question raised by Europe-based NGOs and networks is whose needs, whose rights and whose interests can be safeguarded or enforced through the offensive EU agenda for speedy and deep market liberalisation in India? Does the envisaged bilateral FTA serve the objectives of sustainable development, poverty eradication, social and gender justice and human rights such as food sovereignty

⁴ UNCTAD (2007): Trade and Development Report, Geneva

⁵This could imply privatisation of water and energy supply which has led to an increase of prices in other countries, and distorted poor people’s access to basic services.

⁶ This poses a threat to the production systems of farmers and deprives them of the most important livelihood resources and biodiversity.

Will trade and other policies of liberalisation contradict or support the Indian policy perspectives on poverty eradication, social protection, social inclusion, and gender equality?

and health. They point out that evidence of trade liberalisation in other countries shows that they do not lead to win-win situations as initially surmised, but “create gaps, contradictions and splits within the society”. Neo liberal trade policies are also increasingly women unfriendly, resulting in ‘feminisation’ and ‘flexibilisation’⁷ of employment, and undermine objectives like decent work, social security and gender mainstreaming. More jobs for women do not necessarily mean better jobs, and gender segmentation of the labour market, with women crowded at the bottom of the wage and value pyramid has resulted in a gender wage gap of 15 per cent. In the face of economic growth, social growth in terms of human development, social equality, gender justice takes a back seat. Cheap imports of products and rising prices of inputs and services displace small and medium enterprises, small farmers and producers, traditional crafts persons, petty traders and street vendors (Wichterich, 2008).

The same stand is echoed in the 11th Plan when it states: In India the dependence on agriculture for employment is very high and this is the central reason why it will need flexibility through special safeguards in special products, both in coverage and treatment, unless radical reform in domestic support is adopted by the major industrialised countries encompassing not only steep reduction in what has been hitherto regarded as trade distorting but also strict disciplines on the Green Box payments which put money in the hands of the farmers from public funded government programmes.”(GOI, 2008). This stand has been reinforced in recent negotiations in Geneva (July 2008), and hopes to create political will among industrialised nations to affect the deep reforms in agriculture they seek to bring about in developing countries.

Negotiations of free trade agreements will thus continue to be important determinants of both promotional and protectional aspects of livelihoods.

Negotiations of free trade agreements will thus continue to be important determinants of both promotional and protectional aspects of livelihoods. This assumes importance in light of claims by most developed countries that they do not assume responsibility for protectional impacts of trade agreements, which are considered to lie fully in the domain of the national economy.

Achieving inclusive growth and reducing vulnerabilities will continue to pose an important challenge in an increasing polarised world which prioritises capital over any other means of production, and seeks to create political economies for promotion of capital.

13. The impact of policies on livelihoods is difficult to define and assess and is often surmised rather than technically studied over long periods of time

The inclusive growth paradigm of the 11th Plan is reflected in substantial increases proposed in the Union Government’s spending on sectors like agriculture, health, education, social justice and infrastructure. SC/ST and other excluded groups find mention in the Plan documents and several schemes are articulated. These facilitate education and employment and vocational training for the excluded groups. The Plan commits specifically to elimination of practice of manual scavenging and removal of bonded labour, recognising these as extreme forms of labour exploitation.

However, several contradictions persist. To begin with, inclusion itself is a problematic concept to operationalise. It requires first identifying the ‘excluded’ and then outlining ways to ‘include’ them, which is done in the Plans by formulation of Scheduled Caste Sub-Plan (SCSP) and Tribal Sub-Plan (TSP). What needs to be recognised upfront is that the process of identification itself deepens a separation, as the very process rewards the separation rather than the integration. Similarly, building women-only organisations, or caste-based local organisations draw a definite line between gender/caste categories, deepen these identities, and work against the very efforts that are intended to bridge these divides.

⁷ Flexibilisation refers to the expectation that women combine a paid job and unpaid work in the family. As women continue to be primary caretakers of children, and the elderly, their integration in the labour market is on irregular, informal and poorly paid terms, with low entitlements

Another example is the approach to the rights of tribals. The National Tribal Policy and National Displacement Policy have been drafted, and the 11th Plan too claims restoration of traditional rights of self-governance, which relate to use of forestlands. At the same time, acquisition of lands for industrial and other purposes, especially forest lands, continues and is even exacerbated by the strengthening of the Land Acquisition Act. This second step in fact ensures that tribal people and local cultivators do not have any control over forces that erode their livelihoods.

In sum, development policies depict a mix of neo-liberal and rights-based approaches, making it difficult to judge the overall livelihoods outcomes. These would also be determined by trade and financial policies, and as already recognised in the 11th Plan, trade negotiations face a pressure for India to establish an 'open' regime, between national and international stakeholders, so as to loosen national hold over own resources in favour of international exploitation, just as domestic policies seek to privilege external industrial interests over that of local rural and tribal populations. While the 11th Plan recognises the trade issue and commits to safeguarding national commercial interests, it does not recognise the conflict in the domestic policies. If these anomalies are not corrected, then the vast gains from the rights-based employment and social protection approaches are likely to be diminished.

Finally, a word on the limitations of the current policy review and others that form the basis of the Indian planning process. A good review of livelihoods policies calls for a policy impact analysis, which is a developing technical field. Like any impact analysis in the development sector, impacts of policies on livelihoods are difficult to define and assess and are often surmised rather than technically studied over long periods of time. Instead, political considerations lead to claims, whereby presence of a policy, or reforms is itself taken as an indicator of success rather than evaluating the outputs or outcomes of such reforms.

For these reasons, the most common approach to policy impact assessments is an ex ante Regulatory Impact Assessment Analysis (RIAA), which focuses on the current situation, and from this, predicts the likely impact of policy interventions (Richardson, 2005). Other methods include cross-section impact assessments, which analyse sectoral impacts of policies, and Project Independent Impact Analysis, which assesses changes over time with regard to development policy goals in a country. A more advanced approach, Qualitative Impact Monitoring (QUIM) aims to capture people's attitudes and perception on poverty issues with the intention of factoring them into policy debates (Lobb-Rabe, Alison. 2002). The most advanced approach is the Integrated Impact Assessment Approach (IIAA), which includes screening, ex ante appraisals, monitoring and ex-post assessments (Pinder et al, 2005).

The planning process in India is based on broad-based discussions in official circles, formation of expert committees and working groups, which make recommendations, with some of these holding consultations with CSOs. This process is detailed but not based on a rigorous evaluation of policy impacts. India has immense institutional capacity, which can be utilised to conduct policy impact assessments, which can in turn feed into the official policy-making process. India has also not produced a Poverty Reduction Strategy Paper, an exercise that would put all livelihoods policies relating to the poor and most vulnerable people in perspective and ensure that we can evaluate our progress on the ambitious goal of 'inclusive growth'.

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CHAPTER IV

Possibilities: Livelihood Opportunities and Potential

Sankar Datta and Preeti Sabai

Abstract

In our quest for livelihood opportunities and potential, this chapter looks for those which have shown the potential for high economic growth as well as growth in employment. Our basic premise is that, neither employment growth nor economic growth alone can lead India on to a much-desired path of inclusive and efficient growth. Many economists have observed 'while employment growth was reasonably high at around 2 per cent with just about 3.5 per cent growth rate of GDP during the earlier decades, with over 6 per cent GDP growth, employment growth has been much lower since the 1980s, particularly during the period 1994-2000'¹, a period characterised by Jobless Growth. Therefore, we worked on a Livelihood Promotion Potential Index, which combines the growth rate of both GDP and employment, treating growth and employment in agriculture as the base. Looking into this index we find that in the present economy Financial Services, the Real Estate and Business Service activities are the sectors with the maximum potential to support an increasing number of livelihoods. While looking at the potential of a sector to support a large number of livelihoods we also looked at the Labour Capital Ratio and Employment Elasticity in various sectors. As India is a labour surplus country, activities which have a higher wage share in total output compared to share of capital are likely to be more favourable for livelihood generation.

1. There is merit in the argument that the increase in tertiary employment is substantially due to higher relative productivity

Livelihood opportunities need to be looked at in sectors that are growing, both in terms of their GDP and employment growth. Having said this, sectors with higher elasticity of labour would be able to generate larger number of livelihoods for a smaller increase in their contribution to GDP. The Livelihood Promotion Potential Index (LPPI) is a measure of the ability of sectors to 'generate' new livelihoods. It builds-in the future potential. In order to put the analysis in perspective, we juxtapose other attributes such as Employment Elasticity, Labour to Capital Ratios, Labour Productivity and Employment Share with the LPPI. This analysis helps determine the livelihood opportunities offered by different sectors.

Looking into these aspects of the labour economy, we find that in the present economy, tertiary sector services such as financial services, business activities and transport are sectors with the highest livelihood potential, followed by construction. Though agriculture still commands the largest share of employment, it has the least potential to support more new livelihoods. The ensuing section gives the highlights of the livelihood promotion potential across sectors.

The LPPI ranking shows how some of the tertiary sectors such as financial services, business services,

In the present economy, tertiary sector services such as financial services, business activities and transport are sectors with the highest livelihood potential, followed by construction.

¹ T.S Papola (2008) Employment Trends in India

transport, storage, communication, trade, hotels and restaurants are likely to be leaders in the growth of employment. (See Table 4.1 below). The top-ranking sector will be Financial, Insurance, Real Estate and Business Services, which have the highest LPPI, largely due to the extraordinary growth of both GDP and employment in this sector between 2000 and 2005. Its employment share is amongst the lowest at around 2 per cent, which is explained by the nature of these services, which require both high education and skills. There are several emergent activities in the low skills space in this sector, such as building and industrial cleaning, security services, marketing of financial services, which are absorbing large numbers of peoples. The high skill requiring sub-sectors such as financial intermediation or real estate are the ones that have high-productivities.

There are two types of livelihood potential areas within this broad sector:

Support services within the main industry being created due to changes in the way services are being delivered and expansion in the types of services, such as customer support, query handling; and peripheral support services requiring low-skills, which are largely outsourced to other agencies, such as maintenance and security. These services are both distinct from those emergent services in Finance, Insurance and Real Estate, which have a high economic growth potential and high-skill requirement, and therefore high productivities per worker.

On the whole, there is merit in the argument that the increase in tertiary employment is substantially due to higher relative productivity, as tertiary sector productivity is higher than manufacturing almost all through.

The productivities in trade have more or less remained constant vis-à-vis the base, and the transport productivities have also not increased substantially. The average productivity in the tertiary sector as a whole is pulled up by the high value in the financial services sub-sector. Tertiary sectors seemed to have increased their productivity based on high demand for services, and in some sub-sectors the extent of labour influx seems to have dampened the productivity increase. On the whole, there is merit in the argument that the increase in tertiary employment is substantially due to higher relative productivity, as tertiary sector productivity is higher than manufacturing almost all through.

In the sector, Financial Services, Insurance, Real Estate and Business Services, the share of employment across sub-sectors is skewed heavily in favour of Financial Intermediation and Business Services with over a third each. This is the only sector in which employment growth (11 per cent) has overtaken GDP growth (7 per cent). The labour intensity of this sector is high, and absolute productivity levels are very high.

Table 4.1: Employment in the Tertiary Sector

NIC Code	Activity	Employment Share in this sector	Self-Employed	Regular Salary/Wage Employed	Casual Labour
65	Financial intermediation except insurance and pension funding	30%	11.62%	87.13%	1.06%
66	Insurance and Pension funding except social security	10%	52.16%	43.16%	2.08%
67	Activities auxiliary to financial intermediation	3%	61.20%	38.29%	-
70	Real estate Activities	5%	86.81%	12.31%	0.50%
71	Renting of Machinery and equipment without operator and of personal and household goods	8%	74.14%	10.00%	15.09%
72	Computer and related activities	11%	13.09%	85.07%	0.36%
73	Research and development	1%	-	100%	-
74	Other Business Activities	33%	55.72%	38.46%	5.40%

As can be seen from the description above, most activities in this sector are highly specialised and knowledge and skill intensive. In the financial services and insurance sectors, the proportion of females working is between 13 and 17 per cent. Real Estate engages much fewer women at fewer than 5 per cent. Computer activities engage around 23 per cent women workers.

The weightage of capital and labour in these sectors is provided in Table 4.2 to show how capital intensive such work is. Activities such as in real estate, insurance, mutual funds and financial intermediation not only require a high proportion of capital, but also the amount of labour generated by capital is also very low at 0.15 for real estate, and 0.41 each for insurance and banking.

Table 4.2: Weightage of Capital and Labour in Key Sectors

Sub Sector	Capital Share in Total Output Value	Wage Share in Total Output Value
Real Estate	80.83%	12.46%
Insurance	55.95%	22.70%
Banking	45.46%	18.44%

The labour productivity in the financial services sector has been the highest by a high margin, vis-à-vis all other sectors till 1999-2000. For the period after 2000 we do not have productivity figures, however a high employment elasticity of 1.76 points to declining productivity. This dichotomy can be analysed by breaking down this sector into sub-sectors. It is possible however that the high increase in labour was done in the expectation of higher business, and the productivity levels will not take a big hit.

2. The potential lies in a large proportion of non-key support services that are now available for people with lower skills

With the entry of international companies into the financial services arena, the Indian financial sector has undergone a paradigm shift in the business levels, range of products and services, customer orientation and use of technology. A visible impact of this is the increasing levels of breaking down of work into simpler 'productisable' capsules. This work is simplified to the extent that the human resource skill requirements go down and therefore the expense in carrying out such work decreases. A large proportion of the non-key activities in support of the core activities for the financial intermediation and insurance sectors are now available for people with lower skills.

Such livelihoods include customer support services; follow up through tele calling, document verification, sales calls, query handling, processing claims, etc. Many of these would qualify as IT-enabled services, and a number of them depend on business from foreign countries. Even as the overall ITES is a growing but small proportion of employment², its share of work based on domestic demand has powerful linkages within the country. Pramod Bhasin, CEO Genpact, refers to this as 'concentric circles of employment', referring to areas such as catering, transport, security, etc.

This work is increasingly being done by agencies to which this business is outsourced, and the workers are not employees of the bank or insurance company providing the business. These support services do not require high-grade skills and education, they require basic literacy and communication skills, and some jobs require knowledge of data-entry. The ones such as sales calls or business follow-up require specific training in selling skills and knowledge of products and services. This work is also amenable to engaging more women in large numbers due to better working conditions. Currently also, there is a high share of women involved in this work at over 15 per cent.

The ability to communicate in English is a prerequisite for many such jobs. This explains the mushroom-

Labour productivity in the financial services sector has been the highest by a high margin, vis-à-vis all other sectors till 1999-2000.

With the entry of international companies into the financial services arena, the Indian financial sector has undergone a paradigm shift in the business levels, range of products and services, customer orientation and use of technology.

² <http://www.rupe-india.org/36/app1.html>, accessed on 3rd July 2008

ing of 'English Speaking and Personality Development' classes. Most of these jobs are incentive-based, and continuation of work is subject to performance. Young boys and girls from lower socio-economic backgrounds, who have lived in cities or small towns, and are educated up to Std X or XII, are ideal for doing this kind of work.

3. Business services, which have grown at over 20 per cent³, have been one of the fastest growing industries

Business services engage over a third of the workforce in this sector. A deeper analysis shows that this segment includes the types of services we see all around us. Around 10 per cent of the workers are women. Even as the employment share is higher for this sector, the GDP contribution is only around 14 per cent of the total GDP of 'Financial Services, Insurance, Real Estate and Business Services'. This points to the relatively low productivity, compared with other financial services, real estate, computer related activities.

Sectors in which livelihoods are increasing include security, maintenance, cleaning, recruitment, and others such. Given the increase in outsourcing of basic services such as these, this segment has high livelihood potential. Business services include activities such as labour recruitment and provision of personnel (2.7 per cent share of total employment in this sub-sector), security activities (16 per cent), photographic activities (32 per cent), packaging activities, business brokerage activities, i.e. arranging for the purchase and sale of small and photostat, secretarial services, which include telephone answering, stenographic, duplicating and mailing etc. engage about 2.6 per cent of the workers in this segment. Services such as building-cleaning and industrial cleaning activities have a small share of employment at 0.8 per cent currently. However they are likely to increase at a fast pace.

An interesting feature of the employment pattern in this sector is that it is largely in the nature of regular employment and self-employment, and workers are usually paid regular salaries or wages. There is almost no casual labour in most of the business services sectors, which have a prominent share, which is another positive for encouraging livelihoods in this sector.

Training for secretarial work such as stenography, telephone operators etc., can be provided easily. Similarly for workers in cleaning and maintenance, basic orientation and grooming are good enough. For security workers, there are in-house trainings in most security agencies. However, some basic training for use of arms might be required for senior personnel.

While these jobs are mushrooming, there has to be a systematic approach to matching the jobs with the potential workers. The profiles of persons for different jobs will vary based on the content of the jobs and therefore skills required. In all trades listed here, the task of linking with the job-market is crucial. Just training more and more workers to become typists does not necessarily ensure a better livelihood for them. A clear market identification exercise should be undertaken and based on that people should be trained.

The sector with the highest GDP growth between 1999 and 2005, Transport, Storage and Communications has grown at around 14 per cent per annum. It ranks second as per the LPPI of 8.36.

4. With enhanced focus on infrastructure growth, the transport sector has to grow, and there will be an increasing demand for workers in this sector.

The sector with the highest GDP growth between 1999 and 2005, Transport, Storage and Communications has grown at around 14 per cent per annum. It ranks second as per the LPPI of 8.36. Within this sector, the highest GDP share is that of road transport (60 per cent), followed by communications (25 per cent). The employment pattern is even more skewed with road transport employing over 84

³ Banga 2006

per cent and communications employing around 10 per cent of the workers in this sector, as shown in Table 4.3 below.

Table 4.3: Employment in the Transport and Communications Sector

NIC Code	Sub-Sector	Share of Employment
60	Land Transport, Transport via pipelines	84.00%
61	Water Transport	1.00%
62	Air Transport	0.42%
63	Supporting and auxiliary transport activities, Activities of travel agencies	3.00%
64	Post and Telecommunications	11.00%

Source : NSS 62nd Round

As the data in the Table 4.4 shows, land transport (given as ‘other transport services’) requires the lowest capital infusion to generate high labour value. Even as railway transport has a good labour-capital ratio, its share in the output is very low at around 10 per cent. This, compounded by the fact that employment in the railways is generated by public sector activities, makes it a relatively insignificant driver of livelihood generation.

Table 4.4: Labour to Capital Ratios in Key Transport Sub-sectors

Sub-Sector	Wage Share in Total Output Value	Capital Share in Total Output Value	Labour to Capital Ratio
Communication	18.43%	57.98%	0.32
Storage and Warehousing	32.32%	26.92%	1.20
Other Transport Services	23.78%	14.10%	1.69
Railway Transport Services	33.68%	18.89%	1.78

A GDP growth rate of over 13 per cent per annum strengthens the case for livelihoods in this sector along with other factors such as a high Labour-Capital ratio of 1.69. Investments in road transport will have a high employment effect, as for each investment the expenditure on labour will be higher by 1.69 times. Till the year 2000, the productivity increases in transport have been marginal, and there is a likelihood that the workforce in this sector has increased substantially. For the period 1999-2000 to 2004-'05, however, the productivity would have improved, as growth is high and employment elasticity is low at 0.35. Even as the employment growth rates in transport were high in absolute terms, the economic growth was so high that the elasticity was pushed down.

The more agriculture and manufacturing grow, the more villages and small towns will be connected with the cities, and the higher therefore will be the role of road transport. Policy makers and livelihood practitioners need to recognise the role of road transport in creation of livelihoods, and address the issues that the current and growing livelihoods in the sector face. We need to also look at ways to enable workers to have a more ‘enabled’ entry into such work, and build institutional systems for their access to different types of services.

There are two types of growing livelihoods within land transport that require attention: Drivers, who could be self-employed or casual workers—these could be drivers of trucks, buses, taxis or non-motorised vehicles such as cycle rickshaws; and support staff comprising helpers, cleaners, loaders, administration staff

The nature of work is such that a minuscule percentage of women are engaged in this sector. Indeed, given the work quality and schedules too many women cannot be encouraged for this work, except to some extent for driving taxis in cities.

Policy makers and livelihood practitioners need to recognise the role of road transport in creation of livelihoods, and address the issues that the current and growing livelihoods in the sector face.

While these livelihoods have almost no barriers at the entry level, their life and livelihood do not have a commensurate growth chart. A typical rickshaw-puller in Delhi, for example, doesn't move to becoming a rickshaw 'owner' from a rickshaw 'puller'. He doesn't want to own a rickshaw. What he actually doesn't have is 'space' to park the vehicle. He does not have the financial and social muscle to deal with the Municipal Corporation when they take away the rickshaw for unauthorised parking. In most cases, a single person owns several dozens of rickshaws and rents these out on a daily basis. While ownership of taxis and autos or even cycle rickshaws is a good income proposition, the owners have no place to park these overnight, unless they have substantial owned or rented space.

Table 4.5 shows a much higher proportion of wage-employed persons in motor vehicles. While this is true, a self-employed worker in non-motorised land transport is not necessarily the 'owner' of the vehicle. Any other person who hires it is also a self-employed person to the extent that s/he is not being paid either a regular or an irregular wage. Such persons earn their living and pay a rent to the formal owner of the vehicle. These sets of workers also have peculiar problems due to the nature of their work and the mobility it requires. Their work schedules and distances often don't allow them to live in hygienic conditions. Truck drivers, for example, are the largest carriers of diseases such as AIDS in India. In most cities, rickshaw-pullers live shelter-less and sleep on their rickshaws or on pavements.

Helpers, cleaners and loaders are poorly paid and have difficult jobs, wherein they stay away from home for months at a stretch. Yet if a villager is given life-skills orientation, including preventive healthcare, sanitation, hygiene before leaving for such jobs, the chances of him/her being able to cope with the demands of the job and to grow into a higher grade livelihood are higher.

Microfinance institutions have only been able to reach out to the rickshaw-puller segment, as the other loan sizes are beyond their scope.

The other area of concern pertaining to the segment above is financial inclusion services. While finance for the vehicle might come to mind first, there are other more basic issues of being able to save at a safe place, or remit money home or be insured for life and health, which are needed by transport workers. Insurance for health for example is something that could go a long way in ensuring their well-being. Bank accounts for workers will help them save money while being on the move. For credit, there are informal markets for financing both auto rickshaws and cycle rickshaws. The terms are complex and exploitative, but the formal finance systems have inadequate market information to make a dent in the loan segment for motor vehicles due to their high cost. Increasingly, however, banks are looking at this segment of autos and taxis. Microfinance institutions (MFIs) have only been able to reach out to the rickshaw-puller segment, as the other loan sizes are beyond their scope.

One possible approach is to build grassroots collectives such as drivers' guilds and enable membership to a platform, which provides legal and other counseling to address their issues. Driving training and orientation to the types of issues drivers, cleaners etc. face, would help them ensure greater safety and stability in their livelihood as transport workers. The nature of the work can remain the same, however, the conditions of work and workers can improve if steps are taken at an institutional level, which will ensure continuity of efforts with workers in the sector.

5. The retail trade, hotels and restaurants sector will only grow with the change in consumer behaviour

With over 11 per cent employment share, 'Trade, Hotels and Restaurants' is the highest employment contributor in the services sectors.

With over 11 per cent employment share, 'Trade, Hotels and Restaurants' is the highest employment contributor in the services sectors. Within this segment, the contribution of retail and wholesale trade, both towards GDP and employment is much higher than hotels and restaurants, which contribute only 13 per cent to the GDP. With an increasingly globalised economy, this sector will only grow, as consumer behaviour is changing. Employment growth registered by this sector has been around 4.7 per cent. Considering the numbers involved and growth potential within this broad sector, the highest potential for livelihoods of the poor is in the retail sector. Trade in general involves all the petty vendors and hawkers

Table 4.5: Profile of workers in the main sub-sectors of Land Transport

Sub Sectors of Land Transport	Share of Employment in Land Transport	Million Workers	Self-Employed	Regular Salary/Wage Employed	Casual Wage Employed
60221 Other non-scheduled passenger land transport by motor vehicles such as taxi operation, rental of private cars with operator and other occasional coach services	35%	4.4	50.71%	35.33%	13.26%
60222 Other non-scheduled passenger land transport, other than by motor vehicles (i.e. by bullock carts, tongas and cycle rickshaws etc.)	11%	1.45	95.70%	1.34%	1.89%
60231 Freight transport by motor vehicles	36%	4.6	15.06%	53.00%	31.19%
60232 Freight transport other than by motor vehicles (i.e. by man or animal drawn vehicles such as bullock carts, cycle rickshaws and the like)	12%	1.54	81.45%	3.16%	14.59%

Policy makers and livelihood practitioners need to recognise the role of road transport in creation of livelihoods, and address the issues that the current and growing livelihoods in the sector face.

we see around us. These could be as small as a single person enterprise, and not move on to a larger enterprise-size even including hired labour.

As a single-digit sector, this is a heterogeneous sector with a consolidated employment of 39.8 million, which is around 10.7 per cent of the total employment. The distribution of employment is uneven, with over 70 per cent in 'Retail Trade' and 'Repair of Personal and Household Goods'. (See Table 4.6)

Considering the numbers involved and growth potential within this broad sector, the highest potential for livelihoods of the poor is in the retail sector.

Table 4.6 Employment within the Trade, Hotels and Restaurants Sector

NIC Code	Description	% of Employment within the Sector
50	Sale, Maintenance and Repair of Motor Vehicles and Motor Cars, Retail sale of automotive fuel	5%
51	Wholesale trade and commission trade, except of motor vehicles and motor cycles	10%
52	Retail trade, except of motor vehicles and motor cycles; repair of personal and household goods	72%
55	Hotels and Restaurants	13%

The labour-capital ratio as given in the table below is not high at 0.51 for trade. This is due to two reasons, partly the bundling of wholesale and retail trade, and the fact that both types of trading activities require working capital. The share of labour value is noteworthy in trade at around 27 per cent. (See Table 4.7).

Table 4.7: Labour to Capital Ratios within the Trade, Hotels and Restaurants Sector

Sub-Sector	Proportion of Labour to Output Value	Proportion of Capital to Output Value	Labour to Capital Ratio
Trade	26.81%	52.35%	0.51
Hotels And Restaurants	19.35%	11.89%	1.63

The retail trade segment engages over 28.6 million persons, with around 51 per cent working in rural areas. Around 80 per cent of the persons engaged in this sector work as self-employed persons. There have been very few entry barriers for someone with the requisite working capital in this sector. Within the retail trade the sale of food, beverages and tobacco is the largest segment, with over 43 per cent employment. Around 34 per cent employment is in the retail of new goods in specialised stores – pharmacies, textiles, cosmetics, soaps, footwear, furniture, TV/Radio, electronic goods, household appliances, etc. Labour productivity has remained more or less constant in this sector, which indicates the relatively large influx of labour in this category, pushing down the productivities. The wage share of trade as a proportion of value of output was around 27 per cent, which is amongst the higher wage shares for a sector with such a high-share of employment. The other striking feature is capital as a proportion of total output value, as trade has over 52 per cent capital requirement. This is the highest for a high-share sector.

This focuses on the need for working capital in this sector. Combined with low entry-barriers, this sector has been a fall-back for many poor households. Microfinance has enabled the small retailer to enhance her/his livelihoods. This is likely to continue, and should be encouraged. There has been no such paradigm shift in the access to financial services, that the need for credit by such retailers would have either changed or been met. Credit continues to be a prerequisite for small businesses to thrive, and all efforts to cover such retailers should be encouraged, both in the microfinance space and in small and medium enterprises.

The inflow of capital into organised retail however threatens to alter this picture. Supermarkets are changing middle-class consumer preferences, and the way they like to shop. While they may not quite kill the extant 'small' retailer's livelihoods, a fair amount of displacement is sure to happen.

With so much discussion around the effect of organised retail on livelihoods of the poor, it is important to put things in perspective. Even as India has the largest number of retail outlets in the world, currently organised retail accounts for only 4 per cent of the total retail market in India. Estimates suggest that this share will increase to 25 per cent by 2018. *A T Kearney's annual Global Retail Development Index (GRDI) cites India as the most attractive market for retail investment.*⁴ The Commerce Ministry, of GoI, terms retail as a 'sunrise sector'⁵, and assesses that the organised retail sector will generate 10 to 15 million jobs over the next five years, and that the value of the organised retail sector in India by 2010 would be around Rs 2,00,000 crore or US\$45 billion.⁶

Within organised retail the types of jobs that are being created include stocking and grading, storekeeping services, quality checking, billing services, cleaning, maintenance, sales, customer service. These livelihoods are relevant for big urban centres. These kinds of jobs require young and energetic persons, and one of the most basic prerequisites include grooming, communication and presentation skills for those who interface with customers. This is one of the reasons that English-speaking personnel are so much in demand. For the back-office work, such as storekeeping and inventory management, some basic trainings are required.

Repair of personal and household goods is formally a part of the retail sector. However, this does not face a threat from organised retail, similar to those of livelihoods based on retail of food, paan, etc. There are around 3.1 million livelihoods dependent on this sector, which absorbs around 11 per cent of the employment in the retail trade sector.

These skills are easy to impart, and there are several ITIs delivering courses for repair of electronics and electricals. Currently 74 per cent of the persons in this sector are self-employed and 18 per cent have regular jobs. Given this, such trades can be encouraged largely for self-employment though capital will have to be provided for these trades.

The Commerce Ministry, of GoI, terms retail as a 'sunrise sector', and assesses that the organised retail sector will generate 10 to 15 million jobs over the next five years, and that the value of the organised retail sector in India by 2010 would be around Rs 2,00,000 crore or US\$45 billion.

Table 4.8: Employment in 'Repair'

Description of Sub-Sector	% Share in Employment
52601 Repair of footwear and leather goods	6%
52602 Repair of household electrical appliances	12%
52603 Repair of TV,VCR, radio, tape recorder, refrigerator and other similar items	19%
52604 Repair of watches and clocks	3%
52605 Repair of bicycles, cycle rickshaws and other non-mechanised vehicles	24%
52609 Repair of personal and household goods n.e.c.	36%

6. Construction is the only fast growing sector with a low differential between the GDP and employment growth rates

With around 6 per cent of the workforce engaged in construction, it becomes a sector to reckon with, particularly considering that this is one of the only single-digit sectors in the NIC system, in which the degree of homogeneity is very high. In most other sectors, distinct and often disconnected sub-sectors are subsumed within the single-digit sector such as trade and hotels, or transport and communication.

⁴<http://info.shine.com/IndustrySpecific.aspx?cid=976ec02d-3697-4df7-811d-a719d5ab5bb0&industryname=Retail>, accessed on 26th June 2008

⁵http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=1895, accessed on 26th June 2008

⁶http://commerce.nic.in/pressrelease/pressrelease_detail.asp?id=1895, accessed on 26th June 2008

Construction requires no external impetus to be a growth sector, as the economy hinges substantially on infrastructure growth, and there is both public and private investment being made in construction projects. Considering the high LPPI in construction, a large number of new livelihoods will be created in this sector.

The current skill-level required for entry into construction at the bottom is fairly low, which contributes to its high livelihood potential. However, the skills gap needs attention, as more people will be dependent on construction as their primary source of livelihood.

This is the only fast growing sector with a low differential between the GDP and employment growth rates, implying perhaps that construction is not perpetrating 'jobless growth'⁷, most unlike other sectors. The current skill-level required for entry into construction at the bottom is fairly low, which contributes to its high livelihood potential. However, the skills gap needs attention, as more people will be dependent on construction as their primary source of livelihood.

The construction sector engages around 6 per cent of the total unorganised sector workforce, numbering over 22 million persons. Of these over 70 per cent are rural and around 91 per cent are males. Further, at over 73 per cent, most of the construction workforce is engaged as casual labour, only around 8 per cent are regular wage/salary employed, and around 17 per cent are self-employed. This workforce structure, with a very high share of casual labour, typically poses very low entry barriers. Even as this sector engages women, they are employed only at the lowest levels of skills.

The employment elasticity in construction is high at 0.78, which shows that the number of workers will have to increase by this ratio, for a unit increase in output. The productivity decline in construction is the inverse of employment elasticity. This can be attributed largely to the influx of large numbers of workers in this sector.⁸ Construction absorbs a lot of the seasonal agricultural labour in the non-agricultural seasons, as the entry barriers in the sector are very low.

Wages are a significant part of the value of output. The wage share of construction as a proportion of total value of output is very high at over 33 per cent. This proportion of wage share changes perceptibly, only with substantial changes in technology such that labour input can be reduced. This is likely to happen only over the long run. For construction, however, the labour share as a proportion of value of output has increased by 2 per cent between 1997-'98 and 2002-'03. Also the labour-capital ratio, which shows the value of labour required/generated per unit of capital, is the highest for construction at 3.51. Construction will therefore engage Rs 3.5 worth of labour for every Re 1 of capital. All this data points to the labour-intensity of construction and the potential of more livelihoods therefore.

As per the NIC classification, construction is divided into activities such as site preparation, building of complete constructions or parts thereof, building installation, and building completion. This, however, does not show the diversity of livelihoods in the sector. There are several activities within each of these sectors such as head-loaders, bar-benders, masons, tile layers, electricians, insulation workers, shuttering workers, drillers, painters, plasterers, pipe layers and fitters, plumbers, carpenters, sheet-metal workers, equipment operators, RCC workers, general works supervisors, storekeepers, etc. Within each of these, there are further subcategories. Further there is gradation of type of work that they are capable of, starting from unskilled brick layer to mistri, rajmistri, etc.

With time, as workers gain experience, they move up this gradation from one level to the next. This movement is very slow however, as the system does not encourage it. The movement is a function of individual capabilities, motivation and access to financial resources. The proportion of people who move up therefore is very small. This professional ladder for construction workers is social as well as economic. Workers typically cannot specialise in more than one trade. The quality of work delivered by a worker in construction has a clear premium in terms of higher incomes and more demand.

⁷Banga 2006

⁸<http://www.adb.org/Documents/Reports/Consultant/TAR-IND-4066/Agriculture/jha.pdf>, 16th June 2008

In terms of number of persons required, demand is highest for workers at the lowest levels such as head-loading, brick laying, masonry, shuttering, tile laying, bar-bending, etc. The more technical and supervisory trades require education of up to Class X and above. The diversity of work in construction offers an opportunity for identifying aptitudes and capabilities of persons, and training them accordingly.

The nature of work in construction is such that workers have to shift from one project site to another, once their job is over. The poorer segments therefore end up living at the construction sites. The average quality of life for workers living at the construction sites is very poor, and devoid of health, sanitation and water facilities. There are makeshift toilets, if at all, and there is no potable water, save in a few instances. The children of workers living at the construction sites do not have access to schools, or health facilities. For women, the conditions are even more difficult, often not even offering basic minimum privacy for a dignified life. For other construction workers, who do not live at the sites, there are occupational health hazards, and their safety standards are not followed at most places.

Employment in the construction sector is largely such that there is no direct employer-employee contact, and the ultimate employer engages several layers of contractors and sub-contractors to get to the final workers. This makes it difficult to connect workers with jobs, as only informal channels of information work with this segment. A related striking feature is the near complete lack of social security amongst workers in this sector. Partly due to the lack of a clear employer-employee relationship, and partly due to the unorganised nature of work, there are no benefits for these workers.

Each type of work, and gradation of the worker thereof earn different daily wages. The more unskilled the worker, the lower the daily wage, and the more uncertain are the average number of work-days in a month. Both the daily wage and the number of days in a month increase with a higher skill level of the worker. In India, workers learn on the job, by going through the *guru-chela* system. While this system of apprenticeship continues to be the most effective way of learning, there is value in supplementing it with other training. Also, the organic growth chart of the average construction worker is very slow, as they have to remain trainees till they have the skill and the working capital to do either higher grade or more work. This learning curve can be made easier by institutionalising formal training for construction workers.

There aren't many formal systems for training of workers for trades in construction. This training will enable workers to move up the value chain and strengthen their livelihoods. A more skilled construction workforce is in order, not just from the perspective of building human resources for livelihoods, but also as a prerequisite for the construction industry. Quality and timeliness of work are key considerations for the builders, and skilled workers can deliver these.

The infrastructure targets of the country are steep and investments in the range of 9 per cent of GDP are envisaged. Close to \$500 billion worth of investment is being considered over the 11th Five-Year Plan period.⁹ Policy makers and civil society can improve the livelihoods of construction workers by training them and addressing other issues related to quality of life and social security. Since this has a direct bearing on the performance of industry, they should be stakeholders in provision of skills and other benefits to these workers.

7. The importance of manufacturing lies in that it has very deep linkages with sectors such as transport, storage, wholesale, retail and construction.

The manufacturing sector scores relatively low on LPPI. However given both its relevance to economic growth and its share in employment, manufacturing is an important middle ground. The productivity

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⁹http://economictimes.indiatimes.com/News/Economy/Infrastructure/Infrastructure_investment_to_be_raised_to_9_of_GDP_Montek/rssarticleshow/2594462.cms, accessed on 24th June 2008

gains in manufacturing have been high up to 1999-2000, and the elasticities were therefore low during this period. The economic growth in employment is high, and corresponding high employment elasticity for the period 1999 to 2005 is a good sign. This should help strengthen the manufacturing sector, which will buttress growth and employment linkages with other sectors. The importance of manufacturing is enhanced by the fact that it has very deep linkages with sectors such as transport, storage, wholesale, retail and construction.

Employment in the manufacturing sector has been largely generated by the Small Scale Industries (SSI) sector. The following two tables (4.9 and 4.10) will show the relative importance of SSIs in employment in the manufacturing sector.

Table 4.9: Trends In Growth of Employment in SSI & Industrial Sector (%)

Period	GDP Growth per annum	Increase in jobs per annum	
		Organised Sector including Government	SSI sector
1980-1990	5.7%	1.59%	6.7%
1991-1997	5.7%	0.86%	3.5%

Source: <http://www.laghu-udyog.com/ssiindia/statistics/economic.htm#Employment>

Table 4.10: Jobs Created in the Organised vs SSI Sectors

1980 – 1997	
Organised Sector	53.66 lakh new jobs
SSI Sector	80.00 lakh new jobs

The SSI sector in India creates the largest employment opportunities for the Indian poor, next only to agriculture. It has been estimated that Rs 100,000 of investment in fixed assets in the small-scale sector generates employment for four persons.¹⁰

Within manufacturing, the food products industry has ranked first in generating employment, providing employment to 0.48 million persons (13.1 per cent). The next two industry groups were non-metallic mineral products with employment of 0.45 million persons (12.2 per cent) and metal products with 0.37 million persons (10.2 per cent). In chemicals and chemical products, machinery parts except electrical parts, wood products, basic metal industries, paper products and printing, hosiery and garments, repair services and rubber and plastic products, the contribution ranged from 9 per cent to 5 per cent, the total contribution by these eight industry groups being 49 per cent. The employment per unit is the highest (20) in units engaged in beverages, tobacco and tobacco products mainly due to the high employment potential of this industry particularly in Maharashtra, Andhra Pradesh, Rajasthan, Assam and Tamil Nadu. Next come cotton textile products (17), non-metallic mineral products (14.1), basic metal industries (13.6) and electrical machinery and parts (11.2.) Per unit employment was the highest (10) in metropolitan areas and lowest (5) in rural areas.

In most of these sectors, the labour-capital ratios are higher than the sectoral average of 0.78. While the labour-capital ratio takes into account only these two components of output, if we observe wages in perspective to total output, the ratio is very low. The average proportion of wages in the total output in manufacturing industries is less than 12 per cent. This compares unfavourably with construction for example, where this ratio is over 30 per cent.

¹⁰Source: <http://www.laghu-udyog.com/ssiindia/statistics/economic.htm#Employment>

Given that manufacturing is a mainstay for stable economic growth, we need to configure solutions such that employment in manufacturing also goes up commensurately. In the manufacturing sectors, there is a need to enhance the labour-capital ratio by adopting more and more labour-intensive production technologies and decentralised systems like the cluster approach for promoting a large number of related and support enterprises within a geographical area.

8. Given the current share of employment in agriculture, it is not desirable to create more employment in this sector

Agriculture, which has lowest LPPI (see annex Table A.4.1), employs over half the workforce of India. The broad message is that employment in agriculture is near saturation. Even as agriculture cannot support fresh livelihoods, the dependence of such a large proportion of workers on agriculture needs attention. This attention has to be in terms of inputs to raise labour productivity and incomes.

What annex Table A.4.1 obscures by using agriculture as the base is that the labour productivity in agriculture itself had gone up by around 31 per cent between the 38th and 55th rounds of NSS. Yet, the productivity of agriculture and animal husbandry in India compare very unfavourably with other countries, and this gap will have to be made up in order to ensure stable and strengthened livelihoods for the large numbers dependent on this sector. Any productivity or wage improvements on the margin in agriculture are likely to have a much larger impact than other sectors.

Given the current share of employment in agriculture, it is not desirable to create more employment in this sector. Higher employment growth in agriculture will only encourage casual labour and underproductive employment. In fact, some of the underproductive labour from agriculture should be diverted to other sectors. Agriculture, like manufacturing, needs to grow and stabilise to enable growth of other sectors, which have a dependence on agriculture for growth of their output, and therefore employment. Transport and storage, as well as business service activities, which offer the second highest opportunity for supporting livelihoods, are sectors which are dependent on the agriculture and manufacturing sectors to a great extent. Only when agricultural commodities are produced, or manufactured, they need to be transported and stored.

9. Then there are sectors with a high share in total employment but very low total employment growth rates

Services such as Community, Social and Personal Services which include services in education, health, social services, garbage disposal, defense services, compulsory social security and public administration require huge doses of public sector investment, and are driven largely by the public sector therefore. This sector has a high share of 8.5 per cent in total employment, but very low employment growth rates. While it is desirable for this sector to grow for the universalisation of health and education in particular, just the nature of investment in infrastructure for service provision in these sectors is so prohibitive that any livelihood promotion initiatives will have to revolve around formal initiatives by the public sector.

Electricity, Gas and Water Supply and Mining and Quarrying have negligible LPPIs. Employment growth in these is likely to be for people with high and specialised skills. The large strides that these sectors have made in terms of productivity, has contributed to poor employment potential and low employment elasticity in Mining and Quarrying. The high employment elasticity in Electricity, Gas and Water Supply during 2000 to 2005 has to do with a very low denominator of GDP growth rate. The high productivity of both sectors coupled with the small share of employment indicates that there is no merit in looking at these sectors for a livelihood promotion intervention.

In the manufacturing sectors, there is a need to enhance the labour-capital ratio by adopting more and more labour-intensive production technologies and decentralised systems like the cluster approach for promoting a large number of related and support enterprises within a geographical area.

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10. A Spatial Perspective on Livelihood Opportunities

In the previous section, we have discussed the various sectors and sub-sectors that offer livelihood opportunities for a large number of people, especially the relatively disadvantaged. In this section, while looking at spatial opportunities for large numbers of livelihoods, we will take a different approach. There are geographical spaces, which do provide opportunities for supporting large numbers of livelihoods, such as the areas with large industrial growth like western Maharashtra, south Gujarat, areas where agricultural production systems have stabilised in high productivity like areas in Punjab and Tamil Nadu. These spatial zones offer livelihood opportunities for a large number of people not only in the core activity, but also a large number of related and support industries that have come up. There are also geographical spaces, such as the Koraput, Bolangir and Kalahandi districts of Orissa, Kutch areas of Gujarat, Vidarbha region of eastern Maharashtra, which pose severe livelihood challenges for people.

In all areas, which offer the potential of developing clusters, manufacturing can be encouraged for economic and employment growth.

Seeking opportunities spatially often leads to migration for livelihoods, wherein people leave a space with lower livelihood potential for another with higher potential. The potential of migration is high in most cities and towns, compared to rural areas where land is steadily getting fragmented and agriculture is increasingly unremunerative. There are attendant issues for migration as a livelihood option, as discussed in Chapter II.

In this chapter we will not focus on those geographical spaces, which offer livelihood opportunities. Our focus is on opportunities for livelihoods enabled by spatial opportunities. In all areas, which offer potential for developing clusters, manufacturing can be encouraged for economic and employment growth. We will look at some geographical spaces, which offer livelihood opportunities through building Clusters of small and medium enterprises, and areas where watershed management activities have been taken up, opening up livelihood opportunities in diverse fields.

