

It's business enterprise not charity

Enabling the poor in eastern India to build their livelihoods



India's rural poor largely rely on natural resources for their livelihoods. But their circumstances – social marginalisation, deprivation, and powerlessness – often limit their access to these resources and to rural services that could help them. Researchers in eastern India are beginning to change this situation. They have developed a method for motivating rural communities, especially the poorest members, that has had positive livelihood outcomes in a relatively short time period and seen the emergence of service providers within the community who were able to facilitate access to credit, inputs and other needed services. Many of these service institutions are now self-financing and there are indications that this model for pro-poor livelihood asset development is robust and sustainable, and has potential for replication in other parts of India.

Endemic poverty in eastern India

In the eastern part of the irrigated lands of the Indo-Gangetic Plain, in the states of Bihar and Uttar Pradesh (UP), 85 percent of the population live in rural communities; population density is high and the literacy rate is low. Land holdings mostly are small (less than 2 ha) and many people live below the poverty line – 43 percent in Bihar and 31 percent in UP – compared with the national average of 26 percent.

Low productivity of the irrigated rice-wheat agricultural system is commonly regarded as one of the main causes of the region's endemic poverty. Past research by the Indian Council for Agricultural Research (ICAR) Directorate of Water Management Research (DWMR, Patna, Bihar) addressed this problem by evaluating techniques for improving crop production and water management. In 1999, the next logical step was to promote these techniques using participatory methods. But there were obstacles. Many of the poor in this region were not farmers. Their very limited incomes were derived from agricultural labouring and non-farm activities. So for research to succeed in improving their livelihoods it would have to include strategies that addressed their particular circumstance. A further complication was linked with certain characteristics of Bihar and UP. For a mix of reasons – historical, socio-political, governance-related – poor people face considerable difficulties in accessing capital, markets and relevant service support on a scale that is far worse than the poor experience in other areas of India.

In sum, reaching the poor in Bihar and UP, including them in the technology transfer research in ways relevant to their circumstances, and identifying viable ways for them to build their livelihoods was a tough research assignment.

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Furthermore, the research partners for this assignment represented a new venture: a leading partner was a national government research organisation, ICAR Regional Centre for the Eastern Region, IRCER (formerly DWMR, Patna); specialists from various UK research organisations and one international organisation made short term inputs; and an Indian private company, CIRRUS Management Pvt Ltd, that specialises in development of community-based micro-organisations, had the lead input for community-level work.



Research on Self-Help Groups

Research began in late 2000 and included the formation of Self-Help Groups (SHGs). SHGs and their use for micro-finance initiatives are at least two decades old in India. Substantial work has been done to develop and experiment with them to deliver financial services to the poor, mainly through initiatives of non-government organisations (NGOs) working in various states. However, in spite of considerable success, those who promote them recognise a need for more effective and cost-efficient ways of managing these efforts.

One feature of SHGs is that the majority have women members – indeed, for some, the term SHG means savings and credit groups for women. Nevertheless, their effectiveness for reaching the poor was an issue. There was evidence that micro-finance did not reach the poorest of the poor, and if it did, they did not benefit from it as much as those who were better-off. Also although SHGs are widespread in India, they do

not operate everywhere. In some of the poorest areas, where seemingly the need for them is greatest, there are few SHGs or even none – one such example is Bihar and UP.

Making the poverty focus a reality

Although there was no prior experience of SHGs in the two districts chosen for the research (Patna in Bihar, Maharajganj in eastern UP), the numbers of SHGs formed well exceeded planned targets. By March 2004, about 520 SHGs had formed in 77 villages of which at least half were men's groups. The SHGs included 2,700 poor households, some 40 percent of all poor households in the target villages.

This success was achieved because of the way in which researchers set about initiating and nurturing the SHGs. A key guiding principle was the need to develop a business model that generated revenues so that it could attain sustainability and eliminate dependence on donor funds.

The first 12 months

CIRRUS staff commenced work in Bihar by making a 'low key' entry into a village. They sought engagement with the poorest village members and used open semi-structured dialogue to gain an understanding of the nature of people's livelihoods, their socio-economic conditions, and their main problems. The villagers identified poor households and their characteristics such as landless, long sickness, irregular employment, and alcohol abuse.

