

**MYRADA**

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## FROM CLIENTS TO CITIZENS

Deepening the Practice of Asset-Based and Citizen-led Development

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Dear Citizens of the World:

I stand before you as a Client. I **depend** on your generosity and patience and I have some sense that in your presence that I may be **insecure** - I heard the criticism of Institutions as obstacles to progress. I suspect that tomatoes or eggs will be delivered my way since I am to focus on the critical role of poor peoples institutions, which provide them with a base to develop their sustainable livelihood strategies leading to food security. Dependency is the major characteristic of a Client (in many forms and degrees) and insecurity is an add on. In India, the poor person depends on the moneylender, a big farmer, a teacher, a government official and a local politician who together create and maintain a web of relations, which the poor cannot penetrate. Even if you teach the poor to fish, they cannot reach the river. In the context of a diverse and stratified society like India, therefore development strategy needs to focus on **Pre-Clients** who need to acquire intangible assets before they are saddled with tangible and "viable" ones.

Thank you for inviting me; it means more to me that many of you are aware. I have been a keen student and admirer of the Antigonish Movement since the 70s and have been involved with CIDA since 1975 in one way or the other. I am using this opportunity to say "**thank you**" ! I returned to Bangalore in 1982 with a mission to raise one million poor people above the poverty line. Thanks to my team of colleagues who have stayed in Myrada for over 20 years, the inspiration of Antigonish and the financial support of CIDA which was forthcoming whenever new institutions of the poor emerged and Myrada had to respond to build their institutional capacity, I have been able to

achieve this target several years ago. I will sit down shortly as a citizen, free to avoid your queries.

I can morph from a client into a citizen rather easily; it is not so easy for the poor and it is even more difficult in a traditional, diverse and relatively stable society like India where a culture of silence prevails among the poor who are several steps behind those who were involved in building the Antigonish movement.

And why is it not so easy for the poor to become citizens in India? First -The present dominant socio economic political system makes it difficult. This system broadly **comprises three inter related circles. The core**, comprises politicians, Government and Private sector, business, staff of finance institutions, security forces and other formal groups; the core controls resources, allocates them on its terms and sets the agenda for growth. It must be admitted that the core has succeeded. If we consider the growth of GDP between 1950 and 2008 we find the average income rising 468 times while the consumer price index rose only 36 times. This implies that real purchasing power in the Indian economy rose by almost 13 times. The savings rate has increased sharply from 8.6% in 1951 to 37.7% in 2008 and consumers are able to meet their basic needs by spending only 30% of income in 2008 while in 1951 it was closer to 90%. Statistics as you know hide more than they reveal, but there are several indicators that this is the trend – one being the thrust of private companies selling household goods into small towns and large villages. Prosperity is no longer confined to the cities. There are large areas especially in the southern and western states where families are able to meet their basic needs. Unfortunately this is not heard in the clamour of every state to be labelled “poor”, as this gives them reason to demand more from the Centre. There is intense competition to be “poor”.

**The second circle** around the core is in a way, created by the core. Those in this circle are not poor; they just do not live by the rules. This is the so called “grey economy” which taps electricity and water, pays low wages, does not maintain Bank accounts, avoids any “identity” card or has several, and pays no direct taxes apart from “bribes”; but it employs millions and is more efficient than the core. If India has managed to survive the current recession it is due to a large extent to this second circle which manufactures every branded product at one fourth the price or less, and with wages in the core declining, this circle has an expanding market. But this sector also explains why the various State Governments have issued 223 million ration cards, while there are only 200 million house holds in India, why 80 million ‘below the poverty line ration cards’ have been issued when the number of below the poverty line families number around 65 million.

**The third circle** comprises the left behind the poor. How can they break through these barriers constructed by power relations generated by the core?

How can they enter the second circle when they do not have the confidence, skills and resources to survive in such a competitive environment? I hope the answer will emerge as I walk through this paper.

