MYRADA

No.2, Service Road
Domlur Layout
BANGALORE 560 071. INDIA.
Telephone : 25352028, 25353166, 25354457
Fax : ++91-80-25350982
E-mail : myrada@vsnl.com
Website : http://www.myrada.org

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Can credit alone promote livelihoods of the poor without power and all-round development?

Myrada's journey in its strategy to promote livelihoods of the poor

Aloysius P. Fernandez
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1. Why this paper?

The concern for livelihood promotion is not new. What jolted me into writing this paper is the sudden burst in e-mails all stating that 'livelihoods of the poor is an emerging sector' and 'fast growing'. Most of these emails originate from people involved with Microfinance Institutions or engaged as consultants. Let us set the record straight. Programmes to promote livelihoods for the poor 'emerged' long ago. The Integrated Rural Development Programme (which was launched in 1976) with its many sister programmes like TRYSEM, DWCRA[1], had this objective. The sudden burst of e-mails, therefore, about 'livelihoods of the poor' as an 'emerging' sector appears to originate from the realm of consultants, internet virtual warriors and microfinance service providers who have not been involved in the development sector till recently. Amongst those who have discovered that livelihood options are emerging are those engaged in major Microfinance Institutions whose driving force, during the past few years, has been growth - but mainly in the loan portfolio and in profits - and who have had little experience of promoting livelihood options at the village level, of helping to reduce risks taken by the poor in investments and of building the skills and confidence of the poor to be able to overcome the obstacles preventing them to access and use these livelihood options to their advantage.

Not only have programmes for livelihoods of the poor emerged on the ground long ago, they have been 'fast growing' on the ground for the last 15 years at least. This growth has been fuelled not only by Government or MFIs, but mainly by the rapid growth of the economy. One has only to scan the number and scale of livelihood options (especially in the so-called unorganised and 'grey' sectors) that have opened up due to overall growth of the economy to realise the latter's impact on livelihoods - though it may be more significant in certain parts of the country. Whether the majority of the poor are equipped to make use of these opportunities to their advantage and whether they can do so without being exploited, is another matter. There is ample evidence that many are not able to make use of these opportunities, but the causes for this inadequacy, where it occurs, lie elsewhere[2]; they have little to do with credit availability.

2. What are the reasons for this recent bubble of concern regarding the need to promote livelihoods for the poor?

The opinion gaining ground in development circles is that the recent concern for livelihood promotion is coming from: i) a group of MFIs for their own organisational reasons, ii) from a project component called 'livelihood promotion' which in some cases is the major or core sector in design and in others is added on to Multilateral/Bilateral programmes which primarily focus on management of watersheds and natural resources but which came under criticism for neglecting the landless; hence a major allocation was made for 'livelihoods' and, iii) from evidence that credit alone is not sufficient to eradicate/mitigate poverty. Let us consider each of these three.

i. **Microfinance Institutions:** The group of MFIs who are now turning to 'livelihoods' is composed largely of those who have focused on 'growth' because they have been driven or motivated by:

- Their own organisational demands to cope with increasing defaults. After responding to a

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[1] TRYSEM - Training for Rural Youth for Self Employments, DWCRA - Development of Women and Children in Rural Areas

[2] See - Fernandez, A. P. (2007). Change - and the Rural Landscape: Random Comments Presented at the Aga Khan Foundation Workshop (Sept. 18, 2007) (IRMA, Anand). *Myrada Rural Management Systems Series, 47*(October 2007), 17. on www.myrada.org

quick growth model - in terms of outstanding portfolio and numbers of clients - the MFIs have realised that the 'products' which they developed and on the basis of which loans were extended were often not manageable by their clients; many of the 'wise' clients used part of the loans for their immediate needs which did not figure on the list of 'livelihood products' and which in turn reduced the level of investment on the identified product for which the loan was given; defaults increased.