11. Clusters are a combination of sectoral and spatial approaches

A cluster of MSMEs is a concentration of economic enterprises, producing a typical product/service or a complementary range of products/services within a geographical area.

“A cluster of MSMEs is a concentration of economic enterprises, producing a typical product/service or a complementary range of products/services within a geographical area. The location of such enterprises can span over a few villages, a town or a city and its surrounding areas”.¹¹ Thus a cluster is identified both by the ‘product/service’, and the ‘place’ where the enterprises are located. Clusters are therefore a combination of a ‘sectoral’ and ‘spatial’ approach.

Manufacturing opportunities need to be encouraged through small enterprises based on market opportunity or potential. For small enterprises, tapping the market potential is likely to work better in a spatial perspective of clusters. We need to also learn from decades of encouraging small and household level manufacturing of pickles, agarbattis, soft-toys, textiles etc. The biggest constraint they face by far is that of markets. While a decentralised approach of cluster development doesn’t quite automatically address this issue, it is more likely to be able to address it through several enabling factors that come about in an organic cluster.

A study of 138 clusters¹² indicated that around 90 per cent of those were natural as against being induced by other external enablers such as a government decision and conscious efforts in that direction resulting in the concentration of similar units in that area. Some factors that can lead to cluster development include resources, market and infrastructure. Although there may be a combination of factors contributing to the growth of clusters, the survey showed that over 72 per cent clusters were market-based, and 24 per cent developed primarily because of the resource base.

¹¹ http://www.msme.foundation.org/Cluster_India.aspx

¹² General Review of Small and Medium Enterprise (SME) Clusters in India, UNIDO

In India, some geographical areas which are known for special products include Sivakasi for matchboxes and firecrackers, Ludhiana for woolen garments, Patiala for machine tools, Moradabad for brassware, Ulubedia for badminton shuttle-corks, Lonavala for chiki and groundnut molasses sweetmeat, Tirupur for hosiery, Kanchivaram, Varanasi and Dharmavaram for silk weaving, Kolhapur for leather slippers, Kanpur and Agra for various leather goods, Bellary for jeans, and Bikaner for bhujjiya, ready-to-eat extruded products. These have been called Clusters of Small and Medium Enterprises or SME clusters.

These clusters are characterised by large number of enterprises of similar industry. But they also sport several other related and support industries for the primary activity to thrive. Usually a cluster arises around a particular activity, and eventually a number of related and supporting activities emerge leading to all-round livelihood promotion. A cluster may emerge around a non-farm activity such as stone quarrying and polishing.

For example, in the Bethamcherla cluster in Andhra Pradesh, growth of 250 stone polishing units has spurred 100 polished slab-trading companies and 50 rough-stone slab traders in the area. Not only that, various other support enterprises such as transport companies, transport repair workshops, equipment supply, repair enterprises and small road-side restaurants have also sprung up in the area, supporting a large number of livelihoods. These enterprises closely depend on each other for sustenance. On the one hand, the stone polishing units in the area support these enterprises at the same time; these supporting enterprises have helped the stone polishing industry to grow. This area has also witnessed proliferation of many secondary organisations, such as Rough-slab Traders Association, Slab-polishing Units Association, Lorry Owners' Association, Polishing Workers' Association, Slab-loaders' Association etc. Table 4.11 indicates the diverse opportunities in a cluster.

The advantage of growth of such a cluster is that related and supporting services become available to all participants, reducing the transaction costs for all. Imagine, if every polishing unit had to run to Kurnool, the nearest big town, for every small repair, the costs wouldn't have permitted them to be competitive in the market. The cluster attracts various suppliers to the area, as it provides economies of scale. The strong competition attracts consumers, who are assured of choice, competitive quality and price. Growth of clusters attracts policy attention increasing the availability of skilled workers. Clusters also enhance ability to cope with changes in the environment as information flow becomes faster.

The advantage of growth of such a cluster is that related and supporting services become available to all participants, reducing the transaction costs for all.

Table 4.11: Livelihoods in Bethamcherla Cluster

Various Units	No. of Units	No. of Workers
Quarry	400	10,000
Transport (rough slab)	200	1,000
Transport (polished)	200	1,000
Rough-slab trading	50	200
Transport repair	15-20	60-80
Equipment supply and repair	5	15-20
Stone polishing	250	3,000
Polished-slab trading	100	400
Private finance companies	55	150
Banks	3	15

The Forgotten Sector by Fisher, Mahajan and Singha

A quick glance at some of the large, well-developed clusters gives the following list of some well-known clusters, where a product is identified with a location. (See Table 4.12). Even as these 'clusters' are very popular, livelihood practitioners may not quite have paid attention to the fact that there is similar potential in many other areas.

Table 4.12 Major Clusters in India

Product	Place
Sports Goods	Meerut, Jullundhur
Hand-tools	Jalandhar, Nagpur
Glass and Ceramics	Kura, Firozabad
Leather Products	Bangalore, Chennai, Tanagra (Kolkata), Kanpur, Ammapettai, Ajmeri Gate (Delhi), Raichur
Locks	Aligarh
Scientific Instruments	Ambala, Ajmer
Safety Matches	Sivakasi
Bicycles and Parts	Ludhiana
Brass Parts	Jamnagar
Diesel Engines and Parts	Kolhapur, Agra, Rajkot, Coimbatore, Ghaziabad
Industrial Chemicals	Alwar, Cuttack, Ghaziabad, Okhla, Mayapuri, Thane
Electronics	Bombay, Pune, Bangalore, Delhi
Domestic Electrical Appliances	Bombay, Delhi
Wall Clocks	Morbi

Cluster Development Initiatives strive to enhance overall performance of the cluster through targeted joint action of select cluster stakeholders, e.g. firms, local institutions, business development service providers etc.

In line with the special livelihood opportunities offered by some of these well-developed clusters, even other potential clusters can develop and thrive. However, this would necessitate conscious efforts in encouraging some of the lead entrepreneurs of the area (of the identified activities) to invite others, to facilitate entry of other related and support industries, facilitating finance from bank and other financial institutions among others. Cluster Development Initiatives strive to enhance overall performance of the cluster through targeted joint action of select cluster stakeholders, e.g. firms, local institutions, business development service (BDS) providers etc. Such joint actions lead to direct or indirect business gains of the stakeholders. The linkages created in the process, empower the implementing institutions and leads to the creation of an effective local governance framework. In the process, the cluster grows and also gains capacity to carry this growth momentum in the future. Around 400 SME (industrial) and 6,000 artisan/micro-enterprises clusters are estimated to exist in India.

The potential for development of spatial advantages have been identified in more than 6,000 clusters in India. These include clusters of Auto Components, Ball Bearing, Bell Metal Utensils, Bicycle Parts, Brass and German Silver Utensils, Brass Parts, Brass Utensils, Building Hardware, Canned & Processed Fish, and many others. An updated list of potential clusters is available at http://www.msme.foundation.org/Cluster_India.aspx.

While developing a Cluster we see the key problem faced by microenterprises as one of relative isolation rather than scale or size. Isolated enterprises are unable to achieve economies of scale, lack negotiating power, find it difficult to specialise and have limited access to credit, strategic information, technology and markets. Small and micro-enterprises can significantly increase their comparative advantages by cooperating with one another and building linkages with private or public service providers. However, this often involves building trust among the present players, which is one of the most critical tasks.

The key elements of the methodology are selection of clusters, undertaking a participatory diagnostic study of the cluster, breaking the barriers of mutual mistrust in the clusters through a range of pilot initiatives, drawing up a cluster-focused action plan and implementing it by the local actors with support drawn from the public and private support institutions. Building various associations of producers, BDS service providers and such other related parties also plays an important role.

As spatial livelihood opportunities, we see that if there are a group of enterprises of similar nature within a geographical confine there is a potential to develop a cluster around it. (See Box 4.1 for a classification of clusters). The thinking on growth of micro and small-scale industries through cluster-based development is a fairly recent phenomenon. It started with the State Bank of India (SBI) initiative in 1989 and was soon followed by the Small Industries Development Bank of India (SIDBI) in 1991. In 1997 the Abid Hussain Committee recommended "... clusters as the centerpiece. Such clusters can lower transaction costs, help realise informational economies and lower the costs of credit surveillance." Some of the key institutions involved in cluster development include Development Commissioner, (SSI), Ministry of Small Scale Industries, Development Commissioner (Handicrafts), Ministry of Textiles, Department of Science & Technology, Ministry of Science & Technology, Textiles Committee, (Ministry of Textiles), Khadi and Village Industries Commission (KVIC) (Ministry of ARI) and Coir Board. Some of the National Support Institutions taking up cluster initiatives are (SBI), SIDBI, NABARD and National Small Industries Corporation (NSIC). Among the state governments Andhra Pradesh, Gujarat, Kerala and Madhya Pradesh have also launched cluster development initiatives.

The key elements of the methodology are selection of clusters, undertaking a participatory diagnostic study of the cluster, breaking the barriers of mutual mistrust in the clusters through a range of pilot initiatives, drawing up a cluster-focused action plan and implementing it by the local actors with support drawn from the public and private support institutions.

Box 4.1

Classification of Clusters:

- a) **Horizontal clusters:** This type of cluster is characterised by units which process the raw material to produce and subsequently market the finished product themselves. Some examples are sports goods in Jalandhar and agricultural pumps cluster in Coimbatore. This may indicate the individualistic approach to business in clusters or no scope for division of units, as the different stages of production are confined to a unit itself.
- b) **Large Unit-based :** A cluster which is established around a large unit or a few large units is called a large-unit based cluster. The relationship that exists between the small and the large units could be based on supply of some of the critical raw materials from large enterprises or on their working as subcontractors to the large firms which means they are either backward-linked or forward-linked. Development of a cluster of ancillary units is one of the examples of large uni- based clusters.
- c) **Vertically integrated clusters:** In vertical clusters the operations required in producing the finished product are divided and are carried out separately by different units, most of which are essentially SMEs, in order to distinguish from the large uni-based clusters.

A large number of clusters exhibit a mixed character, combining attributes of a large-unit, as well as those of vertical integration etc.

Interdependence:

There is a high degree of inter-dependence among the small firms in the vertically integrated clusters. This is usually witnessed in the case of hosiery, textile processing and metal products, in all of which it is possible to split the production process and farm out to separate firms due to the non-perishable character of the product. Second, this becomes feasible if it requires a degree of specialisation for each of the processes involved. This phenomenon may also be witnessed due to splitting up of units to remain small for easy management, for escaping labour regulations that come into force when the firm grows to become large and/or to enjoy the policy-related advantages that the small firms are entitled to.

12. Once a watershed is developed it creates several impacts on the livelihoods of people

The other way of unleashing the livelihood opportunities in a spatial context is to manage the natural and human resources in an area in a more balanced and integrated manner.

The other way of unleashing the livelihood opportunities in a spatial context is to manage the natural and human resources in an area in a more balanced and integrated manner. This process, which is also referred to as a process of watershed management, unleashes the possibilities for increased livelihood opportunities in the area in many spheres.

A watershed is a geo-hydrological unit, which drains into a common point. Watershed management is a project based, ridge-to-valley approach for in situ soil and water conservation involving regeneration and the judicious use of all the resources – natural (like land, water plants, animals) and human – within the spatial boundaries of a watershed. Fostering the building of appropriate local institutions for managing these resources in the watershed area so as to increase the quality and productivity of those resources, constitutes an essential component of any watershed development program. However, once a watershed is developed, it creates several impacts on the livelihoods of the people living there in addition to the influence it has on the ecosystem of the area. (See Fig 4.1 for the geographic distribution of watersheds in India).

With the enhancement of agricultural productivity, two market opportunities emerge -- supply of inputs for such crops and marketing of the products, both of which offer opportunities for new enterprises in the area.

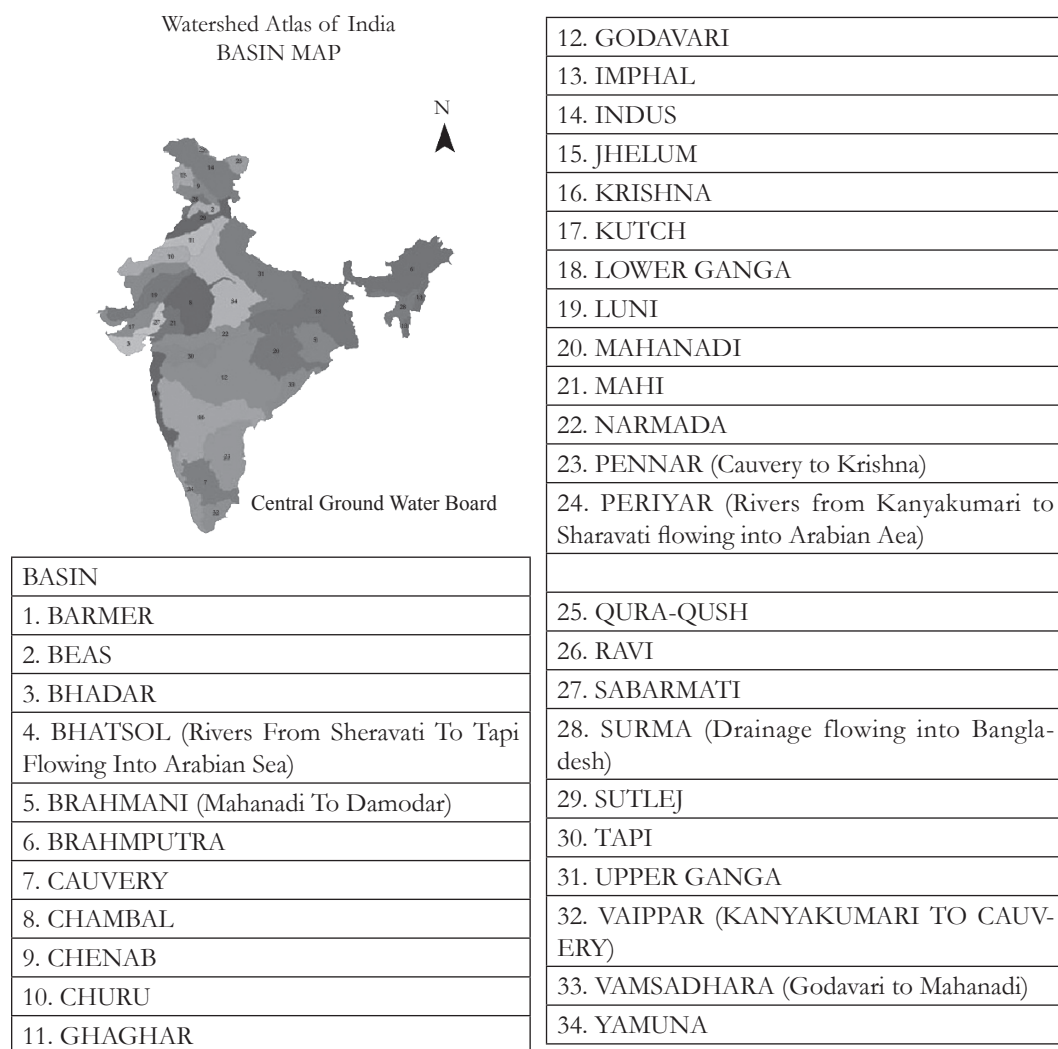
Watershed management leads to increased groundwater tables, which, in turn, leads to increase in agricultural productivity and adoption of a more viable/commercial cropping¹³ pattern for the farmers. This again often results in the generation of more wage employment and enhances food security and gives access to common property resources, especially for the marginal and landless farmers. With the enhancement of agricultural productivity, two market opportunities emerge -- supply of inputs for such crops and marketing of the products, both of which offer opportunities for new enterprises in the area. An increased water table also ensures potential for fodder cultivation in the area and this also facilitates livestock production, which often is the first-level diversification opportunity for small farmers. Opportunities for various support services such as transportation, storage and packaging also start emerging in the area as does the scope for new interventions by way of allied enterprises like apiary, mushroom cultivation, sericulture, poultry and fishery units.

In the case of protected forest areas, there is less pressure on natural resources with the availability of more fodder and fuel resources for dependent villagers leading to upgradation of livestock by way of health, nutrition and productivity. With better inflows from farm production, avenues for farm mechanisation open up. Many institutions of the people are created in the area, in addition to the Watershed Management Committees. These include formation of SHGs and producers groups, eventually leading to some degree of women empowerment, their financial inclusion and creating a platform to reap benefits of economies of scale of production.

Looking into four diverse interventions in watersheds (Vaiju Babhulgaon Watershed by WOTR, Kollegal Watershed Project by MYRADA, Bandudih Watershed by PRADAN, Bafra Watershed by Gram Vikas, which are available on the website: www.thelivelihoodschool.in) Desai (2007) has observed that integrated watershed development has been used as a strategy of livelihood promotion in the agrarian environment of rural India. She argues that all these watershed interventions show a successful livelihood promotion portfolio of land-based activities; and that they have made a significant impact in rejuvenating the local economy through improvement in agricultural production and allied activities. They have also been successful in critically changing the quality of land and amount of income from agricultural production and related activities of small and marginal farmers, though benefits to the landless from such a strategy do not go beyond the generation of agricultural wage employment. While in Bandudih these gains were

¹³ Watershed is generally done in an arid or a semi arid area. The focus in those areas is poverty alleviation and food security. The recharge of water in the aquifers is for saving of the first crop and not always commercial cropping. Development world understands this word more and associate with it more intensively than commercial cropping.

Fig 4.1: Mapping India's Watersheds



sufficient to stop forced distress migrations, in the Kollegal and WOTR cases, they were unable to do so although they did succeed in reducing the number of migrants and the period of migration.

Innovative efforts at linking watershed management with other interventions like micro – finance in Kollegal Watershed, introduction of a variety of appropriate technology and building market linkages in Banduddih Watershed, use of appropriate gender sensitive pedagogical tools in Vaiju Bahlugaon Watershed has facilitated the emergence of many livelihood opportunities in these spatial contexts. The role of local participation, ownership, implementation and management of the watershed intervention through the local institution developed during the programme is seen to be critical in all the watershed projects studied here. Capacity building of the organisations, representation of the vulnerable groups and developing processes and systems for financial and operational sustainability are some of the issues given special attention (Also see Box 4.2).

The GoI started recognising the value of using a watershed as a unit of intervention in the early 1980s. Over the last two decades it has set aside substantial budgetary provisions for micro-watershed reha-

The role of local participation, ownership, implementation and management of the watershed intervention through the local institution is seen to be critical.

Through a range of schemes and programmes the government is investing over US\$500 million every year in the rehabilitation of micro-watersheds.

bilitation and development. Through a range of schemes and programmes the government is investing over US\$500 million every year in the rehabilitation of micro-watersheds. A set of Guidelines for Watershed Development (GoI 1994) was formulated by the Ministry of Agriculture and Development. They envisage a 'bottom-up planning' approach, where working with NGOs and community participation is the central principle.

Box 4.2: Banduddih - Dawn of a promising future

Banduddih watershed is located in Purulia district of West Bengal. A predominantly agrarian economy, the village also has a host of artisans who are linked to the flora and fauna for their livelihoods. The Santhal (ST) community had been migrating due to food insecurity to the nearby towns and mines around Tatanagar. The social fabric was in total disarray.

Pradan, a development organisation with active funding support from the Sir Ratan Tata Trust, initiated a micro planning exercise during February 2002. This process provided understanding of how intrinsically livelihoods of the farming community (357 households) was associated with agriculture. Interventions to conserve the soil and the water were initiated through active consultation with the community, who played a major role not only in implementing the plan but also in developing the technology. The work was done over a 485-hectare spread across the five tribal dominated hamlets of Banduddih.

Conservation measures and interventions around protection of forests, developing of grasslands, using of the commons in plantations of fruit plants (500 mango trees) and woody species (32 hectares) were done in the entire watershed. The interventions around water conservation (5 per cent model and seepage tanks) helped in increasing the irrigation potential from none to over 66 hectare of agricultural land.

Households today have full food security and hence do not migrate. They have started investing in other livelihood opportunities within the newly created endowments. With increased water security, the second crop -- vegetable farming -- has also been picked up. Some entrepreneurial and group-based initiatives to produce and market vegetables may be the beginning of some kind of cash security. The fruit trees are yielding returns and likely to bring in an additional cash income of Rs 5,000,00 every year. The 'Sabai grass' is now being used to make brooms. The women who had saved small sums of money from the wages paid during watershed work have adopted the thrift habit as well. Women are free of debt and now have access to credit from their own institutions for income enhancements. Increased borrowing (37 per cent of total borrowed funds from the SHGs) have been noted in agriculture and livestock. Farmers have reclaimed lands which they had kept fallow. They have started investing in agriculture, deepening wells and purchasing pump machines.

The recently launched NREG programme offers opportunities for further investment in soil and water conservation. With funds available with PRIs, scope exists to enable panchayats to get into creating village level plans for soil and water conservations. Civil society organisations also have opportunities to provide techno-managerial support to these institutions. Once watershed develops and opportunities increase for diversification the financial sector would find significant markets for responsible livelihood financings. In short, investment in watershed on a large scale is a win-win situation for everyone.



PART - I

**Promoters: Government, Bilateral/
Multilateral Agencies Corporate Director**

CHAPTER V

Public Systems: Major central government and donor-supported programmes for Livelihood Promotion

Ajay Tankha, Girija Srinivasan and Ramesh S. Arunachalam

Abstract

Despite the long history of livelihood development programmes in India, given the scale of rural poverty, the gains from such programmes large and small, have been modest, with hardly any visible dent on poverty. Though the present government boasts of higher economic growth, India has slipped three places to 127 in the social indicator ranking of 177 nations as per the UN Human Development Index. It is apparent that while growth in per capita income is a necessary condition for poverty reduction, it is by no means sufficient. There is a need to accelerate improvements in the quality of life and human wellbeing through enhanced availability of public services and development of economic and social opportunities. This chapter therefore focuses on the methodology, outreach and performance of a few major government-led/multilateral/bilateral livelihoods-enhancing projects implemented at the national, state or regional level. The aim is to review the gaps in strategy and implementation in emphasis of the urgent need for large-scale successful models of livelihood promotion.

1. Targeted interventions to address the poverty problem have been with us since the early 1970s

The benefits of the process of economic development across countries and regions and time periods have been notoriously skewed. The in egalitarian land ownership pattern has contributed to this phenomenon. However, redistributive land reform measures in the newly-independent colonies of Asia and elsewhere have been largely ineffective except in socialist countries. In India, two rounds of reform in the early 1950s and early 1970s yielded very little surplus land for redistribution.

Over the years 'urban bias' and lack of 'trickle down' of the growth process became widely-accepted critiques of the industry-led development path followed in India. With scarcity and famine and resultant social unrest, surrogate measures for the unsuccessful land reform movement acquired importance and have been with us since the early 1970s. These include targeted and non-targeted interventions to address the acute poverty problem and massive regional imbalances within the country.

In this chapter, while reviewing a few major mega-projects implemented in the country, a distinction is made between three types of programmes: (i) livelihoods programmes of the central government implemented by the states: (ii) livelihoods programmes implemented by states that are designed and supported by multilateral agencies such as the United Nations Development Programme (UNDP) and

Over the years 'urban bias' and lack of 'trickle down' of the growth process became widely-accepted critiques of the industry-led development path followed in India.

the World Bank; and (iii) state-level livelihoods programmes that are designed and supported by bilateral donors, e.g. Department for International Development (DFID).

The gains from such programmes have been modest with the targeted efficiency often being brought into question. According to the latest World Bank (WB) estimate (based upon a poverty line of \$1.25 at 2005 purchasing power parity), poverty afflicts 41.6 per cent of India's population and the number of poor is as high as 456 million. This compares with earlier poverty estimates for 2004-05 in the range of 28-31 per cent. Therefore, the need for large-scale and successful models of livelihood promotion for the poor and vulnerable cannot be over emphasised. The different sections of this chapter are introduced below.

(i) Government of India Programmes:

The poverty alleviation programmes of the Government of India fall into two categories (i) schemes for direct wage employment generation and (ii) programmes for self-employment for poor households

The poverty alleviation programmes of the Government of India (GoI) have fallen basically into two categories – (i) schemes for direct wage employment generation (mainly public works programmes, but also food-for-work programmes) that also create social and economic infrastructure through the labour of the poor; and (ii) programmes for self-employment for poor households through asset acquisition and skill transfer towards income/employment generation through own enterprises. While the former are implemented directly by government agencies the latter usually require the large-scale participation of non-government organisations (NGOs). A key aspect of these schemes is the variety of macro-institutional environments and micro-institutional delivery systems involved.

An early example of a guaranteed state-sponsored employment in India was the Maharashtra Employment Guarantee Scheme which was implemented in circumstances of severe drought in the state during 1970 to 1973 as an innovative anti-poverty intervention. Similarly, the Integrated Rural Development Programme (IRDP) which ran from 1980 to 1999 was a comprehensive self-employment scheme targeted at Below Poverty Line (BPL) families. Their modified and refined successors – NREGA (National Rural Employment Guarantee Act) and the Swarnajayanti Gram Swarozgar Yojana (SGSY) – are currently in operation and are discussed in greater detail later in the first section of the chapter. The conventional approach to the stimulation of rural livelihoods has been essentially a targeted supply-side one – a pattern sought to be broken by NREGA which has been developed and positioned as a rights-based social security programme.

A recently introduced programme – the Backward Regions Grants Fund (BRGF) – seeks to fill the gaps in infrastructure in 250 identified districts through implementation of programmes through Panchayati Raj Institutions (PRIs). This is described in annexure A.5.1. A brief on some of the other major anti-poverty, employment generation and basic services programmes is given in annexure A.5.2 In addition the government runs a large number of programmes aimed at the development of underprivileged castes and communities, undeveloped regions and in sub-sectors with a large number of workers, such as handloom and handicrafts. These are, however, not covered in this section.

Though India's central government expenditure is around 15 per cent of the gross domestic product (GDP), direct expenditure on rural employment constituted only 0.33 per cent of GDP in 2006-07 even with the introduction of the NREGA programme. Besides, allocation under SGSY has declined over the years. This reflects both the limited scope of government expenditure on livelihood promotion and the long distance to be traversed in the process of poverty reduction through sustainable livelihoods.

¹Gaiha, 2008

²Chakraborty (2007)

³Chakraborty (2007)

(ii) Government-led livelihoods programmes with multilateral agency support: World Bank and UNDP

The second section covers livelihood promotion with the support of multilateral agencies. The livelihood development projects of multilaterals are largely implemented by governments. The GoI and state governments look to innovative solutions from such projects which later can be scaled up by the governments in other states. While designs have been innovative, the projects provide an opportunity to test such approaches and identify best practices that can be incorporated in the government system, thereby enhancing the effective investment of funds in the state. The agencies covered in this part are WB and UNDP.

The WB has been active in livelihood promotion in India. The District Poverty Initiatives Projects (DPIPs), that have been designed and supported by WB, focus on the poor and vulnerable: tribal populations, Scheduled Castes, women, landless and displaced households, migrant and casual labourers. Three DPIP projects implemented in the states of Andhra Pradesh, Madhya Pradesh and Rajasthan are discussed. These projects are designed to enhance the different capitals in the hands of the poor (physical, social, natural, human, financial etc.), thus enhancing their strengths for coping with risks and vulnerability. Social mobilisation is the primary milestone for sustainable livelihoods programmes/projects. Using social mobilisation to build economic capital, build institutions of the poor and integrate the poor to the markets has been the strategy. While building social and financial capital has been relatively easier for the project implementers, improving the quality of natural resources is proving to be a challenge.

The DPIP designs suggest that longer term is needed to make a dent in poverty. Some of the projects are considering a 20-year horizon for poverty reduction through livelihoods projects. In the project designs there has been emphasis on creation of assets at the household level especially in the agricultural sector, whereas improvement of skills of the households for engagement in the services sector does not get much emphasis.

The other major multilateral agency active in various interventions covering the livelihood dimension is UNDP. The livelihoods approach adopted by UNDP projects focuses on building, and working with, people's existing strengths and resources. The approach is about informing, enabling, initiating and empowering appropriate choices for long-term well being. It involves all sections of rural society across caste, class, gender and other divides. The livelihood-related projects of UNDP are also discussed in this section.

(iii) State government programmes with bilateral donor support: DFID's livelihoods programmes

Over the years, bilateral donor support for livelihood promotion from the developing world – the US, Western Europe and Japan – has been on the decline partly as a result of the GoI's own policy of discouraging smaller-scale funding and projects. The British Department for International Development (DFID) has emerged as the major surviving bilateral donor as other bilaterals downsize and diminish in importance.

DFID's livelihoods approach aims to increase the agency's effectiveness in poverty reduction in two main ways: the first is by mainstreaming a set of core principles which determine that poverty-focused development activity should be people-centred, responsive and participatory, multi-level, conducted in partnership, sustainable, and dynamic. The second is by applying a holistic perspective in the programming of support activities, to ensure that these correspond to issues or areas of direct relevance for improving poor people's livelihoods. A central element of DFID's approach is the Sustainable Livelihoods (SL) Framework, an analytical structure to facilitate a broad and systematic understanding of the various factors that constrain or enhance livelihood opportunities, and to show how they relate to each other.⁴

⁴ Source: Quoted with adaptation from Krantz (2001).

livelihood development projects of multilaterals provide an opportunity to test approaches and identify best practices that can be incorporated in the government system

In aggregate terms the outlay under donor programmes is a small fraction of the government's rural development expenditure. However, in the specific regions the multilateral and bilateral supported programmes represent a more focused investment

Four successive major livelihoods development programmes in poverty-infested regions of Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal represent the evolution of DFID's holistic and sustainable approach to livelihood promotion for poverty reduction. These are discussed in the third section.

In aggregate terms the outlay under donor programmes is a small fraction of the government's rural development expenditure. However, the larger budgetary outlay of government programmes is diffused throughout the country. In the specific regions the multilateral and bilateral supported programmes represent a more focused investment in geographical terms but at the same time are wider in scope such as to cover institution-building through civil society initiatives. The time-bound nature of these projects, however, usually necessitates further rounds of investment towards the challenge of mainstreaming project participants into product markets and financial services delivery structures for long-term access and sustainable livelihoods.

2. Government of India Programmes

2.1 The National Rural Employee Guarantee Act (NREGA)⁵

NREGA is a public works programme with a difference, which moves away from being a purely supply-side intervention to one which attempts to cater to demand for wage employment

NREGA is "an Act to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work." The vision of NREGA is that no vulnerable household in the country goes hungry due to lack of income-earning opportunities. The State would provide an income security net to vulnerable individuals and families irrespective of their social status. Anyone can approach the State and seek employment and the State machinery is bound to give him/her work, failing which s/he is eligible for an unemployment allowance. In that sense NREGA has been formulated under a Rights framework emphasising the duty of the State to uphold the right to employment and the right of the citizen to demand employment. Thus NREGA is a public works programme with a difference, which moves away from being a purely supply-side intervention to one which attempts to cater to demand for wage employment at individual/family level in rural areas through auto-targeting.

Resources for schemes under NREGA are to be provided mostly by the central government. Previous wage employment schemes such as the Sampoorna Grameen Rozgar Yojana (SGRY) and the National Food for Work Programme (NFFWP) have been clubbed under the new programme. The schemes are to be formulated and implemented by the state governments through the respective PRIs. NREGA started in 2005-'06 with a focus on the poorest 200 districts and since April 1, 2008 has been extended to all the 600 or so districts of the country.

Salient features of NREGA⁶ :

The focus of NREGA, which is implemented in rural areas, is on the following works *in their order of priority*:

- i. water conservation and water harvesting;
- ii. drought proofing (including afforestation and tree plantation);
- iii. irrigation canals including micro and minor irrigation works;
- iv. provision of irrigation facility to land owned by households belonging to the SCs and STs or to land of beneficiaries of land reforms or that of the beneficiaries under the Indira Awas Yojana of the Government of India;
- v. renovation of traditional water bodies including desilting of tanks;
- vi. land development;

⁵Source: Quoted with adaptation from Krantz (2001).

⁶Case prepared by Ajay Tankha with research inputs from Santosh Sharma and valuable comments from Girija Srinivasan.

⁷From MoRD documents

- vii. flood control and protection works including drainage in water-logged areas;
- viii. rural connectivity to provide all-weather access; and
- ix. any other work which may be notified by the central government in consultation with the state government.

The Act envisages that the scheme will lead to large-scale creation of livelihood assets in rural areas which can have a sustainable impact on rural poverty.

Box 5.1 NREGA: Fundamental Principles, Basic Entitlements

Fundamental Principles:

- Employment on demand
- Legal right
- Universal entitlement
- Participatory approach
- Accountability to PRIs
- Full transparency

Basic Entitlements:

- Employment within 15 days of application
- Unemployment allowance
- Work within 5 km
- Minimum wages
- Payment within 15 days
- No gender discrimination
- Basic worksite facilities

Source: Drèze, J., and C. Oldiges. 2007. How is NREGA doing? Mimeo

The Act envisages that the large-scale creation of livelihood assets in rural areas which can have a sustainable impact on rural poverty.

Upholding the Rights perspective, the Act clearly defines the conditions for guaranteed rural employment and the minimum entitlements of labourers or workers. However, there are only very few instances of unemployment allowance being paid (reportedly from Madhya Pradesh and Orissa) when work allocation is delayed beyond 15 days.

Box 5.2 NREGA – Recent Initiatives

1. Labourers who have done a minimum of 15 days of work would be eligible for cover under NREGA – Rs 30,000 for natural death and Rs 75,000 for accident under the Janashree Bima Yojana in the rural poor category. The Centre would pay Rs 100, half the annual premium, with the rest to be paid by the state or the labourer. The states have also been asked to cover all eligible NREGA workers under the Rashtriya Swasthya Yojana.

2. The central government has decided to provide 2.5 million people living with HIV/AIDS with job cards and employment under NREGA.

Source: Newspaper reports – 7 August 2008

Outreach and Performance

A total of 143.7 crore person-days of employment were generated in 2007-'08 with 97 per cent of households demanding work, which was provided at an average of nearly 42 days per household.

NREGA has been in operation for over two years now. Details of outreach and performance are given in Box 5.3. A total of 143.7 crore person-days of employment were generated in 2007-'08 with 97 per cent of households demanding work, which was provided at an average of nearly 42 days per household. In physical terms, 17.92 lakh works were taken up in 2007-08, more than double the figure of 8.35 lakh the previous year.

Box 5.3: NREGA: Outreach and Performance*

Employment Generation, NREGA 2007-08 (330 districts)

Total:	143.7 crore person-days
Employment demanded:	3.43 crore households
Employment provided:	3.39 crore households (97% of total demand)

NREGA Expenditure 2007-08

Total Expenditure:	Rs 15,858 crore (82% of available funds)
Total Expenditure per district:	Rs 48.06 crore

Works Taken Up:	17.92 lakh
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Share of different types of assets in total (December 2007):

- (i) Water conservation: 53%
- (ii) Irrigation facility on lands of SC/STs: 13%
- (iii) Rural Connectivity: 17%
- (iv) Land Development: 15%
- (v) Others: 3%

Source: From MoRD (2008b) and NREGA Implementation Status report 2007-08 at NREGA website www.nrega.nic.in

In 2007-08, 3.5 million (or 11 per cent of all households obtaining employment) completed 100 days of work. The state-wise performance, however, has been very varied. Rajasthan, Madhya Pradesh, Chhattisgarh, Manipur, and Tamil Nadu provided more than 50 person-days of employment per household during 2007-08. On the other hand states such as Gujarat, West Bengal, Kerala and Bihar generated considerably less than 30 person-days of employment per household. A notable point about state performance has been that while NREGA was a major initiative of the UPA government, it is in the BJP-ruled states that coverage under the scheme has been greater with a dismal showing by the Left-ruled states.

A feature of the scheme is the apparently attractive wages (ranging from Rs 50 to Rs 125 per day) paid under NREGA as compared to prevalent wage rates, especially for women, in rural areas across the country – often a multiple of wage rates for agricultural operations in different states. However, given the fact that piece rates are usually applied for works undertaken, daily earnings of workers can be substantially lower than these rates.

The overall share of women in employment is satisfactory at nearly 43 per cent in 2007-'08. The high shares of disadvantaged groups in NREGA employment (Box 5.2) is seen as evidence that self-targeting, which is a unique selling proposition of NREGA, is working (Mehrotra, 2008).

Box 5.4: NREGA - Distribution of Benefits

Share of Disadvantaged Groups in NREGA Employment

	2006-07	2007-08
Women:	40%	42.6%
Scheduled Tribes (ST):	36%	29.2%
Scheduled Castes (SC):	26%	27.3%
SC/ST Combined:	62%	56.5%

Source: From NREGA Implementation Status reports 2007-08 and 2006-07 at NREGA website

Impact of NREGA on Rural Livelihoods

Though the objective of 100 days of employment was not achieved in any state, NREGA is seen as having impacted the poor. For example, according to Mathur (2007), large numbers of unlettered households have made the effort to come forward to register; migration has reduced in several villages in Andhra Pradesh, Chhattisgarh, Orissa and Rajasthan; wages less than the minimum wage were raised in many states; the participation of women increased significantly even in the districts of Rajasthan and eastern UP; unemployment allowances were sought and actually paid in Madhya Pradesh and Orissa; the maintenance of muster rolls has become a feature in several districts. The most remarkable change is that a process for the empowerment of the poor is emerging around NREGA with NGOs and activists discovering in it a vehicle for meaningful interventions.

The PACS study (PACS, 2007) notes that more than half the 600 villages covered in Maharashtra, Madhya Pradesh, Uttar Pradesh, Bihar, Jharkhand and Chhattisgarh have reported reduced migration. Sainath (2008) notes from Andhra Pradesh that the bargaining power of the weakest has gone up a notch and distress migration been reduced. This is confirmed by Ghosh (2008) who states that it is evident from field reports that there has been some improvement in consumption by the poor, reduction of distress migration and slight increases in lean season wage rates (especially for women) in areas where the programme has been successful.

However, the performance has been uneven across districts and contexts. The varied impact at the household and community level of the availability of wage employment on demand and the works undertaken is illustrated in selected cases (adapted from CSE, 2008) in Box 5.5 below.

a process for the empowerment of the poor is emerging around NREGA

there has been some improvement in consumption by the poor, reduction of distress migration and slight increases in lean season wage rates in areas where the programme has been successful.

Box 5.5 Livelihood Impact of NREGA at Individual and Community Level

1. Siddhi district, Rajasthan - Benefits of Water Conservation through NREGA

This is the fourth consecutive drought being faced by the dominantly agrarian district. Nepal Singh, a 50-year-old farmer in Siddhi district's Barmani village, doesn't remember a drought year in the past when he didn't migrate. Usually a drought means no earning, distress migration to hostile urban areas and a step into the vicious debt trap. This year he has earned more money from agriculture

⁷The Poorest Areas Civil Society (PACS) Programme is a large, non-governmental effort to empower millions of poor people living in many of India's most backward districts. The first phase of the programme, which ended in April 2008, covered over 19,564 villages in 94 districts of 6 states through a network of over 665 civil society organisations. The second phase is expected to be launched in 2009. In the interim period, the PACS Programme is supporting initiatives to increase the reach and effectiveness of the National Rural Employment Guarantee Scheme (NREGS). www.empowerpoor.com

than ever. For the first time in many decades he had his winter crop besides the bumper monsoon crop. His vegetable garden has also ensured a year-long supply of vegetables.

During January-February 2007 Singh got his abandoned well renovated under NREGA. Twenty-five people from the village including Singh's own family members worked on it for three months earning Rs 2,000 each. The works stopped them from migrating while creating a water source for his irrigation requirements. Due to the assured water source his winter crop has added Rs 10,000 more to his earning; he now cultivates wheat, an unheard of proposition in the parched district. And he estimates that the kitchen garden saved him around Rs 1,000 as he stopped buying vegetables from markets.

Siddhi has invested heavily in digging and renovating wells under NREGA. The district has 8,000 wells being taken up in the last two years while 4,000 have already been completed and used. Out of the district's expenditure last year of Rs 65 crore under NREGA, Rs. 35 crore was spent on water conservation, mostly in digging and renovating wells. The Act allows development and creation of assets in private lands of SC/STs.

However the district has a problem of plenty. The new wells and check dams built under NREGA need regular maintenance. But there is hardly any money left with the panchayats to do that.

2. Nagapattinam district in Tamil Nadu – NREGA a boon for farmers in tsunami-ravaged areas

In Nagapattinam district around 0.2 million hectares of agricultural land has been rendered unproductive due to inundation by seawater. NREGA has come as a boon for the displaced farmers. According to an official of a Hyderabad-based NGO involved in tsunami relief and rehabilitation, due to the introduction of NREGA, there has been an increase in agricultural wages in the region – the daily agricultural wage has gone up from Rs 80 to Rs 100. In many villages, most families have work for 100 days. Using NREGA as an opportunity, the district - in a desperate fight to bring normalcy back into agricultural professions - has taken up 1,172 works relating to desilting of tanks, ponds and channels. The district has already spent close to Rs 40 crore on these desilting works to revive the water-holding capacity of the tanks, ponds and channels.

3. Muzaffarpur district, Bihar – Migration unaffected, they don't need NREGA

Despite the implementation of NREGA, why do people still migrate out of Bihar's Muzaffarpur district? A study of the district's five panchayats shows that NREGA has not been able to replace the job demands of casual agricultural labourers.

NREGA guarantees 100 days of works but that, too, is irregular. Under NREGA, the district has initiated several small works such as road repair or building of water harvesting structures in a staggered manner. On the other hand, most of the casual workers get around 300 to 325 days of regular work in urban areas. Under NREGA, a worker gets Rs 115, Rs 100 and Rs 75 a day for skilled, semi-skilled and unskilled works, respectively. In private construction work in urban areas, a skilled labourer gets Rs 150 a day. So, migration continues and demand for work under NREGA has dipped. Panchayats hardly get any skilled workers for works like construction of roads and concrete dams. This, in turn, forces them to take up works that only require unskilled workers.

4. Hardoi district, UP – Land alienation for NREGA

Gokul Punia, a marginal farmer with less than one hectare of cultivable land in Padri village, Hardoi district is cursing the NREGA programme. Driven by the nexus of local state government officials and contractors, Hardoi's district authorities decided to construct only roads under NREGA — in

complete violation of the Act's 'non-negotiable' focus on water conservation. The result: marginal farmers like Gokul had to give up parts of their farmlands to make space for roads.

The 900-metre-long road built in Padri has become a 'road to despair' for the village's marginal farmers. "We heard so much about the scheme — instead of bringing benefits, it has taken away our land," rues Gokul. Though he got 25 days of daily wage jobs, his loss of land made him poorer." Another affected farmer, Sardar Kunti, pointed out: "The scheme has been a curse for us. Instead of providing benefits, it adversely affected whatever little livelihood options we had."

Cases selected and edited from CSE (2008)

NREGA and Livelihoods: Selected Issues

(i) Employment generation or creation of productive assets: Considerable debate persists on whether NREGA is essentially a programme of transfers for the poor, an employment generation scheme or one with a wider objective related to creation of infrastructure - in which case the ownership of assets created through the works programme also acquires importance.

A 2007 study by the Centre for Science and Environment (CSE 2008) found that NREGA is focussing on job creation rather than local development through creation of productive assets. The study found that most of NREGA money has gone to road construction projects instead of works related to water conservation and harvesting that are the priority. Of the 27 states where NREGA was implemented, only five have made substantial allocation to water conservation. Working on productive assets like water harvesting structures does not fetch good wages to people under the irrational and complex wage calculation methods.

The CSE analysis also found that many works had been left incomplete and abandoned and there was lack of maintenance of completed works – in fact, maintenance of water harvesting structures is not a permissible activity under NREGA.

The study reports that till August 2007, only about 14 per cent of water conservation works under NREGA had been completed. In fact, road construction projects were getting done at a faster rate. Road construction is more appropriately undertaken with funds from the Pradhan Mantri Gram Sadak Yojana (PMGSY), a dedicated scheme for road building. (Indeed the Prime Minister himself criticised the Karnataka government in 2007 for spending up to 28 per cent of NREGA funds on road construction.)

The study report argues unexceptionably that instead of a short-term distress programme NREGA should be seen as a programme for long-term relief against drought and use the labour of people to build ecological assets to rebuild and regenerate the local environment. However, as seen in Box 5.5 above, the persons who worked to renovate the well for the benefited family did not receive any benefits beyond the wage income.