In spite of producing a sustained and a high growth rate, why then is this growth model not including the poor? Is it because growth is inadequate?. Partly yes; but mainly because the model “excludes” the poor. Even if growth was adequate, a greater part of the benefits would be appropriated by the core, it will not be spread out as much as required and a large number will be left behind. Why? Because this **core excludes others** i) **through creating shortages of resources** - either exploiting them for their own purpose or not creating adequate resources; ii) **through imposing red tape** which makes it impossible for the poor on their own to access resources, entitlements or assets; iii) **because of corruption** which enables crores/millions to be siphoned off through the delivery system which controls programs designed to alleviate poverty and finally iv) because this core in some major States **has crippled the major institutions** required for good governance ; this results in a reduced growth rate, increased physical and social insecurity for the poor; in investment in education and skills training for which there is no demand from the core sector; in inefficient delivery service institutions which failed to implement Central Government sponsored programs to alleviate poverty and include the poor..

Apart from poor delivery systems, another reason why the poor find it difficult to enter the other circles is because the Projects and schemes for them - the ladders for them to ascend - focus only on provision of **tangible physical assets, which once again are standardised in a nation characterised by stratification and diversity**. Little time and resources are provided to build **intangible** assets like confidence to come together and speak, skills to discuss and interact first with one another and then with outsiders, courage to identify openly why they are poor and the oppressive relations at home and in society which go against change and finally to design a strategy for change and implement it at their time and pace; these are the components of the commonly used word “empowerment. Investment of time and resources is required to build these intangible assets.

Myrada’s experience show clearly that in a **stratified society**, it is not enough to teach people to fish because even after learning to fish they cannot reach the river and when they reach there, they find the fishing rights already captured. The obstacles are too many -- traditional oppressive relations, which has kept them as clients, have been strengthened as power and money accumulate in the hands of the powerful (police, politicians, Presidents and Secretaries of Cooperative Societies who use these Societies as stepping stones to political power and position). Therefore, before the provision of tangible assets, it is necessary to provide intangible ones, which are empowering. Yet very few Projects with the objective of mitigating poverty invest in intangible

assets. Politicians think that these intangible assets do not win votes; besides, if people are empowered, they may not succumb to bribery on voting day; or worse still, accept the bribe from A and vote for B.

Government sponsored projects to eradicate poverty also do not provide space for the poor to cope **with diversity**, and often destroy their livelihood strategies which comprise several small activities on which they have survived. Some NGOs are no better – they have a pre-determined ideology and can see no further. The over-all objective of “inclusion” in the core is a double-edged sword. On one hand the intentions of Government are good, on the other hand inclusion means inclusion into the core – into its financial institutions, into the design of programs for poverty alleviation, which are standardised. But in most cases the poor find it difficult and almost impossible to be “included” in these standardised systems and the offices managing them which are far away and serve little purpose. (Why for example will anyone open a Bank account when the Bank is several miles away, public transport limited or non-existent and the client does not need it to transfer money or pay anyone)

India is a country with 31 States, 1618 languages, 5400 castes, 6 major religions, 6 ethnic groups, 29 major festivals. We cultivate 260 major crops in a year (Europe and the US about 20) and every crop is linked to millions of livelihoods. Can you standardise this diversity? Do you not need to preserve it instead of trying to fashion it into a uniform and flat world – the response to this diversity is to move towards the local economy rather than towards a flat one. We promote bio diversity in nature with all our hearts...but try our best to standardise all the rest in the name of efficiency and for profit –we try to force the poor into our suits, which we have tailored according to our size, template and convenience. My economist friends find the village “messy”.