- The pressure from financing institutions, an increasing number of whom are private institutional investors from abroad - to advance larger loans for livelihoods so as to achieve an annual growth targets of up to 170% in some cases, in order to prove that they are eradicating poverty through livelihood promotion and doing it 'fast'; and finally in order to meet the requirements of the RBI for the level of investment in the priority sector which is largely rural based where these private financial institutions do not have a presence. Once again, this pressure to increase the size of loans and to do it fast increases the risk, lowers the level of appraisals, and is beginning to show up in the decline in repayments.

- With the rapidly growing default rate, the MFIs and Financial Institutions are also increasingly worried about repayments. Hence the concern now to promote 'livelihoods' which are viable as investment opportunities for micro finance. This scenario is strikingly familiar. Does it not resemble the sub-prime mortgage fiasco that is unfurling in the USA from where much of the inspiration that drives these local MFIs has originated? Aggressive banks pushed loans to clients for purchase of houses. People were able to access loans larger than their credit standing would justify. Ditto in India. They failed to pay back in the US and are failing in India. When prices of houses fell below the threshold in the US, financial institutions were forced to cut back credit not only to the housing sector but to other sectors as well. It all started with 'greedy' Bankers who presented their strategy as 'new and far ahead of its times'.

ii. **Livelihoods components in Bilateral/Multilateral funded projects:** This pressure to promote livelihoods has also come from a project component in many Bilateral and Multilateral Programmes, which provides significant funds for promotion of 'livelihoods' within a given time fame - usually 2-3 years if the livelihood component is an added on or 4-5 years it is the core component in design. The strategy adopted is to start either with engaging consultants to conduct surveys - the output is very similar to the IRDP list of products - or to start with training or what is called Enterprise Development Programmes which tend to have five features: i) conduct surveys by contracted organisations to identify potential for enterprises and shortlist them, ii) conduct classroom training programmes in skills for non-farm/on-off farm enterprises for people who are selected by the project staff or who opt to join; there is very little or no exposure to similar enterprises being carried out in the field by individual entrepreneurs or actual field simulation exercises, iii) focus on financial management, iv) provide training to add value and scale - once again in the class room, and v) the training is provided by consultants/NGOs who have had no or little experience in actually managing an enterprise. What they end up doing usually is another story which will be discussed later.

iii. **Limits of Microfinance:** The growing realisation among the band of livelihood experts and service providers that their original much publicised position that microfinance would eradicate/mitigate poverty, when other approaches had failed, was not being justified by the reality on the ground. They were beginning to understand that while microfinance may be a 'command' factor (or a trigger) in enabling people - *who have skills (human capital), the space (freedom) and opportunities but not adequate credit at low co*st - to make use of livelihood options/resources in areas where these are available, it is by no means the case in all areas. In really backward regions, where there is little or no sustainable all-round growth to open up opportunities, where there is poor governance and insecurity, and where traditional or feudal relations which control both resources and the access to them prevail, credit has not proved to be the command factor that enables the poor - who are without skills and the 'power' and confidence to access resources and opportunities - to get involved in livelihood options. The poor lack human, political and often physical capital. Their strength lies in a degree of social cohesion among a few families; this social cohesion is based on relations of affinity arising from mutual trust and support - often referred to as traditional social capital. But this affinity among families (which unites the group and is one of the structural features on which their power is based) needs to be identified and built upon in order to enable the poor to acquire the 'power', confidence and management skills they need in order to access resources and to remove the hurdles - social economic and political - that obstruct their investment in livelihood options. They also need to be able to invest at their own pace and not under pressure imposed by project periods or by identified 'products' and large unit costs.

It is not enough to teach the poor to fish when they cannot reach the river due to the obstacles arising from oppressive power relations, lack of confidence and skills to change them, from 'prescriptions' imposed by development projects and major financing institutions or government programmes regarding size of loans and time. Much more, therefore, is required for credit to play a trigger role. I have therefore found it intriguing when some say 'we have taken microfinance to the remote parts of Bihar where there is acute poverty'... and I presume no or little investment in human and social capital, in all round development, in changing traditional and often oppressive relationships and in providing the minimum security. In such a situation, where livelihood options are limited and people insecure and faced with social, political and economic barriers to access resources and opportunities, micro finance can play a very limited role unless other conditions are in place. What are these conditions?