(ii) Corruption and transparency: Irregularities, leakage of funds and corrupt practices have been an integral part of public works programmes in the past. As part of its monitoring and evaluation system, the Ministry of Rural Development (MoRD) requested the Comptroller and Auditor General (CAG) to undertake a performance audit of the implementation of NREGA. The audit was a concurrent programme assessment in 68 Phase 1 districts. The CAG report found that virtually every level of formal requirement was widely violated in a significant number of states, districts and gram panchayats. The overall coverage was 55 per cent of registered households and only 5.8 per cent received their full entitlement of 100 days of employment. However, these figures for programme coverage figures are contested on definitional grounds as indeed are the wider findings of the audit regarding irregularities and leakages in programme funds (Dreze, 2007 and Siddhartha and Vanaik, 2008).

most of NREGA money has gone to road construction projects instead of works related to water conservation and harvesting that are the priority.

The CAG report is not alone in unearthing leakages of funds deployed under NREGA. A host of surveys and studies have for various districts thrown up figures ranging from 5 per cent to 85 per cent for the proportion of worker's wages that are siphoned by intermediaries (Rao, 2007). A major study (PACS 2007) of NREGA also found in two districts that for technical sanctions for the works planned by the panchayat a 'fixed rate' of commission was prevalent for the block-level officials.

The Transparency International India-Centre for Media Studies (TII-CMS) Corruption Study 2007 which studied corruption faced by BPL households found that *nearly one in 10 households had to pay bribes to avail of the NREGS* – an estimated 9.65 lakh households.

It would appear that a strong effort has to be made to reverse these negative findings and perceptions. Thus, the key message of the CAG report and the future challenge for NREGA is seen to be the need to promote transparency and efficacy through improvements in the technical and administrative infrastructure.

nearly one in 10 households had to pay bribes to avail of the NREGS – an estimated 9.65 lakh households.

(iii) Strengthening grassroots level democracy: The way NREGA has been framed and the desired mode of its implementation amounts to no less than a social and political revolution (Ghosh 2008). Institutions representing grassroots democracy such as the gram sabhas, the assembly of all the electors in a village panchayat, have been empowered to plan, monitor and audit the projects which are implemented under the programme. Thus NREGA makes democratic processes and the rule of law fundamental to the strategy for removal of poverty and unemployment.

NREGA makes democratic processes and the rule of law fundamental to the strategy for removal of poverty and unemployment.

NREGA has the potential not only to generate more employment directly and indirectly but also to transform rural economic and social relations at many levels. Besides, it is argued that its success should not be measured solely by using the parameter of employment generation but include others such as financial inclusion – 27.1 million bank accounts have been opened in rural areas for wage payments under NREGA – and social security provisioning of informal sector workers that have been enabled by it. It offers an opportunity for the rural poor to stake claim to the fruits of growth (Himanshu, 2008). This can be further facilitated by an autonomous NREGA agency, independent of the bureaucracy, to monitor the implementation of the scheme.

2.2 Swarnajayanti Gram Swarozgar Yojana (SGSY)⁹

SGSY is a self-employment programme basically aimed at below poverty line (BPL) families. The objective of the programme "... is to bring the assisted poor families (swarozgaris) above the poverty line by ensuring appreciable sustained level of income over a period of time. For this purpose, the rural poor are organised into self-help groups through a process of social mobilisation, training and capacity building and provision of income-generating assets.

Under SGSY the SHG essentially plays two roles. One is the function of financial intermediation to help members build up their own financial capital through pooling of savings. The small credit needs that the SHG provides helps the member families to smoothen cash flows and systematically graduate to higher levels of credit absorption and risk planning leading to betterment in existing livelihoods. The second, and equally important, role that the SHG plays is to strengthen the values of mutual help and solidarity. At one level, this enhances the members' self confidence and prepares them for taking calculated risks, and also organises them to challenge unequal social arrangements and bargain for rights and entitlements.

⁸www.livemint.com/corruption2008.htm

⁹Case developed by Ajay Tankha and Santosh Sharma. Dr. Amar Singh of Ministry of Rural Development, Government of India and D. Narendranath of PRADAN provided valuable information and insights on SGSY and other rural development programmes.

¹⁰Swarnajayanti Gram Swarozgar Yojana Guidelines, GoI, MoRD.

Strategy

SGSY has been thought of as a holistic programme for self-employment. It covers all aspects of self-employment viz., organisation of the rural poor into SHGs and training, selection of key activities, planning of activity clusters, infrastructure creation, technology and marketing support.

The programme stresses the cluster approach. Instead of funding diverse activities, each block is expected to concentrate on a few select activities (key activities) and attend to all aspects of these, so that the swarozgaris can draw sustainable incomes, at least Rs 2,000 per month, from their investments. These key activities are preferably to be taken up in clusters so that backward and forward linkages can be effectively established. This facilitates not only monitoring but also the provision of various services required by the swarozgaris. The main features of SGSY are given in Box 5.6.

SGSY covers all aspects of self-employment viz., organisation of the rural poor into SHGs and training, selection of key activities, planning of activity clusters, infrastructure creation, technology and marketing support.

Box 5.4: SGSY – Main Features

- Emphasis on mobilisation of rural poor to enable them to organise into SHGs.
- A credit-cum-subsidy scheme where credit is a critical component and subsidy is only an enabling element.
- Participatory approach in selection of key activities.
- Project approach for each key activity.
- Emphasis on development of activity clusters to ensure proper forward and backward linkages.
- Strengthening of groups through Revolving Fund Assistance
- Training of beneficiaries in group processes and skill development - integral part of the project.
- Marketing support with emphasis on market research, upgradation/diversification of products, packaging, creation of market facilities, etc.
- Provision for development of infrastructure to provide missing critical links. 20% fund (in case of NE states 25%) is earmarked for infrastructure development.
- Active role of NGOs in formation and capacity building of SHGs.
- Focus on Vulnerable Groups i.e. SCs, STs, Women and Persons with Disabilities
- Only one member from a family is eligible for membership in a group.

Funding Pattern

Performance of SGSY

The table below gives the performance of SGSY since its inception in April 1999 till the end of 2007. A total of 2.7 million SHGs have been formed under the programme and over 9.3 million individuals have been assisted for self-employment – directly or through SHGs. (See Table 5.1)

In the context of a large country like India, this represents only a modest achievement. Indeed IRDP, the precursor of SGSY, covered perhaps over 35 million families with 55 million asset loans during the 1980s and 1990s. Further, SGSY has been overshadowed in recent years by NREGA as the flagship programme of the Ministry of Rural Development (MoRD) involving central government expenditure of over Rs 12,400 crore in 2007-'08 as compared to about Rs 1,540 crore for SGSY.

since its inception in April 1999 2.7 million SHGs have been formed under the programme and over 9.3 million individuals have been assisted for self-employment this represents only a modest achievement.

Table 5.1

No. of SHGs formed	2,741,081
No. of swarozgaris assisted	9,332,572
SHGs swarozgaris	5,812,645
Individual swarozgaris	3,519,927
Credit disbursed	Rs 13,538 crore
Subsidy disbursed:	Rs 6,612 crore
Per capita Investment(Average/year)	Rs 21,832

Source: Annual Report 2007-08, MoRD, GoI (2008a).

The sector-wise coverage of assisted swarozgaris under SGSY during 2007-'08 displays the familiar pattern observed since the days of IRDP. Animal husbandry is the overwhelmingly popular income-generation activity for which loans are taken (about half of total). The next popular activity is petty trade which has been taken up by about one-sixth of the beneficiaries. It would appear that a breakthrough is yet to be made in other manufacturing activity in the form of cottage and small and medium enterprises to provide enhanced income and employment through the SGSY programme in the rural areas.

Programme Impact

SGSY covers only 1 per cent of the relevant household population and only 33 per cent of its beneficiaries are drawn from the poorest quintile,

SGSY guidelines contain extensive details on how the programme should be administered. However, fairly early into its implementation, it had been recognised that there was surprisingly little focus on the desired client impacts SGSY sought to achieve – other than raise every assisted family above the poverty line over a three-year period (Ghosh, 2001).

There are very few studies on SGSY and only very scattered findings. A National Institute of Rural Development study (NIRD, 2007) found the average annual incremental income earned by the individuals due to the assistance under the programme was Rs 8,800 whereas in case of group swarozgaris, it was substantial at Rs 34,920. A study of coverage of SC/STs in the implementation of SGSY (BIRD, 2007) involved a survey of about 10,848 swarozgaris/non-swarozgaris in seven states. The study reports that SC/ST families were excluded from the real assistance for the following reasons:

- Physical exclusion - by not being accepted as group members
- Financial exclusion by denial of their due share either by group leaders or by implementing bank/block officials
- Exclusion because they are already covered under some state government sponsored programmes (often implemented by state SC/ST corporations) and in many cases are already defaulters of bank loans.

The study also found that groups under SGSY are cobbled together to fulfill targets and often with the allurements of subsidy. After getting the term loan, a large number of groups repay the loan component and distribute the subsidy portion among members.

Similarly, a rigorous study by Pathak and Pant (2006) in Jaunpur district of UP found that SGSY has not contributed significantly in the change in the level of income of the beneficiaries. The foremost reason for this was that there had been no infrastructural facility or any other kind of support to the SHGs to start a viable microenterprise. There was also a high prevalence of corrupt practices. The analysis, however, showed that SGSY had positive impact on non-income indicators. Beneficiaries showed improvement in access to safe drinking water, sanitation facilities, electricity and in housing conditions.

A more dismal picture is provided by an MoRD (2007) briefing which shows that SGSY covers only 1 per cent of the relevant household population and only 33 per cent of its beneficiaries are drawn from

the poorest quintile, whereas as many as 14 per cent are from the richest and 26 per cent are from the two richest quintiles. Further, the total benefits are even more inequitably distributed with the richest quintile receiving as much as 50 per cent as compared to 8 per cent for the poorest. Only 10 per cent of the poorest households were aware of the programme. In terms of leakages to intended non-beneficiary households, SGSY ranks next to the PDS grain distribution system and the Indira Awas Yojana. Indeed, SGSY was found to be a poor performer on most indicators.

SGSY and SHG Bank-Linkage and Microenterprise Development: Towards Convergence

The potential of microfinance, whether under SGSY^{iv} or SHG-bank linkage, has been posited on the ability, especially of women borrowers organised into groups, to carry out profitable microbusinesses. With agriculture unable to absorb the growing rural labour force, the spillover factor adding to the numbers engaged in microenterprise, especially in the services and business segments, is strong. Yet, not all households have the capability to undertake microenterprise. Several constraints may be in operation, which may limit the income-yielding potential of any investment. This could include the risk-averse behaviour of households. Poorer households are more likely to be disadvantaged in this respect on account of their lack of education, entrepreneurial skills, etc. Finally, demand constraints may be operative for the limited range of feasible microenterprise options (Tankha, 2001).

For years it has been accepted that there is scope for the integration of the SHG bank-linkage and SGSY programmes as their objectives are complementary, and to some extent, sequential. Apart from the range of “microfinance plus” elements the main area of difference appears to be the existence of the subsidy element, larger loans and the absence of a strong savings link to credit and sustained social intermediation in the case of SGSY. The two programmes deliver thousands of crores of rupees of loans to the same target group. Nevertheless, funds available under SGSY lie grossly underutilised even as a fresh round of restructuring of rural employment schemes is being proposed.

The physical and human infrastructure requirement for microenterprise development, particularly for non-traditional activities, can be substantial. Despite the existence of government extension departments, support even for traditional activities was deficient and the district industrial centres ineffective in the design of projects for this target group. Sporadic development of activities at the district level does not suggest itself as an easy way forward. Identifying viable new activities with local and wider demand, creating skills and backward and forward linkages is a task presently outside the capacity of district level officials.

Thus, microenterprise development for poverty alleviation requires a convergence of approaches not only between the current microfinance programmes but also a range of players at the district and higher levels. The expected synergies at local levels can be realised only if there is consistency and convergence between programmes and objectives of different stakeholders such as different ministries and departments and banks as well as NGOs. Above all, these would best be based upon consultations with, and priorities of the poor people themselves. Ideally, participatory micro-level planning with communities should result in mapping of the skills and capacities of the people and the demand for different products and services.

Challenges and Future Directions¹¹

SGSY has reached a stage where it requires revitalisation. An exercise for the restructuring of the programme in consultation with all stakeholders is under way. Given below are some of the challenges and future directions for the programme:

microenterprise development for poverty alleviation requires a convergence of approaches not only between the current microfinance programmes but also a range of players at the district and higher levels.

A separate delivery structure for SGSY at the state, district and block level, manned by development professionals, needs to be created.

¹¹As highlighted in NIRD (2006), MoRD (2008b) and other MoRD documents.

Capacity building and training: Utilisation of earmarked funds (10 per cent of total SGSY allocation) for capacity building and training of swarozgaris has been inadequate.

Implementation Mechanism: District Rural Development Agencies (DRDAs) have shortage of manpower (more than 40 per cent posts are vacant). They are over burdened with multiple schemes and are unable to handle complex livelihood issues.

SHG^v Promotion: States are charged to prepare plans to cover at least one member from each rural BPL family under SHGs during the 11th Five-Year Plan. To cover all the BPL families there is a need to form 20 lakh more SHGs, which is an enormous task in the light of the resource availability and the delivery mechanism that exists^{vi}.

Inclusion of above poverty line (APL): A substantial proportion (over 25 per cent) of SGSY beneficiaries were from the top two quintiles of the population in the villages. The targeting has been a problem also because of the lacunae in the BPL list that exists in the blocks, which have left out the very poor.

Quality of SHGs: A large number of SHGs have been formed and have passed grading. But the level of understanding of the block staff about SHGs and quality is limited in most places. The entry of other self-help promoting institutions (SHPIs) has not been welcome in general. There is a need to employ SHPIs in large numbers to ensure promotion of good quality SHGs, and ensure strong social mobilisation.

Flow of Credit: Banks in general have not been enthusiastic about lending to the poor households and thus have placed a major block in the progress of SGSY.

Level of Financing: The financing available under SGSY is quite inadequate to promote livelihoods. In particular, there are issues with working capital finance.

Livelihood support: The scheme of supporting one member per poor family for self employment is highly inadequate to meet the target of poverty elimination in the conceivable future.

Dedicated structure for SGSY: A separate delivery structure for SGSY at the state, district and block level, manned by development professionals, needs to be created. This has to be formed outside DRDA, and made free from patronage and political interference.

Other proposals in the restructuring of SGSY include: (i) replacement of the subsidy component in SGSY with interest subsidy; (ii) convergence with SHGs promoted by other organisations like NABARD, SIDBI, RMK etc.; (iii) insurance of beneficiaries and assets; (iv) development of SHG Federations as Financial Intermediaries; (v) forward and backward linkages for SHG products.

3. Government-led livelihoods programmes with multilateral agency support

3.1 World Bank funded District Poverty Initiatives Projects (DPIP)¹²

The DPIP in Andhra Pradesh (AP), Madhya Pradesh (MP) and Rajasthan funded by WB are community demand-driven projects. The three share common development objectives, but the context in which they operate and the methodologies used, differ to some extent in their approach to rural development to India. There is a strong focus on developing grassroots organisations and building the capacity of existing local institutions. The difference is in the types of community groups formed and the way various institutional actors interact.

¹²Developed by Girija Srinivasan and Santosh Sharma. The authors are thankful for the valuable inputs received from Mr. Raghunath Reddy, IKP, Mr. Sitaramachandra Machiraju, Mr. G Muralidhar, Akshara, Mr. Asish, Team leader, PRADAN, Mr. Rajeev Gupta, BASIX.

(i) DPIP-Andhra Pradesh Rural Poverty Reduction Programme (APRPRP) – Indira Kranthi Patham

The Andhra Pradesh District Poverty Initiatives Project (APDPIP) was built on the United Nations Development Program (UNDP) supported South Asia Poverty Alleviation Project (SAPAP)ⁱ and the AP government's investments in institution building through SHGs. A follow-up APDPRP programme scaling up APDPIPⁱⁱ in the rest of the districts in AP was initiated in 2003. In the year 2005 the state government decided to extend the same approach to all rural areas of APⁱⁱⁱ by the name of Velugu and leverage the programme with funds from ongoing programmes from the state budget. The World Bank credit supports the overall strategy of the state to address rural poverty reduction in a holistic manner and the present government has renamed Velugu as Indira Kranthi Patham (IKP). Thus IKP is an integration of these programmes and SGSY and the state's funds. The Society for Elimination of Rural Poverty (SERP) implements this large programme.

is built on the foundation of community owned and managed institutions with a role for poor women to take initiatives in planning, implementing and monitoring the development programmes.

Livelihood Promotion Strategy

Institution Building: The entire programme is built on the foundation of community owned and managed institutions with a role for poor women to take initiatives in planning, implementing and monitoring the development programmes. Community institutions have been developed into a four-tier structure. All SHGs at the hamlet level are organised into a Village Organisation (VO). There can be more than one VO in a village, depending on the numbers. The VOs in one Mandal are then federated to form the Mandal Samakhya (MS), which typically has 4,000 to 6,000 women as members. Around 20 MS's form the Zilla Samakhya (ZS). A key design feature is the deployment of a large number of animators, group leaders, community resource persons, etc selected from the target villages to support the CBOs. The strategy is to ensure that the institutions are formed around a system of local ownership and support and are not dependent on external sources forever.

IKP has contributed to the de-linking of exploitative inter-linked credit and commodity markets.

As of April 2008, the programme has mobilised 88 lakh members into seven lakh SHGs, 34,269 VOs, 1,086 MSs and 22 ZSs. A unique feature of the programme has been the focus on the poorest of the poor, SCs, STs, single women and the disabled. The percentage of total SC and ST households mobilised into SHGs account for 90 per cent of the total of such rural households. These institutional arrangements have enabled the poor to access a range of services, resources and expertise from both the public and the private sector.

Build on existing livelihoods: IKP has identified a number of livelihood initiatives, which are aimed at building on the existing livelihood patterns of the poor. Availing financial support through SHGs, the households have invested predominantly in agriculture, dairy, non-farm trade, and sheep-rearing with agriculture and dairy taking a predominant share. The programme has contributed to the de-linking of exploitative inter-linked credit and commodity markets. CBOs are permitted to act as authorised procurement and marketing agents by line departments and para-statal agencies like the dairy corporation which assures communities of price benefits. The collective activities have cumulatively benefited about 300,000 poor households in the project area. The turnover has increased from Rs 16 crore in 2004-'05 to Rs 320 crore as of March 2008.

Community Managed Sustainable Agriculture (CMSA): The major intervention under CMSA has been promotion of non-pesticide management practices (NPMP) which replace chemical and other external inputs with local knowledge and natural methods of pest management. The partnership between NGOs and MSs as a community-managed extension programme, covers 2.05 lakh acres benefiting nearly 90,000 farmers. The cost of cultivation has reduced to a substantial extent leading to a 40-to-60-per cent increase in the income of a farmer.

The sustainable agriculture intervention is now being looked at as a comprehensive programme which is dovetailing various other elements such as natural resource management of soil and water, setting up

community seed banks to maintain crop and varietal diversity, post harvest management pilots in paddy and millet processing and integrating food security programmes by supplying essential commodities to poor households.

Community Investment Fund (CIF) for livelihood promotion: The WB projects have supported the establishment of the CIF to finance demand-driven individual and collective livelihood activities of the poor in all project mandals. Presently, the CIF is constituted by pooling together funds allocated by WB and SGSY and channelled through the MS-VO-SHG route and reaches the end-user SHG member as credit. As of March 2008, Rs 811 crore of CIF has been disbursed benefiting about 20 lakh members.

Financial Services: Through regular member savings, earnings from inter-lending, receipt of revolving fund and matching grant subsidy from the government, the resource base of the SHGs has expanded rapidly. IKP seeks to enable the SHG members to access a total loan of about Rs 100,000 over a five-year period of time which would place the family sustainably above the poverty line (defined as total income of Rs 5,000 per family per month). The programme is also encouraging risk mitigation measures in terms of micro/mutual insurance. The ZSs are facilitating life and asset (livestock) insurance schemes at low premiums in the project districts. Mature VOs and SHGs are piloting health risk fund and provided quick financial support for medical treatment.

Sustainability: The integrated CBO structure (SHGs – VOs – MSs – ZS) has ensured long-term sustainability of the institutions, besides facilitating resolution of larger social and livelihood issues affecting the poor. The various tiers of institutions are developing business and management skills, making them viable institutions with public, private and cooperative partners. The programme is investing in promoting value addition at the local level for various agribusiness activities. These investments are also contributing to the increased sustainability and viability of individual economic activities taken up by the poor households. The programme demonstrates that interventions should aim at clustering of villages in the interests of developing a ‘critical mass’ for marketing and investment purposes. Adequate financing through CIF and bank loans has ensured that cost of capital is reduced and dependency on trader credit is removed ensuring that the households receive adequate price for their produce.

Emerging Concerns

Two important strategies which have contributed towards positive outcomes are careful selection of a project facilitation team (PFT) and poverty targeting of project villages and households.

The programme has expanded beyond the level originally envisioned and unless the government closely monitors the progress, it is likely that the resources currently available may not be sufficient to cover the poorest of the poor and thus the benefits will not reach the most needy. There is also a need for developing new institutions around certain livelihoods viz., Dairy, Agriculture, Marketing, NTFP, etc. to deepen the livelihood efforts. Finally, as the institutions develop and grow, higher order managerial and professional staff will be needed.

(ii) DPIP Madhya Pradesh

DPIP Phase-I has been implemented in 14 districts of MP in 2,900 villages covering about 3,50,000 households. Two important strategies which have contributed towards positive outcomes in the project are careful selection of a project facilitation team (PFT) and poverty targeting of project villages and households. Though the state implemented the project, the BPL list was not the only criteria for identifying the poor; wealth ranking was carried out to enable the community to identify the poor and vulnerable. The project has a gender and tribal focus and, of the sub-projects financed, 29 per cent are for women and 26 per cent are for tribals.

Livelihood Promotion Strategy

Institution Building: Multi-tier agencies are being promoted by the project with a flexible approach to forming higher level institutions of the poor. Poor families interested in similar activity have been formed

into common interest groups (CIGs). All CIG members in a village form the general body of a village development committee (VDC) and 2,500 VDCs have been formed. VDCs are the critical organisations to ensure sustainability of CIGs and nearly 60 per cent of executive committee members of VDCs are women. VDCs do not undertake functions assigned to gram panchayats. So far 16 producer companies and 8 MACs have been registered and 60 per cent of them are for agriculture. Geographic federations are also being contemplated as a federation of VDCs.

Community Investment Fund (CIF): Assetisation of the poor households is the major livelihood strategy adopted by the project. CIFs are provided as grants to the households on the basis of sub-projects finalised by them. The gram sabha approves the sub-project proposals of CIGs and the project sanctions the proposal. Thus CIGs identify the activities which will work in the local context and initiate asset creation activities. As of Dec 2007, 3.25 lakh families have been provided Rs 3,858 million for assetisation. CIGs contribute 10 per cent of total cost of sub-project to the creation of Apna Kosh, a village fund.

Skill training: The project has provided skills training to members of CIGs on agriculture, animal husbandry and small businesses. More than 85 per cent of the trainings have been for animal husbandry. Job related skills training is provided to village youth for placement with industries. MPDPIP has been a pioneer in the state in setting up a private-public partnership for employment of rural youth.

Financial services: Direct linkages of CIG members with banks have been facilitated by the PFTs^{vii} and loans mobilised to the tune of Rs 5,800 lakh out of which 85 per cent has been for crop loans through Kisan credit cards. CIG members save and borrow from the village fund for working capital and emergent needs. Livestock insurance is compulsory for the animals purchased.

Sectoral inputs: In agriculture the project has provided training to farmers to increase productivity and diversify the crops. In dairy, apart from training, need-based infrastructure for collection such as bulk milk coolers have been provided by the project. Poultry activity has been facilitated by PRADAN. Marketing linkages are forged by the producer companies with the support of PFTs. During the year 2006-07, the turnover from various such activities has been Rs 4.84 crores.

Outcomes and impact

The sub-projects supported include 240 different types of livelihood activities. Land-based activities comprised 46 per cent of sub-projects. These included wells, tube wells, land levelling, agriculture implements etc., Animal husbandry formed 23 per cent and trading 16 per cent of sub projects. Ex post economic analysis conducted in 2006-07 shows that nearly 88 per cent of the assets are still functional. The mean income increase of the project beneficiaries in various activities has been: agriculture 66 per cent, dairy 16 per cent and poultry 19 per cent. Non-farm has not been as successful, with only 4 per cent increase in income.

(iii) DPIP Rajasthan

DPIP Rajasthan Phase 1 was implemented in seven districts in the state and was completed in December 2007.

Strategy

Institution building: About 250,000 poor families have formed 23,500 CIGs of which 25 per cent are women CIGs. The common interest binding the groups is the income-generating activity which they undertake. Nearly 95 NGOs have been involved in CIG mobilisation in 5,800 villages. The Rajasthan Dairy Cooperative Federation formed CIGs of dairy farmers in 2,200 villages. In the last two years of the project, microfinance activities were initiated in a planned manner. Activity-based cluster development is in its nascent stage^{viii}.

non-farm activities have had significant impact on the income of the families with returns of more than 100 per cent extrapolated over a five-year period. This has been possible due to linkages with private businesses for marketing.

Community Investment Fund: The project has funded nearly Rs 610 crore for 21,000 sub-projects, as identified by CIGs, through the CIF mechanism. Non-farm livelihood CIGs constituted 27 per cent of total CIGs; retail trading, tent house and ready-made garment stitching constituted nearly 50 per cent of the non-farm livelihoods undertaken. The end project evaluation based on field visits finds that non-farm activities have had significant impact on the income of the families with returns of more than 100 per cent extrapolated over a five-year period. This has been possible due to linkages with private businesses for marketing.

Natural resource management CIGs comprised 14 per cent of activities initiated under DPIP. Agriculture development (37 per cent), horticulture (24 per cent), land levelling (15 per cent) and vermi-composting (8 per cent) were the significant activities undertaken. All activities had positive returns as per the end evaluation report based on field visits; however, horticulture had a long gestation period and the project period is not sufficient to measure the returns. Longer hand-holding is also needed for land-based activities given the frequent exogenous shocks Rajasthan faces.

Financial services: Many of the groups initiate savings but the regularity is relative as several studies reveal. The savings are used for inter loaning and also for payment of member contribution of 10 per cent for the sub-project. Bank linkages for working capital and expansion of income-generating activities and enterprises have been initiated in the last two years of the project. The livestock purchased are usually insured for the first one year. Repeat insurance usually is not carried out.

Impact

the livelihood position of nearly 60 per cent of the households has increased and the effect is higher on BPL families.

Mid-term evaluation of the project has observed that the livelihood position of nearly 60 per cent of the households has increased and the effect is higher on BPL families. Since there have been concerns about sustainability of CIGs beyond the project period, SHG elements have been introduced into CIGs with technical support from NABARD.

Key lessons from the three projects

The key design and implementation features of the three projects can be summarised as in Table 5.2 below:

Table 5.2: Key Design and Implementation Features of DPIP

Features	Andhra Pradesh	MP	Rajasthan
Targeting	Universal	Geographic - Poorest districts, blocks, villages	Geographic - Poorest districts and blocks
Target group	Women, disabled, youth	Men and women	Men and women
Federate	Yes. Very strong emphasis	Federate by activity	No clear strategy
Sustainability of groups as a primary objective	Yes	Not initially.	
Emerging as an objective.	No (except as a means of sustaining investments)		
Self help funding vs outside funding	Both	Some linkages	Few linkages
Grant Vs Revolving fund	Revolving fund to VOs	Grant to CIG	Grant to CIG
Private investment Vs. Community infrastructure	Investment	Both (mostly investment and some infrastructure)	Both (mostly investment and some infrastructure)
Marketing	Key activity of VOs	Through activity based federation.	Institutional linkage for only dairy.
Facilitation	Community resource persons	Project facilitation teams (mostly from government)	Project facilitation teams (mostly NGOs)
Capacity enhancement of target group	Very high	Moderate	Depending on NGO's efforts

Poverty reduction is a lengthy process. The success in Andhra Pradesh has been a process which started two decades ago. UNDP and IFAD had funded capacity development of the communities and developed models for scaling up. Poverty reduction projects need to be implemented over a long-term horizon, say 15 years, so that the government can adopt a programmatic approach towards planning such programmes.

In Andhra Pradesh, CIF given initially as a grant to the MSs and the good microfinance practices have led to multiple doses of loans to the SHG members. The lesson is that outright grant for financing of the income-generating activities taken up by the poor has a limited impact. On the contrary, loan financing of livelihood activities has a multiplier impact on the livelihoods of the poor through revolution of funds.

The projects' experience also reveals that CIGs are less likely to survive in the absence of SHGs. In the absence of microfinance activities, there was no cementing factor in the CIGs that could ensure their sustainability. Closely knit and functionally effective SHGs are a prerequisite for fund management, asset promotion, retention and its productive use. The loosely organised CIF are not able to provide this, thus affecting sustainability.

Markets and marketing must be an important part of livelihood development. Using grassroots institutions to develop market power, conducting value chain analysis to identify opportunities are crucial to enhance livelihood opportunities and income gains for the households.

Outright grant for financing of the income-generating activities taken up by the poor has a limited impact.

Due to absence of other viable and feasible livelihood opportunities a large proportion of the project-promoted investment went into livestock and allied activities and petty trade and service activities, which are relatively low productive areas. The lesson is that the government and the development projects should focus on promotion of non-farm livelihoods of the poor.

Concluding Observations

A significant challenge faced by livelihood programmes is the need to focus on poor people and their livelihoods through appropriate institutional mechanisms.

The DPIP project designs varied in the involvement of NGOs for social mobilisation. There are considered views that engaging a number of NGOs and ensuring qualitative outputs from many of them require additional cost. Accountability is another area of contention. Some of the designs moved away from engaging the NGOs and developed a cadre of community resource persons (CRPs) whose capacities were built to carry out the mobilisation and barefoot services. This has reportedly reduced the cost of project implementation. The issue of continuity and affordability of services from such CRPs lingers. Local self government bodies have also been engaged in participatory planning and implementation of livelihood programmes. A significant challenge faced by livelihood programmes is the need to focus on poor people and their livelihoods through appropriate institutional mechanisms.

Some of these projects have shown that large outreach brings in economies of scale and can enable strategic linkages. The scale has generated the interest of service providers on the one hand and enabled reduction of costs for the household (inputs for production, food cost etc) by aggregation and purchase in bulk, risk mitigation through savings and insurance, on the other. To increase the revenue of the households, two strategies have been followed. One is assetisation through financial services or asset transfer and the other is moving the people or their organisations up the value chains. Community-owned enterprises for marketing and need-based services for the producers have been facilitated. Public, private and people's partnership have been facilitated. However, engagement of the private sector/end-market buyers for strategic marketing linkages for the produce of the target groups continues to be a difficult area to crack. Partnerships with existing private businesses especially on co-investment principles is the new avenue being explored which holds promise. Institutional mechanisms which are non exploitative and which prepare the poor for a dynamic market situation is an area being explored.

The success of some of the projects largely reflects the implementation commitment of the respective state governments. Projects have been found to be grounded well where the buy-in by the government is very strong. One case is that of Andhra Pradesh DPIP which has now been scaled up to cover the entire state. Others like the Bihar state government and NGOs like the Rajiv Gandhi Mission are soon to follow suit.

3.2 United Nations Development Programme (UNDP) Livelihood and Related Projects¹³

Projects have been found to be grounded well where the buy-in by the government is very strong.

Social mobilisation is the primary milestone for a sustainable livelihoods programme. In order to achieve this end, social mobilisation includes creating transparent democratic and self-manageable CBOs by inclusion of the poor and women. It also involves building the capacities of CBOs to plan, implement and monitor development and livelihood promotion programmes on their own, developing self confidence among CBOs. Improving the standard of living of poor with collective action, it requires on mainstreaming of gender across all core area activities of the project, and supporting convergence with other line departments. A significant challenge faced by livelihood programmes is to retain the focus on the poor and their livelihoods, given the possible size of the budget and its potential for 'stealing centre-stage'. They are attractive to politicians seeking to demonstrate the good they have brought to their constituencies. As such there is constant pressure to spend money and this distracts from the need for careful 'people-centred' planning.

¹³Case developed by Ramesh S Arunachalam

Limited access to resources, markets, information and services, are constraints to realising the potential of available opportunities and hinder the diversification of livelihood strategies, particularly in tribal areas. Hence there is a need to strengthen the resource base that generates livelihoods and then foster microenterprises that provide employment and income opportunities to the rural poor. There is also the need to promote enterprises that lead to value-addition of agricultural and forest produce as well as other microenterprises. Multiple livelihoods strategies of the project should also include migrant labour support and access to information. Possible constraints in accessing financial services are inappropriate products and procedures, inadequate outreach of distribution channels and distorted financial behaviour among the target groups.

there is a need to strengthen the resource base that generates livelihoods and then foster microenterprises that provide employment and income opportunities to the rural poor.

Given this context, some salient features of UNDP's approach are:

Sustainable Livelihood and Human Development: The promotion of sustainable livelihoods is part of UNDP's overall Sustainable Human Development (SHD) mandate, adopted in 1995. The mandate includes poverty eradication, employment and sustainable livelihoods, gender, protection and regeneration of the environment, and governance. As one of UNDP's primary mandates, sustainable livelihoods offers both a conceptual and a programming framework for poverty reduction in a sustainable manner.

UNDP's overall mandate, includes poverty eradication, employment and sustainable livelihoods, gender, protection and regeneration of the environment, and governance

Asset Based Approach: UNDP employs an asset-based approach emphasising the promotion of people's access to and sustainable use of the assets upon which they rely, as central to poverty reduction. To that end it stresses the need to understand the coping and adaptive strategies pursued by men and women. Coping strategies are short-term responses to a specific shock such as drought, while adaptive strategies entail long-term change in behaviour patterns as a result of a shock or stress. Both are influenced by people's asset status but also have implications on the composition of the assets themselves, which could be depleted or regenerated. Moreover, UNDP specifically focuses on the importance of technological improvements as a means to help people raise out of poverty. Other key emphases of the UNDP Sustainable Livelihoods approach are:

- focus should be on people's strengths, as opposed to needs;
- policy (macro-micro links) and governance issues as they impinge on people's livelihoods should be taken into consideration and addressed through specific actions; and
- sustainability is constantly assessed and supported

Innovative Design, Implementation and Evaluation: UNDP has developed a methodology for the design, implementation, and evaluation of sustainable livelihoods programmes consisting of five steps:

- A participatory assessment of the risks, assets, and indigenous knowledge base found in a particular community as reflected in the coping and adaptive strategies pursued by men and women, is carried out.
- An analysis of the micro, macro, and sectoral policies that influence people's livelihood strategies
- An assessment and determination of the potential contributions of modern science and technology that complement indigenous knowledge systems in order to improve livelihoods.
- An identification of the social and economic investment mechanisms (i.e. microfinance, expenditures on health and education, etc.) that help or hinder existing livelihood strategies.
- An assurance that the first four stages are integrated in real time, so that this process is part of the overall programme of development, rather than a series of isolated events."¹⁴

Annexure A.5.3 provides a description of livelihoods-related projects supported by UNDP and the experiences and issues emerging from their implementation.

¹⁴Source: Quoted with Adaptation from Krantz, (2001) "The Sustainable Livelihood Approach to Poverty Reduction"

4. Bilateral Donors and Livelihood Projects

4.1 Department for International Development (DFID)¹⁵

DFID has emerged in recent years as the predominant bilateral donor operating in India.

DFID has emerged in recent years as the predominant bilateral donor operating in India. DFID's rural livelihoods programmes in the country work with the governments of Andhra Pradesh, Orissa, Madhya Pradesh (MP) and West Bengal. These programmes have the primary objective of increasing the sustainability of poor people's livelihoods by promoting (and enabling promotion of):

- improved access to high-quality education, information, technologies and training and better nutrition and health;
- a more supportive and cohesive social environment;
- more secure access to, and better management of, natural resources;
- better access to basic and facilitating infrastructure;
- more secure access to financial resources; and
- a policy and institutional environment that supports multiple livelihood strategies and promotes equitable access to competitive markets for all¹⁶

DFID's current rural livelihoods portfolio comprises rainfed farming projects, watershed-based development programmes and rural livelihoods programmes based on Panchayati Raj Institutions (PRIs) or administrative units.

'People-centeredness' rather than focus on resources reflects the thinking of development practitioners worldwide over the past two decades

During the period 1998-2002 DFID placed considerable emphasis on the development and rolling out of sustainable livelihoods (SL) approaches. The process of giving meaning and substance to SL was both challenging and inclusive. It reinvigorated the rural development cadre within DFID and brought significant influence throughout the wider development community. During the late 1990s, DFID's main focus was on the rainfed farming projects in eastern and western India, the next generation focused on the watershed based development programmes of the government of India. Adopting a 'watershed plus' approach, DFID has helped transform the watershed based development programs of the Government of India from natural resource programs, focusing on physical conservation works and primarily benefiting larger, mostly male, landowners, to people centred programs. The latter are, inclusive of all the residents of the watersheds and pay particular attention to landless, women and other vulnerable groups. The 'plus' includes components for productivity enhancement and micro-enterprise promotion within the overall approach of enhanced participation, capacity building and innovation. Emphasis on decentralization of government through elected PRIs prompted different variants of the rural livelihoods model in MP and West Bengal.

There are several such projects in India but the major ones are:

1. Andhra Pradesh Rural Livelihoods Programme (APRLP) (Completed)
2. Madhya Pradesh Rural Livelihoods Project (MPRLP)
3. Western Orissa Rural Livelihoods Project (WORLP)
4. West Bengal Strengthening Rural Decentralisation Program (SRD)
5. Orissa Tribal Empowerment and Livelihoods Programme (OTELP)
6. Eastern India and Western India Rainfed Farming Projects (EIRFP) - (completed)

While APRLP and WORLP are watershed-based development projects, MPRLP, West Bengal SRD and OTELP are rural livelihoods programmes based on PRIs and administrative units.

¹⁵Cases developed by Ramesh S Arunachalam

¹⁶Source: Quoted with adaptation from DFID Official Website and related resources

(i) Andhra Pradesh Rural Livelihoods Programme (APRLP)

The primary aim of the Andhra Pradesh Rural Livelihoods Programme (APRLP) had been poverty elimination and reduction in five semi-arid and drought prone districts in rural Andhra Pradesh, namely Ananthapur, Kurnool, Mahaboobnagar, Nalgonda and Prakasam districts. The project aimed to achieve this goal through building effective and sustainable rural livelihoods in these districts, taking watersheds as an initial entry point. The larger aim was the development of effective and sustainable approaches to be adopted by government agencies and other stakeholders involved in poverty alleviation efforts. The partners to the state government's rural development department in the project were DFID, the principal funding agency, other government departments and agencies, other national and regional NGOs and research organisations. While the project was originally implemented in 1999 in the five project areas, it has subsequently been extended to watershed projects in other parts of the state as well. DFID had committed financial support to the tune of Rs 364.34 crore for the purpose of this project. 'People-centeredness' rather than focus on resources reflects the thinking of development practitioners worldwide over the past two decades and this shift has changed the way in which watershed development is perceived and implemented under this project.

The four main focal components of APRLP are watershed and watershed-plus initiatives, capacity building of primary and secondary stakeholders, innovation to enhance the impact of watershed work and learning lessons that will help in the context of policy influence.

The DFID-funded APRLP makes an innovative departure from the conventional watershed approach, applying the 'Watershed Plus' agenda. This, while remaining committed to the basic principles of watershed development, it attempts to achieve a more equitable local distribution of the benefits, through social mobilisation, institution-building and improved livelihood opportunities, with the focus on natural resource based livelihoods. This programme accords high importance to community participation and decision-making to ensure demand-driven planning and implementation in order to achieve sustained development of physical and social structures. It does not confine itself to land-based development issues, positively builds upon, and strengthens existing self-help initiatives such as the women's self-help movement.

Under APRLP, 500 new watersheds at the rate of 100 per district in the original five districts were taken up. All these new watersheds were implemented through the VOs of women SHGs. Each watershed was provided with a budget of Rs 30 lakh to be spent over a period of five years. The action plans are revised adopting Participatory Net Planning (PNP) methods and implementation is going on briskly in all the five districts. The project is supporting the enhancement of livelihoods in 2,500 ongoing and completed watersheds. Under this component, each watershed is provided with additional funds to the tune of Rs 4.00 lakh for taking up livelihoods enhancement activities, to be utilised over a four-year period.

Perhaps the most serious challenge for APRLP is to keep itself focused on poor people and their livelihoods, given the scale of the budget and its potential for 'stealing centrestage'. Land-development projects can often spend large amounts of money quickly on infrastructure (bunds, water tanks, irrigation, and so on). They are attractive to politicians seeking to demonstrate the good they have brought to their constituencies, because the constructions are literally something to show for the money spent. In contrast, participatory development projects take longer to get off the ground, spend more slowly and their impact is often less visible. So the pressure to focus on the 'land development' aspects at the cost of the participatory process is great. This distracts from the need for careful people-centred planning.

(ii) Madhya Pradesh Rural Livelihoods Project (MPRLP)

Poor access to resources, markets, information and services, are constraints to realising the potential of available opportunities and hinder diversification of livelihood strategies in the tribal areas of Madhya Pradesh. MPRLP seeks to enhance poor people's livelihoods in tribal dominated districts of the state and

Perhaps the most serious challenge for APRLP is to keep itself focused on poor people and their livelihoods, given the scale of the budget and its potential for 'stealing centrestage'.

focuses on the poor and vulnerable: tribal populations, SCs, women, landless and displaced households, migrant and casual labourers.

The project has adopted an interlinked two-track strategy. Firstly, by strengthening the resource base that generates livelihoods; and then by fostering microenterprises that provide employment and income opportunities to the rural poor. It seeks to improve land, water and forest resources of poor people through integrated watershed management and community forest management. The second track seeks to promote enterprises that lead to value-addition of agricultural and forest produce as well as other microenterprises. Multiple livelihoods strategies of the project also include migrant labour support and access to information.

The primary constraints faced by MPRLP in accessing financial services are inappropriate products and procedures, inadequate outreach of distribution channels and distorted financial behaviour

DFID provided Rs 114.87 crore over three years (2004-'07) to support the first phase of MPRLP in 822 villages of eight predominantly tribal districts namely Badwani, Dhar, Jhabua, Mandla, Dindori, Anuppur, Shahdol and Sheopur. In the second phase (2007-2012), the project is expected to cover about 4,000 villages in the same districts including the 822 villages of the first phase. A total of £45 million (Rs 357 crore) for five years has been provided by DFID for improving the livelihoods of the poor.

Recognising the vulnerability of migrant labourers, planned support programmes will concentrate on developing bargaining skills, technical expertise and disseminating information on rights at the village level. The second phase will develop and implement its gender strategy, defining participation norms for women, reflecting not just representation but participation in decision-making as well.

The project is being implemented by the Madhya Pradesh Society for Rural Livelihoods Promotion which is registered under the M.P. Society Act. A steering group gives the overall strategic direction for the Livelihoods Forum and development of the work programme. The Departments of Tribal Welfare, Forests, Agriculture, Animal Husbandry and the SHG Directorate are closely involved with the project both at the district and state levels. MPRLP also aims to collaborate with NGOs for capacity building, action research and information dissemination.

The primary constraints faced by MPRLP in accessing financial services are inappropriate products and procedures, inadequate outreach of distribution channels and distorted financial behaviour among the target groups,

(iii) Western Orissa Rural Livelihoods Project (WORLP)

Western Orissa Rural Livelihoods Project (WORLP), a joint venture between the state government of Orissa initiative and DFID, is managed by the Orissa Watershed Development Mission. This project is intended to benefit the poorest people. The activities of the project mainly relate to livelihood initiation, drinking water, sanitation and capacity building. The ten-year-long programme was initiated in August 2000.

WORLP aims to promote the adoption and replication of effective approaches to sustainable rural livelihoods by government agencies and other stakeholders in poor districts in Western Orissa by adopting an innovative approach to watershed development called Watershed Plus. The approach adopted focuses on building, and working with, people's existing strengths and resources, enabling, initiating and empowering appropriate choices for long-term well being. It involves all sections of rural society across caste, class, gender and other divides.