Another reason why projects do not succeed in providing an entry into the core for the poor is that we development practitioners and policy makers start with several **questionable assumptions**; for example:

- i) we start out by identifying the needs of the poor and their problems – the problem tree! If we start this way we will continue to build relationships of dependence – continue to foster clients relations. We need to start from their strengths – this will lay the basis for citizenship. Myrada identified “affinity” arising from relations of trust and mutual support as the major strength of the poor in rural India and built on it; alongside we realised that people are good managers; they manage several small livelihood activities, which fit into the family’s livelihood strategy. This strategy depends on the number of members in the family, their willingness to take up an occupation, the activities they are accustomed to. Other strengths which emerged when we intervened were their willingness to come together and spend time to

discuss their problems provided they had some support from the NGO and their willingness to save regularly provided they were confident that their savings were safe and could be accessed quickly. On these strengths, Myrada built the institutions of the poor, which we call Self Help Affinity Groups. They are primarily empowering instruments; empowerment is generated by the space and freedom to meet, set their agenda, discuss and come to decisions; it is the management of savings and credit which empowers not the provision. These SAGs were the first institutions of the poor that emerged. They started by weekly savings and after some time decided to lend for any purpose which met with the diversity of needs. .

- ii) we assume that the poor have been doing nothing so far until we arrive - so we give them one or two “viable” assets” which are not manageable- yet if they have been surviving in a situation of scarce resources they must be good managers. I remember the famous sheep unit of 20 ewes and one ram which was considered by Government to be viable and enough to bring a poor person out of poverty; but this is a full time occupation; how does a person survive till the sheep put on weight and can be sold? Simple, by selling a few –there goes the viable unit. Myrada’s experience showed that the major part of the repayment from the so-called viable units of sheep and cows was generated not from the asset itself but from other income sources like labour. In fact the poor families have several small livelihood activities, which fit into their livelihood strategies.
- iii) we do not realise that the poor live in a liberalised economy- they pay exorbitant interest rates far above the market rates, their wages go up or down depending on supply and demand. The poor cope with market forces, diversity, unpredictability and risk, they multitask!...no wonder India is so religious...we need the gods around. The poor are burning up all their god given strengths in order to survive, they have no strength left to manage the viable assets we give them much less to effect change in oppressive power relations in order to develop their livelihood strategy. Myrada discovered that the SAGs provide them with a degree of strength since they help them to cope with the market forces (they set their interest rates) and diversity (they can borrow for any purpose); this strength gets enhanced when they federate. Myrada’s role is to reduce the risk through training, watershed management (since their loans were for dryland farming), by adding value and scale, by establishing links to several markets and to the private sector (for design and quality) and by bringing in insurance.
- iv) Project designs do not factor in power relations - economists cannot quantify them, they are fuzzy; hence also intangible assets like “empowerment” and ‘affinity” which constitute poor people's

strengths cannot be given a number – so they do not exist. The old dictum that “you can manage only what you can measure” still rules development management. But intangible hurdles like power relations exist and affinity exists and begin to play a role as soon as consultants turn off their templates and shut down their computers. These hurdles have to be overcome by institutions of the poor but at their pace.

- v) Myrada realised that different institutions were required to manage different assets or to achieve different objectives. The strategic role of institutions in building confidence and changing power relations is not new. The Trade Unions changed the balance of power; they were suitable for an industrial society where the workers already had jobs. The Cooperatives were suitable for the situation in Antigonish where people were homogeneous economically – they all went through the depression. The heterogeneous institutions like the milk societies (AMUL model) in India were suitable for collecting milk – they had to be heterogeneous since the big person with 10 cows made the milk route viable and the small man with one cow would sit on the big persons back. The Credit Cooperatives however did not achieve the objective of inclusion of the poor; the poor depended on the president and secretary of the Cooperative for jobs and loans and these powerful people used all the resources of the Cooperatives to strengthen their hold on the poor. Credit management which has the objective of providing credit to the poor needs a homogeneous group of poor who self select themselves on the basis of mutual trust and support- what we call affinity and what others call “social capital”. If the members are selected by external criteria, the NGO would have to play the role of moderator for a long, long time. But an example will help to throw some light on these learnings.

**Let me give an example:** I have been introduced as the father of the self help affinity group movement in India. How did this come about? Myrada started out by promoting and supporting Cooperative Societies at the village level. We soon discovered that though the poor were represented on the Board, they were silent while all the decisions were taken by a few powerful people. These Cooperatives broke down between 1984 - 1986 with some intervention from Myrada staff. The poor came to us in groups of 10-15 and wanted to return the money they had borrowed from the Cooperative to Myrada. We refused, finally we suggested: "Why not return the money to yourselves?". We sat down and helped them to meet as a group; the money came in every week and we opened a Bank account and placed it there. Gradually we developed several Trainings modules – how to set an agenda for the meeting, how to foster the participation of all, why is it necessary to ensure that accounts and minutes were maintained and shared. How to resolve conflict, to analyse relations in society and in the home and among the various institutions that surrounded them and how to develop a Mission of their own.