During their regular visits, CIRRUS staff noticed that some villagers were more motivated than others – typically they eagerly awaited the next meeting and asked constructive questions. Often they were better-educated, but unemployed. CIRRUS recruited them as volunteers on a short-term basis to form SHGs, facilitate their meetings and help with SHG record keeping. They fed back information to CIRRUS staff and this was recorded in a database on SHG activities and progress. The volunteers were paid a small honorarium for their work – Rs25 (US\$0.50) per SHG meeting.

There was no pre-determined agenda for SHG activities and no incentives. SHG members were encouraged to examine their livelihoods and determine what development activities they could pursue. As access to credit was identified as a need, SHGs began regular saving from an early stage. Members contributed at most Rs5 per week (US 10 cents) and often much less, as little as Rs0.50 (US 1 cent per week). Indeed, those SHGs that took good account of their impoverishment and made very small weekly savings were better able to keep this up while more ambitious SHGs encountered problems.

SHG members were encouraged to take loans from the group savings to meet specific demands. Loans from group savings were 'untied' – the borrower determined their use – and the SHG decided the interest rate, which was much lower than those of money lenders. SHG members liked both these features. At the beginning loans rarely exceeded Rs200 (US\$4) and were commonly taken to meet pressing cash needs. After some months volunteers found that some SHGs members wished to obtain larger loans than their group savings could afford and so the volunteers began providing loans to their SHGs using their own savings from their facilitation work. CIRRUS too made a loan of Rs500 (US\$10), through a revolving fund that volunteers managed, to those SHGs that were working satisfactorily. In this way SHG lending began to support more ambitious livelihood activities and a village-based credit scheme developed.

Volunteers also recognised they could sell their skills in guiding groups and maintaining accounts, and they also were successful in acting as brokers for access to service providers and suppliers. This in turn stimulated volunteers to encourage more villagers to form SHGs. Villagers were willing as they had seen the benefits from both SHG membership and the way in which volunteers were on-hand to support them.

Mature SHGs and experienced volunteers

After 48 weekly meetings and repayment of the initial Rs500 loan an SHG was regarded as mature. Contact with CIRRUS staff ceased and CIRRUS no longer paid the volunteer's cost for facilitating the



SHG's meetings. An SHG's credit-worthiness could be established from the records of loan repayment in the CIRRUS database, so it was feasible for an SHG to take on larger loans provided they could link up with suitable micro-finance institutions (MFIs). The volunteers enabled this link to come into place. After a year of activity volunteers formed their own SHG for mutual support and registered themselves as a community-based NGO – the Sustainable Livelihoods Promotion Society (SLPS). As an NGO they could open a bank account and access funds from national MFIs. SLPS thus became a viable micro-organisation and the vehicle for providing loans to mature SHGs of up to Rs2,000-3,000 (US\$40-60). SPLS continued the other services to SHGs, such as group facilitation, and access to inputs and other needed services, with an appropriate charge.

The evolution of this 'win-win' situation for both SHGs and the volunteers accounts for the scale of SHG formation and its appeal to men as well as women. But SLPSs also needed support for their links to MFIs, for loan guarantees, and access to information sources. Recognising this need, some CIRRUS staff responded by forming the Centre for Promoting Sustainable Livelihoods (CPSL, based at Patna) to provide them with support on a fee paying basis. The overall model that emerged is shown in the figure.

What has changed?

The changes in individuals, communities, and organisation development can be summed up in one word – empowerment. At the start of the research, the poor were so poor that they could not advance.

CENTRE FOR PROMOTING SUSTAINABLE LIVELIHOODS (CPSL)

NGO of professionals to support SLPSs in: data-base management, micro-finance and provide technical backstopping on enterprises, technologies and markets



SUSTAINABLE LIVELIHOOD PROMOTION SOCIETY (SLPS)

NGO of village volunteers to support SHGs with: micro-finance, accounting services, input services, linkage with outside agencies to access finance, technologies and markets



SELF-HELP GROUPS

Organisations of the poor with a membership of 10-20 persons primarily involved in regular savings and lending for consumption and investment purposes

By the end, they were less poor and the assets that they steadily had developed – social, financial, human – made it possible for them to access micro-finance and other services and pursue opportunities that could help them to build their livelihoods.

The complementary research on technology transfer and improving water management provides examples of this empowerment – what it ‘looked like’.