3. The deeper the poverty - social, economic and political - the less effective is credit as a trigger for livelihoods in the first phase of intervention:

Experience in the field indicates that microfinance can play a crucial role in the following contexts:

- Where all round and infrastructure development has taken off due to investment by the private sector (factories, mines, etc.), by Government (especially roads, power, public sector units), or by market forces in rural areas (in trade centres/mandis, near crossroads where passenger vehicles ply regularly, etc.)

- Where significant increases in agricultural diversification have occurred with a focus on cash crops and increases in productivity - resulting in a marketable surplus - and where there is an increased cash flow due to remittances from migrant labour. These scenarios generate a flow of capital and attract and support regular market linkages with cities and towns and an increasing demand for various local products which the poor can supply as they have the traditional skills to make these products. Myrada's experience in areas where diversification and productivity in agriculture has increased is that loans taken by SAG members grow in size and in the variety of purposes. In order to increase their value or scale however they need management training, linkages with institutions/people who are involved in providing credit or engaged in similar enterprises (not as consultants but as practitioners and preferably whose interests merge with those of the poor involved) and confidence to change power relations so that they can access resources and opportunities .

Agricultural Diversification: These scenarios also provide opportunities for the poor to trade - HD Kote in Mysore District where Myrada has a major project is an example. With increasing incomes from agricultural diversification, and migration to Mysore for jobs, trading by SHG members has flourished; what was a small market 15 years ago is today a bustling and expanding one. As incomes increased in Holalkere, another Myrada project in Chitradurga District, again due to migration and agricultural diversification, the SHG members have seized on the demand for higher quality goods. One Community Managed Resource Centre (a federation of 120 SHGs and Watershed Associations) has brought in outside expertise to add value and quality to local edible products which resulted in increased sales and profits. All these activities resulted in a higher off take of credit from the SHGs. In Odeyarapalya, Chamarajnagar District, Myrada's promotion of watershed management and diversified agriculture has resulted in the area becoming one of the largest suppliers of vegetables to the market in Tamil Nadu; this boosted the local economy and increased credit demand.

- Where the risk of investment by the poor has been significantly lowered: For example, Myrada went into watershed management in a big way when it discovered that a large number of loans taken by SAG members were for inputs in dryland agriculture. Myrada then decided that it was its responsibility to lower the risk through watershed management programmes including major inputs to improve the quality of soil; once again credit off take in these areas improved.

- Where people have market linkages for agricultural and forest products but were dependent on traders: here people did not benefit from sale of these products due to their need to borrow from the buyers (middle men) at high rates of interest and to whom they had to sell these forest products. In such cases where SHGs are promoted, the loans they provide bring down the rates of interest charged by private moneylenders or forces them to move to larger loans and other clients.

A common thread that runs through these examples and several others is that the poor have been able to circumvent existing powerful groups which have controlled the markets through organised and consistent efforts on a small scale which are not immediately perceived as threats to the powerful. Since these initiatives grow gradually, those who controlled resources have time to readjust without losing face; the unity of people also sends a clear though muted message that people are no longer willing to abide by the rules of the 'powerful'. They have added value and scale because they could do so at their own pace, assessing their risks as they went along and balancing their new ventures with the demands from their family and from other social constraints, and because they could access credit quickly, easily and at far lower cost than credit provided by moneylenders; they have often been provided with technical support by individuals, socially conscious private companies and civil society institutions including NGOs.

Expectedly, there have been cases where their choice of livelihoods has resulted in conflict over the access and use of local resources - a common one being when the SAG members borrow for sheep and cows which need grazing spaces that are controlled by powerful families. In such cases the SHGs have come together to lobby for their rights and in most cases have succeeded in working out a compromise. Another common thread is that in areas where there is no investment in all round development either by the private sector, by NGOs or Government and where there are no products or surplus for sale, credit is not an effective instrument to trigger growth. This realisation is growing among MFIs. The poor need 'power', confidence and management skills for micro finance to be effective as a trigger. The conclusion therefore is that if credit or micro finance is pursued as a poverty mitigating strategy, there needs to be in the first phase, multiple actors and multiple choices for credit to be an effective instrument in promoting livelihood options and opportunities which the poor can access and use.