The four WORLP project districts – Bargarh, Balangir, Kalahandi and Nuapara – are among the poorest in India. Health indicators are poor, there is a shortage of safe drinking water and drought recurs regularly. Inequitable social structures, distorted land distribution, indebtedness, and gender and other inequities contribute to the widespread poverty in western Orissa and impede access by poor and marginalised people to resources.

(iv) West Bengal Strengthening Rural Decentralisation Program (SRD)

West Bengal SRD builds the capacity of gram Panchayats (elected village level committees) in support of the State policy on decentralised governance. The Program provides an untied poverty fund to support livelihoods activities and delivery of services as defined in action plans prepared by Gram Panchayats. It builds the capacity of PRIs down to the Gram Panchayat to plan and implement development plans in participation with village communities. SRD has played a key role in skill building, provision of social services, improving infrastructure and strengthening resilience to natural disasters such as floods. Phase 1 of the project covered the period from 2005-07, while Phase 2 covers 2008-11.

(v) Orissa Tribal Empowerment and Livelihoods Programme (OTELP)

Initiated in 2005, OTELP is co-funded by IFAD (International Fund for Agricultural Development) and builds the capacity of poor tribal communities to manage their own development. It aims to ensure that the livelihoods and food security of poor tribal households are sustainably improved through promoting a more efficient, equitable, self-managed and sustainable exploitation of the natural resources at their disposal through off-farm/non-farm enterprises development. Particular attention is given to access to land and to the management of common property resources such as pastures and forests.

The specific objectives of the programme are to:

- Build the capacity of marginal groups as individuals, and grassroots institutions.
- Enhance the access of poor tribal people to land, water and forests and increase the productivity of these resources in a sustainable and equitable way.
- Encourage and facilitate off-farm enterprise development focussed on the needs of the people.
- Monitor the basic food entitlements of tribal and ensure their access to public food supplies.
- Strengthen the institutional capacity of government agencies, PRI, NGOs and civil society.
- Encourage the development of pro-tribal enabling environment.
- Build on the indigenous knowledge and values of tribal and blend these with technological innovations.

(vi) Eastern India and Western India Rainfed Farming Projects (EIRFP and WIRFP)

Completed in 2005 and 2007 respectively and, these projects pioneered the use of jankars (para-professionals) to promote innovation at the village level. Particularly, such innovation covered varietal selection and plant breeding for sustainable improvements of crop yield, and improving opportunities for those who chose to migrate. For example, WIRFP helped poor farmers to collaborate with research scientists to develop crop varieties and agricultural technologies that are suited to their local conditions and meet their needs. WIRFP also included an innovative and demand driven migration project, which is now informing other programmes. Migration facilitation centres were established, to provide communication, insurance, ID cards, information on employment opportunities, assistance in wage negotiations, and training on migrant rights. A Migration Hub, funded by DFID and the ILO, has been established at the national level, as a platform for policy dialogue on migration issues.

Learnings

A more productive approach is to identify where and under what circumstances SL can add truly add value. If some consensus can be reached on this there is greater scope for moving forward in a manner that builds upon, rather than discards, SL's achievements.

This section outlines the areas which DFID staff have identified as being important, based on their own work. The final section of the paper is more open and speculative.

1. Overall SL approaches are most useful as an analytical or heuristic tool. They provide a way to order information and understand not only the nature of poverty but also the links between different aspects of people's livelihoods. In this way they help users to understand complex and changing situations. They broaden the policy dialogue and assist in identifying the relevance of programmes as well as where key constraints and opportunities lie.

Particular areas where SL has been valuable include:

- Understanding the dynamics of the trajectory out of 'social protection' to the production and promotion of more viable livelihoods, even for those with very few assets. This has been important as DFID has placed a stronger emphasis on working with the poorest within communities (as opposed to engaging community-wide). SL can help identify the key differences between the poorest and other groups as well as being used to track changes over time.

- Analysing complex trends such as climate change and conflict situations and linking these to practical action. In climate change adaptation work (as well as disaster risk reduction), a key objective is to strengthen people's overall resilience as the future becomes more uncertain. It is also important to work on using natural resources more effectively and diversifying economic activity, both areas that have been at the heart of SL thinking.

- Providing a framework for understanding the current food crisis and how and why it affects different groups in different ways (see next section).

- Underpinning the development of support programmes in former Soviet-bloc countries (DFID has actually withdrawn from many of these at this point) where people faced profound structural change and were forced to undertake a thorough review of their assets in order to 'start again'.

2. SL has also been very influential beyond DFID and has helped build cross-sectoral and cross-institutional dialogue as well as drawing in multiple stakeholders and heading off conflict. The livelihoods vocabulary and key livelihoods concepts (such as the focus on different types of assets) are still common in the work of core DFID partners. [1]

Perhaps the 'easiest' partner for those working in an SL mode has been local government, as local governments do tend to provide a range of services and be less sectoral than their national counterparts. For example the Chars Livelihoods Programme has developed a very successful working relationship with local government and district-level providers of services (e.g. livestock officers) without having any relationship with the line ministries to which these providers are attached (e.g. agriculture).

3. A less developed side of SL, but one which was highlighted by a number of contributors, is its emerging use and potential for grounding DFID's higher-level budgetary and public expenditure management discussions in human reality. There are links here with the DFID-supported Poverty and Social Impact Assessment methodology[3], which has already drawn in SL thinking to bring together economic, social and political analysis.

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ⁱ SAPAP was implemented in about 700 villages in three districts with the main focus of capacity building of women’s SHGs through thrift and credit, and development of 250 self-managed Village Organizations (VOs) and 20 Mandal Samakhya (MSs). The project had developed the concept of Community Based Convergent Services (CBCS) approach by which development programs like literacy, preventive health care, girl child education, elimination of child labor etc. were dovetailed to the thrift and credit activities undertaken by SHGs.

ⁱⁱ The Rural Poverty Reduction Project goes beyond the District Poverty Initiative Project, including an expansion of the geographic area from six districts to the entire state and a sharper focus on the poorer and more vulnerable members of rural communities.

ⁱⁱⁱ Andhra Pradesh Rural Poverty Reduction Project (APRPRP) became effective on April 1, 2003 and covers 594 backward mandals in 16 districts of the State and 5.7 million families. This project’s duration is until September 2008.

^{iv} The SGSY fund is given as a grant to Mandal Samakhya to enable them to lend to eligible Village Organizations and SHGs. Based on the micro plans, the entitlement of SHGs is determined, SGSY funds are released to Mandal Samakhya which in turn will release them to SHGs as a loan through Village Organizations. On repayment, the amount will be given as a loan to other SHGs. This way it is ensured that the SGSY fund stays in the mandal and it can be accessed in multiple doses by more and more SHGs.

^v SHGs have Rs.2395 crores as a corpus as of March 2008.

^{vi} Pavalavaddi is an initiative of the State Government wherein the government has provided budgetary allocation to reduce the cost of funds to SHGs.

^{vii} Realising the need for capable human resources to implement the programme, the project adopted a detailed process for selection of staff for the PFTs and did not rely on routine deputation from line departments. More than 90 percent of PFTs are of Government and the rest are of NGOs. A strong orientation was given to the PFTs on the facilitation role to be played by them.

^{viii} Five clusters have been initiated for five different activities. The agriculture cluster has been formally registered as producers company and buy back agreement with ITC has been tied.

CHAPTER VI

Civil Society Initiatives

Girija Srinivasan¹

Abstract

The civil society initiatives taken up in this chapter are mostly part of donor-supported programmes, often involving participatory watershed development and wider development goals, which may also include livelihood and microfinance. While there are innumerable NGO-led initiatives of value, this chapter covers nine case studies that had a) achieved scale b) become established and mature programmes, and c) been innovative. Livelihood programmes initiated by communities themselves have been few. The last case study showcasing, the 'Myrada Experience' is a departure from the key issues touched upon in the preceding case studies, exploring as it does the institution of the SHG itself as a livelihood strategy. Finally, all the case studies are undertaken in different contexts, but are all from rural areas.

1. Civil society organisations (CSOs) as facilitators

The domain of livelihoods development may be segregated into three parts. The first is the external environment; the second the people and people's institutions that need to be engaged in planning and implementing with suitable capacity building and resource support measures; and the third is the external resource organisation that holds the key to finance, technology and markets. Facilitating institutions, in order to be effective and successful, should be able to mediate and crystallise the positive elements, capacities and potential in all the three interacting parts. The intensity of involvement would depend on the local needs, the facilitating agency's domain competence and the strength of demands arising from participation of the people.

The facilitating agencies are also much dependent on the (often changing) perceptions, strategies and priorities of the (external) donor agencies which usually provide much of the funding for NGO activities. Facilitating institutions at times have been driven, in turn, by the donor's objectives and their own competence.

2. Successful CSOs share a few common approaches

The initiatives covered here share several common aspects in their approach. The basic elements noticeable in the different approaches are consultation with the target group, analysing the local context, preparing the people in terms of skills, linking the enterprises with external markets for input and output and investing in people's institutions. The differences lie in the intensity of involvement with the families, the level of consultation, time taken to launch the livelihood activity and the kind of people's organisations created.

The domain of livelihoods development may be segregated into the external environment, the people and people's institutions and the external resource organisation.

The basic elements noticeable in the different approaches are consultation with the target group, analysing the local context, preparing the people in terms of skills, linking the enterprises with external markets.

¹The author would like to thank Ajay Tankha and Santosh Sharma for their invaluable support in developing this paper. Ajay Tankha edited the paper and provided valuable guidance. Santosh Sharma gave research support for collection of details of livelihood programmes apart from developing two cases.

²Footnote mill

An average of five years is needed for changes to appear in the various capitals of the poor households which push the family out of poverty. This also explains why government-sponsored programmes like SGSY, with a short grace and implementation period, more often fail than succeed.

Most of the approaches have taken self-employment through promotion of farm and non-farm enterprises as the basis of their intervention. This is a clear recognition of the fact that the investment climate for wage-employment creating enterprises in the community sphere is not positive. CSOs have sought to promote/deepen livelihood activities in clusters, pool the produce and based on the larger volumes, set up marketing ventures that are community-owned.

Augmentation and improvement of the existing assets and working capital with the households had greater acceptance and yielded better results. As per SEWA's experience (See case study 6) the risk-taking ability of many of the poor households is low, deterring them from entering new activities. Enabling appropriate market linkages and providing appropriate technology brings better incomes as seen in the programmes of SIFFS (Case study 7) and CCD (Case study 3). The experience of BAIF (Case study 1) and PRADAN (Case study 5) demonstrates that NGOs need to take to the people solutions that work and supplement access to finance with skill development.

The other striking feature of the cases covered is the integrated or holistic development approach adopted by most of the institutions for promoting sustainable livelihoods. Cluster development approaches include the poorest of the poor and thus achieve inclusive development in the village.

The initiatives discussed show that the initial period can be slow and difficult. In isolated cases results have been fast if other capital/resources of the poor are intact. An average of five years is needed for changes to appear in the various capitals of the poor households which push the family out of poverty. This also explains why government-sponsored programmes like SGSY, with a short grace and implementation period, more often fail than succeed.

3. Interpreting the livelihoods framework

The concepts of livelihood development held and applied by the NGOs/CSOs under discussion have mostly taken human capital and social capital as the areas best subject to influence.

However, access to markets and the interest of buyers in the products generated by the livelihood activities of the vulnerable can improve only when economically significant volumes at competitive prices are available. Most livelihood projects had designed access to markets through group-based approaches. All of them had invested in people's institutions such as fishermen's society, producer company and cooperative society to ensure sustainable access to markets.

Access to finance is a critical requirement for initiating and carrying on livelihood activities. To a certain extent, it is possible to bring in grant resources to kick off the activity, but ongoing capital requirements should be met from a source which can offer financial services and technical support over time. By design, banks and microfinance institutions (MFIs) should play a critical role in the growth and consolidation phase of livelihoods. Here too, social mobilisation reduces risk perceptions of banks and builds volumes that make the interface between banks and livelihood holders cost-effective.

4. The challenge lies in bridging the gap between demand and supply

Most of these initiatives are holistic in approach, providing comprehensive solutions for the multifaceted issues affecting the livelihoods of the poor. The initiatives are driven by visionary leaders, strategic thinking and quality management. The success of livelihood initiatives in the cases reviewed shows that the nature of programmes is complex, demanding strong leadership, techno-managerial inputs and a high level of hand-holding for a sustained period of time. Projects which are designed around these requirements are more likely to achieve their objectives.

The human resources needed at the managerial and grassroots level to carry out interventions for rural livelihoods are huge, both in terms of numbers and their capacities. While institutions are creating infrastructure for capacity development of livelihood/ manager schools to meet this requirement, the gap between demand and supply persists.

For example, in order to forge partnerships with corporates in new interventions, the professional skills required by CSO leaders and staff are of a high order. Many CSOs do not possess such skills and hiring such expertise is also expensive. Corporates usually do not have a feel of the rural situation and may have unreasonable expectations. CCD's experience shows that many of the corporates do not have knowledge of rural needs but require sophisticated documentation. The NGO has an understanding of the local needs but lacks the expertise to fulfill such corporate needs.

Bridging the gap between the corporate entity and the CSO is a critical requirement for forging sustainable partnerships that would serve the people, involving time, effort and financial resources. Grant funding is usually not available for such initiatives since donors feel that benefits accrue to the corporate sector. NGOs are expected to invest in the initial negotiations, developing prototypes and even at the time of scale-up, can only expect reimbursement of the costs. Venture funding for such social enterprises is in short supply.

The path to sustainability of the grassroots institutions promoted such as cooperative societies, producer companies, etc. is full of challenges. Some of these institutions have seasonal work and to retain members' interest during the rest of the season is a key issue. Co-existence of community ownership and professional management has been difficult to achieve. Sustaining these institutions in the long run from destructive local politics and external interference is another area of concern.

Some of the NGOs are keen to expand their outreach to cover more poor families in widespread areas; however, to find human and financial resources to provide effective services and to manage the growth is a herculean task. The difficult choice between deepening of services and increasing outreach has to be made.

Access to finance for carrying out meaningful livelihoods at the household level and for community enterprise is limited. For agriculture to be effective as an enterprise, medium-term and long-term investments are required which are difficult for small marginal farmers to access from banks. Most of the MFIs provide loans which do not suit the requirements of agriculture-based livelihood activities. The size, tenor, and repayment instalments do not match the cash flow needs of such livelihoods. The basket of activities to be taken up by the family requires a household cash flow-based credit product. For other (non-farm) based livelihoods working capital loans for trading, processing and marketing by community-based institutions are difficult to procure. SIFFS has demonstrated that financing to fishermen, who are largely financially excluded, through member-owned institutions is sustainable.

When people move up the value chain and take up interventions of a higher order, the availability of technology and infrastructure becomes limited. Industrial estates where all facilities are available and where clearances are quick are far away from the rural areas. Technology for small enterprises is a critical gap. While KVIB provides low-end rudimentary technologies, the efficient technologies are beyond the reach of family and community enterprises. Appropriate technology to ensure efficiency in operations and quality products to compete with other mainstream products in the market is missing.

Risk mitigation measures for the several risks the households and enterprises face have been undertaken by these CSOs. Diversifying the income sources of the household has been effective as a risk mitigation strategy. Two crucial risks – crop and health – continue to be difficult areas to crack. While some sectoral interventions like dairying yield adequate income when technical support services are provided, the cases outlined here show that there are several sectors which still do not provide adequate income to households and need to be bolstered.

Bridging the gap between the corporate entity and the CSO is a critical requirement for forging sustainable partnerships that would serve the people.

The difficult choice between deepening of services and increasing outreach has to be made.

These issues are exemplified by the different case studies, discussed in detail below.

5. Case Studies

The case studies presented below have been examined on the basis of information collected on the livelihood programmes³ of several NGOs and community-based organisations (CBOs). While there are innumerable NGO-led initiatives of value, the nine cases presented here were identified because they have a) achieved scale b) become established and mature programmes, and c) been innovative.

Case Study 1 :

The Bharatiya Agro Industries Development Research Foundation (BAIF)⁴

Through its various initiatives over 30 years, BAIF has helped 2.7 million rural families, spread over 45,000 villages in 12 states.

BAIF's strategy for promoting livelihoods in rural areas, is to improve the quality of life while ensuring sustainable livelihoods and a clean environment. BAIF has three core livelihood programmes which have evolved over four decades. The design, approach and features of all the three programmes have been innovations that defied the then prevailing trend of implementation of livelihood development programmes. Through its various initiatives over 30 years, BAIF has helped 2.7 million rural families, spread over 45,000 villages in 12 states.

BAIF considers the poor rural family to be the basic unit of development that requires different types of support to come out of poverty. It emphasises blending of livelihood programmes with education, health care and development activities such as women's empowerment, environmental protection, research, training and capacity building. According to BAIF, social mobilisation and confidence building are keys to sustainable impact. Therefore, it has developed a strategy of promoting grassroots-level People's Organisations (PO), right from the initiation of a project. Government recognition for BAIF's efforts has been high since the impact of its programmes has been high. While BAIF has exited from some projects, it still provides some support services to the POs.

Some key initiatives:

Livestock development for sustainable livelihoods: BAIF pioneered the idea of upgrading livelihoods and income levels through breed quality improvement, a revolutionary and timely initiative. The use of top quality bulls to produce semen, and artificial insemination services delivered at the door step of farmers ensured outreach to even remote areas. The second critical aspect was to produce better progeny out of existing breeds. This was very different from the then prevailing approach of distributing high breed exotic cattle – if sophisticated cattle are brought into a primitive system, there is a high likelihood of failure. Tied to this was the cultivation of drought-tolerant fodder species on wastelands. Over a million poor families, participating in the programme over 25 years, could own two-three crossbred cows and earn an annual income of Rs 15,000-18,000.

Water resources development: The approach focused on adapting the watershed model to local conditions such as reclamation of ravine lands, wastelands, very arid regions¹ etc. Modern and efficient technologies such as GIS and remote sensing have been adopted. Also, apart from soil and water conservation, the emphasis on improved production and better land-use interventions has resulted in higher moisture retention. Various activities are initiated through user groups, POs and self-help groups SHGs for increasing cropping intensity, promotion of eco-friendly technologies, post-production activities, improved livestock husbandry practices and microenterprises for the landless. The programme

³Details of these programmes are given in annexure to be added.

⁴Developed by Girija Srinivasan, on the basis of discussions with Mr. G.S.Sohani, Vice President, BAIF and the documents made available by BAIF. Mr. Sohani's suggestions on improving the draft have been invaluable.

so far has covered four million hectares in 850 villages, benefiting 75,000 families. The land holders are earning about Rs 20,000 per annum as gross income over the base line. This integrated approach where agronomic interventions are a key component, is a departure from most other watershed programmes, which emphasise conservation with farmers largely left on their own to make agricultural production improvements.

Promotion of agri-horti forestry: To provide sustainable income for small farmers, particularly tribals who own degraded lands, the Wadiⁱⁱⁱ programme covers 2,811 villages benefiting one lakh families covering an area of 40,345ⁱⁱⁱ hectares in six states. A core activity of the programme is the wadi, a horti-forestry orchard raised by the tribal family on sloping uplands. It comprises a fruit orchard with a peripheral plantation of forest trees and bamboo, providing small timber and fodder. This land is brought under intercropping in the monsoon and, if possible with small-scale irrigation, even in winter/summer. Introduction of vegetable and tuber crops, either as intercropping in the own lands or on river beds, helps to bring in more cash and incomes. The homesteads are used to raise kitchen gardens, nurseries, and for recycling of farm waste for manure. New water resources are created by gully plugging, construction of percolation tanks and encouraging farmers to dig farm ponds. Improved lowland agriculture has helped boost food production and ensure food security. Over time, many other need-based components such as health, drinking water provision, processing and marketing of farm produce, have been taken up. Thirty five cooperatives/federations have been formed in the wadi area for procuring and selling/processing of the produce from wadi.^{iv} This holistic approach, which combines livelihood generation through multiple need-based activities, has been a major departure from conventional development efforts which are highly sectoral in content. BAIF has now adopted the village cluster development approach (as is practiced in wadi) in other rural villages with heterogeneous communities, depending on the local needs and resources available with individual families.

Challenges

How to make the organisations member centric in day-to-day functioning is a key challenge, since the people have never had such institutional arrangements in the past. Promoting sustainable livelihoods for the landless continues to pose challenges for it requires a very wide range of interventions. Thus results do not always match expectations. Scaling up efforts to reach larger populations through more sustainable funding mechanisms is another key issue. According to BAIF, replicable models based on self-supporting funding are the key to scaling up.

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Case Study 2 :

BASIX⁵

BASIX was established in the year 1996, 'to promote a large number of sustainable livelihoods for the rural poor and women, through the provision of financial services and technical assistance in an integrated manner. BASIX strives to yield a competitive rate of return to its investors so as to be able to access mainstream capital and human resources on a continuous basis.' The first five years thus saw BASIX integrating livelihood promotion and financial services in a financially sustainable manner.

Today, BASIX as a group of companies comprises Bharatiya Samruddhi Finance Limited which provides livelihood promotion services; KBS Local Area Bank, providing various banking services; and Indian Grameen Services (IGS) that offers research and development services. The Livelihood School provides for knowledge building of livelihood practitioners and the BASIX Academy offers a one-year Triploma programme in microfinance and livelihood promotion to meet the human resource requirements of the sector.

⁵Case developed by BASIX team.

Some key initiatives:

The Livelihood promotion strategy of BASIX is a triad of livelihood financial services, agriculture and business development services, and institution development services.

The Livelihood promotion strategy of BASIX is a triad of livelihood financial services, agriculture and business development services, and institution development services. These services are offered in 10 states across 10,000 villages. BASIX's institutional development services have extended support to 1,766 groups including SHGs and their federations, producer groups, NGOs and microfinance institutions (MFIs). They have trained over 2,000 professionals from livelihood support/promoting organisations through the Programme on Livelihood Promotion (PLP).

Livelihood Financial Services: More than 350,000 customers have been reached with financial services ranging from short- and long-term credit and fund transfers to insurance for lives and livelihoods. The services include commodity derivatives and financial orchestration ranging from grants to equity for livelihoods. Ninety-four per cent of the loans disbursed by BASIX are through Joint Liability Groups, where four to six borrowers guarantee each other's loans. The diversity of credit for financing farm, agri-allied and non-farm sectors has been ensured with minimum and maximum cap for every unit.

In 2001-'02, a study was conducted by IMRB to assess the impact of BASIX's credit operations on employment, income and asset ownership, awareness and self-esteem of the borrowers. It found that 42 per cent more people of the experimental group (BASIX customers) reported increase in the level of employment over the last few years. The key reason for increase in employment is the expansion of occupational activities. More respondents from the experimental group reported increase in savings as compared to the control group. The value of overall savings was higher in the experimental group and the increase was attributed to increase in incomes.

Agricultural/Business Development Services (Ag/BDS): This service is aimed at productivity enhancement, risk mitigation, value addition, skill enhancement and alternate market linkages, leading to a net income increase in farm, agri-allied and non-farm sectors. More than 110,000 customers have been covered under this service, and diverse insurance coverage provided with more than 600,000 policies including life, livestock, crop, enterprises of the poor in collaboration with insurance service providers. An internal assessment of the satisfaction of customers with the Ag/BDS service has led to a shift in strategy - it has been decided to drop the BDS combo product which was in general specific to activities like tailoring, kirana, weaving, mobile vendors and hotels and restaurants.

Institutional Development Services (IDS): 1,766 CBOs including SHGs, SHG federations and producer groups and NGO/MFIs with an ultimate customer base of 465,000, receive IDS services. The initiative in collaboration with ICICI bank, supports strengthening the microfinance programme implementation capabilities of about 16 NGO-MFIs/Community Based MFIs. In order to ensure efficient portfolio management and a foolproof system of handling field transactions, technology has been integrated including the use of hand-held terminals, biometric devices and mobile phone application for management information systems (MIS).

Human Resources: BASIX has also realised the need to create and support a large number of livelihoods with the growing demand for livelihood promotion services. Therefore, it adopted the PLANTS (Promoting Livelihood by Accessing Number of Triad Services) approach for broadening of services in terms of reaching new geographical areas, and for deepening to offer multiple services to a group of customers. The incentive system to its staff has been built around the achievements of PLANTS.

Challenges

There has been significant growth of private capital that has come in for MFIs in the last few years. The expectation of the investors does not match the functions of livelihood promotion agencies, which are being mistakenly viewed as MFIs. The present policies of the government promote 'jobless growth' with

an 8 per cent+ GDP growth rate but less than 2 per cent growth in employment. This growth of the services sector, without adequate enhancement of the primary and secondary sectors, will not benefit the masses. State policies dictated by electoral political requirements do not address the real livelihood challenges. Also, BASIX believes that no single organisation on its own, however large or capable, can perform all the necessary tasks for promoting livelihoods. Thus there is a need for collaboration among diverse actors, each performing a specialised task.

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Case Study 3:

Covenant Center for Development⁶

The Covenant Center for Development (CCD) has been functioning for the last 20 years, in enterprise promotion based on local resources and traditional skills. The concept behind the promotion of enterprises is that producers and consumers coexist and these “prosumers” can benefit from value addition and trade on the one hand and consumption of superior quality products on the other.

CCD works through women’s SHGs or Kalasams which are formed into federations at the cluster level and then federated into Mahakalasams. Today there are 663 such groups with about 8,000 members formed into four Mahakalasams across 212 villages in southern Tamil Nadu. These groups are linked to banks for loan requirements. The Mahakalasams are the implementers of any livelihood/microenterprise initiative which spans the spectrum from individual enterprise, family-based hereditary activities and government-sponsored group income-generation activities to regional resource-based and community enterprises. The key feature of these enterprises facilitated by CCD is inter-connectedness and inter-dependence, thus focusing on the “localness” of resources and skills while simultaneously creating linkages and channels of exchange with mainstream institutions. The initiative is unique in terms of community institution building and ensuring the financial sustainability of the federation around enterprise promotion.

The key feature of enterprises facilitated by CCD is inter-connectedness and inter-dependence, thus focusing on the “localness” of resources and skills while simultaneously creating linkages and channels of exchange with mainstream institutions.

Some key initiatives:

Herbal garden: In the initial phase of the Kalasam, a survey to understand the spending patterns of the households showed that 30 per cent of expenses were on health. CCD’s efforts were then channelled towards giving better control over health to the community. The Kalasam women implemented the kitchen herbal garden programme for traditional knowledge dissemination and practice. Nearly 22,000 women now grow these herbal gardens. Groups are trained in traditional health practices and in turn train others in the community. A study revealed that families saved between Rs 100 and 1,500 per year on their primary health-care expenses through this initiative.

Grama Mooligai Company Limited (GMCL): The success of the herbal garden initiative led CCD to undertake a medicinal plants field study in three states. Subsequently enterprise feasibility was carried out. GMCL was then launched with the objectives of promoting and maintaining sustainable cultivation and utilisation of medicinal plants, and ploughing back the benefits to rural communities engaged in the activity. The community enterprise provides livelihood support to over 4,000 families organised into 168 gatherer groups and 42 cultivator groups. Its trade volume during 2007-’08 was 800 metric tonne consisting of 18 types/species of medicinal plants.

Agriculture: CCD has introduced several initiatives to improve farm productivity and income. These measures include providing packages for improved practices to increase productivity by 20 per cent; value-addition facilities for processing end products; and a channel to distribute an end product directly to the consumer for retaining 60 per cent of distribution expenditure.

⁶Developed by Girija Srinivasan on the basis of discussions with Mr. Muthu Velayudham, Director, CCD and Mr. V.C. Nadarajan, CCD.

Aaharam Traditional Crop Producers' Company Limited (ATCPL): The Aaharam (Food) programme was conceptualised with the aim of creating a sustainable market for local produce to achieve food security and nutrition at an affordable cost for the villagers. CCD observed that most of the farm produce was sent to cities due to lack of capital and storage and processing facilities in the farming groups. This produce was repacked and sold in villages at almost four times the farm gate price. Hence ATCL, anchored by the Mahakalasangam, was set up as a producer company⁷ promoted and owned by the promoters to procure, process and market products produced locally. It operates through retail outlets, grocery shops and finally a doorstep delivery system. Select products made by SHG members and products from other CBOs in Tamil Nadu are also included in the product range. Aaharam has now entered into an agreement with Parle Agro in Mumbai and the Nedukkara Company in Kerala for bulk supply of mangoes procured locally. About 600 mango growers and 3,000 paddy and cotton growers are linked to Aaharam. The total turnover is Rs 2 crore with a growth rate of 20 per cent each year.

Energy: Adharam Energy Limited is a partnership between the Indian Institute of Science, British Petroleum (BP) and Adharam for developing energy-efficient prototypes of cooking stoves, which are sold in nine districts of south Tamil Nadu and five districts of Maharashtra. Nearly 1,000 stoves are sold every month by community resource persons. The bio fuel pellets for the stove are presently manufactured from farm residue of tamarind and ground nut in Tamil Nadu and sugar cane bagasse in Maharashtra. The Mahakalasangam has taken working capital from banks for the manufacture of the pellets, which are then sold to BP and on behalf of BP, Adharam markets the stove and pellets. The turnover in 2007-08 was Rs 2 crore.

Business Development Service (BDS) and Common Facility Centre (CFC): The BDS located in Mahakalasangam offices provides services to about 4,000 medicinal plant gatherers and cultivators and ethnic food preparers and 1,000 traditional artisans. Its services include effecting linkages with financial institutions, technical and entrepreneurial training and market promotion. The CFC supports about 9,000 farmers and primary producers through seed and input supply, agro services, provision of toolkits and other equipment etc.

Challenges

NGOs are expected to invest in the initial negotiations, develop prototypes and even at the time of scale-up, can only expect reimbursement of the costs. Venture funding for such social enterprises is in short supply.

Bridging the gap between the corporate entity and the CSO is a critical requirement for forging sustainable partnerships. Grant funding is usually not available for such initiatives since donors feel that benefits accrue to the corporate sector. NGOs are expected to invest in the initial negotiations, develop prototypes and even at the time of scale-up, can only expect reimbursement of the costs. Venture funding for such social enterprises is in short supply. Again, technology and infrastructure for small enterprises is a critical gap. Strengthening the governance structure in community institutions is another major challenge.

Case Study 4

Mulkanoor Cooperative Rural Bank and Marketing Society⁸

Managing complex operations and multiple activities is not easy under the cooperative form but the Mulkanoor Cooperative Rural Bank and Marketing Society is an exception. Started in 1956 under the leadership of visionary Shri. Vishwanatha Reddy, the cooperative has been deepening its work in 14 villages in drought-prone Karimnagar district, Andhra Pradesh. With 6,420 members (5,773 men and 647 women), share capital and reserves of Rs 37 crore and a strong asset base, it is a vibrant cooperative society.

⁷Being a company also provides the scope for expanding commercial activity through Kalasangam initiatives such as inter state exchange of goods and raw materials.

⁸Case developed by Girija Srinivasan. Sincere thanks to Mr. Laxma Reddy, General Manager of MCRMS, for sparing his time and material for this paper.

The cooperative provides its members a wide variety of needs-based services outlined below. Services can be broadly classified into financial services, input supply and extension services, produce marketing services, consumer services and welfare services. The success of the Mulkanoor cooperative lies not in the new businesses it has started but in ruthlessly closing down the businesses their members were no longer interested in such as oil mills, marketing of citrus fruits, scaling down of poultry, management of fair price shops etc. It has implemented vertical integration in the value chain from producer to the consumer and has achieved the objective of eliminating middlemen. Assets have been created and put to optimum use⁹ for developing the value chain.

Some key initiatives:

Financial Services: The cooperative lends for a variety of purposes – crops, medium-term loans for diversified purposes and personal loans. Members have access to 18 types of term loans¹⁰. Thus unlike many other cooperatives who lend predominantly for short-term crop loans, the farmers access loans for a wide variety of purposes including for diversification of income sources which makes farming a viable enterprise. The loans and advances outstanding were Rs 29 crore as on March 31, 2008. In 2008-09, Rs 40 crore has been disbursed of which 39 per cent is for crop loans, 12 per cent for term loans and the rest for personal loans. The cooperative also enables the members to avail of various government subsidised loan schemes. Members also have access to a variety of savings products – voluntary, fixed deposits and self-imposed thrift. The cooperative utilises these savings for lending and also for working capital for non-credit activities. Members get attractive rates of interest and for the society it is cheaper source of funds as compared to loans from banks.

Unlike many other cooperatives who lend predominantly for short-term crop loans, the farmers access loans for a wide variety of purposes including for diversification of income sources.

In-put Supply Services: These include agri-inputs as well as technical advice and trainings. The cooperative produces certified high quality seeds in up to 1,600 hectares spread across about 60 villages. It has two seed-processing plants with a capacity to process 64 tonne of seeds in one day; at peak time, the cooperative also rents processing plants. It produces about eight million tonnes of paddy seeds that are sold across the country. The buyers of Mulkanoor's seeds get doorstep delivery, with the cooperative meeting transportation charges. The annual turnover of the seeds business is about Rs 8 crore with profits touching Rs 80 lakh. Additionally, the cooperative also leases out agricultural machinery to members as well as advances loans for outright purchase of equipment. During 2007-08, Rs 13 crore worth of inputs had been supplied by the cooperative.

Marketing Services: While the supply of credit and other inputs helps members increase production, it is only through value addition in terms of processing and marketing of their produce that a significant increase in income can be expected. The produce from the members is purchased at a higher rate than the market and either partly or fully adjusted to the loan outstanding of the member. The society has adequate infrastructure for marketing activities¹¹ and members are paid a bonus on the prevailing market price for their produce¹². In 2007-08, the sale of produce was to the tune of Rs 41 crore.

Welfare activities: The cooperative undertakes a number of welfare activities like health and veterinary camps for the benefit of the 14 villages and in particular for the members. The society has taken insurance cover from its own funds for the members under the Government of India's Jana Shri Bima Yojana and others. The society also insures the assets purchased by members out of the term loans. It lays a lot of emphasis on education – scholarships have been initiated for school children; junior and

⁹All 14 villages have two godowns and the co operative is planning to construct a third godown in some of villages. (Unlike in many co operatives in the country which have a single godown which is not put to use).

¹⁰For deepening of wells, pumpsets, laying of pipelines, poultry, dairy, sericulture, orchards, power tillers, sprinklers, drip irrigation, solar lamps etc.,

¹¹The society owns a raw rice mill plant and a par boiled rice mill plant for processing activities. It also has more than 32,000 metric tones of storage space, a fleet of 6 trucks and 1 tractor, 2 modernized seed processing plants with a capacity of four tones each and a cotton ginning plant. Most of this infrastructure have been built with the assistance of NCDC.

¹²The bonus is given at Rs 45 per quintal on Paddy, Rs 50 per quintal on paddy seed and Rs 100 per quintal on cotton.

degree colleges have been established in the mandal with the support of the cooperative, which has enabled the enrollment of girls.

Challenges

The greatest challenge is the depleting water level in the mandal which has been declared as a dark zone. Watershed development works have been initiated in three villages with the support of NABARD.

Case Study 5

PRADAN¹³

PRADAN believes that economic poverty can be conquered through enhancing the livelihood capabilities of the poor and giving them sustainable income-earning opportunities along with technical, organisational, negotiating and networking skills.

Founded in 1983, PRADAN believes that economic poverty can be conquered through enhancing the livelihood capabilities of the poor and giving them sustainable income-earning opportunities along with technical, organisational, negotiating and networking skills. Hence it has developed a set of methodologies to address livelihood capability-related issues and offer a comprehensive solution. And women have been PRADAN's primary constituency in promoting livelihoods.

PRADAN operates in the field through teams of young professionals drawn from different disciplines in the poorest pockets of Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Rajasthan, West Bengal, and Orissa, reaching out to 3,408 villages as of March 2008. Of the over 1,40,000 families that PRADAN worked with in the last year, about 80,000 families were involved in livelihood activities that PRADAN supported through planning, inputs, production supervision and marketing support. Most families have achieved an additional income of about Rs 8,000 to 10,000 in addition to additional food availability for about 6 months.

Building, nurturing, and strengthening CBOs is an important component of PRADAN's strategy for creating sustainable systems. CBOs such as SHGs, SHG federations, watershed committees, producers' institutions organised as cooperatives, producer companies, mutual benefit trusts, are some of the organisational forms that have been fostered. The SHGs are organised around savings and credit, but do not limit their activities just to microfinance. Medium-term livelihood planning is dove-tailed into the current activities of the SHGs. Another inherent component in PRADAN's approach is Integrated Natural Resource Management (INRM) which integrates the natural resource endowments in an area with the livelihood capabilities and requirements in a family. This is in contrast to the traditional approach which focuses on conservation rather than livelihoods. Mobilising finances for livelihood assets and infrastructure, and setting up mechanisms to sustain the livelihood gains made by the poor communities are two core elements that cut across all the steps.

Some key initiatives:

Agriculture-based Livelihoods: This livelihood programme has the widest coverage. Last year it involved over 62,125 families cultivating 9,105 hectares. The programme comprises increasing productivity of the main crops, especially paddy and diversification into other crops and vegetables. As a part of its intervention in agriculture-based livelihoods, PRADAN has introduced paddy cultivation through the SRI (System of Rice Intensification) method. This is a radical shift from the conventional way of cultivating paddy, promising higher yields.

Horticulture Development: Horticulture, farm forestry and plantations are an essential component of PRADAN's sustainable strategies for NRM and enhancing rural livelihoods in the hilly regions with

¹³Case developed by Santosh Sharma and Ajay Tankha with the support of Mr. Narendranath, PRADAN.

limited irrigation potential. The fruit tree plantation programmes have helped small and marginal farmers secure a regular flow of income, covering 7,588 families, and a cultivated area of 2,624 hectares. The expected additional income to a family is about Rs 20,000 per hectare on an average, once the plantation starts yielding full potential in about seven years.

Irrigation and watershed development: The majority of PRADAN's activities are around installation of small-scale irrigation facilities, creation of water harvesting structures and land development through bunding, levelling and terracing. Most of this has been financed through various government programmes, mainly funds raised from NREGA, SGSY, MPRLP, NABARD and ITC among others.

Forest-based Activities: Interventions in this area include tasar sericulture, lac cultivation and farm forestry in tribal-dominated forest fringe villages involving 12,037 families. Innovations in technology have resulted in significant enhancement of incomes. For example, improved lac farming is now being done by the farmers themselves with minimal or no support from PRADAN. Today, from 15-20 decimals of land a family can earn between Rs 12,000 and Rs 15,000 in one crop cycle.

Livestock-based Activities: PRADAN's intervention in livestock-based livelihoods has focused mainly on dairy and goat rearing. 5,444 families are engaged in this activity. One of the most significant achievements of this intervention is the direct linkage of milk-selling families with Mother Dairy, a wholly-owned NDDDB company. This has resulted in better prices from Rs 8-9 per litre to about Rs. 13-15 per litre. Both dairy and goat rearing, the latter covering 1,952 families, have been integrated with SHGs. The hosting of community-based service providers and animal insurance services is managed by the SHG federation. Similarly, fish breeding is being promoted with over 1,095 families.

Non-farm microenterprises: Small-holder broiler poultry activity reaches out to more than 4,000 families through 15 cooperatives in Madhya Pradesh, Jharkhand, Chhatisgarh and Orissa. With a total sales turnover of about Rs 11 crore in the last financial year, it provides an average net additional income of about Rs 10,000 for each producer who has completed six production cycles. Then there is tasar yarn production, done through a two-tier institutional arrangement. The spinning and reeling groups are registered as Mutual Benefit Trusts (MBTs) and the marketing and fabric manufacture units have been organised into the MASUTA Producer Company Limited. MASUTA has become the largest player in the Indian tasar yarn market and has promoted two joint venture companies - one with an entrepreneur for marketing of tasar fabric and other with the Jharkhand government-owned 'Jharcraft'. Other activities such as mushroom cultivation, leaf-plate making and vermi-compost are also being promoted on a large scale. In Kandhamal, PRADAN has promoted Siali leaf-plate making, a traditional activity of the tribal community through a cooperative whose total annual turnover was Rs 28.2 lakh in the last financial year.

Challenges

A major challenge for PRADAN today is the lack of adequate supply of trained human resources. With difficult working and living conditions and low financial compensation, development work is still not regarded as a mainstream vocation. This seriously hampers expansion plans as does the difficulties in accessing government funds at the right time. Another challenge is the promotion of community-based institutions. What roles should an external agency play, how to facilitate the community to truly take charge, how to sustain these organisations in the long run without them falling prey to destructive forces that have been the bane of many similar movements earlier (such as cooperatives), are all issues facing any development organisations today. A final related issue is that of promoting affordable community resource persons who will be governed and paid for by the community.

The MASUTA Producer Company has become the largest player in the Indian tasar yarn market and has promoted two joint venture companies - one with an entrepreneur for marketing of tasar fabric and other with the Jharkhand government-owned 'Jharcraft'.

Case Study 6 :

Livelihood Promotion by SEWA¹⁴

SEWA aims at full employment of poor women – assured work, income, food and social security (including healthcare, child care and shelter).

Self Employed Women's Association (SEWA) is a labour union of women engaged in the informal sector in rural and urban areas since the last 30 years. SEWA aims at full employment of poor women – assured work, income, food and social security (including healthcare, child care and shelter). Based in Gujarat, it works with nine partner organisations in seven other states^v. SEWA Gujarat's membership as of January 2008 is 551,764 women, of which 62 per cent are from rural areas, and 38 per cent are urban. While all of SEWA's members belong to the SEWA union, many also belong to other membership-based organisations established by SEWA such as SEWA bank, SEWA cooperatives^{vi}, SEWA Cooperative Federation and rural member-based organisations such as producer groups, SHGs, SEWA district associations^{vii} and SEWA marketing organisations such as Gram Mahila Haat and SEWA Trade Facilitation Centre. There are different sister organisations of SEWA that provide various services to members and to take initiatives for policy advocacy.

SEWA's approach to building livelihoods is encouraging as well as challenging to replicate. There are no pre-determined set of deliverables or rigid framework. At the same time there is absolute clarity that the aim is to secure full employment for SEWA members. (Also see Box 6.1)

Some key initiatives

SEWA's model of livelihood promotion has four pillars which contribute to higher income for the members – a four-level training for members, microfinance services, marketing services and support services for social security.^{ix} In urban Ahmedabad, SEWA organises its members into trade groups which fight for the rights of members and enable policy changes at the state, national and international level.

SEWA rural presently works with poor women engaged in the following occupations – agriculture, salt farming, weaving, non-timber forest produce and craft. For example, SEWA set up one of its first child care centres in the salt pans of Surendranagar in 1992, building first a platform of credibility and trust among the salt workers and then launched the institutional drive through savings groups. The period from 2000 to 2001, the three important pillars – credit (for working capital), marketing linkages (tie-up with Gujarat Alkalies and Chemicals Limited) and technical training for producing industrial salt – were built. The access to working capital from SEWA Bank and the marketing tie-ups freed them from the clutches of traders. SEWA's financial and marketing services have produced dramatic results with these households rising above poverty.

Craft in Banaskantha: SEWA's objective in Patan was to provide the rural craftswoman with a market. Trainings went hand-in-hand with market-linkages. Savings groups and credit for asset building were started around the same time. Successive disasters in subsequent years – cyclone, drought and earthquake – resulted in craft being the only source of livelihood for the women in Banaskantha and Kutch and subsequently SEWA's artisan base burgeoned to nearly 15,000. The challenge before SEWA was to provide work to thousands of these artisans. To achieve this, SEWA realised that it had to convert the economic development programme into a business organisation and compete in the mainstream market.

SEWA Trade Facilitation Centre: In 2003, the SEWA Trade Facilitation Centre (STFC)^x was initiated in Ahmedabad as a Section 25 company, where the artisans themselves are the suppliers and shareholders – 15,000 member artisans are also the shareholders of STFC. It plays a facilitator role by providing a whole range of business development inputs ranging from market readiness, market linkages, market

¹⁴Case developed by Girija Srinivasan on the basis of discussions with Ms. Reema Nanavaty, Rural Co ordinator, SEWA and her paper "Livelihood Finance – SEWA's experience" which she made available for this work. To condense SEWA's experience in a case would have been very difficult but for this support from her.

intelligence, product development, quality standardisation, R&D, information systems, access to capital and state-of-the-art technology to its member-producers to help them become ‘market ready’.