They soon asked for money since a child was sick or books had to be purchased for school or for purchasing seeds. We said: Why don't you take it from your groups account?. They agreed; they met and decided whether to lend, for what purpose, how much and what interest to charge. We helped them to record decisions and to keep accounts.

In 1985-6 we had several such groups. We went to NABARD – fortunately the then Chairman and Managing Director Mr. P R Nayak knew Myrada well. We asked him for Rs 3 million to train the groups and to match the savings of the good groups. He gave us Rs. one million; we thanked him and said " it's now your project – you can change policy, Myrada cannot, even if we have a few thousand groups." We had called these groups Credit Management Groups (CMGs) with a stress on management of money not on provision. With NABARD's support we changed the name to Self Help groups. Later when the SHG movement became part of Government policy and the focus was on targets and disbursements with very little training, we changed the name to Self help Affinity Groups or SAGs to stress the affinity that bound the members. Affinity arose from relations of mutual trust and support – which existed prior to our intervention. This was traditional social capital on which we built. Later we conducted joint assessments of their groups. If they emerged as good, their savings were matched 3 to 1 with NABARD's grants; if average it, was 2 to 1 and if poor they were given extra training but no grants till they improved. Today there are 4.2 million Self Help groups in the country. There are 11,000 SAGs in Myrada's projects; together they have USD 34 million of which USD 16 million is their savings, USD 9 Millions interest earned and the rest loans/grants.

Several studies on transaction costs and on other features were conducted between several micro finance models like: i) lending to individuals, ii) lending to individuals in groups where each member had to write out a proposal which went to the bank for a decision and iii) lending to the group – one loan to the entire group leaving the group to decide. The last model emerged as the most cost effective and transparent in the sense that there was a match between what the people put forward as the purpose when they asked for a loan and how they actually used it. The Reserve bank of India and NABARD took three historic decisions: i) To ask the Banks to lend to unregistered groups – Myrada had surveyed its groups and asked them whether they want to be registered. They refused. Because, they said, Government officials would harass them. But they functioned like registered societies are supposed to; ii) To ask Banks to lend without asking for the purpose in advance; the NGO would provide details about how the loan was used after the group decided; this gave space to the groups to discuss and decide and iii) To lend without physical collateral; this was relatively easy as Government had programs which already did so.

What lessons did Myrada learn from this experience?

- Build on peoples traditional strengths: Walk, sit with people, Listen and learn first before intervening.
- NGO ideologies and Government standardised programs to alleviate poverty are equally able to make the intervenors blind and deaf - as well as rush around on motorbikes.
- Respect diversity and institutionalise it in people's institutions as close as possible to the ground.
- An institution must be appropriate to the resource to be managed, or objective to be achieved.
- Invest in building institutional capacity where the poor have confidence to set their agenda; if every member does not participate effectively, the potential of the SHG to generate power is reduced.
- Build the vision and mission of every group. Do not use the group to implement NGO or Government programs.
- Poor people have livelihood strategies in which the whole family is involved; they often cannot cope with major Government programs which provide one large viable asset which may be viable but is not manageable either because it does not fit into their livelihood strategy or because the supporting services required to keep this asset profitable are not available.
- Do not mainstream - do not force the institutions of the poor into the standards of the core system -this is what inclusion seeks to do...on the contrary get the core to respect the institutions of the poor in their own right.
- The SAGs are the real Cooperatives.
- Remember the empire strikes back - be on the alert.