Job creation and collaborations with the Private Sector

In off-farm livelihood activities, credit is seldom the trigger or command factor. What is far more critical is the need for marketable skills, and linkages with the private sector to provide design, quality control and marketing. Myrada has all along realised that providing design, quality control and marketing of off farm income generating activities taken up by the poor is best left to the private sector companies which have a corporate social responsibility that is embedded in its core business, and does not take the shape of providing grants for activities which are close to the heart of the CEO. For example in the mid 1990s, Myrada promoted a Company of poor women selected by the SHGs from its Project in villages around Hosur and helped the Company to link with and enter into contract directly with Titan Watches. This Company called MEADOW (Management of Enterprises and Development of Women) Rural Enterprises Pvt. Ltd. has set up units in several villages close to the homes of those employed so that women do not have to go far away from home; they began mainly in assembling watch strap components and gradually took on more processes in manufacture to include pressing, polishing, electroplating, watch movement sub-assembly and final packing of TITAN Watches. This is a core activity of TITAN and has survived for the past 12 years since it is a business relationship where both sides win; it however required some social commitment on the part of TITAN to take the initiative and the risk to start this partnership. Recently meadow has become a 'Karyagar' for Tanishq Jewellery and also for precision deburring of parts for the TITAN's aerospace initiative. Incidentally, Myrada did not take the contract with TITAN but facilitated the contract between MEADOW and TITAN. Myrada however deputed one senior staff to support meadow on condition that MEADOW paid his/her salary after three year - which happened. For further information contact Myrada.

4. Recent suggestions for livelihood approaches/strategies have already been tried before - and, to a large extent, unsuccessfully

There is another reason that prompted this paper, though perhaps it deserves a separate one. It is the suggestions emerging in recent emails and presentations regarding how to promote livelihood products among the poor and SHG members. Once again these suggestions go back to a strategy adopted by older programmes which provided credit where:

- the focus on lending is to the individual poor

- the Financial Institution's role is to identify and design products which it decides the poor can undertake and to work out a credit package that makes investment in these products viable; as a result, the 'product' and the size of loan are standardised, leaving little room for each client to opt for new and emerging livelihood options until they are officially 'passed'; further the 'products' are all asset based which closes the door to livelihoods like 'trading' which are often the first step on the livelihood ladder which the poor have the confidence to take; the door is also closed to borrowing from the SHG to repay high cost loans from moneylenders or to release mortgaged assets. When Government and private sector retire high cost loans, it is good business; different standards are applied where the poor are concerned.

> An example of releasing mortgaged assets which are high income earning is the case of a woman who had mortgaged a large tamarind tree against a loan of Rs 2000. The tree earned an average income of Rs 4000 per year. The mortgage was already 4 years old, which makes the moneylenders return total Rs 16,000. The SHG granted a loan of Rs 2000 to the woman to redeem the tree. Such 'products' find no place in the list of purposes approved by Banks and other Financial Institutions. There are hundreds of similar examples relating to mortgage of small land holdings which have been redeemed by taking loans from SHGs.

- the size of the loan for viable products is large; this is based on the assessment made by economists that the size of the loans given by SHGs is too small to make an impact on the incomes of the poor; this assessment is similar to the assumption under the IRDP programme that two large loans are required to get the poor out of poverty.

These were perhaps the major defects in the design of the IRDP (though subsidy and corruption captured all the attention) and are being repeated today by the new generation as solutions to the livelihood enigma. This paper will focus on these 'faults' as a basis for drawing out some learning. Before moving on to discuss these 'faults' in IRDP, a short digression to understand the SHG and SGSY[3] Programmes is necessary.

5. The emergence of the SHG Bank Linkage Mode in 1992 and the status of groups formed under the SGSY Programme since 2000.