STFC has evolved a multifaceted marketing strategy – retail marketing for meeting both local and urban needs, exhibitions in cities, wholesale marketing to bulk buyers from other countries, e-marketing through the STFC portal and supplying to retail chains like Fabindia. Currently in its sixth year of operations, STFC has realised Rs 1.3 crore in sales revenue, of which 65 per cent is paid to about 3,500 artisans.

Agriculture commodity marketing and Rudi: SEWA, from its experience of organising small and marginal farmers, realised that they lack access to markets for quality products for consumption, resulting in ill health and malnutrition. Often the farmers couldn’t consume what they produced because of the lack of storage space and the need for converting the produce to cash. GRAM Haat^{xii} enabled the setting up of a processing and packaging centre and four selling centres in Sabarkantha. Presently 3,963 SHGs covering about 45,000 small and marginal farmers supply their produce. In 2004, Gram Haat established Rudi^{xiii} as its brand for the products. Around 1,200 SEWA members have been trained as saleswomen in the villages, popularly referred to as ‘Rudiben’. Rudi products are also sold to institutional buyers like hostels, hospitals and government midday schemes, and SEWA’s Krushi bazaar as well. The turnover is about Rs 2 crore a year and the target is to reach Rs 5 crore in the next five years. Nearly 90 per cent of the amount goes back to the village community and 10 per cent towards administration expenses.

Apart from Rudi, the Gram haat forges marketing tie-ups between the producer groups and the corporate sector like ITC and Giant Oil Corporation. A public limited company Jeevika is being launched to undertake marketing of farmers’ produce and in future Gram Haat will manage production and quality assurance.

Over the years, SEWA’s interventions have helped in cost reduction in inputs, improved productivity and net income realisation from the produce whether it is the farm or non-farm sector. Farmers are also being given training in futures trading. This will facilitate the members in changing the crop pattern on the basis of future prices of the commodities.

Over the years, SEWA’s interventions have helped in cost reduction in inputs, improved productivity and net income realisation from the produce.

Challenges

According to SEWA¹, the key challenges are access to global markets and paucity of facilitating institutions to support the producer groups. “Microfinance alone cannot generate sustained employment nor reduce poverty. The women producers need uninterrupted access to trade in larger markets to raise their income. They need access to adequate capital, suitable market links and better terms of trade. They need to build up more organisational and managerial capacities to run their businesses profitably and trade firmly and more importantly enabling policies. Today, there is a total absence of such institutions that serve the professional needs of the poor,” says the organisation.

Case Study 7 :

SIFFS Model of Livelihood Financing¹⁵

SIFFS (South Indian Federation of Fishermen Societies) is a large network of fishermen’s organisations and currently operates in the states of Kerala and Tamil Nadu and the Union Territory of Pondicherry. It is in the process of establishing its operations in the state of Andhra Pradesh. SIFFS has an approximate client base of 10,121 fishermen, who are members of about 266 primary societies attached to the

¹⁵Case developed by Ramesh S Arunachalam. This case uses material from Arunachalam Ramesh S et al (2008) cited below and several other studies done by Ramesh S Arunachalam for SIFFS. Other resources including several informal notes and papers from SIFFS and Shri Vivekanandan, Former CEO of SIFFS, are also gratefully acknowledged. All of these resources are cited from Arunachalam, Ramesh S et al (2008), “Enhancing Financial Services Flow to Small Scale Marine Fisheries Sector: A Study for FAO/UNTRS”, FAO/UNTRS Publication

various district federations. Apart from these male fisher folk members, about 3,636 women members, through the affiliated women's federations, are linked to the SIFFS network.

The key lesson from SIFFS is that one should not use traditional microfinance approaches for livelihood financing including fisheries.

SIFFS as an apex body has commercial and non-commercial functions. It has three core business areas - fish marketing, technology intervention and credit delivery/facilitation. The non-commercial functions include research and development for appropriate technology for fishermen, information dissemination, advocacy and collective action and training. SIFFS is a sectoral intervention using a 'commodity cooperative' model where the main target group is seagoing fishermen who are normally exploited by middlemen and moneylenders who control the beach-level fish sales. To counter this exploitation, the village level society model was developed in the early 1970s, based on the concept of fishermen having their own marketing arrangements and linking it with a savings and credit system. The SIFFS society model is a relatively rare one where marketing, credit and savings are integrated into one single system at the village level.^{xiii} The key lesson from SIFFS is that one should not use traditional microfinance approaches for livelihood financing including fisheries^{15 xiv} since the minimalist approach of finance/credit alone will not work. An integrated approach using financial and non-financial services is what will work.

Some key initiatives:

- All fish caught by members is sold through the village society
- The society sells fish through a beach-level auction and when necessary, by direct sale to wholesalers and export companies
- All fish sales income of a fisherman flows through the society
- Source deductions for compulsory savings (often 2-3 per cent of sales income), loan repayments and other contributions
- Compulsory savings and loan repayment, made from a percentage of the sales income rather than fixed instalments
- Society overheads covered through a small commission on fish sales (2-3 per cent) and the surplus used to build up capital fund and/or to provide a 'bonus' to members

Savings can generally be withdrawn (on the basis of locally determined rules) for various consumption needs and emergencies. It is also the source of liquidity for the society that allows it to pay the fish price to members on the same day even though the buyers may take time to pay up. Fish is mostly sold on credit for periods ranging from one day in the case of locally consumed varieties up to a week for fish going to distant markets and exports. Thus the savings as well as the capital of a village society is only nominally used as a source of credit for members. This means that most of the credit needed for replacement of fishing equipment has to come from external sources. This is achieved by linking the society to a local branch of a commercial bank. Such credit is given to the individual by the bank, on the basis of a guarantee by the society. The society then recovers the money through its source deduction system (normally 10 per cent of fish sales income), accumulates the loan repayments and remits to the bank on a monthly basis.^{xv}

Boat Building: SIFFS pioneered the introduction of marine plywood boats in 1982. Since then, it has been playing a major role in the promotion of marine plywood boats in three districts on the southwest coast of South India. The three districts of Trivandrum, Quilon and Kanyakumari were characterised by rough surf conditions and the availability of a large number of fish species in small quantities, resulting in conditions that favoured small-scale diversified fishing operations. The kattumaram, a fishing craft, has been the mainstay of the small-scale fishermen in these districts for centuries. Due to increasing deforestation in early 1980s, timber for kattumaram was becoming scarce, and a need was felt for an alternative. The plywood boat project was the result of the efforts in this direction. Today, SIFFS is a leading player and price leader in the plywood boat building market in the southwest coast of India.

Outboard Motors: In the early 1980s, the small-scale artisanal fishermen in the southwest coast of India were facing a threat to their livelihoods from mechanised trawling boats. To counter their marginalisation, they were looking for technologies to help them shift from sailing and rowing to motorised operations, which would help them go further into the sea. It was then that outboard motors (OBMs) gained popularity as rapid motorisation of artisanal craft began. SIFFS, which had already initiated boat building activities by then, recognised the link between OBMs and plywood boats. SIFFS began importing outboard motors and spare parts, and distributing them to its beneficiaries at affordable prices. Today, SIFFS is the country dealer for Suzuki marine products, and a leading importer of OBMs and spares in South India. It has set up OBM service centres and spare parts outlets for sale and maintenance works.

Case Study 8

Shri Kshethra Dharmasthala Rural Development Project¹⁶

The Shri Kshethra Dharmasthala Rural Development Project (SKDRDP) was set up as an independent organisation by the temple trust of Shri Kshethra Dharmasthala in south Karnataka. While the hereditary leader of the temple, Mr Heggade Dharmadhikari, is involved in all major decisions, SKDRDP is managed by development professionals and is one of the largest development NGOs, reaching over 710,000 people in 4,739 villages in seven districts of Karnataka.

The initial work of SKDRDP involved assisting small farmers who had obtained freehold land under the Land Reform Act of 1974^{vi}. In 1991, SKDRDP was registered as a charitable society. Management systems were put in place and operations were increased to cover individuals and groups of farmers, and community development work. Savings and credit activity was also introduced among farmer groups and the landless, and Pragati Nidhi, a microfinance programme was initiated.

Each village has a grassroot worker who is key to integrating various activities at the village level. They have been trained in all the basic aspects of SKDRDP's programmes – health, microfinance, agriculture, non-farm business, insurance and group mobilisation and training.

Whenever SKDRDP enters a village for the first time, it starts by forming Pragathi Bandhu groups. A Pragathi Bandhu is essentially a group of between five and eight small farmers who own land in the same village or hamlet. They give one day a week to shared labour, working in turn on each others' land or on other tasks as required^{xvii}. The labour sharing has helped thousands of small farmers to achieve important farm works like fencing, well digging, land levelling and house/shed construction through participatory labour. The women SHGs comprising poor and backward women only started in the mid-'90s and have now taken over Pragathi Bandhu groups in terms of numbers. All these groups organise themselves into one or two federation(s) depending on the total number of groups in the village.

Some key initiatives

Agriculture Development: Farmers are assisted to prepare individual farm plans, in consultation with fellow group members. SKDRDP works closely with government departments, especially for extension services and its specialised staff provide a link between the farmers and research centres. The farmers are encouraged to use renewable energy sources such as gas from manure and solar energy. Since 1991, more than 1,38,516 families have prepared and implemented these farm plans. Over 50,000 acres of land has been converted into productive tree plantations. Similarly, 13,000 families have been helped to cultivate paddy and vegetables over 5,000 acres.

SKDRDP is managed by development professionals and is one of the largest development NGOs, reaching over 710,000 people in 4,739 villages in seven districts of Karnataka.

¹⁶Case developed by Girija Srinivasan and Santosh Sharma. The paper draws heavily from the book by Harper Malcolm et al, "Development, Divinity and Dharma", 2007.

Group-based microenterprise promotion: SKDRDP also promotes a number of individual and group activities.^{xviii} The role of SKDRDP is to finance, train and assist the groups with their management and marketing. Over 40,000 families from 3,000 groups have received assistance to start enterprises. The groups get the fixed assets usually under a government programme and access working capital through their groups. The positive result of various microenterprises has encouraged SKDRDP to set up a separate not-for-profit Section 25 company called SIRI specifically to provide marketing services, to the businesses groups.^{xix} The total sales turnover of SIRI as of March 2007 was Rs 6.8 crore. The biggest buyer of the goods is the temple itself and the millions of devotees it receives every year.

Pragati Nidhi Microfinance Programme: SKDRDP's Pragati Nidhi programme is the largest community-based microfinance programme run by an NGO in India. SKDRDP is a financial intermediary, it borrows from banks in bulk and on-lends to the groups. The total loan that can be availed by an individual is Rs 1 lakh. The rate of interest to a member is 12 per cent which makes it one of the cheapest microfinance loans in India. Most of the loans are long-term – even up to 10 years – thus making weekly instalments small and easy to repay. As of March 2008, nearly 6 lakh active borrowers have outstanding loans of Rs 320 crore. Nearly 70 per cent are women.

Sampoorna Suraksha Microinsurance programme: SKDRDP's realisation that the majority of the families are highly vulnerable to unexpected shocks, which could quickly undo all their progress, led it to introduce Sampoorna Suraksha. It is unique in that it covers not only hospital and other medical costs but also a full range of other risks, including maternity expenses, loss of earnings during convalescence, funeral expenses, losses arising from floods and other natural calamities, damage to housing and standing crops, and general accidents.

Key features of the interventions

The concept of farmers sharing labour has enabled the men to bond together and is central to SKDRDP's success.

The Pragathi Bandhu groups of SKDRDP are the only male-dominated SHGs in India. The concept of farmers sharing labour has enabled the men to bond together and is central to SKDRDP's success. However women's groups now outnumber men's groups in outreach and portfolio value. SKDRDP provides a full range of livelihood assistance to these groups. The microfinance programme has been designed to reflect members' needs - larger, longer-term and lower-cost loans - as compared to small, short term, high-interest loans prevailing in the sector. The groups have access to their own funds, from local banks and from Pragathi Nidhi. Most of the groups however prefer to borrow from the Nidhi because the terms are more liberal. Pragathi Nidhi is indeed livelihood financing with credit available for every conceivable purpose.

Challenges

SKDRDP is now shifting its focus to agro-processing and non-farm activities, and to the growth of women's group enterprises. This involves marketing in competition with well-known brands and there have been few examples anywhere of successful group-owned manufacturing businesses. SKDRDP is taking on a major challenge and needs to develop supply and marketing expertise in a variety of product lines. So far, the products made by groups have not faced any marketing challenges as there is a captive market, the devotees of the temple, but soon the production will grow beyond narrow markets. Labour-intensive production is good for the village women's welfare, but it may not be competitive, and products which can more economically be made by machine may have to be dropped. Developing new remunerative enterprises for the women will be a challenge. Another challenge facing SKDRDP is that of skilled human resource. The increasing exposure of SKDRDP to microenterprises demands highly qualified human resource.

Case Study 9

Myrada¹⁷

Established in 1968, Myrada is an NGO involved in microcredit initiatives and sustainable development in the southern states of Karnataka, Andhra Pradesh and Tamil Nadu through 14 active projects. The organisation focuses on the building of appropriate peoples' institutions rather than on the delivery of goods.¹⁸

There are three categories into which the livelihoods activities of the poor broadly fall in Myrada's experience: i) farm (agriculture); ii) on farm (includes activities around the farm which are direct sources of income like animal husbandry and poultry, but increasingly - since the late '90s - vermicompost and other organic inputs which are being sold); and iii) off-farm (ranging from processing food products, cottage industries, small shops, trading and increasingly ancillary units manufacturing or finishing products outsourced by the private sector). Myrada works on the premise that one cannot design a livelihood strategy for the poor; the situation in which each family is placed differs, the risks vary and are unexpected. Rather than pre-designed livelihood assets the poor need support (infrastructure, communication, technical, skills) and institutional space (which gives them the power to call for and use these support services at their time and to the extent required - they drive the convergence, not outsiders).

Myrada works on the premise that one cannot design a livelihood strategy for the poor.

Rather than pre-designed livelihood assets the poor need support and institutional space

Some key initiatives:

Self-help Affinity groups (SAGs): Myrada's unique SAGs emerged from a breakdown of one cooperative in Kadiri. Discussion with members of the cooperative, who met Myrada staff in groups to discuss the crisis, showed clearly that what linked the members of the group were relations of trust and the willingness to support one another. This relationship was described later as 'affinity'. This is why Myrada calls the groups it has formed and trained "SAGs", whose members are homogeneous economically, and self-select themselves. While they belong to different castes, inclusion is based on affinity. The SAG is a participative/membership institution of people at the base of the diamond that has proved that it can empower the poor provided they are functioning well. In the mid-90s about 20-25 SAGs joined together to form one federation. About 100-120 SAGs form one Community Managed Resource Centre (CMRC) which provides support for livelihood strategies. They are centres where farmers bring their produce for onward sale. They provide legal services, raise funds from government, provide training in skills and are actively engaged in job placement. They are able to lobby with the government for veterinary care and health programmes and to access support from the private sector for agricultural diversification, horticulture and poultry. They also provide various services like telephone, fax, internet; 14 of them have V-SAT. They support the aged by ensuring that they get pensions and provide services to the disabled.

Focus on women groups: Myrada's focus on forming women's groups is based on the assumption that this would provide women with the opportunity to grow in confidence, management and negotiating skills, as a result of which they would be able to invest in livelihood strategies; secondly that they would spend their income on their children and in the home. Myrada also assumed that if the women became a source of money as well as knowledge for the family, their status in the home would rise.

Lobbying with Gram Panchayats (GP): Another institution at the base, which is more representative than participative, is the GP. The GP too can and should play an important role in supporting the livelihood strategies of the poor. Unfortunately, even though more and more funds are flowing into the GPs, its governance leaves much to be desired. Myrada is currently lobbying government to appoint administrators for at least the major GPs who can manage all the service providers attached to it as well

¹⁷Aloysius Prakash Fernandez, Myrada

¹⁸<http://web.mit.edu/urbanupgrading/upgrading/resources/organizations/MYRADA.html>

as to appoint accountants. If this comes through, then with the lobbying from below from SAGs and the pressures from the CMRCs, it is hoped that several infrastructure projects can be implemented and above all maintained which will help to support the livelihoods of the poor.

Development of software to analyse loans: SHGs have come under criticism from some quarters recently for lending only for ‘consumption’. Myrada’s analysis shows that this is incorrect. There are trends in lending over a period of 0-5 years - from small consumption loans to trading and retiring high interest loans, to small assets, and finally to larger ones. From loans for traditional activities to loans for activities which require added value and/or scale. The new software NAB-YUKTI¹⁹ developed by Myrada and consultants with the support of NABARD helps to analyse the purposes of loans given in the SHGs. Myrada is willing to provide, on request, considerable data on the loans for livelihoods given by SHGs.

Challenges

One problem Myrada faces is that as the group members begin to produce small marketable surpluses, they are not in one village but spread over a wide area. Besides, their surpluses are not adequate to maintain the structure required for a viable producer cooperative.

One problem Myrada faces is that as the group members begin to produce small marketable surpluses, they are not in one village but spread over a wide area. Besides, their surpluses are not adequate to maintain the structure required for a viable producer cooperative. They need to be supported for a few years at least until they attain scale. Myrada finds that CMRCs which emerged in its projects over the past four years have begun to promote groups of small producers, provide training to upgrade the quality of their products and to cut costs in production. They also provide them with marketing outlets. They are not registered groups as yet, since their turnover is too small to sustain the infrastructure required by a formal institution. The question then arises: at what stage should these groups become formal producer companies? Is it appropriate to start with these producer companies even though their scale of operations is too small? And if these groups are promoted, what is the support they require, from whom and for how long? These issues need to be addressed in the near future.

¹⁹SHG monitoring software developed by Myrada and available with NABARD.

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Box 6.1 : Units of SEWA

1. *Swashree Mahila SEWA Sangh (SEWA Union) Recruits and organises SEWA's urban and rural membership and organizes campaigns around issues of concern to its members.*
2. *SEWA District Associations/Federations- These associations provide services to SHGs and producer groups formed by SEWA members and link them with other services of SEWA. E.g. capacity building, health, child-care, insurance, marketing, credit & financial services*
3. *SEWA Marketing*
 - a. *SEWA Gram Mahila Haat is a marketing facilitator organisation aiming at providing local/national marketing support to the products of poor, self employed women from rural areas.*
 - b. *SEWA Trade Facilitation Centre is a company registered under Section 25(1)(a) of The Companies Act, 1956. STFC aims at providing marketing support to the craft products produced by rural artisans.*
4. *SEWA Academy- It is a unit engaged in trainings, research and communication services. Training and research activities are conducted through District level teams. For providing communication services, Video Cooperative has been formed.*
5. *SEWA Social Security - These are the services in the areas of health-care, child-care and insurance. For providing these services, Child-care cooperatives, insurance cooperatives and; cooperatives of health workers and midwives have been formed.*

6. *SEWA Co-operative Federation (Gujarat Mahila SEWA Cooperative Federation- Responsible for organizing and supporting women's cooperatives. The Federation is currently comprised of 86 formally registered cooperatives and 14 cooperatives in notification stage.*
7. *SEWA Bank (Shri Mahila SEWA Sahakari Bank Ltd) This is a financial institution set up by SEWA members for micro-finance and related services to its members directly in urban areas and through through SHGs and/or District Associations in rural areas.*
8. *SEWA Housing (Gujarat Mahila Housing SEWA Trust)- This Trust undertakes projects and activities with a view to providing housing and infrastructural facilities the members.*
9. *SEWA Bharat- This is a registered federation of SEWA organizations and unions in 7 States of India, including Gujarat. This unit focuses on development of SEWA organizations in other states.*
10. *SEWA Manager ni School- SEWA Manager ni School organises management training programs and contributes to managerial capacity building of various units of SEWA. Such initiatives also include inputs in Research, Communication, Production, Marketing, Finance and Human Resource Development.*

ⁱ Watershed development combined with community pasture development and improved agricultural practices for small farmers in Bhilwara and Bundi districts of Rajasthan, led to silvipasture development covering 2825 hectares in 85 villages. It also demonstrated increase in fodder, fuel wood and agricultural production while raising the ground water table.

ⁱⁱ Wadi is the local term for orchard.

ⁱⁱⁱ Annual report BAIF, 2006-2007

^{iv} BAIF has promoted a multi state marketing company -Vasundhara Agri-Horti Producer Company Limited (VAPCOL) under Section 581A of the Indian Companies Act 1956, to market the products across the country. This company is establishing a linkage between Farmers' Cooperatives and bulk consumers and exporters for marketing the produce in large volumes.

^v SEWA Bharat is a federation of SEWA member organisations, with the mandate to highlight issues concerning women working in the informal sector, and to strengthen the capacity of the organisations that serve the interests of these women. Presently nine such SEWA member organisations are working in 35 districts of seven states, and together they account for a total membership around 12,00,000.

^{vi} Co operatives are of three types – labour and producer co operatives, marketing operatives and co operatives providing services such as health care, child care.

^{vii} Comprising of rural member based organizations such as SHGs and producer groups but not members of SEWA co operative federation.

^{viii} The first training is on basic rights and awareness based on the critical need of the district and achieved through campaigns. The second training is on leadership and the role of leaders in SEWA, the third is savings and asset building and fourth is the technical training on the skills needed for the trade of the member.

^{ix} Child care facilities provide women the opportunity to concentrate on their trades and improve quality and productivity and thus income. Similarly health care increases productivity and income – disease results in costs and loss of time and malnutrition results in low energy at work.

^x the Canadian International Development Agency (CIDA) funded a pilot study on the costs and benefits of a dedicated trade facility. Subsequently, IFC was inspired by the model and provided funds for trade fairs, consultancy, hiring designers and finance persons, legal expertise and travel.

^{xi} GRAM Mahila Haat was established by SEWA in 1999 as a marketing organization to provide market related support to rural producer groups.

^{xii} Rudi means a gentle noble lady and is also acronym for Rural and Urban Development Initiative.

^{xiii} The most successful commodity cooperative model in the country is the Anand Pattern Cooperative Society (APCOS) in the dairy sector, which deliberately keeps credit out of the cooperative and sees this as one of the reasons for its success. However, the specific situation prevailing in the fisheries sector made a marketing intervention sans credit, a non-starter.

^{xiv} Typical Micro-Credit approaches apply well to financing of fish vendors/hawkers, etc and perhaps fishing crew (coolies). Holistic approaches appear to be more suitable for financing activities in the low income fisheries value chain-especially for capture fisheries. This integrated approach can be delivered by multi-purpose, large, well networked institutions that can diversify risks across craft types, geographies, etc.

^{xv} There has always been a discrepancy between the EMI based system of the bank and the percentage based repayment system of the SIFFS societies. However, given the banks' poor recovery when loans are given directly without a society, this was generally accepted by the banks. The problem would start only after the loan term ended (generally 3 years) and the fishermen not repaid the loan in full. By and large, given the superior repayment performance of the SIFFS societies vis-à-vis the normal agricultural loan portfolio of the banks, a considerable amount of lenience is shown. Given that the bank linkage system was a decentralised affair and largely left to the abilities of the local leadership and community organiser to implement, there was considerable variability in performance and a lack of standardisation and bench marks.

^{xvi} The local conditions were suitable for cash crops such as betel nut, rubber, cashew, vanilla, and coconut, and all these have long gestation periods. The smaller farmers were helped to convert their land to these profitable tree crops by facilitating their access to necessary wherewithal.

^{xvii} The member on whose work the group are engaged has to feed his colleagues that day, but no money changes hands.

^{xviii} The list of such activities includes jointly owned power tillers, retail shops, crop processing businesses, joint land leasing and cultivation, vegetable vending, and milk production and marketing. Many other income generating activities have also been set up, including milk processing, vanilla, banana, ginger, vegetable and jasmine flower cultivation, detergents, incense stick rolling, beekeeping, and tailoring.

^{xix} Each of the 2,000 SHGs has contributed towards the share capital of SIRI. SIDBI has provided low-cost long-term loans to finance its operations. The SGSY programme has also financed all the buildings that are needed for collecting, stocking and sending out the wide range of raw materials and finished goods that SIRI handles.

CHAPTER VII

The Contribution of Corporate Supply Chains to the Livelihoods of the Poor

Orlanda Ruthven

Abstract

The debate on livelihood promotion has often taken place without including the core business of corporates into its frame. Yet India's bullish brands are covering the markets and public spaces in cities; creating a new kind of private-public space, which previously did not exist. Corporates, rather than NGOs, are heralded as the main partners in development. This is India's corporate age and the momentum of corporate growth is unmistakable, as is the acquiescence of the broad political, administrative and managerial elite. As corporates grow, so do the numbers of people whose fortunes are linked to their success. But there is a grave lack of evidence, to tell us what is happening, in terms of new and improved jobs for the poor. If corporates are to reciprocate the identity they are apparently being attributed, of being development pioneers, they must get better at understanding and discussing their impact. While there are several models of corporate engagement in livelihood promotion, in this chapter, we have selected cases of supply chains, which lead to the modern format retail, and within this sub-set, we have homed in on two product sectors, farm goods, and textiles and garments. Our purpose is to bring the core sourcing, production, employment and regulatory activities of corporates into the discursive field of livelihoods for the poor, and to contribute to a new but growing field of analysis around the effects of such activity on livelihoods and quality of life. This new field is confronting the overdue assumptions about 'trickle-down effects' in the very new context of India's corporate growth and rapidly rising inequalities.

1. By 2013, retail leaders in India will have sunk Rs 150,000 crore into various format stores, securing an industry turnover of \$110 billion

There are many questions and differing opinions about what these rapid changes mean for development – rather than simply growth. On the one hand, there is excitement and relief that the conditions for corporate growth in retail are finally combining favourably. The growth of modern retail, it is argued, will spread corporate social responsibility (CSR) from the front to the back-end of supply chains (Singh, Kundu et al. 2005), and bring world-class infrastructure to India's provincial cities (Sreejith and Jagathy Raj 2007). While India is rapidly becoming a more enabling environment for large-scale retailers, the enthusiasts remind us that even today, Indian metros continue to compare poorly with their Asian neighbours such as Bangkok, Jakarta and Kuala Lumpur, Singapore and Seoul².

The growth of modern retail, it is argued, will spread corporate social responsibility from the front to the back-end of supply chains and bring world-class infrastructure to India's provincial cities.

²The indicator used to assess this is land cost per square metre as a proportion of GDP. Delhi and Bombay are five times or more the price of other Asian cities, and Bangalore 2.5 times or more, by these criteria.

On the other hand, some observers argue that ‘the logic of corporate growth’ will simply not assure India the employment she needs (Bhaduri 5 May 2007), and others lament that Indians are becoming so obsessed with money and what it buys that they have no appetite for ideas (Girdharadas 15 August, 2008). Commentators can be quick to attribute to the corporates, sins for which there are sometimes scant evidence. Those working the backend to improve quality and product, for example, are derided for destroying unorganised retail (illustrated above all, by the protests in West Bengal, UP, Jharkhand and Orissa against Reliance Fresh stores in 2007); ‘corporate’ farming, in which giant buyers acquire land and reduce peasants to wage workers, is sometimes assumed to be like organised retailers when they are mostly purchasing from farmers without even a contract.

Whatever the view, by 2013, retail leaders will have sunk Rs 150,000 crore into various format stores, securing an industry turnover in organised retail of \$110 billion³. While in 2004, corporate retail was just 4 per cent of the total in the sector, it is projected to be 16 per cent by 2012⁴.

Following an ICRIER report that showed the medium-term costs of modern retail to the unorganised sector, the government now sees the improvement of quality, range and continuity of products to small retailers as a key contribution expected of the new retail giants.

There are signs that public opinion towards corporate retail may be settling down. A leading publication in South India recently showcased Reliance’s mid-supply chain investments in the ‘protest’ state of Kerala and highlighted the benefits to farmer and consumer, while a year earlier it had lambasted Reliance along with other large retailers for the job losses to small retailers and intermediaries. Following an ICRIER report that showed the medium-term costs of modern retail to the unorganised sector, the government now sees the improvement of quality, range and continuity of products to small retailers as a key contribution expected of the new retail giants.

For the sake of this analysis, corporate engagement in livelihood promotion has been divided into four types. Among the most successful and dedicated livelihood promotion efforts are those managed by development professionals in trusts floated by corporates but similar in many ways to independent NGOs (such as the Tata Trusts, the Lupin Human Welfare and Research Foundation, or Aravind Eye Hospitals). Second, CSR initiatives around a plant or factory tend to be more closely guarded by a particular firm and are often driven by the need to bolster reputation in the face of politically sensitive investments and bring local communities on board (such as Vedanta-Sterlite’s vocational training work with tribal communities around its refineries in Orissa, Coca Cola’s ‘little drops of joy’ campaign to restore historic water bodies in Rajasthan, or IKEA’s work on getting children into school in the carpet belt of Eastern UP).

A third variety of corporate initiative is collaborations for training and skills development. These tend to enjoy independence from the reputational risk of firms while also achieving scale and reach. Examples include the RUDSETIs formed in 19 locations across 11 states⁵, the computer-based functional literacy programme of Tata Consultancy Services, and the N-Logue project to provide ICT for the rural masses (Mahajan 2005)

But most of these initiatives are dwarfed by the effects, which corporates achieve on a daily basis, when they conduct their core business through their supply chains. And yet, sourcing from, managing and re-gearing one’s supply chain is hardly a deliberate effort to promote livelihoods for the poor. Instead, the priorities here are to source more goods of wider range and better quality, in a reliable and predictable manner, for growing numbers of consumers, with deepening pockets. Jobs for producers, then, is the main link with livelihood promotion in supply chains, but jobs for mid-chain agents, as well as in retail, are also significant. Many modern retailers aim to grow their customer base as much among the producers or suppliers of there and others’ chains, as among elite, urban consumers. So the provision of an improved range of better-priced goods and services is also a key, if indirect, livelihood contribution for poorer groups.

³Business Today, May 29, 2008

⁴Bailey, April 28 2008

⁵Rural Development and Self-Employment Training Institutes (RUDSETIs) are collaborations between the Sri Dharmasthala Manjunatheswara Educational Trust, the Canara Bank and the Syndicate Bank.

2. Modernising supply chains and livelihoods

Before proposing a framework of analysis, some international evidence on corporate retail supply chains and their effects on livelihoods must be summarised in order to gauge what one may expect in India. First is the argument that supply chains more tightly integrated to markets make for better ‘ethics’. As firms build their brands, they are said to have a growing interest in reputation, which may induce them to push for fairer practices in their supply chains (Weiser 2001, 101; Singh, Kundu et al. 2005). But this is countered by the evidence that brand retailer giants are disinclined to build long and steady relationships with suppliers. Their wealth resides increasingly in the ‘intangibles’ of marketing, the creation of shopping environments and the rapid churning of ‘new’ products on their shelves. “The faster the product cycle time and the shorter the planning horizons, the less pressure there is for a company to consider social and environmental issues in its business planning” (Weiser 2001, 101). The evidence suggests that supply chains of global brands are not only geographically distant but also often fragmented and opaque, making it hard to push through front-end CSR initiatives. Moreover, if a reputation among one’s customers must be managed, this can be achieved in ways other than making fundamental changes in the chain (Oxfam 2004; Barrientos 2006).

It is perhaps not so much CSR or ‘ethics’, which travel from front- to back-end in the supply chain of corporate retailers, as new forms of regulation and product specification. These regulations and norms relate to how business should be done between trading partners, and to the quality and product requirements of the retailer. They influence who, among chain producers and intermediaries, makes the grade to join and remain within the chain. Ponte and Gibbon (2008) argue that such regulations can be understood as “conventions, normatively-based sources of coordinated economic conduct”. The authors develop the idea of ‘soft power’ by which the participation of supply chain players in economic activity is governed by these informal rules and norms.

An IFPRI-commissioned study illustrates how such ‘soft power’ is applied across procurement centres for supermarkets in developing countries. “Chains and their specialised wholesalers tend to move from spot markets to preferred supplier lists when the need for quality and consistency is high and when farmers or processors are associated or individually large” (16). The study finds that supermarkets tend towards sourcing from larger suppliers (particularly in meat and dairy), but that “small farmers are not excluded, except when certain factors affect the farmers’ capacity to implement certain technologies that have an impact on quality, productivity, costs, or the ability to plant or harvest at the necessary times during the year” (20).

Anna Tsing (2008) brings a similar analysis to bear on the suppliers of Wal-Mart worldwide. She shows that in its suppliers’ code of conduct, Wal-Mart is clear that it wants control, but only over some things (e.g. prices, marketing, logistics) and not others (e.g. labour arrangements, environmental practices and subcontractors’ investment strategies) (Tsing 2008, 14).⁶ “Compliance [to the supplier code] is both voluntary and required. Such practices remind us that supply chains weave complex corporate dependencies into the fabric of their commitments to the independence of firms” (14).

In this new ‘soft’ regulatory imperative, the IFPRI study shows that non-capital asset factors play a key role in determining who can participate, for example, a farmer’s educational level and access to good roads, irrigation and cold storage infrastructure. It also shows that those who secure a foothold in the chain, over time, experience tension with their supermarket buyers, who typically pay after a time lag, impose a series of fees on suppliers, and demand post-harvest services from them, apart from imposing stringent quality and product standards (Reardon and Gulati 2008, 21).

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⁶Tsing quotes Petrovic and Hamilton’s study of Wal-Mart, ‘Making global markets: Wal-Mart and its suppliers’, in Lichtenstein, N (2006), ed, Wal-Mart: the Face of Twenty-First Century Capitalism, WW Norton.

Another framework for understanding the supply chain effects of corporate retailers is developed by scholars of industrial clusters at the Institute of Development Studies (IDS), Sussex. Schmitz and Humphrey (2000; 2001) have argued that as small clustered firms are linked to global supply chains, they orient themselves increasingly towards their front-end buyers and are decreasingly engaged in horizontal ties with competitors and related firms around them. With vertical linkages, the scope grows for income-enhancement (also confirmed by the IFPRI study, pg 21) through upgrading of process and product, but such linkages are also associated with a decline in the scope for horizontal collaboration, to address shared problems of inputs, market, pollution treatment, for example.

Scholars of industrial clusters tend to steer clear of discussion on economic endowments and bargaining power, in other words, the structural position from which a person comes to the market, as a seller or buyer, and the terms of trade this sets up (White 1993).⁷ Neither do cluster studies explain “how social milieus differentially shape economic action, to reinforce the power of certain social identities and the stability of specific practices” (Chari 2004, 24). The economic milieus which supply corporate retailers are ‘socially regulated’ (Harriss-White 2003) by caste, gender and the cumulative endowments of a particular place. Our framework must understand the gamut of effects, both those which erode and those which reinforce, conventional roles and identities.

Finally, we turn briefly to global experience of the ‘front-end’ effects of corporate retail. The IFPRI-commissioned study (Reardon and Gulati 2008) describes the development of modern retail in the US and Europe, with its associated social and economic effects. It begins by emphasising what is little known and oft forgotten in India, that “the US has the strongest and longest anti-supermarket regulatory history of any country in the world” (4). If India is moving ahead slower than its Asian neighbours, it is going much faster than the US did between the 1870s and 1980s which heralded the Wal-Mart age, and the regulatory constraints the retail sector faces are considerably less than were experienced by the US pioneers.

The study describes the rich range of measures taken in other developing countries to support traditional retailers in the face of supermarkets’ rise. Taiwan and Hong Kong have each implemented wetmarket modernisation programmes, involving covering the markets, improving drainage, training in food safety and the provision of parking space (26-27). China’s Markets Upgrading Programme launched in 2006, couples the 100 leading wholesale markets with the 100 leading food retail firms, the latter acting as ‘modernisation anchors’ (29).

The study is optimistic for the survival of traditional retail. The evidence to date, affirmed by the recent ICRIER study (as yet unreleased but reported by Mint, April 28 2008), is that India’s ‘unorganised’ retail is still growing, be it slowly, alongside new modern formats. “In Indonesia, after several years of the emergence of supermarkets, 90 per cent of fresh food and 70 per cent of all food is still controlled by traditional retailers. In China, the overall story is no different though supermarkets have moved faster into cities” (39).

This brief review of literature and global experience permits us to make a first attempt at an analytical framework, for understanding the contributions to livelihoods of the poor by corporate retailers in India.

3. Towards a framework for India

In our framework, we can consider three parameters: (i) the livelihoods created and improved within the supply chain, (ii) the indirect benefits to livelihoods related to, but not within, the supply chain, and (iii)

⁷See for example Kaplinsky and Morris (2000) for an example of such clear steering.

the various costs to existing livelihoods in the supply chain being modernised, both direct and indirect. While no measurement is attempted in this report, we can keep in mind that the ‘quality’ of a livelihood must have three aspects: (i) size of income flow, (ii) the regularity and certainty of that income flow, and (iii) wider quality-of-life parameters, with respect to health and safety of a job, extent of freedoms permitted, and a job’s potential to nurture long-term career learning and expectations.

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Table 7. 1: The livelihood benefits and costs of corporate retail supply chains

	1. Direct benefits	2. Indirect benefits	3. Costs
1. Front-end retail	1.1.i New jobs for shop assistants, store managers, packagers, shelvers, warehouse workers 1.1.ii Increased value (budget saving) and convenience (time saving) for shoppers	1.2.i New jobs for security guards, cleaners, construction workers 1.2.ii Expanded market for complementary business e.g. restaurants, public transport	1.3.i Job loss in unorganised retail 1.3.ii Job loss and closure of ‘boutiques’ for apparel, home, artisan goods; threat to small-scale innovation thus fostered
2. Mid supply chain	2.1.i New jobs for village-, mandi- and region-level sourcing agents in sorting, quality control, cold storage, packing, transporting 2.1.ii New jobs for input and advice suppliers to linked producers 2.1.iii Improved and more transparent supply of goods for existing wholesalers		2.3.i Job loss at mandi (auctioneers, commission agents) 2.3.ii Job loss among traditional wholesalers, forwarding agents, transporters etc who fail to submit and adapt 2.3.iii Reduced quality of mid-supply chain livelihoods, vis income flows and freedoms (as they shift from small family businesses to low-salaried jobs)
3. Production, manufacture	3.1.i Improved farm jobs with new and higher value crops for those who make the grade 3.1.ii New jobs/ bigger markets in food processing 3.1.iii Improved, new jobs/ bigger markets in low-tech artisanal fabric and home products 3.1.iv New jobs/ bigger markets in manufacture of apparel, shoes, home, FMCG, cosmetics....	3.2.i Higher purchasing power of poor in rural and Tier II, III urban areas, for all products offered by the full range of active retailers 3.2.ii More reliable customers for bankers against secure purchase orders	3.3.i Reduced quality and loss of farm jobs for those who don’t meet stringent quality standards 3.3.ii Reduced quality and loss of manufacturing jobs for those who don’t meet stringent quality standards 3.3.iii Reduced quality and loss of jobs for producers whose scale is too small to support linkage to re-gear supply chains

From the experience of retailers reaching for the mass market (Pantaloon Retail, Reliance Fresh, even Fabindia) there is clearly immense untapped purchasing power in urban India, not simply in the metros but in Tier II and III cities too. Re-gearing towards organised retail is still far more about market expansion for products (increasing the cake’s size) than it is about displacing one retail format with another

(re-cutting the same cake). This retail revolution is fuelled not only by the rapid growth in income among Indian consumers, but also by the creation of opportunities to shop and spend which increase exponentially the spending culture of consumers, regardless of their income levels.

The modernisation (or corporatisation) of retail makes it an attractive field of jobs for the educated youth, which unorganised retail never was. The jobs in modern retail range from unskilled (sorting, packaging, shelving), to skilled (shop assistants requiring language and computer proficiency) and basic management (store managers, warehouse managers). It is clearly the corporate promise, i.e. the hope of meeting career expectations, as much as or more than the job itself, which lures the young educated. Retail jobs are not of particularly good quality. New entrants must often put up with hiring by contractors, rather than directly by the firm and even high school or college graduates are found earning close to minimum wages. If expectations remain unmet for too long, there is a risk of rapid turnover and declining quality of jobs and those who fill them.

Re-gearred supply chains foster new forms of power, whereby the 'hard power' of capital, which earlier governed one's ability to participate in markets, is replaced by the 'soft power' of product and quality standards, and this change determines which individual producers and suppliers can get linked and stay linked.

As discussed above, re-gearred supply chains foster new forms of power, whereby the 'hard power' of capital, which earlier governed one's ability to participate in markets, is replaced by the 'soft power' of product and quality standards, and this change determines which individual producers and suppliers can get linked and stay linked. Re-gearred supply chains engineer a de-commoditisation of goods, wherein variety, type and quality are distinguished at source and production is reshaped to fit these categories. The effect is that quality and product specifications carry a premium when earlier they did not. Those who meet the standards can benefit from this shift, while those who fail, find themselves with fewer options and their goods, channelled into lower grade markets at lower prices.

Re-gearing of supply chains does not necessarily shorten the chain from 'plough to plate'. But it reorganises the nodes and their spatial location, to enable rapid response to front-end requirements: that shelf space must be continually filled and 'refreshed', with goods of consistent quality. While several chain nodes may be under threat by re-gearing, the number of livelihoods supported by mid-supply chain functions does not necessarily have to reduce, since intermediary jobs lost are made up for with the emergence of new jobs in sorting, quality control, provision of technical assistance to farmers, and cold storage and improved transportation systems.

The framework in Table 7.1 and the following discussion, lead us to a more detailed examination of conventional supply chains in India. What exactly are corporate retailers coming in to use, change or replace?

4. Conventional supply chains and their reach to retail

4.1 Farm goods

The purchase and sale of farm produce (grain, pulses, vegetables, fruits) remains heavily regulated under the Agricultural Produce Marketing Act (APMA) which came into force across states in the 1950s and 1960s. The Act states that no retailer or food processing company may purchase farm products, and no farmer may sell his goods other than by auction from the government-licensed *mandi*. The Act's rationale was twofold: to ensure fairness and transparency in price setting for farmers; and to ensure that farm produce flowed to the consumer in an orderly manner, to avoid hoarding by traders and ease of procurement by government agencies in times of scarcity.⁸

Mandis have been subject to the failures of policy process in at least two respects. First, while price setting by auction may be transparent, the valuation of a farmer's produce is frequently not so, with

⁸The APMA is currently in the process of being amended. Among the states, which have initiated this process, are Madhya Pradesh, Orissa, Andhra Pradesh, Gujarat, Himachal Pradesh and Karnataka (company official, Reliance Agribusiness).

farmers being short-changed through improper grading and weighing. Second, the original plan to set up temperature-controlled storage facilities at *mandis* remains largely unrealised.

But the greater problems lie in the policy's design. The requirements of APMA lead to long and cumbersome supply chains, inhibiting direct relations and improved responsiveness between consumer and farmer. The time and cost implications for farmers in reaching and waiting at the *mandi* for their sale to clear, lead many farmers to sell through traders who bear these costs, while others might camp out for the night to beat the queues. The requirement of an auction necessitates the presence of a government-appointed auctioneer to define the sale (i.e. check and grade the produce from a trader). The produce of different farmers may be sold separately following rudimentary quality checks, but measures are too crude for farmers to see significant reward for quality. Only licensed 'commission agents' are permitted to bid on a buyer's behalf and these agents tend to aggregate their purchase at day's end before shipping it to the buyer. So any quality distinctions made at point of sale are lost and the link to farmer, erased. Multiple points in the chain further necessitate bagging of goods, which hugely increases the time required to load and unload for shipping.

This lengthy chain and the discouragement of private investment in securing produce of a particular standard, mean extremely high levels of wastage, which various studies estimate at 40-60 per cent (Kumar, Patwari et al. 17 May 2008; Upton and Fuller 2004). This begins at the *mandi* itself, where spillage occurs in the bagging process and where a traditional compensation to the *mandi* labourer is sometimes the produce spilled in the weighing area (Prahald 2006)!

A World Bank study (Mattoo, Mishra et al. 2007)⁹ shows that the crowded and inefficient chain for fresh fruit and vegetables, maintains the average price received by the farmer at only 12-15 per cent of the price paid by the consumer, and this has been one of the key reasons why India's horticultural sector has remained uncompetitive for export.

It is to the wholesale *mandis* that street vendors, pushcart vendors and kirana store managers go daily to stock up with goods and sell in their neighbourhoods. Studies differ in the estimated number of unorganised grocery retailers in India. A study from IIM Bangalore estimates 12 million kirana stores but it puts no figure on the number of pushcart vendors and neglects to mention at all those who sit in neighbourhood markets or on the street to sell their wares (Kumar, Patwari et al. 17 May 2008, 327). The ICRIER study states that one in every 14 Indian works in "the small stores which dot our neighbourhood" (Mint 28 April 2008).