Technology transfer

SHGs were expected to serve as contact points to promote agricultural technologies through participatory research – Participatory Technology Development (PTD). But this relied on participants having access to land and water resources. As many SHG members had neither, scientists questioned whether it was relevant to work with such

resource-poor groups.

In Bihar, IRCER continued its work with land-owning farmers in the hope that the technologies would be accessible by the poor at some later date. However, the progress of SHGs, especially the access to credit at reasonable interest rates, had enabled some landless people to embark on new agricultural activities. IRCER scientists became aware of this (Box 1) and realised it could be worthwhile to work with SHGs.

A further change was to move PTD towards a business model. The form of PTD that scientists knew well, where technologies are tested with some selected farmers whose costs are covered and which requires considerable inputs of scientists’ time, was not used.

Box 1 – Poor women lease marginal land to produce high value crops

Eleven landless women obtained a loan from their SHG to take up a lease for 4 ha of land and to buy inputs. They knew the land was marginal and required intensive management – this was part of the reason for its availability from a local landowner. But they also knew they had the time to manage it intensively to obtain food for subsistence and income. They used their SPLS to obtain information on growing high-value vegetables, and through the SPLS approaching IRCER, scientists came to know of their endeavours.

Instead, they adopted an advisory service model that could support people's own experimentation with those technologies that interested them, reach larger numbers of people, and required only limited inputs of their time. Provision of information in accessible forms was an essential initial input to this style of PTD. Scientists prepared suitable communication materials and a suite of communication methods – messages, field demonstrations, leaflets, video, outputs of simulation models – were used to 'broadcast' what was available. SHGs then followed up whatever was of interest to them (Box 2).

Improved water management

A second strand of technology improvement led by IRCER was to deal with the problems of poor water management – lack of timely provision of canal water, poor drainage making land management difficult, areas of ponded water, heavy silting in canals.

IRCER already had links with Water Users Associations. But their membership was dominated by farmers with larger land holdings. The formation of SHGs and SPLSs, and the way in which this improved the capacity of less powerful people to present their case, led to a readjustment of who was consulted on water management decisions. Outlet Management Groups that controlled water from the distributaries to the fields were now formed with a broader membership. This led to better water management at this critical point (for farmers) in the irrigation system.

Taking stock

This research developed a method for community motivation that was effective in finding and including the poor. But it then went much further – it developed a self-sustaining business model that enabled poor people to access resources and support services on their own terms. Asset development (human, social, financial) was a key feature of the enabling process, and the poor had control over this – they decided to be SHG members and to save and take loans, and they took the risk of pursuing livelihood opportunities. The institutions that came into place (SHGs, SPLSs, CPSL) were also key pillars for achieving this outcome but in the framework of operating a self-sustaining business model that was independent of donor support.

Box 2 – Matching technologies more closely to the circumstances of the poor

Waterlogging in low-lying lands is prevalent in the irrigation system in Bihar. To overcome the problem some farmers raise field levels by digging soil from another patch of land, leaving a pit in which water accumulates. Other similar pits occur where soil is dug out for various purposes. When IRCER shifted the PTD emphasis to low-cost interventions, scientists set up demonstrations of fish farming and rice-fish culture in waterlogged areas and in pits. They also developed communication materials and personally interacted with SHGs to discuss aquaculture. Poor farmers whose land had waterlogging problems were interested to combine rice and fish production. Landless people realised they could take out leases on water-filled pits and depressions and culture fish in them. In some cases horticultural crops were grown on the surrounding bunds, adding to profitability. Fish culture has proved popular as a livelihood activity and has spread.



On the service supply side, the link with IRCER was, of course, potentially very valuable. But for IRCER to be effective it was necessary for scientists to broaden their contacts with rural communities and change their procedures for, and attitudes to the promotion of technologies. The evidence is that in terms of realising a poverty focus it was worth it – poor farmers, sharecroppers and landless people found technical options that they could consider pursuing and acted on them and ‘had a voice’ in water management. Finally, the mix of disciplines and skills, and differing professional contexts of the research partners were essential for covering the several dimensions of this research – institutional, technical, and communication science. Relationships were not always easy but the partnership was a key ingredient for success.

What next?

If you have a good product – market test it elsewhere! It is gratifying to know that this is already happening in several other states in India and through various national programmes and research and development partnerships.

R7830 Integrated management of land and water resources for enhancing productivity in Bihar and eastern Uttar Pradesh

R7839 Livelihoods improved through improved crop and soil management

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