Both these programmes focus on promoting livelihoods for the poor. The former is promoted by NABARD and the Banks - the Cooperatives have also joined in; the latter by the Ministry of Rural Development. During the past 20 years, a parallel unofficial financial system has gained strength - namely the SHG movement. It emerged in 1984-1985, gained the support of NABARD in 1986-87 with a grant of Rs 1 million to Myrada from NABARD, and with the championing of NABARD and hundreds of NGOs, spread all over the country. It was officially institutionalised in 1992 in the SHG-Bank Linkage Programme. Much later, in 1999-2000, the SHG concept was also adopted by the Government (Ministry of Rural Development, Government of India) in the SGSY programme, the successor of the IRDP and sister programmes; but, as with the IRDP, its implementation is poor as far as targeting and use of credit is concerned. The SGSY programme includes a subsidy for the 'product' which has to be a physical asset; the SHG-Bank Linkage does not provide a subsidy or require that the assets should be 'physical'. The SGSY programme not only continues to subsidise the asset, it continues to provide different subsidies for SCs and STs who in many cases are in the same SHG formed on the basis of affinity. This result in efforts by Government staff in the field to break up a group bound by affinity into separate Schedule Caste and Schedule Tribe groups. *(This author has had the exhilarating experience of several SHGs with SC and ST members linked by affinity, refusing to break up even when enticed with the large subsidy under SGSY*). Both programmes provide funds for institutional capacity building of SHGs. But in the SGSY

[3] Swarnajayanti Grama Swarojgar Yojana - the successor of IRDP and sister programmes

programme this amount has been largely used for purposes other than training the SHGs to manage their affairs and grow their institutional capacity. Grants for training under the SHG bank Linkage programme were largely provided by NABARD and private donors mainly to NGOs and properly monitored. The SGSY programme, therefore, projects different messages when it runs alongside the SHG-Bank Linkage Programme.

Many of the SHGs formed under the SGSY programme are weak due to the following reasons:

i. There was pressure to achieve targets in all states and to transfer loans/subsidies to SHGs resulting in no institutional capacity building and large amounts of money in the hands of poorly functioning groups

ii. The groups were not homogeneous - economically - in many States; they included one of two women from well to do and powerful families. This was because the task of forming the groups was left to Panchayat Secretaries in some states, who chose the easiest way - they approached a few women from the Gram Panchayat who were the wives or daughters of the president and members of the Gram Panchayat and asked them to form a group

iii. In many States the IRDP pattern of lending to individuals continued, though groups were formed

iv. Though planned and budgeted for in the SGSY design, no institutional capacity building was provided; instead this fund was spent to organise large gatherings of women who were addressed by politicians or given to government sponsored training centres which did little training in the field for each SHG.

v. No assessment of the groups was carried out, though the SGSY required it to be done. In the first few years there was no clear strategy regarding who and how this assessment would be carried out. Later some States which were proactive engaged several NGOs and other institutions to carry out this assessment. Where Banks did assessment prior to lending, the entire focus was on bookkeeping related to accounts and, later on -

vi. Focus was on recovery performance since the banks gave this feature priority. The Bank reported on performance of the SHG-Bank linkage programme entirely on the position of recoveries. Where the SHGs were controlled by a few powerful women, there are several cases where they availed of a loan from the Bank, lent money outside the group at high interest rates (which they pocketed) and returned the loan to the Bank. Bank records therefore show 100% recovery; visits to the group show that a few women only accessed loans. In the KBK region of Orissa, these untrained and un-assessed groups have received loans from banks which lie unused in their bank accounts, while the targets for credit disbursements for the area seem achieved. Yet these groups have all been called SHGs[4].

> Because of the poor performance of the SHGs which had not been given adequate support and as a result do not function poorly, the image of SHGs as organisations which only advanced small loans for 'consumption smoothening' is gaining ground among development experts. There is evidence that the weak groups under SGSY have had little impact on livelihoods and much less on changing oppressive power relations. However, there are also examples of these groups, which have been trained by experienced NGOs and even by staff recruited by Government with some experience in community development, where the results in livelihood promotion are good.