Unorganised grocery retail is characterised by extremely low operating costs (estimated in one study as 5-3 per cent of sales) and low gross margins (10-15 per cent of sales). It is these low running costs, which secure small retailers good net margins and enable them to stay in a business, which depends on crowded and inefficient supply chains. Low running costs are the result of low rents and tax evasion, as well as low labour costs (Kumar, Patwari et al. 17 May 2008).

What do these low labour costs mean for job numbers and job quality? Low running costs reflect the use of family labour and the low levels of hired labour. Kirana stores and pushcarts provide a continuous livelihood to one or two family members, perhaps only one income stream among several but one which helps to sustain a family, once it is combined with marginal farming or poorly paid wage labour; small unorganised retail provides self employment as an alternative to manual labour, especially valuable for women, the elderly and less robust who cannot compete with the terms and conditions of the casual labour market; it often provides a safe space for children to sit, study, help out, when their parents or care-givers would otherwise need to be away all day at work.

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⁹Cited in Reardon & Gulati 2008, pg 41.

But the wage jobs in unorganised retail are of poor quality. Hired help is underpaid and often under-age. Workers receive no wider benefits and work long hours, often for no extra wages. Stuck in small family businesses, the scope for learning and development is limited and workers are often subject to rudeness and abuse by owner-managers.

4.2 Textiles and readymades

India's textile industry is among the oldest in the country. One of the first to be developed on a large-scale factory model, it has paradoxically remained one of the country's most fragmented. The textile mills of Mumbai, Kolkata and Chennai – spinning yarn and manufacturing fabric – have been in decline since the 1980s when they came under competition from power looms which dispersed weaving into small, unorganised units throughout the country. The regulatory framework acted against the mills in most respects: they were subject to tough labour laws which their power loom competitors ignored and were engulfed in labour protests at the time of their decline; following the power loom 'revolution', they retained a stronger niche in yarn spinning, assisted by the cheap supply of Indian cotton. But they were not permitted to export yarn and had heavy obligations to pass yarn to handloom weavers, an artisan sector heavily protected by the government, under the Hank Yarn Obligation (HYO) policy (Singh and Sapra 2003, 18).

The handloom sector has been heavily protected by government since 1950 HYO by controls on the price of cotton and high duties on synthetic yarn used in mass manufacture; by the reservation of weaving as a small-scale industry and by an elaborate policy of organisational, procurement and marketing support implemented by the central government.

According to the Directorate General of Handlooms, there are 2.3 million full-time weavers in the country, a little less than half of them independent weavers, with a further 3.4 lakh working under master weavers and 4.5 lakh, members of cooperatives (Sharma 18 October 2007). The handloom sector has been heavily protected by government since 1950, by HYO (recently decreased from 50 per cent to 40 per cent); by controls on the price of cotton and high duties on synthetic yarn used in mass manufacture; by the reservation of weaving as a small-scale industry (SSI); and by an elaborate policy of organisational¹⁰, procurement and marketing support implemented by the central government through such organisations as the Khadi and Village Industries Corporation (KVIC)¹¹ and the All India Handloom Board. But none of this has succeeded in protecting handloom weaving from competition by power looms, while such protection may have contributed further to the decline of textile mill competitors.

The ready-made garment sector in India is very much a product of its back-end suppliers. The vast majority of fabric is supplied by relatively small power-loom units using basic technology, and the rest from dispersed and remote handloom units or textile mills still under strain. Garment makers give out this fabric to an equally small-scale and unorganised dyeing and printing industry, which has flourished around garment, manufacture clusters. The quality, availability and timing of fabric supplied to garment makers are unreliable and the range was, until recently, limited to natural yarns because of duties on synthetics.

All this makes for low investment in the garment sector itself, which spends less than a fifth per machine and less than 3 per cent over all on machines, as does its Chinese counterpart (Verma 2002, 22). Productivity also compares poorly to Asian 'sunset' garment industries. For example, a Hong Kong factory produces 20 women's shirts per machine per day, while in India the figure is 10 (Verma 2002, 23). Unlike spinning but like hand-weaving, garment manufacture is reserved for the small-scale sector and those up scaling must produce 50 per cent for export. All this makes for "one of the longest and most complex supply chains in the world, with as many as 15 intermediaries between the farmer and the final consumer. Each contributes not only to lengthening of lead times, but also adds to costs" (Verma 2002, 20)

This disabling business environment as well as Indian consumer preference, have contributed to keep ready-made garments out of the basket of goods, which Indians consider essential. During the MFA quota regime (from 1974) and especially since its repeal in 2004, the export garment sector has expanded

¹⁰i.e. the building of cooperatives among hand-spinners and weavers.

¹¹Khadi is hand-spun yarn hand-woven in to cloth.

rapidly (Singh and Sapra 2003), but it is only since the mid-1990s – coinciding with the entry of foreign garment brands into India – that readymades started to be purchased and worn on a mass scale.

Readymades of Indian style clothing have flourished over this period in small, informal boutiques, many of which offer customised services on the spot. These are the ‘unorganised’ retailers who will be directly threatened by the mass scale-up of Pantaloons, Fabindia and others.

5. Cash Studies

5.2 Introduction

The first corporate, modern format retailers in India were in garments. Shoppers’ Stop and Tata’s Trent/ Westside were among the pioneers. It is only in the last few years that food retailing has taken this form, with Big Bazaar being a pioneer. Retail leaders now agree that they must take on board food, beverage and general groceries, alongside non-food goods, in order to grow. They also agree increasingly that one’s success depends on the strength of one’s supply chain. “The competitive edge will lie with those who are successful in creating an efficient supply chain. The big lacuna today is in logistics and distribution, which also makes it a significant opportunity”, Raghu Pillai, chief of Reliance Retail said in an interview last May (Carvalho 29 May 2008).

The competitive edge will lie with those who are successful in creating an efficient supply chain. The big lacuna today is in logistics and distribution, which also makes it a significant opportunity.

The formats of the retailers vary, from the small neighbourhood stores of Reliance Fresh (1,000-3,000 sq ft) to the hypermarkets of Big Bazaar (25,000-50,000 square ft). Modern retailers sell existing brands of processed and manufactured goods, and also cultivate ‘private label’ products (where the retailer owns the brand), while some sell only the latter. Private labels are generally purchased at lower prices

Table 7.2: Three corporate supply chains and their reach to retail

	Date of first store	Current sales (\$m)*	Current outlets (all formats)**	Square ft retail space (m)	Direct employment	Livelihoods supported
Pantaloon Retail	2003	450	270	6	25,000	n/a
Reliance Fresh	2006	n/a	575	1.5	17,000	50,000
Fabindia	1976	72	88	n/a	3000	37,000

*Pantaloon figure is for 2006

**Figure for Pantaloon Retail includes 92 Big Bazars, 135 Food Bazars and 40 Pantaloons

from manufacturers since the latter saves on marketing and sales costs and is assured of constant orders (Kumar, Patwari et al. 17 May 2008).

Some corporate retailers have purchased massive space upfront, while others mostly rent in smaller towns where rent is not prohibitive. Some brands fast-tracked retail growth through franchise shops, while other brands have kept the front-end for themselves, depending more readily on traditional supply chains. Other corporates have sought tie-ups with global brands to increase their product range (i.e. the foreign brand sells its goods through the Indian brand’s stores).

In 1997, foreign retailers were banned in India following successful lobbying by the domestic retail community, although they continued to be able to operate wholesale outlets and through franchises. In early 2005, the government permitted 100 per cent foreign direct investment (FDI) in the construction and development sector, paving the way for foreign investment in shopping malls and warehouses (Raman and Winig 2006, 3). In early 2006, the government partially relaxed the ban in retail, when it permitted

foreign investors majority shareholding but only in single brand outlets (i.e. no department stores or hypermarkets are permitted). This restriction is relaxed only for the food wholesale subsector [hailing the entry of names such as Metro (Germany) and Shoprite (South Africa) into the sector]. But such wholesalers find their sourcing practices still restricted by APMA, only partially amended in some states (Kumar, Patwari et al. 17 May 2008).

The three case studies below provide a spectrum of trajectories (also see Table 7.2):

- Fabindia started with small format retail on a small-scale, and direct and informal relations with suppliers; it is now re-gearing the supply chain as retail grows rapidly.
- Pantaloons Retail started with the manufacture of fabric and garments and came late into direct retail. Recently, this has exploded, especially in its hypermarket and food business for which it still depends on the conventional supply chain, arguing that it is much less crowded and inefficient than some analysts make out.
- Reliance Fresh started with small format retail on a huge scale, cutting back in the face of protests from ‘unorganised’ traders, and then focused on re-gearing the supply chain to offer wholesale to any buyers.

5.2. Fabindia

Fabindia originally specialised in handloom fabrics for home furnishings, moving later into garments, which were 70 per cent of sales in 2006. While the requirement that fabric should be handloom-woven is no longer binding, the company continues to insist that a product should have at least one hand-made element (if not in its weave, then in the way it’s printed or embroidered, for example), in order to be included in the Fabindia mix (Khaire and Kothandaraman 2008, 6).

Block prints are sourced from the western states, kalamkari prints and distinctive cotton weaves from the South, and embroidered products from the North. Apparel products include men’s and women’s, Indian and western, newborns, children’s and maternity. Home products now go way beyond upholstery, curtains and bed linen, to floor covers, furniture, lighting and home accessories (Khaire and Kothandaraman 2008). There is a new line in organic foods (staples, jams, pickles, teas) and personal-care products. The firm launched the organics line after perceiving a synergy with its supplier base, since suppliers were largely located in regions where the Green Revolution hadn’t reached.

5.2.1. Conventional supply chain

Until last year, Fabindia depended on direct and long-standing links to artisan suppliers. The supply chain was the outcome of many years’ work building relationships with weavers, printers and embroiderers.

Until last year, Fabindia depended on direct and long-standing links to artisan suppliers. The supply chain was the outcome of many years’ work building relationships with weavers, printers and embroiderers, many of whom had few other routes to elite urban stores. New suppliers would show up at the warehouse, usually with a referral from an existing supplier. Most suppliers were de facto dedicated, since Fabindia used up their capacity.

If goods arrived late, they were not returned but the firm would try to make use of them somehow in its effort to promote sustainable livelihoods. For *thaans* (rolls) of fabric delivered, the weaver’s word was normally accepted as to the length of the *thaan* (varying from 20-50 metre), with only a few random checks carried out. The number of *thaans* each weaver would send and when hard to predict, would be accommodated in the central warehouse. After being coded for colour, print, weave and length, fabric was issued to stitching units according to design and quantity.

Each store, to which goods needed distribution, would have a bin in the central warehouse and goods were placed in the bin as they came in, according to sales trends, growth forecasts and requests made by the store, with no two stores ordering alike.

5.2.2. Supply chain re-gearing

To deal with the pace of growth and the rapidly awakening competitive environment, Fabindia has set about re-gearing its supply chain in its fourth decade. While Fabindia's much publicised move to sell shares to suppliers might lead one to assume this re-gearing has a very different objective from that of corporate giants such as Reliance Fresh, a closer look suggests there is much in common.

Fabindia's suppliers, rather than liaising directly with the company, will now be managed by supply region companies (SRCs), one of which is incorporated for each region and encompasses all those products – regardless of sector – sourced within it. While Fabindia¹² remains the majority shareholder (with 49 per cent at the outset, possibly reducing to 26 per cent over time), the SRC CEO and employees take a shareholding of 10-15 per cent, with 21-26 per cent offered to suppliers in that company's catchment area. The balance 15 per cent is offered to an institutional investor (which varies according to the SRC) at a premium rate, thus ensuring a greater capital injection at the start.

The SRC – staffed by a team of five to six professionals in management, quality control and logistics – functions as a full intermediary layer, placing orders for products decided in conjunction with Fabindia's product team, setting rates with suppliers, checking quality, warehousing and liaising with market region warehouses (which have now replaced the central warehouse) of the parent company, to manage the flow of goods to the shops. Eventually, it is envisaged that SRCs will also take over design and product development from the parent company.

The SRCs – of which 17 have so far been established, with another 180 or so projected in the next few years – bring the 'soft power' of Fabindia's growing product requirements (quality, quantity, lead times, design, range) to the supplier's neighbourhood and give their staff and even the suppliers an incentive (in the form of company shares) to extract the required product as efficiently as possible. Suppliers may lament the more easy-going and less stringent relationship they had with the parent company; they may find themselves unable to meet standards, which are imposed, not even by the firm but by its new representatives, the SRC. While they own a small share, even their combined influence may not ensure them inclusion in a less tolerant and more ambitious supply chain.

On the other hand, Fabindia envisages that SRCs increase the support available to suppliers to meet these new standards, through their quality control and management teams; SRCs facilitate credit tie-ups against purchase orders, now being rolled out with Axis Bank; SRCs are expected to formalise and expand the supplier base rather than retreat from most and consolidate with a few, though it is probably too early to tell how many among existing suppliers will be 'winners' and how many 'losers'. In the share interest offered to them, suppliers are invited to become partners in Fabindia's drive towards greater efficiency, higher sales and year-round value creation.

5.3. Reliance Integrated Agro Solutions

Reliance Integrated Agro Solutions, headquartered in Delhi, is the back-end of Reliance Fresh, based in Mumbai. If the corporate giant intended to start with retail and then address supply chain issues as it went along, it has been forced 'up' the chain by the protests it faced following its first forays into retail in late 2006. Now it is wiser and stealthier, and there is little available on exactly what the company is up to. The website throws out an audacious challenge: Reliance "will boast of a seamless supply chain infrastructure, unprecedented even by world standards".

With 40 'Reliance Fresh' stores in the capital region and 575 stores nationwide, achieved in under two years of operations, Reliance's initial approach is to build brand presence with small format stores for

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With 40 'Reliance Fresh' stores in the capital region and 575 stores nationwide, achieved in under two years of operations, Reliance's initial approach is to build brand presence with small format stores for value goods in every neighbourhood.

¹²More accurately, Fabindia's wholly-owned subsidiary incorporated for this purpose, Artisans Microfinance

value goods in every neighbourhood. A neighbourhood approach offers opportunities for tie-ups with other retail services such as banks. Though the stores are small, the supply chain being developed to fill them is quite radical.

Reliance set out to re-gear supply chains for the full range of groceries stocked in their Reliance Fresh stores (fruit, vegetables, pulses, grains, condiments, pickles, beverages, dairy products etc). It has faced severe regulatory hurdles in engaging with the conventional supply chain for grains and pulses which are subject not only to restrictions on how they are sold (see earlier section) but also to stocking limits related to the mandate of the Food Corporation of India (FCI) and the government's role in food security. Reliance has thus decided to await regulatory change and focus its efforts on horticulture: fresh fruit and vegetables sourced from farmers nationwide but particularly in Tamil Nadu, Karnataka, Andhra Pradesh and Punjab.

The principle way the company achieves this is through collection centres (CCs), which operate alongside licensed rural *mandis* and purchase farm goods directly from farmers. In August 2008 there were 140 CCs nationwide, with their distribution biased to those states where most sourcing is done. Until now, the only presence of CCs across the belt of northern and eastern states is in Jharkhand which now has two CCs. CCs aim to reach full capacity when procuring from a catchment of 20-30 villages at 10 tonne/day, while the current average is 1.5 tonne.¹³ We can infer that if 100 farmers from each village use the CC, an average CC can hope to support the livelihoods of 2,500 farming families.

Selling to the CC, rather than through a trader or directly to the government-regulated *mandi*, offers farmers several advantages. First, the more rigorous grading of their products means that farmers are paid for quality. Farmers in Kerala report that they sell the best of their goods to Reliance and let the balance go to the *mandi* (Krishnakumar 4 July 2008). Second, prices set at the day's start and posted in the shop (as well as text-messaged to those farmers carrying mobile phones) remain stable throughout the day, while *mandi* prices reportedly start high and decline as the day progresses. Third, farmers are paid more accurately against weight, because digital machines are used as the farmer looks on. Fourth, payment is made immediately and there is less waiting time. Fifth, Reliance bears the cost of transport from farm to CC.

Reliance is seeking to address productivity, to get cropping in horticulture and pulses up to global standards, and get farmers beyond the '140 days/year' income syndrome.

The CCs have a role in encouraging new crops, including broccoli, lettuce, new varieties of tomato, and capsicum of different colours. Farmers take the risk of planting these for the first time, because they are confident Reliance will buy in response to urban demand. CCs also act as outlets for a range of agricultural inputs and the focus of extension activities through, for example, demonstration farms, 'polyhousing', drip irrigation and mulching. A company official explained that Reliance is seeking to address productivity, to get cropping in horticulture and pulses up to global standards, and get farmers beyond the '140 days/year' income syndrome.

Rather than limiting itself to a retail role, Reliance is developing a presence as a wholesaler in parallel. In August 2008, Reliance had 50 wholesale distribution centres (known as WSDs) nationwide, operating alongside urban wholesale markets (like the Azadpur *mandi* in Delhi) and selling to unorganised retailers (pushcart and street vendors, *kirana* stores) as well as to hotels and institutions. The company plans to reach 200 WSDs by March 2009.

The main rationale for the WSDs is a way to offer farmers an assured market - arguably more important to him than the price - above what is currently possible through Reliance's own stores. Further, spreading the benefits of its re-gearred supply chain to other wholesalers and retailers may also be a political move to counter the protests the firm has faced.

But Reliance reportedly creates value in the process. As a company official explained, business is easily

¹³A provincial *mandi* will typically manage between 1,000-2,000 tonnes/day.

captured from other *mandi* wholesalers in two ways. First, the firm offers buyers a better service: the minimum purchase required by Reliance is low at 2.5 kg; the company is more transparent in the weighing and pricing of the product; and goods are made available throughout the morning so that buyers don't have to reach at an unearthly hour to get the best stock. This means that even if it sells goods sourced from the *mandi*, Reliance adds value in service terms. On the other hand, Reliance does not sell on credit, but is seeking tie-ups with microfinance institutions that will offer loans to those listed by Reliance as regular customers.

But the more important benefit of purchasing through Reliance WSDs is in the quality of goods stocked directly from the farm. Better quality is made available at the same price because Reliance saves on the intermediary costs of the crowded and inefficient supply chain. Contrary to what is generally assumed, the bulk of CC-sourced produce is still kept for sale to unorganised retailers through WSDs, rather than being sold through Reliance's own stores.

Not more than 60 per cent of goods sold in Reliance Fresh stores are actually sourced directly from farmers, the rest is sourced through the traditional, crowded supply chain. But Reliance also creates value when it buys in bulk from *mandis* and then sorts the goods to attain a more refined grading system. For instance, only Grade A fruits are sent to its stores, and much of the balance, astonishingly, is sold back to the *mandi* at a discounted price (Sethi 13 July 2007).

For the moment, the power of Reliance as a farm buyer is dissipated by the fact that most of the goods it purchases directly from farmers are sold not through its stores but to a wide variety of buyers at the *mandis*. Nonetheless, the grand plan can hardly be in doubt. "What we are excited about, and some people are worried about, is the consolidation in big retail that is sure to follow... Eventually only a handful will survive", a company official told Frontline (Krishnakkumar 4 July 2008). The article goes on, "As more and more [farmers] prefer to 'sell to the company', [they] may find themselves at the mercy of a few big buyers who take only the best quality supplies from the cheapest sources and thus constantly pull down prices, relegating those who cannot deliver, or deliver regularly, to ever-shrinking rural markets that trade mostly in second-grade produce" (Krishnakkumar 4 July 2008, 39). But this grim forecast is, for the moment, surely out dazzled by the sheer enormity of the opportunity to sell more, of a vastly greater range of goods, of higher quality.

For the moment, the power of Reliance as a farm buyer is dissipated by the fact that most of the goods it purchases directly from farmers are sold not through its stores but to a wide variety of buyers at the mandis.

5.4. Pantaloon Retail India

There are two different tales to the astonishing phenomenon of Pantaloon Retail. One is the early story (late 1970s to early 2000s) of the fabric and garment brand that was eventually cajoled into selling its own goods; the other is the late story (2003 to present) when the garment brand got the retail bug and has barely stood still long enough to look back up its supply chain.

5.4.1. Pantaloons

Kishore Biyani started out branding his own fabric for men's trousers. He'd purchase from textile mills and try to sell to garment manufacturers. Then he set up his own small unit and started designing and producing his own fabric. By 1985, he was stitching his own trouser brand, while continuing to develop new fabrics from lesser known yarns. Acquiring experience with denim through a distributorship from Ahmedabad's Arvind Mills, by the late 1980s, Biyani was set to launch a full-fledged garment brand. While production went smoothly, the business quickly faced problems getting its goods into stores. "We were trying to sell these trousers in various shops in Mumbai and it wasn't an easy job... A franchisee network seemed to be an ideal way of ramping up our reach across the country". The premises would be owned and managed by the franchisee, and the stock, by Pantaloons. The first Pantaloon store was opened thus in Goa in 1991.

Over the next few years, the company manufactured and established an expanding array of private labels, selling successfully through a fast-growing network of franchise stores. But cracks began to appear in the franchise model. The company was spread thin throughout the country, presenting a 'logistical nightmare'. There was a total lack of standardisation when it came to branding, display and customer service.

The firm tried and failed to push its brands through the megastores just beginning to come up. Strapped for cash and with no retail experience, the small firm decided the only way ahead was to get into retail in a big way. The first Pantaloon megastore was opened in Kolkata in August 1997. By the end of 1999 there were 12 additional stores, four in Hyderabad, two in Chennai and one each in Vijayawada, Nagpur, Bhubhaneshwar, Thane and Pune.

The vast majority on sale is Pantaloon's private labels, manufactured in its own or dedicated partner factories. Private labels help keep prices low and allow the brand to respond much more quickly to fashion trends, and even to lead fashion.

The vast majority on sale is Pantaloon's private labels, manufactured in its own or dedicated partner factories. Private labels help keep prices low and allow the brand to respond much more quickly to fashion trends, and even to lead fashion. The challenge the company sets itself was to complete the whole 'mind-to-market' cycle in six weeks, a few weeks short of the time taken for foreign brands to develop and 'seal' a sample and for their Indian vendors to return a shipment. "Fashion needs to flow from within our indigenous culture, customs and colours.... Foreign retailers, even with their deep pockets and years of experience, couldn't make much headway in India" (Biyani 2007, 90-96).

5.4.2. Big Bazaar

Biyani's sense of Indian-ness is something he has taken much further in the hypermarket chain, Big Bazaar (BB), the first store opening also in Kolkata, in 2003. Big Bazaars organise product segments in curved and u-shaped zones rather than aisles. Grains are sold loose so the consumer can feel and test the quality, fruit and vegetables are even sold by *mandi* traders who sit and serve the consumer surrounded by his goods. The exchange programme of old for new denims, initiated in Pantaloons, was writ large with the 'jooona do, naya lo' of Big Bazaar, where consumers brought in any old goods and had them valued by the raddiwala (scrap dealer), receiving store coupons of double that value. But the coupons were redeemable only when customers ran up a bill of four times the coupon's value, thereby encouraging consumers to spend far more than they might have otherwise. All these familiar Indian bazaars come with the modern amenities of parking, air-conditioning, fixed prices and a clean environment.

With retail fever and expansion 'on a war footing', the BB team has had little time to dwell on supply chain efficiencies and logistics. Biyani says he learned straight from Sam Walton (the founder of Walmart) that successful retail has really to be about merchandise, and he dismisses those operations-led retailers who don't know how to innovate in their stores.

India has one of the best micro-entrepreneurial setups in the world and the power of the microenterprise to cut costs and drive efficiency is unparalleled.

The firm with an intricate knowledge of the whole supply chain in fabric and garments, had very little knowledge about any other product. So, in a clean break from its own formative experience, BB and Food Bazaar rolled out at astonishing speed on the back of traders: pre-existing, independent and reliant on traditional supply chains. The firm recognised that such supply chains offered high levels of flexibility at low cost: the distributors' commission was lower than the equivalent of a salaried company executive; their family members often worked with them, a cost for which they did not charge; they were content to be bothered at any hour even in their homes; the real cost of real estate used (generally a warehouse) was not imputed, since such properties had often been in the distributor's family for generations. "India has one of the best micro-entrepreneurial setups in the world and the power of the microenterprise to cut costs and drive efficiency is unparalleled" (Biyani 2007, 132, 134).

It is these traders who still fill the store's shelves today. The 'raja of retail' is laughing in the face of received wisdom, that supply chain re-gearing is essential for success. As Damodar Mall, head of Food Bazaar commented, why should the customer care whether you got a product quicker to your shelf or predicted demand correctly? She just needs her imagination to be fired (130)!

BB contracts ‘consolidators’, professional traders some of whom are ex-manufacturers who know their product groups well. These individuals take full responsibility for sourcing against a broad product mix, target cost price and expected margins, provided by the company, and then earn a commission on their supplies. “The consolidators were not just involved in procuring our goods; they also warehoused and transported them to the BB outlets. The entire back-end was being taken care of by traders willing to work till midnight to deliver our goods” (Biyani 2007, 128). For fruit and vegetables, Food Bazaar tied up with the largest *mandi* wholesalers, not only to manage the back-end but even to fill the stores with ‘their own people’ to sit and sell the goods.

“What Food Bazaar did”, comments Damodar Mall, “was to keep the back-end simple and concentrate on teasing the imagination of the customer at the front-end” (129) through ideas like the pickle bar, a live kitchen, a milk pasteurisation point.” The vision is one of growing the cake’s size rather than worrying about how it is cut. The opportunity offered by modern retail in India is so huge, Mall argues, that there can be three winners: consumer, company, as well as trader (130). “As we grow in size and scale, we have to ensure that our supply partners grow faster and are able to meet our demands” (134). To this end, he describes new measures to incorporate them into a shared supplier company, not dissimilar to that recently floated by Fabindia in the different context of artisans. Like Fabindia, the Future Group will help set the company up with IT systems and professionals so that it can meet the retail giant’s growing requirements.

Conclusion

The cases of grocery retailers contrast in important ways. While BB has flourished on the principle that consumers must be inspired to buy, Reliance has concentrated on building new supply chains, deriving its value more from the kind of goods it offers than from the shopping environment it creates. Big Bazaar’s focus on the shopping experience has kept it sourcing all it can through existing supply chains to feed its enormous shelf space, while Reliance’s efforts have focused as much on re-gearing supply to existing retailers as on feeding its own shops.

Pantaloons and Fabindia, pioneers in India’s fledgling ready-mades sector, have each sought to build their own branded products (or ‘private labels’). Pantaloons’ early strategy of growing its product market through franchise is in direct contrast to BB’s accommodation of others’ products in its unique and controlled shopping environments. While Fabindia has always controlled the shops, which sell its products (excepting its exports), it has shifted attention incrementally to the store environment, adding product lines and seeking to offer its consumers an all-round lifestyle shopping experience.

Whether a retailer prioritises merchandise or operations (to use Sam Walton’s distinction), the shelf space it has bought, booked, designed... must be filled and refreshed. Whoever the suppliers may be, they must meet demands for growing quantities, of greater ranges, at more stringent quality standards, in order to get linked, and stay linked, to the chain.

Retailers go some way to help their suppliers achieve this: Reliance sets out to address the gamut of inputs their farmers require; Fabindia’s SRCs are designed, in part, to bring product standards and advice on how to reach these standards, closer to the artisans they buy from. As products become more specific, churn faster and require more information to be shared, it is likely that retailers will consolidate their supply base, purchasing increasing quantities from a smaller number of suppliers. The result is that some producer jobs will improve in their quality (i.e. the wages they offer and the regularity of those wages, whether or not they also improve the ‘quality of life’ elements, such as freedoms and career prospects, discussed above). On the other hand, many producer jobs will decline in quality or be lost altogether, among those who are unable to fulfil the requirements of these new and demanding buyers.

The opportunity offered by modern retail in India is so huge, that there can be three winners: consumer, company, as well as trader.

Whoever the suppliers may be, they must meet demands for growing quantities, of greater ranges, at more stringent quality standards, in order to get linked, and stay linked, to the chain.

As products become more specific, churn faster and require more information to be shared, it is likely that retailers will consolidate their supply base, purchasing increasing quantities from a smaller number of suppliers.

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PART - III

**Agrarian Distress and
Rural Credit: Peeling the Onion**

CHAPTER VIII

Agrarian Distress and Rural Credit: Peeling the Onion

M S Sriram¹

Abstract

Agriculture has remained traditionally the most important economic activity in our country. That a majority of the rural households are directly or indirectly dependent on agriculture is an established fact. It is also fairly well known that the agricultural sector has gone through some crisis in the past few years. While the crisis may be isolated to a few crops and regions, the sector can no longer do with policy apathy. The increased number of farmer suicides highlights the fact that there is something fundamentally wrong with the way agriculture was dealt with, particularly after the economic reform process was rolled out. If we examine the immediate reason for distress that leads farmers to commit suicide, it is clearly that of indebtedness. Naturally most of the significant policy measures that were taken by the state in the recent past are aimed at the issue of supply of credit, the cost of credit, and the resultant use of credit in agriculture. In a way, this is an immediate relief measure that was required from the State. This chapter argues that some long term measures need to be taken to ensure that agriculture as a livelihood opportunity becomes attractive to farmers and not a desperate occupation that needs constant doses of State support even for survival.

1. Can agriculture continue to be a worthwhile activity for sustainable livelihoods?

The Johl Committee² that looked into the issue of agricultural distress made the following observation in its findings:

The manifestation of distress is stressful behaviour arising out of social, economic and psychological reasons. However, one common factor that can be seen across all regions is that manifestation of economic distress is primarily through indebtedness. The distress may be 'systemic' (faced by a large number of households) or 'idiosyncratic' (specific to the particular household).

Basically this observation led to defining distress as low levels of liquidity and cash crunch. In any situation of bankruptcy, whether corporate or individual, the manifestation happens through a liquidity crunch. However, it is also well known that liquidity issues are only secondary, and the primary issues pertain to the inherent economic viability of the underlying activity that is being carried out. In fact the committee identifies the reason for distress as the effect of inadequate farm-income coupled with limited non-farm activities that does not support diversification of livelihood activities.

Therefore whether agriculture continues to be a worthwhile activity for livelihoods needs to be examined. Obviously this is not a simple question because there are wide variations across the regions of the

Johl Committee led to defining distress as low levels of liquidity and cash crunch. In any situation of bankruptcy, whether corporate or individual, the manifestation happens through a liquidity crunch.

¹Professor, Indian Institute of Management, Ahmedabad

² Reserve Bank of India (2006): Report of the Working Group to Suggest Measures to Assist Distressed Farmers. Mumbai.

country that make the economics of agriculture behave in diverse ways as the resource availability is quite different. However, at the start, it may help to look at some macro level data for clues.

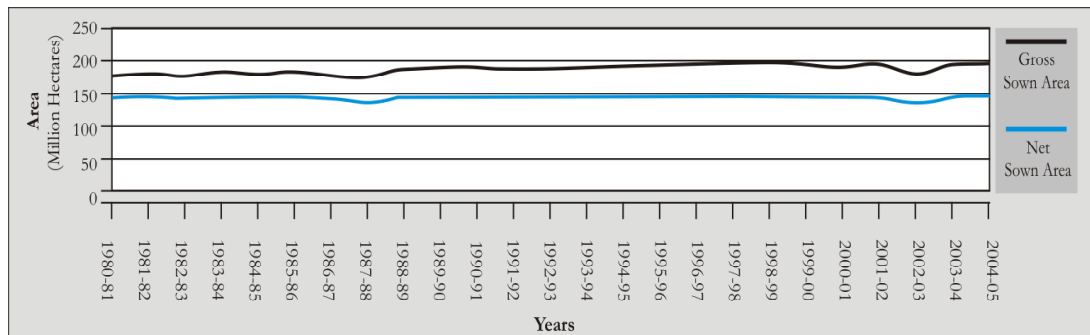
The share of agriculture in GDP was around 36.4 per cent in 1982-83, which declined to 18.5 per cent by 2006-07. At the same time there was no drastic change in the number of households dependent solely or predominantly on agriculture. This essentially means that even if we assume that agriculture is a viable livelihood proposition, this segment of the population was not a part of the economic growth story.

In general the rate of growth of agriculture was higher than the rate of growth of population for a large part of post-Independence India, however this decelerated during the period 1990-2007. While the last year saw a record production of food grains, the deceleration asks us to do some serious soul searching.

Any available land, at least at the margins, is under pressure of urbanisation, to contribute to the growing industrial, service and housing sectors.

Land Use: Increase in the net area sown has flattened out, which essentially means that no additional land is available for cultivation. (See Fig 8.1). Therefore land as a basic resource has reached its peak and the only way we can deal with the issue of food security of the country has more to do with improving agricultural productivity. Any available land, at least at the margins, is under pressure of urbanisation, to contribute to the growing industrial, service and housing sectors.

Fig 8.1: Selected Categories of Land Use



Source: Economic Survey 2007-08

Investments: Looking at investments made in the agricultural sector, we clearly see that the pattern is skewed towards the other sectors. The gross capital formation in agriculture as a percentage of total gross capital formation declined from 8.6 per cent in 1999-2000 to 5.8 percent in 2006-07. It is particularly important to note that the pace of creation of additional irrigation potential has come down drastically. The irrigation potential created thus far is estimated to be around 73 per cent of the ultimate potential. Of this only about 85 per cent of the existing irrigation potential created, is actually utilised. Even in the schemes sanctioned, the implementation remains slow. The last Economic Survey indicates that under the accelerated irrigation benefit programme, 229 major/medium and 6,205 surface minor irrigation projects were sanctioned, of which only 91 and 4,605 respectively were actually completed.

Looking at the data available for the years 1998 through 2001 it appears that have moved from public investments (canals) to private investments (wells/tube-wells) and the area under canals/tanks has shrunk, possibly indicating maintenance problems.

If we look at the pattern of investments, the trend is getting skewed towards private investments in creating these additional resources rather than from public resources. This clearly puts pressure on agricultural households because any private investments would essentially mean locking up of capital, borrowing for the purpose of investments, and eventually servicing this borrowing. This obviously leads to enhanced levels of indebtedness.

Looking at the data available for the years 1998 through 2001, it appears that the area of land under irrigation has actually gone down. Investments have moved from public investments (canals) to private investments (wells/tube-wells) and the area under canals/tanks has shrunk, possibly indicating main-

tenance problems. This trend raises serious concerns. Considering the electoral and policy rhetoric in recent times, it seems that most of this is oriented not towards creation of new facilities such as minor and major irrigation projects or enhanced capital and public investments for creating and harnessing water bodies, but towards enhancing the utilisation and possibly the over-exploitation of the existing facilities. The provision of free/subsidised electricity for agriculture by the state governments is one clear instance. This obviously is a short-term view as against a longer term one of investments in public irrigation systems, major/minor irrigation systems, and rejuvenation and maintenance of tanks.

The reason to dwell on irrigation is obvious. Most of the variability in agricultural production is a function of availability of water. One may say that India as a whole has had good luck over the past few decades because on an average, we have had good monsoons. However regional variations in monsoons have made some sections of the farming households extremely vulnerable.

2. Distress is not as much a function of poverty as it is of predictability and variability

While it is true that most of the farmer suicides were reported in areas like Vidarbha, Maharashtra, which is marked by low availability of resources and backwardness, the same does not apply in similar scale to areas like Chattisgarh, Madhya Pradesh or even Rajasthan. Similarly we also find that regions like Punjab and Kerala have faced a spate of suicides, necessarily not related to agricultural performance but for other reasons. Hence there are two significant problems to address i.e. that of variability – to ensure that there is some level of assured band in which the households can engage in livelihood activity; and that of skewed growth where one smaller sector of the economy is growing much faster leaving a large segment of a deskilled farming community behind.

The three graphs presented here (Fig 8.2-8.4) show the variability of yield of the three main segments of agriculture i.e. rice, wheat and pulses. It is clearly evident that these crops show wide variations in yield, which needs to be addressed on an urgent basis.

Fig 8.2: All-India area, production and yield of rice

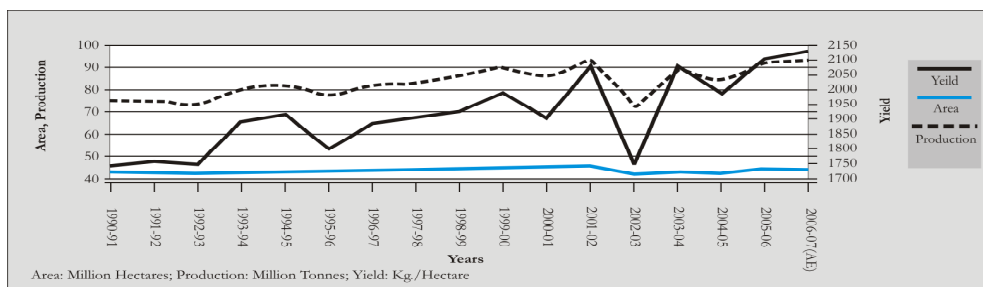


Fig 8.3: All-India area, production and yield of wheat

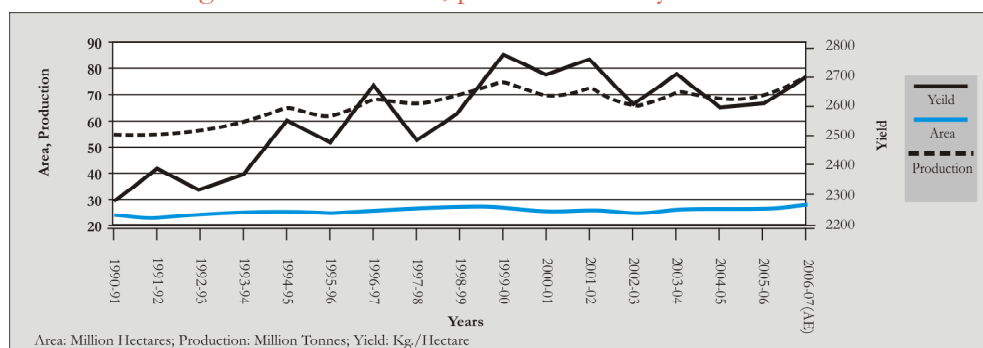
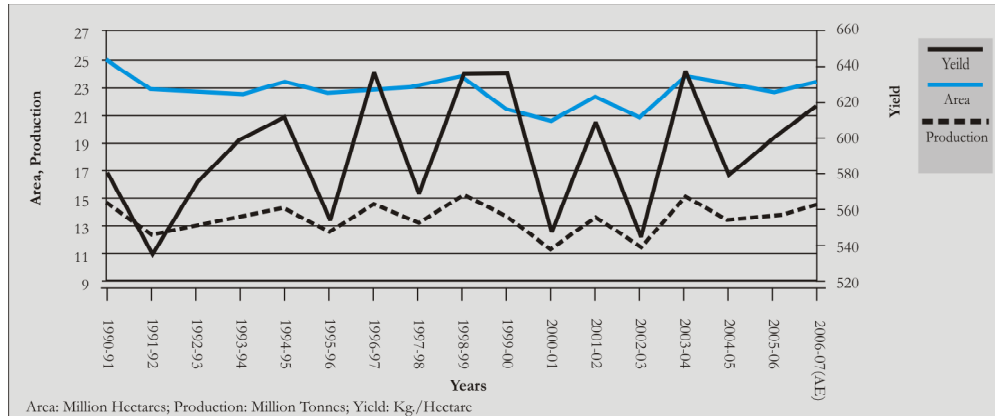


Fig 8.4: All-India area, production and yield of pulses



Source: Economic Survey, 2007-'08

Looking at the NSSO statistics, it is apparent that the returns from agriculture for small and marginal farmers are not sufficient enough for them to earn an income that will take them above the poverty line, if agriculture is the only source of income.

In addition to the aspect of yields, looking at how lucrative farming as an activity is, the figures available are revealing. In 2002-'03, the average return per hectare was Rs 6,756 in Kharif and Rs 9,290 in Rabi. Similarly, looking at the holding pattern, one finds that 86 per cent of the farming households cultivated an average land size of 1.2 hectare and 62 per cent cultivated an average land size of 0.9 hectare during Kharif and Rabi seasons, respectively. The paid-out expenses, as a percentage of value of output was 44 per cent in Kharif and 42 per cent in Rabi. This does not include the imputed cost of family labour or the output used for domestic consumption. This of course is the data for the nation as a whole and there are wide regional variations in the income that agricultural activity gives. For instance, a study in Dungarpur district of Rajasthan³ indicated that agriculture is a net user of cash, because a large part of the production was kept back for household consumption. The arrivals in the market yard were estimated to not be more than 2 per cent of production. In such cases, the households have to diversify their livelihood sources to survive. It is not surprising then that areas where agriculture is a very basic subsistence activity are also areas where a fair amount of migration in search of alternative livelihoods is observed. Looking at the NSSO statistics, it is apparent that the returns from agriculture for small and marginal farmers are not sufficient enough for them to earn an income that will take them above the poverty line, if agriculture is the only source of income.

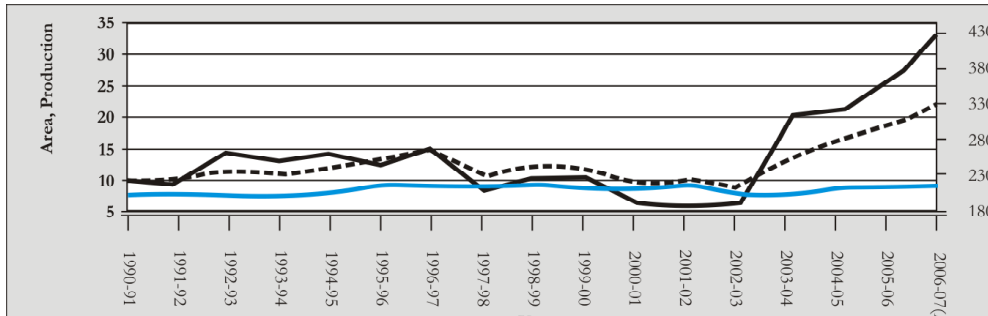
While there are several initiatives taken by the State as well as the markets to address the problem of variability in yield by not only offering insurance products including weather-based products, they do not address the fundamental issue. In an area that is low on resources and high risk, the insurance premiums are bound to be high. Therefore the endeavour has to be primarily towards addressing the factor that causes the risk and a compensation mechanism must kick in only later. However, it appears that in general the solutions are attempted at the compensation level rather than at the level of mitigating risk at source.

3. Cotton in Agriculture: Is there a story?

While in general one finds fluctuating and somewhat flat yields in agriculture, the graph provided in the Economic Survey with reference to cotton provides interesting indications. The yields in cotton seem to have increased dramatically while the area under cotton looks flat. See Fig 8.5 Cotton production in general has had an upward trend but for a slowdown during 2000-'01 and 2003-'04. This clearly indicates that with a significant technological input (in this case Bt) significant impact could be achieved in agricultural productivity.

³Sriram MS and Ghose Shaswati: Financial Flows of the Rural Poor: A Study in Dungarpur District. Ahmedabad: IIMA.

Fig 8.5: All-India area, production and yield of cotton



However, herein lies the tragedy in a story that the macro picture does not reveal. Most of the farmer suicides seem to be happening with farmer households involved in cotton cultivation. The question that arises is whether the risks associated with cotton cultivation have increased significantly. Studies (Davuluri, 1997) seem to indicate that it is indeed so. Farming households opt for crops like cotton because they are inherently very attractive in terms of yield. However, they are also very resource-intensive and require a fair amount of capital. The risk is particularly high in areas where cotton is grown as a rain-fed crop and a slight variation or failure of monsoons leads to disaster for individual farmers. However, the lure of a high yield is too hard to resist, because if the monsoon is good, the yield can be very high. From the perspective of both enhanced income levels and that of variability, cotton seems to make an interesting case for further examination. Statistics point out that in the years between 2002-'03 and 2005-'06 there was a dramatic increase in the yield of cotton while the area under cotton cultivation increased only marginally; and in fact the area under rain-fed cotton decreased during the period. Possibly the households involved in rain-fed cotton are now wary of the risk involved in engaging in this activity and are moving to safer crops.

Most of the farmer suicides seem to be happening with farmer households involved in cotton cultivation. risks associated with cotton cultivation have increased significantly.