Affinity: We discovered affinity - it was just a stone in the sand which we happened to kick; we can only take credit for stopping to pick it up and to polish it. Affinity is important but not enough to build an institution, which decides to adopt new roles and functions. To build institutions of the poor, which can cope with these challenges, investment is required in institutional capacity building. Myrada has developed 24 modules collapsible into 14. (Refer to "Putting Institutions First even in Micro Finance" by this author or to our website [www.myrada.org](http://www.myrada.org) for RMS papers)

Unfortunately Development projects do not include a budget in their designs for building institutional capacity. They want to give away assets on the first day itself. Politicians love this, yet those of them who are enlightened stress the need for "good governance" without realising that without good institutions one can never have good governance.

Where does affinity draw its strengths from? In traditional societies Religion is an important source. There is perhaps no better place than the Coady



Institute to draw attention to the role that religion plays as source of values and practices that lay the basis for building peoples institutions. The Antigonish Movement drew deeply from religion for its inspiration and values. The Cooperative movement was built on mutual support and trust, on placing self interest and maximisation of profits within the context of cooperation and marginalizing selfishness. The idea that self interest is generated by human nature and creates energy that will generate wealth for all - while institutions will act as checks and balances to ensure that self interest does not become selfishness - no longer seems a theoretically sound one.

Unfortunately religion today is viewed as a source of division - even of violence -instead of a source of values that build understanding, respect (not tolerance) and mutual trust and support. One great feature of the Antigonish Movement is that while it drew inspiration from religion it was able to establish institutions, which were independent and held their distance from religious institutions. Friedrich Nietzsche declared that god was dead over 100 years ago, it was the end of godism; it was premature. Godism continues. Along came Francis Fukuyama who declared the end of history -the Hegelian view of history as an unfolding struggle between two opposing forces had ended; communism had collapsed and western liberal democracy remained alone in the ring. Then came Samuel Huntington with his "clash of civilisations" which held that far from having ended this historical struggle has become bloodier. Then came Thomas Friedman and Nandan Nilekani who told us that the world is flat.

Someone will come to tell us that globalisation is dead; the world is no longer flat (it never was a level playing field anyway). In India's villages the Self Help Affinity groups comprise members belonging to different religions and castes; they share poverty and insecurity and have survived because they depend and trust each other. On this basis of mutual trust and support they are ready to come together and build their institutions, which differ according to the resource to be managed or objective to be achieved. To them the local economy with its diversity provides the framework of their livelihood strategy...only when and where it cannot do this do they migrate outside and even then for short periods.

Rev Dr Moses Coady's famous observation "They will use what they have, to secure what they have not" still rings true. They will use what they have- their strengths. In rural India they have people who are happy to come together in groups of 10 to 20; the members self select themselves on the basis of their strengths- not their weakness or needs - like mutual trust and support and the willingness to accept the **discipline of an institution (Cooperative or SAGs)** which also gives them the opportunity to meet (women especially need a place to meet of their own; the common spaces like the village corner or tea shop are monopolised by men), to share their problems find solutions

and a safe place to deposit their savings which they can access quickly and easily for any purpose. What they have are these intangible assets which are adequate as a base, but not sufficient to cross the hurdles to reach the river and obtain the rights to fish. For this they need to form their institutions, they need to federate these institutions at their time and pace and invest them with functions – the Government or NGO should not do this.

The other case studies in the Book From Clients to Citizens also confirm this position. Leaders in these case studies have captured intangible assets like the “power of local history, culture, skills, knowledge and relationships to discover and to mobilise for building the road toward hopeful futures” (Foreword). In India however, the leaders are the problem in most cases...they capture power for their own interests and use the people to support their own aspirations. India therefore has to promote institutions of the poor which are small and local and do not attract the notice of our so-called leaders in order to build intangible assets of the poor. The strength of the SAGs, which cultivate these intangible assets, went unnoticed for over 15 years but suddenly the politicians began to claim ownership and to try to influence them (and NGOs who formed them) for votes. Institutions are also required in order to implement their “rights” India has recognised several rights, but none or few are implemented because one can hardly expect those who are affected by the exercise of rights to implement them. The pressure to get one's rights has to come from the people's institutions in a sustainable and non-violent way.

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