[4] This prompted Myrada to call all SHGs which followed the features and processes designed by NABARD and Myrada originally - as Self Help **Affinity** groups or SAGs

6. SHGs which emerged in Myrada's projects did not start with the objective of providing credit for livelihoods:

The Self-help Affinity Groups which emerged in Myrada's programme in 1984-85 when the cooperatives broke down, or Myrada saw that they did not support the poor who decided - with some persuasion from Myrada - to form their own groups, did not start with the objective of providing credit for livelihoods. The members came together to discuss the problems they faced from the powerful members in the traditional cooperatives and decided to set up their own groups to discuss their problems and to assist one another to solve them. Myrada suggested that they begin to save regularly in order to cultivate a habit of thrift and to provide the group with capital if the members required borrowing for any purpose - which records show was initially was for immediate needs like food and clothes[5]. It was only as the SHGs grew in confidence and skills that they emerged as institutions which provided the support and the space for members to opt for livelihoods. This did not happen overnight.

Myrada's studies indicated that in the first two years the number of loans for food and clothes constituted about 40-60% of the total number of loans though the amount lent for these purposes was about 20-25% of the total. This indicated that the loans are comparatively small. The other purposes are largely related to agriculture. But as the group went into year two and three, the number of loans for food and clothes declined. However, the number of loans for trading, repaying high cost loans to moneylenders, for animal husbandry and non-farm activities began increasing. But still the amount was not large, averaging Rs. 2000-Rs. 5000. By the fourth year the size of the loans began increasing to Rs 10,000-Rs 20,000. After 6-7 years the amount were touching Rs 25,000 and after that many loans are over Rs 30,000. Overall Myrada's experience shows that on a average, during a period of 7-8 years a member takes a total loan amount of Rs 80,000-Rs.100,000 through 7-10 loans for several purposes. One must however factor in the investment Myrada and other institutions - Government and private - made in promoting all round development in its project areas which increased the options and opportunities for livelihoods. Besides, when Myrada found that a large number of loans were for dryland agriculture, Myrada invested heavily in watershed management in order to reduce the risk of investment in this sector. Moreover, many of the project areas also benefited from Government investment especially in roads, electricity, telecommunication and storage.

7. The design faults in IRDP/SGSY:

It will be useful to describe in further detail what has emerged as the design faults in IRDP/SGSY which have had an impact on promoting livelihoods for the poor since this provides a good base to analyse whether the livelihood strategy to promote livelihoods which emerged from the SHGs addresses them; it will also throw some light on the relevance of recent initiatives to promote livelihoods adopted by emerging micro finance institutions.

> The Ministry of Rural Development, Government of India, is concerned about some of these faults in the design of the SGSY and is currently engaged in an exercise to restructure this programme.

The IRDP was the first major livelihoods programme for the poor in recent recall. It has been analysed threadbare. If it is brought up here, it is not because it needs to be analysed again, but

[5] The growth of the Credit Management Groups, the change of name to Self Help Groups when NABARD provided a grant to Myrada in 1986-87 and the change to SAGs has been described in 'Putting Institutions First - Even in Micro Finance' (2001) by the Author

because it provides a good base of experience from which learning can be drawn and incorporated in new strategies for livelihood promotion. Unfortunately this has not happened adequately, and even more unfortunately, the faults in the design of the IRDP which the SGSY sought to remove (unsuccessfully, in most cases, as it transpired), are being reintroduced in many of the programme designs adopted by the emerging MFIs who are growing rapidly. This also presents a suitable occasion to compare the SHG strategy with the IRDP/SGSY and to see whether the livelihood strategy that emerged from the SHG strategy has been able to address these faults in the IRDP/SGSY.