4. Indian agriculture has moved to a stage where almost all the inputs/resources come from the markets

Considering the broad shifts in agriculture over the past few decades, there were significant and fundamental changes in the way agricultural practices emerged. The shifts in agricultural practices and the issues arising thereof are discussed in the following section. These fundamental changes are in some areas leading to agrarian distress and hence cannot be ignored.

Technology Issues: Indian agriculture has gone through a fundamental change since the Green Revolution. Farmers have shifted from their traditional crops to varieties that improve yields but are resource intensive. These varieties need high volume of water for irrigation though the availability of water has not kept commensurate pace. We have already discussed the investments in the irrigation sector in the recent past and the shift of investments from public sources to private capital formation as far as water is concerned. Indian agriculture has moved to a stage where almost all the inputs/resources come from the markets. This move is away from recycling of produce on which the farmer had control. The resource providers may have taken a short-term view of agriculture and agricultural markets.

The first fall-out of this inherent change in the agrarian scene is the de-skilling of the Indian farmer. With every new technology the farmer is forced to learn afresh and fast. Learning happens over time and at a much slower pace than that of de-skilling. This skill is not about the physical tasks involved in agriculture per se but largely in understanding the externalities involved. In the absence of such understanding, the farmer may resort to sowing the same crop over and over. With fragmentation of holdings and the land available per farmer getting smaller, the tendency is towards mono cropping. Thus diversity within the plot in a season and diversity of cropping on the same plot over a period of time takes a back seat.

With every new technology the farmer is forced to learn afresh and fast. Learning happens over time and at a much slower pace than that of de-skilling.

When commercial crops like cotton are grown on smallholdings, there is inadequate land available for subsistence food crops. Thus the food security net that was largely within the household moves to the markets. Obviously the farmer has to pay much more to buy out this food from outside due the multiple margins of the intermediaries in the value chain. This involves cash payout and the households get caught in debt if there is a mismatch between the timing of inflows from commercial crops and consumption necessities. Thus while on the one hand production needs credit due to external inputs, even consumption becomes dependent on credit. In case of subsistence agriculture, the production credit for agriculture is actually a consumption loan. Eventually both these aspects lead to higher levels of indebtedness.

Issues with Inputs

Seeds: When farming households move from retained seeds to bought-out seeds, one element of control is lost. In moving away from traditional seeds to their hybrid varieties, the crop becomes resource intensive. Though the genetically modified seeds take technology to a higher platform, they require even greater skills. So the farmer loses both ways. If there is an early success, it gets repeated but may be followed by two or more negative fallouts. If the conditions are not as conducive as the first event, then the downside loss is greater than ex-ante. Meanwhile with the huge difference in prices between ordinary and research-intensive seeds, the risk of spurious seeds filling the middle price range increases. At the end of this cycle the farmer is unable to figure out why he lost. There are other issues concerning seeds such as:

- Are the prices of research-based seeds justified? Are the risks of germination and other aspects being adequately covered?
- Are the quality parameters clearly articulated?
- Does the State machinery have the wherewithal to deal with deviant behaviour on quality?
- Are the instructions on package of practices, including spacing recommended by the interested seed companies reasonable and fall within ethical parameters?
- How does the changed package of practices following new research get conveyed to the farmers?
- Is the produce grown as seed and rejected under quality parameters ejected out of the supply chain? Are there safeguards to ensure that they do not come back into the loop?
- Are their monopolistic tendencies in the market due to the Intellectual Property Right regime that create opportunities for arbitrage and a market for spurious seeds?
- Is the role of seed certification agencies clearly defined and are they held accountable?

With economic liberalisation, it seems that the extension machinery of the state has failed. The recruitment of agricultural officers in banks has fallen; the agricultural universities are strapped for research funds and the graduates of these universities are lapped up by private sector companies thus slowly transferring the intellectual capital from the public domain to the private space.

Extension Services: Extension services have traditionally come from the State through agricultural extension officers. After nationalisation public sector banks hired agricultural officers and posted them in rural branches. Though they technically did not provide extension, they raised the right questions during the appraisals. The next big chunk of extension came from fertiliser companies. However, due to the quota regime on the sale of fertilisers, the companies promoted fertilisers generically rather than as a brand. The last bit of extension came from research driven by agricultural universities and institutions of excellence in agricultural sciences.

With economic liberalisation, it seems that the extension machinery of the state has failed. The recruitment of agricultural officers in banks has fallen; the farmers are now dependent on the input suppliers for technical advice, the agricultural universities are strapped for research funds and the graduates of these universities are lapped up by private sector companies thus slowly transferring the intellectual capital from the public domain to the private space.

The extension offered by self-interested parties raises certain problems and concerns. They are integrated in the financial markets driven by quarterly revenue considerations; and are generally myopic. There is a conflict of interest with brand-technology owners providing extension, with no alternatives provided from a public institution having no vested interests.

Water: Water is a concern expressed time and again. It is the result of the cropping pattern shifting to crops requiring intensive irrigation. Even under rain-fed conditions, farmers are betting on resource intensive high yielding crops. Water use is becoming inefficient because of the several factors.

In digging a bore-well, a private asset is created from something that is a public good. Agriculture is lucrative in areas where water is in plenty. People who have no access to water as a public good (canals, tanks) naturally look for private solutions. As the intensity of digging deeper (with falling water table) increases, there are negative ecological impacts. Coastal areas for instance can have problems of salinity ingress. The implications for the productivity of agriculture are:

- The need to dig deeper to get the same amount of water, therefore increased capital cost of sinking a bore-well, with an associated increase in the probability of failure. The other capital cost that goes up is associated with the increased cost of the motor and pipelines that have to be used to draw water from so much deeper.
- The recurring cost of drawing water from a deeper well is more due to increased use of diesel or electricity.

Farmers who shift to doing agriculture with assured water supply will not revert to rain-fed conditions. However, the returns fall as more people dig wells, and more water is drawn. This manifests in indebtedness leading to a debt trap. A study by Venkateshwarulu⁴ indicated that most finance for private bore-wells had actually come from informal moneylenders thereby also increasing the costs of servicing the loan. Fragmentation of land holdings only accentuates the problem. Regulations pegging the sanction of a loan based on ecological considerations and minimum distance parameters between wells only push the farmers to informal sources as has happened in Warangal district in Andhra Pradesh.

There are no easy solutions to this. The general shift towards privatisation of public goods is a theme across all inputs.

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Pesticides: This issue is also related to agricultural technology and input-supplier driven extension services. In addition there are issues pertaining to spurious products operating in markets that are not mature, but are largely price sensitive. Going to the input supplier for a solution is like going to a doctor with an ailment. Once one is in the clutches, it is difficult to extricate oneself, as one is never sure of the downside of not listening to the advice. There is also a tendency to recommend preventive use of pesticides. The collateral effect of spraying on the health of the farmer is a related aspect that may act as an impediment. Society for Elimination of Rural Poverty (SERP) in Andhra Pradesh has put in practices of pesticides usage and claim that there is significant reduction in costs with no significant downside effects on yields. This involves very intensive extension efforts. Andhra Pradesh is leveraging on existing teams that are doing other work. The other states do not have this infrastructure and it calls for public investments in this area.

5. The biggest missing link in agriculture is the lack of risk mitigation products

Inherent risk mitigation practices do not work with externally managed input supply and extension services, and as a result affects the basic food security of families. Firstly, we need to address yield risks. While we have comprehensive crop insurance schemes, they do not address the problems of the individual farmer. The unit for loss assessment is too wide to compensate individual farmers. But the farmers have to pay the premium on an individual basis and there is a mismatch between the unit of payment and the

⁴Venkateshwarlu, Davuluri and K Srinivas (2000): Debt and Deep Well: Status of Small and Marginal Farmers in Warangal District. Hyderabad: CARE.

unit of risk settlement. The problem pertains to the costs involved in assessing the risks. The existing insurance products do not address the individual risks.

There are various elements that affect the yield starting with the quality of the seed used and the germination. The growth parameters can be hampered by temperature, rainfall, pest attack and the amount of fertilisers used. Except rainfall and pest attack all other parameters pertain to the individual enterprise of the farmer, while what is compensated is only the collective output. It is necessary to break up the risk elements into measurable and identifiable units. Even then, assessment at an individual farm level is difficult.

Temperature and rainfall risks were experimented with, but this requires investments in weather stations. In order to effectively cover the risk, given the nature of land holding and fragmentation, the solution lies in adopting a self-help group like approach to assess losses. However, this is very complex and hence difficult to implement. Nevertheless, assessing losses at least at the gram panchayat level might improve the confidence of the farmers.

It is clear that the Indian farmer is at the receiving end. He is in an enterprise where the entrepreneur is not insulated from the enterprise.

From the above discussion it is clear that the Indian farmer is at the receiving end. He is in an enterprise where the entrepreneur is not insulated from the enterprise. While in the formal industrial sector, due to the limited liability clause, the entrepreneur is generally insulated from failure, this is not so in agriculture. The inappropriate risk mitigation products also indicate that there are no effective external means of covering this element.

The other risk pertains to the price risk, which also hurts the farmer and makes him vulnerable. Price volatility could somewhat be addressed if commodity trading is opened up for small lots where the farmers could take cover. However, there is a need to build safety nets so that they do not end up using the commodity exchanges for speculative purposes.

Increased inputs do not necessarily translate into better prices. Even if the returns increase, they may not be in proportion to the increase in costs. While farmers do not get adequate price, the risks have gone beyond weather and natural calamities to input induced crop failure. In Indian agriculture the relationship between risk and return is stacked against the farmer. If the yield is good, there is no assurance that the price would be good. Therefore while there is a limit to the upside returns, the downside risks can be as high as 100 per cent of the investments, and thus cumulate in a misery as experienced by farmer households that have seen distress and suicide.

6. There is an overwhelming feeling in policy circles that agrarian distress can be addressed by unclogging the supply of formal credit

While agriculture is grappling with several complex issues, one area that is receiving due policy attention is agricultural credit. A study by the Planning Commission quoted in the Economic Survey (2007-'08) indicates that except for enhanced credit, other variables have not grown proportionately. There seems to be an overwhelming feeling in the policy circles that the fundamental issues in agriculture and problems that lead to distress could be addressed by unclogging the supply of formal credit. While this is indeed a welcome step, we have to realise that indebtedness is only a manifestation of other underlying problems. If we do not address the basic problem, we will continue to do work on the periphery and this will not make any significant impact on the livelihoods of the poor. Before discussing the details of agricultural credit, let's put the issues a bit more in perspective. It is clear that distress is a manifestation of multiple causes. In fact, studies indicate that distress is not necessarily related to extreme poverty (Gill and Singh 2006⁵, Satish, 2006⁶). Studies by Krishna (2003)⁷ indicate that the reasons (such as crop failure, health,

litigation, etc.) for distress or for slipping back into poverty could be different from the reasons (such as livelihood diversification) for escaping poverty. Therefore the solutions to the problem cannot be focused only on the supply of credit.

It is difficult to establish a causal relationship to show that the increased supply and administered pricing of credit will help in increasing agricultural productivity and the well-being of farmer households. Why such a relationship is difficult to establish is detailed below:

1. Credit is a sub-component of the total investments made in agriculture. The investments come from a basket of sources ranging from non-monetised investments such as the farmer's labour, saved seeds, use of local resources for pest control and fertilisers; and monetised investments that include both the savings of the agriculturist and borrowings. Borrowings could in fact be from multiple sources in the formal and informal space. We shall consider only a part of this sub-component -- borrowing from formal sources, in order to establish the causality. With data available largely from the formal sources of credit and indications that formal credit as a proportion of total indebtedness is going down, it becomes that much more difficult to establish causality.
2. The diversity in cropping patterns, holding sizes, productivity, regional variations also make it difficult to establish such causality for agriculture or rural sector as a whole, even if the data was available.

It is difficult to establish a causal relationship to show that the increased supply and administered pricing of credit will help in increasing agricultural productivity and the well-being of farmer households.

While looking at the productivity of agricultural and rural credit, it might be pertinent to review three important papers that touch on this theme.

An important paper that examines the possible relationship is by Burgess and Pandey [2003].⁸ The authors, using panel data on rural poverty and spread of bank branches, argue that increase in access to credit has helped reduce rural poverty. They conclude that the fact that banks open branches makes formal credit accessible and that in the long run has a positive impact on poverty. To illustrate their argument, they contrast the poverty rates with the pre- and post-liberalisation periods (when the condition to open more branches in unbanked areas was dispensed with). While establishing their argument they also cite others [Eastwood and Kohli, 1999] who argue that the expansion of branches actually enhanced the lending to the rural small-scale sector where the growth was faster. Thus it is possible to take these independent conclusions together to indicate that the positive impact on poverty might have come from the non-farm sector. In fact the authors argue that market forces possibly may not take care of the poor and backward areas by providing a counter example from microfinance, which has grown largely without large geographic target setting from the State. They cite evidence that microfinance is not successful in reaching backward areas. So the thrust of Burgess and Pandey is that in order to address poverty, it is necessary to have formal banking outlets. However the impacts on poverty seem to come from non-primary sectors like enterprise and the resultant wage employment that these enterprises generate. They also argue that since banks provide a complete suite of financial products, including savings, they are more effective than pure credit institutions. However the paper does not provide evidence of a link between credit and agriculture.

Vaidyanathan (2006)⁹ examines both capital formation in agriculture and also the type of investments currently being made in agriculture in the context of farmer suicides. His paper also does not indicate any direct relationship between investments and productivity. In fact he argues that some of the recent trends in investment in agriculture are ill conceived and thus may lead to a negative spiral. He cites the case of increased indebtedness of farmers towards both formal and informal sources in cash crops

⁸Gill, Anita and Singh, Lakhwinder (2006): Farmers' Suicides and Response of Public Policy: Evidence, Diagnosis and Alternatives from Punjab. Economic and Political Weekly, June 30, 2006.

⁹Satish P (2006): Institutional Credit, Indebtedness and Suicides in Punjab. Economic and Political Weekly. June 30, 2006.

⁷Krishna, A. (2003): Falling into Poverty: Other Side of Poverty Reduction. Economic and Political Weekly, Vol. 6, pp. 533-542.

⁸Burgess, Robin and Rohini Pandey [2003]: Do Banks Matter: Evidence from Indian Social Banking Experiment. BREAD Working Paper.No37.

⁹Vaidyanathan A (2006): Farmer Suicides and Agrarian Crisis Economic and Political Weekly. Vol 41 No.38, September 23rd. pp.4009-4013

Public capital formation that addresses maintenance of larger irrigation structures, that has a long-term vision of management of resources like water is important for addressing productivity.

like cotton, not necessarily resulting in increased productivity and in many cases leading to failure. He argues that even private capital formation in agriculture may not be yielding better productivity because farmers are digging deeper to tap groundwater, thereby incurring more costs to maintain the same levels of productivity and in cases where the wells fail, getting into serious indebtedness. Both these observations indicate that while it is important to have increasing investments in agriculture, and much of these private investments should desirably be funded through formal sources of credit, no causality can be established between investments and productivity, unless they are directed in a well thought out manner. Thus mere increase in supply of credit is not going to address the problem of productivity, unless it is accompanied by investments in other support services. Therefore public capital formation that address maintenance of larger irrigation structures, that has a long-term vision of management of resources like water is important for addressing productivity.

Rakesh Mohan¹⁰ looked at the overall growth of agriculture and the role of credit. Agreeing that the overall supply of credit to agriculture as a percentage of the total credit disbursed is going down, he argues that this should not be a cause for worry as the share of formal credit as a part of the agricultural GDP is growing. However, even here one is unable to establish the relationship between increased supply of credit and productivity.

One finds that the relationship between the value of input and the value of agricultural output over the last decade has remained in the same band, with the output hovering around five times the value of input (See annex). The figures are stated at current prices, and adjusting for inflation, one finds that there was no dramatic increase in the value of output over the past decade. This loosely establishes that while credit is increasing, it has not really made an impact on value of output figures. This is not a robust way of establishing causality, but points out the limitations of credit. It is important to see that even at the highest level of production, credit forms around 5 per cent of the total output value. Thus expecting something that has so little a share in the output value to have significant impact on the output/productivity values may not be in order.

Data indicates that agriculture in itself is not very profitable and varies widely across states and regions. Interestingly in some states like Jharkhand, Kerala, Rajasthan, Tamil Nadu and West Bengal, the earnings from wage labour is higher than the earnings from cultivation.

Further the data indicates that agriculture in itself is not very profitable and varies widely across states and regions. For instance the data from the 59th round of NSS, 2003 indicates that in 2002-'03, the net receipt from cultivation for each household across the country was around Rs 969 per month. This figure varies widely and forms less than 50 per cent of the overall pie of the income sources of the households. Interestingly in some states like Jharkhand, Kerala, Rajasthan, Tamil Nadu and West Bengal, the earnings from wage labour is higher than the earnings from cultivation. Looking at the overall cost of cultivation one finds that interest expense on loans for cultivation averages around 1 per cent of the total cost of cultivation, never exceeding 3 per cent of the cost of cultivation. The most significant costs of cultivation are labour and fertiliser (Statement 8, Page 19).

Significant inputs in percentage terms are labour (22 per cent), lease rental (5 per cent) and other expenses (15 per cent), and a greater investment in these inputs would not increase the inherent productivity of the land. The inputs that establish causality are seeds (16 per cent of input costs), irrigation (12 per cent) and fertilisers (23 per cent). Thus to ascribe causality to credit, one has to look at the incremental outputs due to investments in these inputs which account for about 50 per cent of the costs and see if externally spurred investments would make a difference.

The NSSO data does not show the significance of credit in the overall productivity of agriculture. It also highlights the fact that rural incomes are becoming increasingly dependent on alternative and diverse sources.

¹⁰Mohan, Rakesh (2006): Agricultural Credit in India – Status, Issues and Future Agenda, Economic and Political Weekly Vol.41. No 12 pp. 1013-1021.

With these inputs, one can examine if there is headroom for formal sources of credit to replace the current financing patterns. The growth in agricultural finance may be partially filling this headroom. Even if this headroom is filled up, it would only reduce the borrowing costs of the farmer to a limited extent without having a significant impact on productivity. Credit linked productivity enhancement may come through technological innovations that make agriculture more capital intensive with a dramatic incremental input-output multiplier.

Apart from the above very small evidence, one is unable to establish causality between increased availability of credit and agricultural productivity. One may be able to examine this in some detail if the data pertaining to input costs, credit component (both formal and informal), crop production and yield data is available at the district level over a period of time. This comprehensive data is however extremely difficult to obtain.

Hence while credit is important, the excessive focus laid on credit, as a solution to agrarian distress may be ill conceived. Before concluding, let's look at the politics of loan waivers in the next section.

7. A predominant myth is that policies for rural areas should be fully embedded in agriculture

While formulating policies, we succumb to certain myths. As per the 2001 census 40 per cent of the rural population was engaged in agriculture as cultivators. Around 33 per cent of the rural population were agri-wage labourers. Hence while talking about programmes rooted in agriculture, we are talking about the direct benefit to only 40 per cent of the rural population. Similarly when talking about poverty, we again seem to equate it with rural areas. Thus several policies get formulated on a simple formula of "poverty equals rural areas equals agriculture". Examining the policies formulated by different governments in the past decades, one finds how myopic they were.

Several policies get formulated on a simple formula of "poverty equals rural areas equals agriculture". Examining the policies formulated by different governments in the past decades, one finds how myopic they were.

The first big event that started the tragedy of rural finance can possibly be traced to 1989. However, different governments had given ominous signs that such a tragedy would occur. But the policies between the decades of the Fifties through the Seventies were more forward looking. The All India Rural Credit Survey (Gorwala Committee) and the decennial All India Debt and Investment Surveys had indicated that a significant share of the credit in the rural areas was being met by the informal sources, particularly the moneylenders. The share of institutional credit was small in the overall pie of rural indebtedness. It was in that context that the Gorwala Committee had recommended State partnership in the field of rural cooperatives. A significant part of the rural credit policy was rooted in the recommendations of the Gorwala Committee in the Fifties and the Sixties.

In the decade of the Seventies we saw the increase in institutional credit in the rural financial sector. This started with the nationalisation of commercial banks. There were two elements that were going hand-in-hand with the policy of the State:

1. For every licence to open a branch in an urban location, the banks had to open four branches in unbanked locations.
2. Not less than 18 per cent of the net bank credit had to be compulsorily given to the agricultural sector, and 13.5 per cent of it had to go to agriculture "direct".

While point 1 above was given up in the early Nineties (as part of the overall economic liberalisation drive), the second policy intervention continues even now. The current branch-licensing requirement has reintroduced such a conditional branch expansion policy, though with a much liberal ratio. This policy is good but from a position of the policy that there should be enough physical outlets and adequate financial resources allocated to agriculture and rural areas. Then when the policy goes ahead to dictate how this would be achieved, our problem starts. That is where the decline of the lofty intent of the State starts becoming evident. The significant milestones of the policy decline are:

8. Integrated Rural Development Project (IRDP) loans that were designed centrally (and were not relevant in many areas where they were disbursed) and thrust down the throats of the banks and cooperative societies.
9. Loan Mela programmes organised by ministers in several places.

A fall-out of the above trend was that cooperatives no longer remained cooperatives, but became arms of the State. Banks distributed money to the pressures of loan melas. There was a mountain of potential bad debt sitting pretty on the Indian economic system. In 1989, the first large-scale loan waiver was announced.

In the decade of the Fifties the share of institutional credit in the overall indebtedness was only 7.3 per cent. It was at this juncture that the Gorwala Committee had suggested the State's partnership with cooperatives. By the decade of the Sixties, the institutional share had increased to 18.7 per cent. By 1971 it had increased to 32 per cent. With the nationalisation of some commercial banks and setting up of regional rural banks (RRBs), the fastest growth came in the decade of Seventies. By 1981 the share of institutional credit had almost doubled to 63 per cent. This continued on a growth path till about 1991, when the share had grown to 66 per cent of the total indebtedness. However, after the 1989 waiver, the share of institutional credit fell to 61 per cent by the 2002 figures. Interestingly the share of cooperatives started showing a decline in the early Eighties.

Ominous signs of the current loan waiver were there for all of us to see in the policies of the State over the past few years. Firstly the state seemed to have sought refuge in pumping credit, whenever there was a crisis in agriculture. Doubling of agricultural credit in three years made an interesting catch line. It was measurable and the State could pat its own back when the numbers came in. It is possible to arm-twist the banks to produce the numbers.

If the bottleneck in agriculture was credit, then with the doubling of agricultural credit and with subvention provided for agricultural loans, there should have been some significant effect on the agricultural output. However, the overall output seems to have stagnated over the past few years, except the current year. (See annex) Clearly output does not seem to just increase by opening the credit tap. As discussed earlier this would need better seed, fertiliser, water and markets. Without taking these four pillars of agriculture, there would be little purpose in propping up the scaffolding of credit as the single answer to all agricultural woes. From the statistics, it is evident that while agricultural loans have doubled, the actual number of borrowing cultivators has gone down, thereby increasing the average amounts lent per account. In a situation where the average holding size is going down across the country, we would not need any sophisticated statistical exercise to declare that these loans are moving towards larger farmers. If the average loan size goes up, without concurrent increase in the output we can at best draw one of two conclusions: The repayment capacity of the borrower must have significantly gone down, or the loans were diverted for some other purpose. Either way, it was very evident that there was a time bomb ticking in the doubled agricultural credit.

Clearly output does not seem to just increase by opening the credit tap. Without taking these four pillars of agriculture, there would be little purpose in propping up the scaffolding of credit as the single answer to all agricultural woes.

The country had to pay a price in the decade of Nineties for the policies followed in the decade of the Seventies. It started with the restructuring of commercial banks by recapitalising them. The banks were then able to stand on their own feet and fulfil their responsibilities. So after 1991, the banks largely assumed responsibility for their performance, talked about their profitability and were actively watched in the stock market. Commercial entities are expected to behave in this manner and be active participants in the commercial world. After the commercial banks, it was the turn of the RRBs to get an overhaul. Once the State started implementing the recapitalisation package, the widespread expectation was that it would no longer interfere in the day-to-day functioning of the commercial entities.

Therefore when in 2002-'03 the Vaidyanathan Committee was appointed to look at the cooperative sector, one was expecting that the State would also do its bit to repair the damage for this sector as well, before

withdrawing. In fact, one of the justifications given by the Vaidyanathan Committee was that since the State was responsible through its interference in the cooperative sector to correct the situation through an investment of nearly Rs 15,000 crore, this was seen as a one-time investment. The precondition for this package was autonomy for the cooperative sector. In fact the Committee had specifically made mention of loan waivers and its devastating impact on the financial systems. The State however never takes the reports of such committees in their entirety for implementation.

Given this background it is indeed intriguing that the State conceives such schemes that tend to destroy the monuments it has built and maintained over the years. The promise of reduction in interest rates is one more of the measures that the State very often resorts to. The problem that agriculture faces is more in the area of yields and prices, but it is difficult for the State to intervene and control this aspect. Perhaps the State needs to seriously introspect as to how it could put a finger on the basic problems leading to agrarian distress rather than get the solutions in place through supply-side directives and look for problems that require a quick solution.

8. Agrarian distress is not divorced from the general distress at the household level

As we have argued earlier, “agrarian distress is only a part of the problem. Pressures that push the people towards poverty are health and social expenses, apart from the failure of investments in business (including farming). The initiatives that need to be rolled out should take a medium- to long-term perspective, while simultaneously dealing with the short-term fire fighting that the State would have to do. The Expert Panel on Agrarian Distress¹¹ articulated the initiatives as follows:

Medium term initiatives that need to be rolled out on a national scale include

1. Mechanisms to strengthen food security at the household level;
2. Regulatory mechanisms for inputs like seeds;
3. Risk mitigation at both the personal as well as the professional level;
4. Relief for failure of investments like failed wells;
5. Reducing vulnerability on account of ill health.

Basically agrarian distress is not divorced from the general distress in the family. There are pressure points not only on the professional space (in this case agriculture) but also on the personal space. One of the problems with agriculture is the concentration of risks that the households have on an activity such as agriculture. Indeed, backward regions like Dungarpur district in Rajasthan where agriculture is practiced on a subsistence level seems to be better off as far as absorbing any agrarian shocks such as drought, because over the years they have put in place coping mechanisms that include migration in search of non-farm employment.

While as far as agriculture is concerned it is essential to have public investments in agricultural research, counselling services, training and infrastructure. In addition subsidies, which address the pressure points of agrarian distress through safety nets and support systems, could be more encouraging and less costly than direct doles and write-offs. More importantly an important step is to go beyond agriculture to expand livelihood opportunities. Non-farm employment also reduces agrarian distress and slows down rural-urban migration.

An expert panel had looked into the aspects that could address agrarian distress and recommended solutions in both the short-term and medium-term under the following classifications. These recom-

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¹¹Nabard 2007: Expert Panel on Agrarian Distress. Mumbai:NABARD

An expert panel's recommendations provided a framework on which the issue of distress and livelihood security for agricultural households can be addressed. The four themes were:

- Finance management, indebtedness, and terms of credit
- Risk and risk mitigation
- Support systems and social networks
- Farm practices that lead to distress, and changes to these practices.

Most of the schemes like IRDP, SGSY and other schematic lending programmes have looked at lending to the poor for self-employment purposes. There is an inherent flaw in this design because it assumes all people not involved in cultivation want to be self-employed.

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In addition to the issue of agriculture, it is important to look at the other sectors. The rural economy is not homogeneous to be amenable to schematic lending. Indeed data from three states indicates that it might be appropriate to look at credit as a part of a basket of financial services. However, across regions the following characterises rural transactions:

- The exchanges have a large non-monetised element. While exchanges are on the basis of rupee value, transactions do not get settled frequently. For instance one might agree on a daily wage rate, but ultimate settlement takes place through a few cash exchanges in a season, beyond a minimum daily subsistence that might be settled in kind. The cash exchanges are less. We find this practice prevalent with migrant workers and their Mukaddams.
- The sources of cash flows in the local economy are not diversified. In agrarian economies we have heightened economic activities around harvest time. Thus one finds even the other services getting settled around that time. For instance in Khammam district a local cable television operator had his monthly subscriptions paid up regularly and his income from new subscriptions would spurt during the harvest time. Traditionally we know that even service providers like the dhobi, and barber were paid in kind around harvest time, in addition to the minimal payments they received through the year.
- The income diversification of individual households is limited, with most households depending on one or two significant streams of income.
- The exposure to risk is higher. We find rural activities are outside the organised “formal” entities. Thus they cannot cover the downside risk. The entrepreneur and the enterprise are seamless, unlike in the urban settings, and any business failure (including that in agriculture) affects personal finances. The formal business on the other hand is insulated through the limited liability clause. The general usage of cash is on an inflow-outflow basis rather than an income-expense basis. Thus any formal insurance is seen as a continuous outflow with no perceivable inflows. In some of the rare cases where they see the merit of the risk cover, the claim settlement process does not give them confidence to continue an ongoing relationship.
- Because of the above, the rural households are vulnerable. If we were able to formulate policies that prevent people from slipping back into poverty, the net poverty reduction figures could show a remarkable progress.

Therefore, when looking at the rural markets from the demand side, it is possible to offer an array of need-based interventions that would make an impact on the cash flows, increase monetisation and the participation in the formal sector, thus making exchanges discover market mechanisms.

Even in the non-farm sector, major interventions were supply induced. Most of the schemes like IRDP, SGSY and other schematic lending programmes have looked at lending to the poor for self-employment purposes. There is an inherent flaw in this design because it assumes all people not involved in cultivation want to be self-employed. Looking at the pattern of engagement of the rural people for earning incomes, it is evident that a significant proportion of the rural population is wage-employed as evidenced in ‘Distribution by Workers Category’ Table (annex).

From the data one discovers that only a third of the population works as agriculture labour while a significant number work outside of agriculture. While it is sharper in the national statistics, even the number of people outside of cultivation is significant. Even people involved in agriculture seem to be employed part time on somebody else's plot as wage earners.

However, it would not be appropriate to say that all supply-induced programmes have not worked. Even microfinance programmes, by and large, are supply side offerings. Microfinance places several constraints on the borrower by its design. While there may not be a project-to-project evaluation, it directs investments in certain types of activities because of the design constraint. All microfinance programmes have non-negotiable clauses. These pertain to the discipline. The design of microfinance programmes expects a regular contact with the members and all loans are to be repaid with a certain frequency. This is a supply (design) induced constraint and forces the borrowers to either set up enterprises that provide such a frequent cash flow or service the new loan from an extant cash flow. For an economy that is largely constrained by seasonal income, the requirement of generating cash flows to service the loan and also to save significantly changes the rules of the game. This change is bigger in Grameen groups, because the frequency of contact is weekly with no scope for default. Thus people in these programmes are forced to look at activities that yield frequent cash flows.

This strategy may induce livelihood diversification, without actually stating so. In our primary data collected in Dharmapuri district in Tamil Nadu as against other areas we found that a large percentage of people were involved in enterprise possibly due to microfinance programmes that were operating for more than two decades. Myrada, the organisation that pioneered the SHG movement did its early work in Dharmapuri district. Not only are the figures of self-employment distinct in Dharmapuri district, we found that the groups financed wide-ranging activities in the district. In a study we found that SHGs in Dharmapuri had a significant role in meeting the financial needs (savings as well as loans) of the respondents. The supply-side constraints of microfinance initiatives pertain to design of the programme and not to the design and delivery of financial products.

Looking at the need for rural credit beyond agriculture, the demand side indicates some market opportunities. The needs of the rural households are no different from their urban counterparts. However, the products offered need to be structured properly in order to make them meaningful for the rural areas. One compelling need is that of smoothening the seasonality of cash flows. The formal institutions do not really operate in this space. The SHGs do not seem to see consumption loans as a taboo. The rice credit line experiment in Andhra Pradesh demonstrates how food security can intervene in reducing vulnerability. The scheme had the dual purpose of cost savings (as rice is purchased in bulk for the collective) and providing food security for the households. It is argued that food stocks helped the poor to bargain for better wages, as they did not have an immediate need to work out of desperation.¹² If this is indeed the case, it increases the financial yield for the wage earners and demonstrates that credit has made a difference. The experiment recognises that there are large numbers of wage earners and the human body is the most productive asset owned by them. This scheme, operated through SHGs, can easily be linked with the formal institutions.

Looking at the need for rural credit beyond agriculture, the demand side indicates some market opportunities. One compelling need is that of smoothening the seasonality of cash flows.

The other demand induced needs can follow the employment pattern in the rural areas. Microfinance deals with income diversification in a limited way, but does not address livelihood issues contributing to diversification of income streams. Seasonal migration is a case in point. Seasonal migrants work through a set of contractors called Mukaddams. A study in Ahmedabad and Hyderabad cities focussing on seasonal migrants in the construction sector indicates intricate relationships between the Mukaddams and the workers similar to the relation the farmers have with their input suppliers – a web of interlinked transactions, where the workers are given advances, taken for work, supported for bare subsistence and later given a lump sum wage. It is however not clear how vulnerable the migrants are. (See Chapter 2)

¹²Vijayakumar T (2006): Personal communication. Vijayakumar is the CEO of Society for Elimination of Rural Poverty that implements the Velugu Programme.

However as final wage settlements happen at the end of the season, it is likely that they are dependent on the Mukaddam to realise the current income, and to seek future employment opportunities. There are opportunities for providing an initial loan to reduce the financial dependence on the Mukaddam, and scope of providing for cash conservation at the destination and remittance-related services. This is complex as the economic activities are happening at two stations – the base of the household and the changing destinations where they are working.

The other demand-induced loan that is widely documented is for emergency purposes, for which the dependence on informal systems is imperative. While some microfinance initiatives address this by retaining a cash balance, or refinance a bridge loan from the informal sources, it is not widely prevalent. Structuring this from a formal source is a challenge.

The current needs of the households come from a complex web of relationships. It may not be possible to address every need from the formal sources. This requires re-engineering of the current products to address the spectrum of needs. Formal sources may not want to address all the needs. From the view of productivity, we have illustrated how consumption loans on the lines of rice credit line actually may add to productivity, while the other loans are more in the nature of vulnerability reduction. Maheshwari (2004)¹³ indicates that reducing vulnerability in itself can be a laudable goal. She compares the pattern of borrowings of members of two-year-old SHGs as against members of eight-year-old SHGs and concludes that there is no difference in the cost of borrowing between the two groups. At the initial stages, while the SHG members are heavily dependent on the moneylender, they also manage their finances by borrowing informally from their friends and relatives who lend at near-zero costs. As the SHG grows, their dependence on the moneylender gradually reduces, and concurrently the access to informal finance from networked relationships also reduces. This does not affect the cost of borrowing significantly, but makes the households less dependent on the moneylender. The argument is similar to the vulnerability argument extended in the rice credit line scheme.

In addition there are needs pertaining to asset creation. Some assets lead to augmentation of income sources and others lead to better quality of life. However, we cannot ignore the economic activities that relate to asset creation. Our data from the three districts show the absence of formal sources even in planned events like housing because the design of products is contextually inappropriate. Addressing these needs will reduce the dependence on one source and thus make the households less vulnerable. This in itself can have positive multiplier effects on income yields and productivity.

. Instead of controlling at the supply level, it may be a better idea to make rural lending attractive, by removing formal and informal interest rate ceilings. The microfinance market has flourished because the commercial decisions such as interest rates were left to the local conditions.

11. Our policy interventions look for ‘quickfix’ solutions and the interventions are finance-led

We have to start recognising that there are no easy or short-term solutions. We need to understand the changing face of Indian agriculture. The provision of financial services is one small part of the issue. The policy has to recognise the fact that rural lending is inherently risky because of the volatility of the underlying economy and there is far less potential for institutions to cover costs. The institutions have to maintain a balance between defaults and administrative/collection costs. Banks do not seem to have a clear idea on what it costs to lend in the rural areas, therefore it may be desirable to institute segmented costing systems where product-wise profitability could be arrived at. If the State still has to intervene, it can target interest subsidies, if they are absolutely necessary.

Our argument is against any interventions in the interest rate space. Instead of controlling at the supply level, it may be a better idea to make rural lending attractive, by removing formal and informal interest rate ceilings. The microfinance market has flourished because the commercial decisions such as interest rates were left to the local conditions. We also see diversity in interest rates applied in the microfinance

¹³Maheshwari, Neelam (2004): Access to Credit: Determinants for an SHG Member. New Delhi: PRADAN (mimeo).

sphere depending on the situation, but that it is making access friendlier and has had an impact is beyond doubt. Banking needs to be unshackled at this stage.

We have to recognise that any intervention in rural areas has to have a large non-agricultural element to it. This is the only way we can recognise the seasonality of agriculture. It is absolutely essential to ensure that there are diversified livelihood opportunities across the country. This could happen through dovetailing the livelihood opportunities with other schemes of the government like the rural employment guarantee scheme. (See chapter 3) It may be also useful to look at migration in a constructive sense and possibly facilitate benign migration in seasons from areas that are poorly endowed with natural resources. Unless the economy is lubricated with constant flow of cash from diverse activities, the vulnerability is only going to increase. In addition there are the usual sore points that are discussed in literature ad-nauseum like recognition of tenancy rights; bringing the land records up to date; providing forward/backward linkages; setting up of warehouses and cold chains and clearing the infrastructure bottlenecks.

Agrarian distress in India is the manifestation of a complex interplay of changes in technology, fundamental changes in the way resources are used and the inadequate policy response that has focused largely on de-clogging credit supply. Agricultural livelihoods cannot be divorced from the larger issue of rural livelihoods and one of the most significant ways in which we could positively affect households involved in agriculture is to look at opportunities of livelihood diversification and opening up ample opportunities in the non-farm sector.

Agrarian distress in India is the manifestation of a complex interplay of changes in technology, fundamental changes in the way resources are used and the inadequate policy response that has focused largely on de-clogging credit supply.



Annexures

CHAPTER I - ANNEX TABLES & FIGURES

**Table A.1.1: Growth rate of real wages (1999-00 prices)
for casual workers of age 15-59**

	Agriculture		Non-Agriculture	
	1994 – 2000	2000 - 2005	1994 – 2000	2000 – 2005
Male	2.80	1.38	3.67	0.67
Female	2.95	1.04	5.13	1.51
Persons	2.78	1.31	4.19	0.76

**Table A.1.2: Growth rate of real wages of regular workers by
education status (NSSO data)**

	Rural		Urban	
	1994 – 2000	2000 - 2005	1994 – 2000	2000 – 2005
Non Literate	6.18	-1.67	2.63	-1.00
Primary	3.88	-0.57	3.42	-2.20
Secondary	4.33	-0.72	4.37	-1.74
Graduate	6.04	2.00	5.27	1.91
All	5.38	0.56	5.01	0.21

Table A.1.3: Distribution of population and Average Daily Per Capita Expenditure

Poverty Status	Distribution of population (in million)	Population Percentage Distribution	Average DPCE (in Rs.)	Average DPCE (in US \$ PPP)
1993-94				
1. Extremely poor	102.6	11.5	4	0.7
2. Poor	171.6	19.2	6	1.0
3. Marginal	168.2	18.8	8	1.3
4. Vulnerable	289.5	32.4	11	1.8
5. Middle Income	138.5	15.5	19	3.1
6. High Income	23.9	2.7	47	7.6
7. Extremely poor and poor (1+2)	274.2	30.7	5	0.9
8. Marginal & Vulnerable (3+4)	457.7	51.2	10	1.6
9. Poor & Vulnerable (7+8)	731.9	81.8	8	1.3
10. Middle & high income (5+6)	162.4	18.2	23	3.7
11. All	894.4	100.0	11	
1999-2000				
1. Extremely poor	87.4	8.7	7	0.8
2. Poor	174.1	17.3	10	1.2
3. Marginal	200.2	19.9	12	1.5
4. Vulnerable	349.0	34.8	17	2.1
5. Middle Class	167.3	16.7	31	3.6
6. High Income	26.1	2.6	73	8.6
7. Extremely poor and poor (1+2)	261.6	26.1	9	1.1
8. Marginal & Vulnerable (3+4)	549.2	54.7	16	1.8
9. Poor & Vulnerable (7+8)	810.7	80.7	13	1.6
10. Middle & high income (5+6)	193.4	19.3	36	4.3
11. All	1004.1	100.0	18	2.1
2004-05				
1. Extremely poor	69.7	6.4	9	0.9
2. Poor	167.3	15.4	12	1.3
3. Marginal	207.1	19.0	15	1.6
4. Vulnerable	392.0	36.0	20	2.2
5. Middle Class	209.8	19.3	37	4.0
6. High Income	43.7	4.0	93	10.1
7. Extremely poor and poor (1+2)	237.0	21.8	11	1.2
8. Marginal & Vulnerable (3+4)	599.1	55.0	18	2.0
9. Poor & Vulnerable (7+8)	836.1	76.7	16	1.8
10. Middle & high income (5+6)	253.5	23.3	46	5.1
11. All	1089.6	100.0	23	2.5

Conversion rates for \$PPP were computed from the calendar year - wise conversion rates provided in International Monetary Fund, World Economic Outlook Database, September 2006, The conversion rates used are Rs. 6.20, Rs. 8.42, and Rs. 9.12 for 1993-94, 1999-2000 and 2004-05.

Table A.1.4: Systemic and Hierarchical Segmentation of Social Groups across Economic Groups (Ranking)

Social Group	Shares of Unorganised Workers in Total Workers	Incidence of extremely poor and poor	Incidence of poor and vulnerable	Low education among poor and vulnerable	Low education among Unorganised Workers	Proportion of middle and high income among social groups
Others	1	1	1	1	1	1
OBC	2	2	2	2	2	2
Muslim	3	3	3	3	3	3
SC/ST	4	4	4	4	4	4

Ranking in descending order. 1 indicates the most favourable position and 4 indicate the least favourable position.

Table A.1.5: Sectoral Employment shares by Current Daily Status (CDS Basis)

Industry	1983	1993-94	1999-00	2004-05
Agriculture	65.42	61.03	56.64	52.06
Mining & Quarrying	0.66	0.78	0.67	0.63
Manufacturing	11.27	11.10	12.13	12.90
Electricity, water etc.	0.34	0.41	0.34	0.35
Construction	2.56	3.63	4.44	5.57
Trade, hotel & restaurant	6.98	8.26	11.20	12.62
Transport, storage & communication	2.88	3.22	4.06	4.61
Fin., Insu., Real est., & busi., Services	0.78	1.08	1.36	2.00
Comty., social & personal services	9.10	10.50	9.16	9.24
Total	100.0	100.0	100.0	100.0

Source: Various rounds of NSSO survey on employment and unemployment / Planning Commission.

Table A.1.6

	Employment	Employment Growth	Unemployment rate		Employment Elasticity	GDP growth rate
	1999-2000	1993 – 1994 to 1999 – 2000	1999 – 2000	1993 – 1994	1993 – 1994 to 1999 – 2000	
Andhra Pradesh	30614	0.35	8.03	6.69	0.067	5.2
Assam	7647	1.99	8.03	8.03	0.737	2.7
Bihar	30355	1.59	7.32	6.34	0.353	4.5
Gujarat	18545	2.31	4.55	5.7	0.316	7.3
Haryana	5982	2.43	4.77	6.51	0.42	5.8
Himachal Pradesh	2371	0.37	2.96	1.8	0.052	7.1
Karnataka	20333	1.43	4.57	4.94	0.188	7.6
Kerala	8902	0.07	20.97	15.51	0.013	5.5
MP	28725	1.28	4.45	3.56	0.272	4.7
MH	34979	1.25	7.16	5.09	0.216	5.8
Orissa	11928	1.05	7.34	7.3	0.262	4
Punjab	8013	1.96	4.03	3.1	0.426	4.6
Raj	19930	0.73	3.13	1.31	0.104	7
TN	23143	0.37	11.78	11.41	0.052	7.1
UP	49387	1.02	4.08	3.45	0.185	5.5
WB	22656	0.41	14.99	10.06	0.056	7.3
All India	336736	1.07	7.32	5.99	0.16	6.7

Source: Inequality in India: A Survey of Recent Trends, data from Economic Survey

Table A.1.7: Net SDP growth of 14 states which together account for 95% of India's population

	1980-81 to 1991-92 (Per Cent per annum)	1990-91 to 1997-98 (Per Cent per annum)
Bihar	4.66	2.69
Rajasthan	6.60	6.54
Uttar Pradesh	4.95	3.58
Orissa	4.29	3.25
Madhya Pradesh	4.56	6.17
Andhra Pradesh	5.65	5.03
Tamil Nadu	5.38	6.22
Kerala	3.57	5.81
Karnataka	5.29	5.29
West Bengal	4.71	6.91
Gujarat	5.08	9.57
Haryana	6.43	5.02
Maharashtra	6.02	8.01
Punjab	5.32	4.71
Combined SDP of 14 states	5.24	5.94

Source: Economic Performance of States in post-reforms period

CHAPTER II - ANNEX TABLES & FIGURES

Table A.2.1

Table 1 : All India per 1000 distribution of usually employed by broad groups of industry for various rounds							
Round	Male			Female			
	Rural						
	Primary	Secondary	Tertiary		Primary	Secondary	Tertiary
62	652	165	183		813	120	68
61	665	115	180		833	101	66
60	659	160	180		841	94	65
59	708	141	151		852	95	53
58	688	138	174		849	87	65
57	678	145	177		840	109	51
	Urban						
62	63	343	594		148	330	522
61	61	344	595		181	324	459
60	63	347	590		161	309	530
59	63	336	601		190	312	497
58	70	337	593		171	315	513
57	78	321	600		211	332	457
Note: 1. The broad groups of industries viz, Primary, secondary and tertiary refer to the NIC-2004 industry divisions							
2. Primary sector excluding Mining and Quarrying, it included in the secondary sector							
Source: NSSO employment and Unemployment situation in India 2005-06							

Table A.2.2

Table 2: Employment Share by Sector – 1993-94 and 2004-05 (in%)						
State	1993-94			2004-06		
	Agriculture	Manufacturing	Services	Agriculture	Manufacturing	Services
Bihar	76.7	4.9	15.6	68.9	7.2	18.0
Orissa	73.7	7.5	15.0	62.3	11.4	19.1
Uttar Pradesh	68.4	8.7	20.1	60.6	12.3	20.9
Rajasthan	69.2	6.2	15.3	61.3	9.1	18.2
Madhya Pradesh	77.7	5.5	13.4	69.1	7.5	18.2
Average of Bottom five	73.1	6.6	15.9	64.4	9.5	18.9
West Bengal	48.8	19.9	27.1	45.7	17.5	31.6
Andhra Pradesh	67.1	9.2	19.6	58.4	11.0	24.8
Karnataka	65.1	10.7	19.7	60.8	10.6	23.8
Kerala	48.3	14.3	29.6	35.5	14.4	37.7
Average of middle four	57.3	13.5	24.0	50.1	13.4	29.5
TamilNadu	52.6	18.0	24.8	41.2	21.1	30.9
Gujarat	58.9	15.2	21.4	54.8	17.1	23.1
Haryana	56.9	9.1	27.7	50.0	13.5	27.7
Maharashtra	59.4	11.3	25.1	53.1	12.5	28.7
Punjab	56.4	10.3	28.1	47.4	13.5	29.8
Average of top five	56.8	12.8	25.4	49.3	15.5	28.0
All 14 States	64.5	10.5	20.7	57.0	12.4	24.1
The row sum of sectoral shares does not sum to 100as mining, Construction and electricity have been left out.						
Sources : NSS employment survey 1993-94 and 2004-05						

Source: Ramaswamy, K V (2007) Regional Dimension of Growth and Employment, Economic and Political Weekly, 8th December 2007.

Table A.2.3

Table 3: Type of employment Per 1000 distribution of person by household type for each state, UTs and North-Eastern States										
Household Type										
State and UTs	Rural						Urban			
	Self Employed			Labour						
	Agriculture	Non Agri	All	Agri. Labour	Other Labour	others	Self Employed	Regular Salaried	Casual Labour	Others
Andhra Pradesh	273	173	446	353	99	102	397	383	164	56
Assam	403	201	605	149	126	121	457	345	78	120
Bihar	385	186	570	303	42	82	541	239	119	97
Chhattisgarh	462	87	549	346	47	58	446	422	89	43
Delhi	63	364	428	9	49	515	367	613	2	18
Goa	78	222	300	82	188	431	353	494	98	56
Gujarat	422	151	573	215	133	80	474	363	125	38
Haryana	335	196	530	143	164	163	442	452	85	22
Himachal Pradesh	459	140	599	21	161	218	353	413	128	106
Jammu & Kashmir	456	244	700	60	103	137	513	352	77	59
Jharkhand	417	233	651	86	162	101	367	456	87	90
Karnataka	331	130	461	373	115	51	379	352	210	58
Kerala	186	200	385	161	282	172	368	283	280	66
Madhya Pradesh	479	94	573	322	63	43	408	417	118	57
Maharashtra	400	121	521	305	92	81	346	499	117	39
Orissa	287	190	477	325	83	115	420	397	119	64
Punjab	273	244	517	183	154	146	502	361	86	51
Rajasthan	524	123	647	65	231	58	497	354	105	45
Tamil Nadu	183	165	348	337	214	102	333	465	144	58
Uttaranchal	418	192	610	40	96	191	513	365	37	85
Uttar Pradesh	499	174	674	136	107	83	522	328	90	59
west Bengal	272	250	523	298	92	87	397	408	144	50
North-eastern states	483	152	635	73	133	158	357	458	56	127
Group of UTs	198	144	342	155	203	299	287	457	184	71
All India	384	170	554	236	118	92	418	404	124	54

Source: NSSO 62nd Round 2005-06

Table A.2.4

Table 4: State Wise GDP Share and Growth Rate Sector Wise (Percent)							
States	Share of Primary Sector	Share of Secondary Sector	Share of Service Sector	Total Growth Rate	Growth Primary	Growth Secondary	Growth Service
Assam							
2000-01	36.71	13.05	50.24	3.93	-1.46	-4.99	11.09
2003-04	34.90	11.86	53.24	5.20	-1.76	6.46	10.02
2005-06	31.67	12.82	55.52	6.22	2.57	12.64	6.99
Bihar							
2000-01	46.10	3.57	50.34	20.00	28.53	-16.24	16.48
2003-04	40.63	5.12	54.25	-10.18	-20.17	8.29	-2.63
2005-06	38.49	5.46	56.05	-2.38	-11.25	8.17	3.75
Chhattisgarh							
2000-01	20.13	29.13	50.74	6.72	-16.81	3.28	22.85
2003-04	24.02	32.43	43.54	10.36	9.87	13.35	8.50
2004-05	19.63	34.70	45.66	1.87	-16.75	9.01	6.83
Gujarat							
2000-01	15.68	28.71	55.61	-1.95	-12.36	-6.41	4.10
2003-04	20.92	28.38	50.70	16.49	59.86	10.22	7.86
2004-05	17.85	29.47	52.68	5.33	-10.17	9.39	9.46
Haryana							
2000-01	32.23	18.36	49.40	6.85	2.26	4.38	11.07
2003-04	28.70	18.59	52.71	9.23	9.04	9.89	9.10
2004-05	27.24	18.82	53.94	9.17	3.63	10.51	11.71
Jharkhand							
2000-01	24.33	36.30	39.37	-3.83	-6.52	-19.66	20.11
2003-04	24.67	39.32	36.02	4.78	2.69	5.21	5.78
2004-05	24.60	39.24	36.17	5.44	5.13	5.23	5.88
Karnataka							
2000-01	31.73	15.40	52.87	9.88	12.51	3.90	10.19
2003-04	18.55	19.60	61.85	4.77	-15.90	14.74	9.85
2004-05	19.39	18.85	61.76	10.73	15.71	6.55	10.57
Orissa							
2000-01	31.53	16.02	52.45	-2.15	-6.99	-12.26	4.82
2003-04	30.11	19.63	50.26	17.00	24.84	32.24	8.07
2005-06	28.21	20.00	51.79	4.02	3.10	-1.24	6.74
Punjab							
2000-01	41.96	16.00	42.04	3.71	2.72	4.71	4.32
2003-04	39.09	14.55	46.36	6.56	6.01	1.01	8.91
2---004-05	38.64	14.00	47.36	5.87	4.67	1.86	8.15

Uttar Pradesh							
2000-01	38.40	13.62	47.99	0.54	-1.18	-2.77	2.96
2003-04	36.13	13.84	50.03	4.62	2.82	4.30	6.06
2004-05	34.85	13.96	51.19	4.81	1.10	5.74	7.24
Maharashtra							
2000-01	16.97	22.10	60.93	-4.97	-5.87	-17.43	0.81
2003-04	13.34	21.28	65.37	7.93	-6.61	11.27	10.35
2004-05	12.06	21.54	66.41	8.07	-2.32	9.34	9.77

Note: Owing to differences in methodology of compilation, data for different states/union territories are not strictly comparable. Source: Central Statistical Organization (CSO) website and Reserve Bank of India (RBI) website on 5th May 2008 and computed.

Table A.2.5

Table 5: Overall Growth rate and Growth Rate in Agriculture		
Five-Year Plan Periods	GDP Growth Rate (%)	Agriculture and Allied Sectors (%)
Seventh plan (1985-90)	6	3.2
Annual Plan (1990-92)	3.4	1.3
Eighth plan (1992-97)	6.7	4.7
Ninth plan (1997-2002)	5.5	2.5
Tenth plan (2002-07)	7.6	2.5

Source: RBI, Government of India and Economic Survey of India. <http://indiabudget.nic.in>

Table A.2.6

Table 6 : Distribution of Operational Holding and area by Size						
Particulars	1953-54	1961-62	1971-72	1981-82	1991-92	2002-03
	Operational Holding as a % age to Total Rural Holding					
Marginal	39.1	45.8	55.5	62.8	69.7	70.0
Small	22.6	22.4	19.5	17.8	16.3	15.9
Large	33.3	31.9	25.0	19.5	14.0	14.1
	Operational Holding as a % age to Total Area					
Marginal	6.9	9.2	11.5	15.6	22.6	21.7
Small	12.3	14.8	16.6	18.7	20.9	20.3
Large	80.8	76.0	71.9	65.7	56.5	57.9

Note: Marginal (< 1 ha), Small (1.01-2 ha) Medium and Large (> 2 ha)

Source: Conditions of Work and Promotion of Livelihoods in the Unorganised Sector- Arjun Sengupta et al

Table A.2.7

Table-7: Distribution Per 1000 of Villages by Distance from Nearest General Facilities in India (July-December 2002)							
Facility	Location of Facility						
	Outside Village and at a Distance of						
	Within Village	Less than 2 Km	2 Km to Less than 5 Km	5 Km to Less than 10 Km	10 Km or More	Not Record	All
Panchayat Headquarters	302	229	267	86	102	14	1000
Tehsil Headquarters	5	16	79	180	706	13	1000
District Headquarters	-	3	11	34	940	13	1000
Railway Station	12	23	83	128	742	13	1000
Bus Stop	305	171	244	150	116	13	1000
Metalled Road	446	160	191	89	99	13	1000
All Weather Road	574	135	162	57	59	13	1000
Post Office	216	258	354	104	42	26	1000
Telegraph Office/ PCO/E-Mail	196	141	255	143	250	15	1000
Bank	66	117	336	236	232	13	1000
Integrated Child Development Service Centre (Anganwadi/Balwadi)	81	111	299	223	273	13	1000
Fertilizer/Pesticide Shop	133	147	276	203	228	14	1000
Fair Price Shop	431	218	223	77	37	15	1000
Market/Weekly Market	110	148	323	188	217	14	1000

Source: NSSO data 2002-03

Table A.2.8

Table 8: Distribution Per 1000 of Villages by Distance from Nearest Education and Health Related Facility in India							
(July-December 2002)							
Facility	Location of Facility						
	Outside Village and at a Distance of						
	Within Village	Less than 2 Km	2 Km to Less than 5 Km	5 Km to Less than 10 Km	10 Km or More	Not Record	All
Education :							
Pre-Primary Schools	665	143	47	14	115	17	1000
Primary Schools	723	162	62	15	25	14	1000
Middle Schools	289	216	351	78	53	13	1000
Secondary Schools	119	145	385	200	138	13	1000
Higher Secondary Schools/Junior College	41	83	249	247	367	14	1000
College With Degree Course	6	16	78	161	727	13	1000
Industrial Training Institute (ITI)	3	7	30	66	880	14	1000
Non-Formal Education Centre (NFEC)	68	21	51	55	789	17	1000
Health :							
Integrated Child Development Service Centre (Anganwadi/Balwadi)	548	113	140	59	125	15	1000
Sub-Centre/Dispensary	163	160	318	189	156	15	1000
Primary Health Centre	65	101	278	268	273	14	1000
Community Health Centre/Government Hospital	18	37	155	222	553	15	1000
Private Hospital	19	38	133	181	614	14	1000
Private Clinic/Doctor	201	126	246	200	214	13	1000
Medicine Shop	103	132	271	217	264	13	1000

Source: NSSO July-December 2002. Year: Period of fiscal year in India is April to March, e.g. year shown as 1990-91 relates to April 1990 to March 1991.

Table A.2.9

Dams and Displacement of Tribals			
Name of Project*	State	Population facing displacement	Trible people as percentage of displaced
Karjan	Gujarat	11,600	100
Sardar Sarovar	Gujarat	200,000	57.6
Maboshwar	M.P	20,000	60
Bedhghat	M.P	12,700	73.91
Icha	Bihar	30,800	80
Chendal	Bihar	37,600	87.92
Koel Kare	Bihar	66,00	88
Mahi Bajaj Sagar	Rajasthan	38,100	76.28
Polavaram	A.P	150,000	52.90
Maithon & Panchet	Bihar	93,874	56.46
Upper Indravati	Orissa	18,500	89.20
Pong	H.P	80,000	56.25
Inchampalli	A.P – Maharashtra	38,100	76.28
Tultuli	Maharashtra	13,600	51.61
Daman Ganga	Gujarat	8,700	48.70
Dhakra	H.P	36,000	34.76
Masar Reservoir	Bihar	3,700	31.00
Ukar Reservoir	Gujarat	52,000	18.92

*Projects are either under construction or have been planned.

Source: Satyajit Singh, Taming the Waters, OUP, 1997, & <http://www.dams.org>

Table 2.10

Damage due to Natural Disasters in India			
Year	People affected (million)	Houses and building	Property damaged/ loss (million Rs)
1985	59.56	2449878	400.6
1986	55.00	2049277	307.4
1987	48.34	2919380	205.7
1988	10.15	242533	406.3
1989	3.01	782340	204.1
1990	3.17	1019930	107.1
1991	34.27	1190109	109
1992	19.09	570969	200.5
1993	26.24	1529916	508
1994	23.53	1051223	108.3
1995	54.35	2088355	407.3
1996	54.99	2376693	504.3
1997	44.38	1103549	na
1998	52.17	1563405	7.2
1999	50.17	3104064	10209.7
2000	59.43	2736355	8000
2001	78.82	846878	120000

Data: Annual Reports, NDM Division, Ministry of Agriculture

CHAPTER III - ANNEX TABLES & FIGURES

Fig. A.3.1: Sustainable Livelihoods Framework, Carney, (1998)

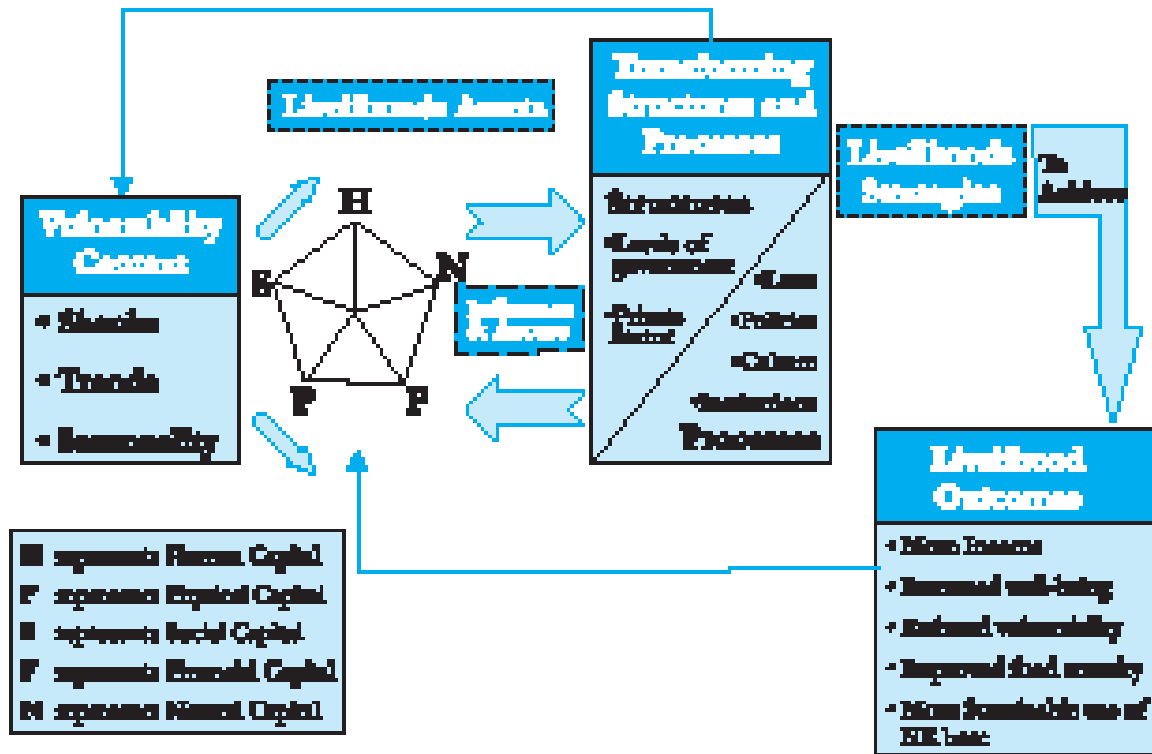


Fig. A.3.2: High Potential Sectors for Employment Creations

Services:
<ul style="list-style-type: none"> • IT-enabled Services • Telecom Services • Tourism • Transport Services • Health Care • Education and Training • Real Estate and Ownership of Dwellings • Banking and Financial Services • Insurance • Retail Services • Media and Entertainment Services
Other Sectors and Sub-Sectors:
<ul style="list-style-type: none"> • Energy-Production, Distribution and Consumption of Horticulture Floriculture • Construction of Buildings • Infrastructure Projects Construction
Industry Groups:
<ul style="list-style-type: none"> • Automotive • Food Products • Chemical Products • Basic Metals • Non-Metallic Mineral Products • Plastic and Plastic Processing Industry • Leather • Rubber and Rubber Products • Wood and Bamboo Products

Table A.3.1

Table 1: Financial Allocation made under various Development Heads in the 10th and 11th FYPs and Annual Budgets in 2007-08 and 2008-09								
Heads of Development	10th FYP		11th FYP		2007-2008 Revised Year Budget		2008-2009 Year Budget	
	Total amount Realized in Rs.Crores	%	Total amount projected in Rs.Crores	%	Total amount in Rs.Crores	%	Total amount in Rs.Crores	%
Social services	436529	26.97	1102327	30.24	78798	26.95	100778	26.84
Energy	363635	22.47	854123	23.43	72230	24.71	93815	24.99
Transport	263934	16.31	572443	15.71	68930	23.58	84177	22.42
Industry and minerals	64655	3.99	153600	4.21	17953	6.14	28836	7.68
Communications	82945	5.12	95380	2.62	16599	5.68	21937	5.84
Rural development	137710	8.51	301069	8.26	17511	5.99	18972	5.05
Agriculture and allied activities	60702	3.75	136381	3.74	8544	2.92	10075	2.68
Science, technology and environment	28673	1.77	87933	2.41	7742	2.65	9283	2.47
General economic services	30349	1.88	62523	1.72	3043	1.04	6052	1.61
General services	20489	1.27	42283	1.16	533	0.18	1149	0.31
Irrigation and food control	112415	6.95	210326	5.77	454	0.16	411	0.11
Special area programmes	16423	1.01	26329	0.72		0.00		0.00
Total	1618459	100	3644717	100	292337	100	375485	100

Table A.3.2

Table 2: Sectoral Employment Projections for the 11th and 12th Plan				
Sectors	Estimated (CDS) ('000)		Projected (CDS) ('000)	
	1983- to1993-94 (10 1/2 Years)	1993-94 to 2004- 05 (11 Years)	2006-07 to 2011-12 (5 Years)	2006-07 to 2016-17 (10 Years)
Agriculture	34900	8816	0	-3967
Mining and quarrying	855	3	1	3
Manufacturing	7850	14834	11937	24516
Electricity, water, etc.	487	30	17	36
Construction	5260	10052	11922	26370
Trade, hotel , and restaurant	9190	22667	17397	34402
Transport, stor- age, and comm.	3213	7639	9025	18764
Financial, insurance, real estate, and business services	1524	4312	3428	7472
Community, social, and personal services	11163	2624	4344	8369
Total	74442	70978	58072	115965

Table A.3.3

Table 3: Manpower Requirements for IT-ITES in India					
IT export service					
Consulting, Integration, Installation	0.01	0.02	0.03	0.09	0.27
IT Development	0.07	0.08	0.08	0.08	0.11
Outsourced IT Support	0.09	0.11	0.17	0.28	0.53
Training and Education	0.00	0.00	0.00	0.02	0.06
Total	0.17	0.21	0.29	0.48	0.97
IT-enabled services					
Customer Care	0.03	0.05	0.15	0.42	1.03
Finance	0.02	0.03	0.05	0.09	0.21
Human Resource	0.00	0.00	0.02	0.15	0.69
Payment Services	0.00	0.1	0.05	0.14	0.45
Administration	0.2	0.3	0.5	0.15	0.15
Content Development	0.03	0.04	0.07	0.09	0.20
Total	0.11	0.16	0.38	1.0	2.72
Source : ITD, NASSCOM-Mckinsey Manpower Profile of India, KPMG, 2003					

CHAPTER IV - ANNEX TABLES & FIGURES

Table A4.1

Table 1: Livelihood Promotion Potential Index					
Serial No.	NIC codes	Activity	GDP Growth Index	Employment Growth Index	Livelihood Promotion Potential Index
1	01-05	Agriculture, Forestry & Fishing	1.00	1.00	1.00
2	10-14	Mining & Quarrying	3.94	1.52	2.73
3	15-37	Manufacturing	4.56	4.56	4.56
4	40-41	Electricity, Gas & Water Supply	2.85	3.72	3.29
5	45	Construction	6.85	9.28	8.06
6	50-55	Trade, Hotels & Restaurants	5.72	6.12	5.92
7	60-64	Transport, Storage & Communication	10.37	6.34	8.36
8	65-74	Financial Services, Insurance, Real Estate & Business Activities	4.76	14.61	9.69
9	75-99	Community, Social & Personal Services	3.43	3.21	3.32

Table: Comparing GDP and Employment Growth Rates over Time			
	1997-2000	1993-94	2004-05
GDP Growth	5.5%	7.8%	8.7%
Employment Growth	2.01*	1.52	1.84**

Table 3: GDP and employment growth in different sectors				
Agrarian distress tables				
Year	Canals	Wells+TWells	Other Sources	Total Area under Irrigation
1998-99	36%	59%	5%	57077 Ha
2001-02	32%	62%	6%	55700 Ha

Gross Value of Output, Value of Input and Short-Term Credit						
<i>(Rs crore at current prices)</i>						
Year	Gross Value of Output	Value of Input	Short Term Credit	Short Term Credit as a percentage of		Value of input as a percentage of Outputs
				Inputs	Outputs	
1993-94	271839	55401	5424	9.79	2.00	20%
1998-99	488731	93416	10821	11.58	2.21	19%
1999-2000	514718	103170	12610	12.22	2.45	20%
2000-01	518693	107020	15442	14.43	2.98	21%
2001-02	562024	112194	18882	16.83	3.36	20%
2002-03	557035	114613	23324	20.35	4.19	21%
2003-04	635104	127365	31972	25.10	5.03	20%

Source: National Account Statistics 2005, [reproduced from Mohan, 2006]
Handbook of Statistics on the Indian Economy 2004-05, RBI.

Distribution of Workers by category – Total and Rural					
Detail	Cultivators	Agricultural Labourers	Household In- dustry workers	Other Workers	Total workers (Main+ Marginal)
Total					
Persons	127,628,287	107,447,725	16,395,870	151,040,308	402,512,190
	32%	27%	4%	38%	
Males	86,328,447	57,354,281	8,312,191	123,468,817	275,463,736
	31%	21%	3%	45%	
Females	41,299,840	50,093,444	8,083,679	27,571,491	127,048,454
	33%	39%	6%	22%	
Rural					
Persons	124,682,055	103,122,189	11,709,533	71,141,562	310,655,339
	40%	33%	4%	23%	
Males	84,046,644	54,749,291	5,642,112	54,761,555	199,199,602
	42%	27%	3%	27%	
Females	40,635,411	48,372,898	6,067,421	16,380,007	111,455,737
	36%	43%	5%	15%	

¹ Government of India: Primary Census Abstract 2001.

Annex A.5.1

Backward Regions Grant Fund (BRGF)¹

BRGF is designed to redress regional imbalance in development. It was launched in February, 2006 and covers 250 districts in 27 States. The Rashtriya Sam Vikas Yojana which covered 147 districts has been subsumed into BRGF.

The fund provides financial resources for supplementing and converging existing developmental inflows into the identified districts, so as to:

1. Bridge critical gaps in local infrastructure and other development requirements
2. Strengthen, to this end Panchayat and Municipality level governance with more appropriate capacity building for participatory planning
3. Provide professional support to local bodies for planning, implementation and monitoring their plans
4. Improve the performance and delivery of critical functions assigned to Panchayats

The Programme has two components namely, a district component covering 250 districts and Special plans for Bihar and the KBK districts of Orissa. This allocation was Rs 3,600 crore in 2007-08.

Strategy

BRGF focuses on implementation of the process of participative planning. Centrally sponsored schemes have specific sectoral objectives and targets. BRGF can be used to supplement them through a comprehensive macro approach cutting across sectors and meeting inter-sectoral requirements.

Special Provisions for Schemes for Schedule Caste and Schedule Tribes:

Training of educated youth, pre-recruitment training for para-military and other security forces, provisions of tractors and agricultural implements to self-help groups, construction and allotment of shops and provision for setting up of secondary schools, colleges, hostels and industrial training institutes.

Special provisions for States and Districts:

Special provisions have been made in the guidelines for the districts in J&K, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura which do not have Panchayats. The traditional village-level bodies and institutions in these districts will plan and implement the programme in these areas.

Salient features of the BRGF Programme:

- BRGF consists of two funding windows, namely, a Capacity Building Fund and a substantially untied grant.
- The substantially untied grant is to be distributed among the districts as follows: (a) every district will receive a fixed minimum amount of Rs 10 crore per annum, and (b) the balance allocation under the scheme will be made on the basis of the share of the population and area of the districts in the total population and area of all the backward districts.
- Each Panchayat or Municipality within the backward district concerned will be the unit for planning under BRGF. Plans prepared by each Panchayat or Municipality will be consolidated into the District Plan by the District Planning Committee.

Annex A.5.2

Major anti-poverty, employment generation and basic services programmes

Pradhan Mantri Gram Sadak Yojana (PMGSY)

PMGSY was launched on December 25, 2000 as a 100-per cent centrally-sponsored scheme with the primary objective of providing all-weather connectivity to the eligible unconnected habitations in the rural areas. The programme is funded mainly from the accruals of diesel cess in the Central Road Fund. In addition, support of the multilateral funding agencies and the domestic financial institutions is being obtained to meet the financial requirements of the programme. Up to December, 2007, about 1,42,750 kilometre-long roadworks have been completed with a cumulative expenditure of Rs. 27,382.24 crore.

Indira Awaas Yojana (IAY)

This scheme aims at providing dwelling units, free of cost, to the poor families of the Scheduled Castes, Scheduled Tribes, freed bonded labourers and also the non SC/ST persons below the poverty line in rural areas. The scheme is funded on a cost sharing basis of 75:25 between the Centre and the states. During the current financial year Rs 4,032.70 crore has been earmarked for release to DRDAs under IAY for construction of 21.27 lakh houses. As per the information received from the state governments, 9.39 lakh houses have been constructed up to November 2007.

Sampoorna Grameen Rozgar Yojana (SGRY)

SGRY was launched on September 25, 2001. The objective of the programme is to provide additional wage employment in the rural areas as also food security, alongside creation of durable community, social and economic infrastructure in the rural areas. In 2007-08 up to December 31, 2007, the number of person-days of employment generated under SGRY was 11.6 crore while the Centre's contributions in terms of cash and food grain component up to December 31, 2007, were Rs 1,142.27 crore and 9.55 lakh tonne respectively. Under the special component, about 0.55 lakh tonne of food grain have been released to calamity-hit states in the current year up to December 2007. The SGRY programme in 330 districts has already been subsumed in the National Rural Employment Guarantee Scheme (NREGS) (200 districts in the first phase during the year 2006-07 and 130 additional districts in the second phase during 2007-08). The SGRY programme will be entirely subsumed in NREGS with effect from April 1, 2008.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

In December 1997, the Urban Self-Employment Programme (USEP) and the Urban Wage Employment Programme (UWEP), which are the two special components of SJSRY, were substituted for various programmes operated earlier for urban poverty alleviation. The fund allocation for the scheme was Rs 344 crore during 2007-08 and Rs 256.41 crore has been released up to December 4, 2007. During 2007-08, under USEP, 0.44 lakh urban poor were assisted to set up micro/group enterprise and 0.60 lakh urban poor were imparted skills training up to the end of November 2007. Under UWEP, the man-days of employment generated was 6.77 lakh up to the end of November 2007. Cumulative coverage of beneficiaries under the Community Structure Component was 358.13 lakh up to the end of November 2007.

Annex A.5.3

Some UNDP Projects in India

2) Post Tsunami Recovery Programme UN Country Team India

3) Recovery Framework in Support of Government of India for a Post Tsunami Rehabilitation and Reconstruction Programme

Areas: Tsunami affected districts of State Governments of Tamil Nadu, Kerala, Andhra Pradesh and Pondicherry

Year of Starting: January 2005

Year of Finish: December 2008

4) Conservation of Medicinal Plants and Traditional Knowledge for Enhancing Health and Livelihood Security

Areas: Select districts in Karnataka, Tamilnadu, Andhra Pradesh, Kerala, Maharashtra, West Bengal, Rajasthan and Orissa

Year of Starting: December 2005

Year of Finish: December 2008

5) Strengthening Sustainable Livelihoods for Biodiversity Conservation in Sundarbans

Areas: Sundarbans, west Bengal

Year of Starting: April 2004

Year of Finish: March 2007

6) Vulnerability Reduction through Community Empowerment and Control of Water in the Marwar Region

Areas: Marwar region. Jodhpur, Pali and Barmer (Rajasthan)

Year of Starting: 2004

Year of Finish: 2009

7) Social Mobilisation around Natural Resource Management for Poverty Alleviation

Areas: 2400 villages in 11 districts in Rajasthan, Orissa and Jharkhand

Year of Starting: November 2003

Year of Finish: June 2008

8) Skills and Knowledge for Improved Livelihoods and Living Standards (SKILLS)

Areas: Tiruchirapalli (Tamil Nadu), NOIDA (Uttar Pradesh), Nimpith (West Bengal) and Goa

Chapter VIII - ANNEX TABLES & FIGURES

Year	Canals	Wells+TWells	Other Sources	Total Area under Irrigation
1998-99	36%	59%	5%	57077 Ha
2001-02	32%	62%	6%	55700 Ha

Fig 8.3: All-India area, production and yield of wheat

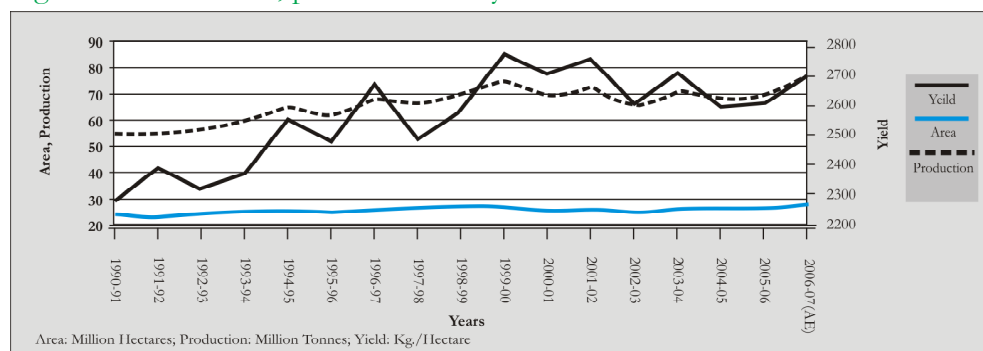
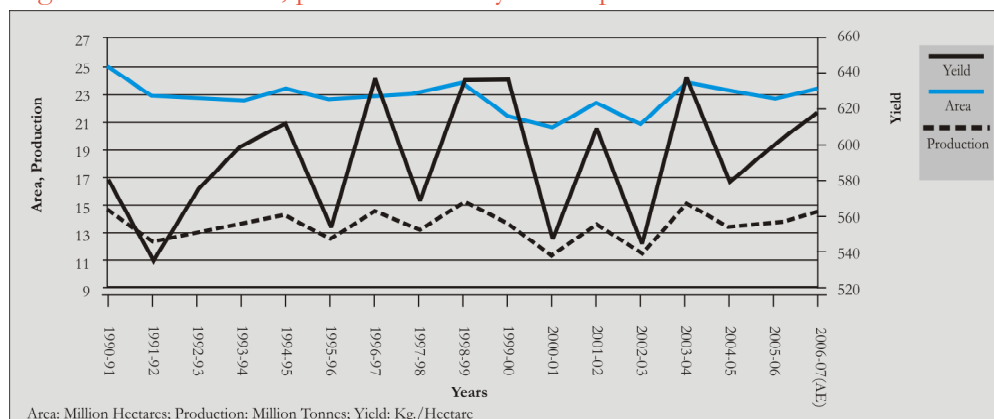


Fig 8.4: All-India area, production and yield of pulses



Gross Value of Output, Value of Input and Short-Term Credit						
(Rs crore at current prices)						
Year	Gross Value of Output	Value of Input	Short Term Credit	Short Term Credit as a percentage of		Value of input as a percentage of Outputs
				Inputs	Outputs	
1993-94	271839	55401	5424	9.79	2.00	20%
1998-99	488731	93416	10821	11.58	2.21	19%
1999-2000	514718	103170	12610	12.22	2.45	20%
2000-01	518693	107020	15442	14.43	2.98	21%
2001-02	562024	112194	18882	16.83	3.36	20%
2002-03	557035	114613	23324	20.35	4.19	21%
2003-04	635104	127365	31972	25.10	5.03	20%

Source: National Account Statistics 2005, [reproduced from Mohan, 2006]
Handbook of Statistics on the Indian Economy 2004-05, RBI.

Detail	Cultivators	Agricultural Labourers	Household Industry workers	Other Workers	Total workers (Main+ Marginal)
Total					
Persons	127,628,287	107,447,725	16,395,870	151,040,308	402,512,190
	32%	27%	4%	38%	
Males	86,328,447	57,354,281	8,312,191	123,468,817	275,463,736
	31%	21%	3%	45%	
Females	41,299,840	50,093,444	8,083,679	27,571,491	127,048,454
	33%	39%	6%	22%	
Rural					
Persons	124,682,055	103,122,189	11,709,533	71,141,562	310,655,339
	40%	33%	4%	23%	
Males	84,046,644	54,749,291	5,642,112	54,761,555	199,199,602
	42%	27%	3%	27%	
Females	40,635,411	48,372,898	6,067,421	16,380,007	111,455,737
	36%	43%	5%	15%	

Author's Biosketch

Ajay Tankha

Ajay Tankha has nearly 40 years of teaching, research, programme management and consultation experience, particularly in rural development and rural finance. He has worked as Head of Microfinance of ActionAid UK and as Agricultural Economist with the National Bank for Agriculture and Rural Development (NABARD) and has lectured in economics and development economics at leading universities of India, The Netherlands and Vietnam. He is currently an independent consultant based in New Delhi.

Braja S. Mishra

Braja S. Mishra is a PhD in Social Sciences. He worked with Government of India in the Ministry of Labour & Employment for 13 years as an educator in the areas of Trade Unionism, Industrial Relations, Organisational Behaviour, Unorganised and Rural Workers, Women and Child Labour. Since last two years he has been a Senior Faculty with The Livelihood School, Hyderabad.

Girija Srinivasan

Girija Srinivasan is a consultant with development banking experience. In her career spanning 25 years she has worked with major donors, banks and NGOs in India and other countries. Her expertise includes designing and monitoring projects and providing technical assistance. She specializes in micro finance and micro enterprise development.

Kaushiki Rao

Kaushiki Rao is based in Philadelphia and consults for The Reinvestment Fund and Enterprise Solutions to Poverty. Till recently, she was a program coordinator at BASIX's internal innovation program, the Livelihood Triad Fund. Kaushiki has a B.A. from Amherst College and an M.A. from the University of Chicago.

M. Chidambaranathan

M. Chidambaranathan is a development professional engaged in consultancy and grassroots based projects through Sampark, an NGO based in Bangalore. His areas of expertise include: sustainable rural livelihood systems, microfinance, people's organisations, gender and leadership, natural resource management and social learning process. The nature of assignments he has conducted over 15 years for both national and international agencies span research, participatory impact and evaluation studies, designing impact monitoring systems, training NGO staff, strategy planning for development projects, fundraising and coordination of poverty reduction and women's empowerment projects. He is author/co-author of more than 15 articles published in national and international journals.

M S Sriram

Professor M S Sriram is currently ICICI Bank Lalita D Gupte Chair professor in Microfinance and the Chairperson of Finance and Accounting at the Indian Institute of Management (IIM) Ahmedabad. He has been Visiting Faculty at IIM Bangalore, SP Jain Center for Management Dubai-Singapore, and is a Visiting Professor at Solvay Business School, Brussels. He graduated from Institute of Rural Management Anand and completed his doctoral studies at IIM, Bangalore. He also worked with BASIX as Vice President of Finance and Information. He specialized in the areas of agricultural and rural finance, co-operatives and microfinance, and has published two books including one of the earliest books on Indian Microfinance. Sriram has served on several expert committees and is currently on the boards of Union Bank of India and Sanghamithra Rural Financial Services.

Mona Dikshit

Mona Dikshit has been actively involved in livelihoods and microfinance for over 15 years. Starting with a career in Seva Mandir, she went ahead to work with NDDB and in Tamil Nadu Oilseed growers' federation. This was followed by a stint with Swiss Development Cooperation in managing the Credit and Financial Services Fund set up within NABARD, and a technical assistance programme for promotion of non-farm sector based livelihoods in 8 states of India. She has served as an independent consultant for Sir Ratan Tata Trust, and as a Program Manager of BASIX on initiating microfinance and livelihood promotion operations in Madhya Pradesh. Recently, she has been involved the establishment of the Indian School for Livelihood Promotion and in the reform of Primary and District level credit cooperative societies in Madhya Pradesh.

Orlanda Ruthven

Orlanda has been based in India since 1998 where she came with DFID's private sector development programme to work on microfinance, small enterprise support and corporate social responsibility. After undertaking research and consultancy in microfinance, she pursued a PhD (University of Oxford, 2008), studying ethics in the workplace in a north Indian city exporting metal homeware to stores in Europe and America. Before joining DFID in 1996, she worked for two livelihood-focused NGOs in London and Sri Lanka. She has a degree in anthropology (Manchester) and a Masters in development studies (SOAS). She has worked with Impactt since July 2007.

Preeti Sahai

Preeti Sahai has a mix of both mainstream financial and development experience. Her basic qualifications are in economics and finance, and initially worked on research and client advisory in the stock markets. Her experience in the social development sector includes research, analytical studies, strategy papers on livelihoods and microfinance, and policy work with state and central governments. She has handled relationships and liaised with sectoral institutions and donor agencies. Her consulting experience covers rural finance and livelihoods, including the financial cooperative structure in India. She has managed a fund in BASIX, which incubates livelihood ideas. Preeti is currently handling field operations in a few slums of Delhi, and has set up and manages a Technology Assisted Financial Inclusion project.

Ramesh S Arunachalam

Ramesh Arunachalam, Senior Consultant, Microfinance Consulting Group, works with low income groups, the private Sector, MFIs, NGOs, Governments, multi-laterals, bi-laterals and other stakeholders, in areas of delivering finance and other services to low income groups. He also advises on the use of information technology for financial intermediation, better governance and urban infrastructure development. Ramesh has worked on over 300 assignments in Asia, Africa, Europe and North America during the last 23 years.

Sankar Datta

Dr. Sankar Datta, is the Dean of the Livelihood School and also Director of the Indian Grameen Services. Dr Datta has a bachelor's degree in agriculture and animal husbandry from GB Pant Agriculture University, Pantnagar, Uttar Pradesh, a post graduate diploma in Rural Management from the Institute of Rural Management, Anand, Gujarat and a PhD in Economics from the Sardar Patel University, Gujarat. He was at MP Oilseeds Co-operative Federation, PRADAN and IIM-Ahmedabad, before joining the faculty of the Institute of Rural Management, Anand for five years. Dr. Datta has been involved in extending professional services for rural development activities, specially focusing on livelihood promotion, working with micro-enterprises for over two decades.

Smita Premchandander

Dr. Smita Premchandander is Secretary of Sampark, an NGO engaged with poverty reduction through

microfinance, microenterprise, education, vocational training, development of local people's institutions and participatory research in different aspects of development. She is an independent consultant to several national and international organizations. She is engaged in policy advice and advocacy for issues of women's empowerment, social protection, social inclusion, bonded labour issues, microfinance, impact assessments and knowledge sharing for development practice. She has an MA in Economics, an MBA from the Indian Institute of Management, a PhD from the University of Durham, UK, and research links with the University of Berne, Switzerland.

Sourindra Bhattacharjee

Sourindra Bhattacharjee, M Sc (Ag), Fellow Program in Management, Indian Institute of Management, Ahmedabad has over 12 years of experience in consulting in the field of rural development with a focus on rural finance and livelihoods. He has managed more than 40 projects for a wide range of clients. These include bilateral and multilateral donor organizations, corporates and reputed national and international NGOs.

V. Prameela

V. Prameela has been a micro enterprise and livelihood specialist for 15 years and has conducted various impact and evaluation studies. She has worked as a livelihood and micro enterprise consultant for national and international clients. She works as a trainer and counselor in enterprise development and has conducted several enterprise development training programs for both front line staff and directly for women at the grassroots level. She is working with Sampark, an NGO based in Bangalore and coordinates projects on rural livelihoods, child care cum non-formal education centres and community based mental health. She is involved in fund raising and proposal writing.

Vijay Mahajan

Vijay Mahajan, Chairman of BASIX, was educated at the Indian Institute of Technology, Delhi, the Indian Institute of Management, Ahmedabad and at the Woodrow Wilson school of Public and International Affairs, Princeton University, USA. He co-founded PRADAN in 1983, Sa-Dhan in 1998 and APMAS in 2000. He has co-authored a book "The Forgotten Sector" on the rural non-farm sector and written over 50 articles on rural livelihoods, development and microfinance. He is a member of the Committee on Financial inclusion, the Microfinance Equity and Development Fund and is also on the Board of CGAP, the global microfinance apex. He was selected "Outstanding Social Entrepreneur" by the Schwab Foundation of the World Economic Forum, Davos, 2003.

Our Special Thanks To



BASIX is a livelihood promotion institution established in 1996, working with over a million and a half customers, over 90% being rural poor households and about 10% urban slum dwellers. BASIX works in 15 and over 10,000 villages. It has a staff of over 3500, of which 80 percent are based in small towns and villages.

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The Citi Foundation is the philanthropic arm on Citi Inc., the world's preeminent financial services firm. By partnering with Citi businesses around the world, the Foundation is able to put the full resources of a global institution to work for the local organization it supports. The Foundation is committed to enhancing economic opportunities for individuals and families, particularly those in need, in the communities where we work so that they can improve their standard of living.



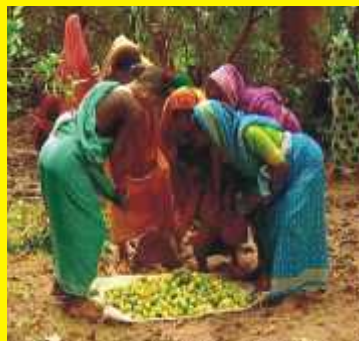
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