Some faults in design of IRDP have been amply documented. However, four of the 'faults' in the design which have not been given adequate attention (and therefore in a way continue to re-appear in similar programmes recently designed) are the following:

A. The loan was given to the **individual poor person**- in fact this has hardly ever been raised as a design fault and is repeated in the SGSY
B. It was decided and structured from the top as regards - **purpose or product** - which had to be for identified assets; the SGSY programme continues with this feature even though it requires a group to be formed.
C. **Size** - unit sizes for each loan were worked out which were considered viable. The assumption was made that substantial (one or two large 'viable') **loans** for assets/ enterprises would eradicate poverty; the SGSY continues with this feature.
D. The assumption that the Banks or Government Departments would **supervise** the use of the loan.

Let us consider each of these in further detail.

A. Loan to the individual poor person: very little attention has been given to the practice of giving a loan to the poor individual as a design fault, though I consider it to be one of the major 'faults' in design to provide a livelihood base to the poor person. She/he is not only in need of assets but more in need of 'power' or 'political capital' to access and use these assets. There has been a focus on providing skills; though provision of skills is necessary, it is not enough. It is not enough to teach people the skill to fish when they cannot reach the river; the hurdles on the way are based on oppressive 'power' relations (in the social, economic and political spheres - which often reinforce each other). The loan model to the individual poor does not address these hurdles.

The SHG strategy, on the other hand, invests primarily in the first two years in building the institutional capacity of the groups. This is done by:

a. Providing institutional capacity building training for the whole group - Myrada published a training manual[6] in the year 2000 with 24 modules, which were used for several years prior to 2000 and which has since been translated into several languages and adapted to local situations.

[6] Myrada (Ed.). (2006). *A Manual for Capacity Building of Self-Help Affinity Groups (Third Ed.).* Bangalore: Myrada.

b. Promoting an organisational structure which ensures that all decisions are taken within the group. The major features of this organisational structure are i) the members are linked by affinity - based on relations of mutual trust and support and, ii) they are economically homogeneous. iii) The group members self select themselves; they are not selected on the basis of external designed criteria. However having the right organisational structure is not enough; it is also necessary to support the SHGs to develop adequate organisational and financial systems and the capability to manage them. These features are required because they are taking on new functions- like savings and lending - which require more than the affinity of the members to support. These systems are required so that the governance of the SHG is transparent and participatory. Hence all decisions regarding savings and loans including recoveries, regarding sanctions (not only for failing to repay loans on time but for any activity that goes against the group's decision relating to their lives) need to be recorded. The experience of taking these decisions and being involved in activities that influence their lives is itself an 'empowering' process. **The very dynamics of the group - in which all the members are involved in building and managing these systems and taking these decisions - generates 'confidence', 'power' and 'management skills'**. However, for these dynamics to function effectively and to generate power, the three structural features of the group mentioned above have to be ensured and adequate institutional capacity building has to be provided (24 modules which can be compressed into 14) to the entire group. Unfortunately in Government programmes, which require groups to be formed, both these structural features as well as the capacity building required are either absent or carried out in a minimal manner if at all.

> The importance of the dynamics in an SHG was brought out recently in a meeting with NABARD Bangalore. Mr. M.V. Patro the General Manager recalled an experience which this author had forgotten. He recalled the first training for Bankers in 1992 conducted by Myrada in our Dharmapuri project. A visit to a SHG was organised in the evening. The feedback next day was good; the bankers were impressed with the books recording the decisions taken and the accounts related to savings and loans. Mr. Patro raised a dissenting voice. He said that he had come to see how a SHG functioned, how they conducted a meeting, what were the dynamics of the meeting. During the visit on the previous evening, the Bankers had interviewed the SHG members, scrutinised their books; in general the Bankers conducted the interaction in order to meet with their concerns. This did not convince him. This author then suggested that another meeting be arranged with an SHG. This time the Bankers would visit a group on its scheduled meeting day. It would not be a 'staged' meeting for the visitors. Secondly, the Bankers would sit outside the SHG circle and listen in silence throughout the meeting. They would not interrupt the meeting. Their questions would be answered at the end. Mr. Patro was so impressed with the dynamics of the meeting, with the level of local knowledge the members exhibited regarding the requests for loans and with their problem solving approach that he became a convert to the SHG concept.

For example, institutional capacity building in SGSY is often done for a large number of groups at a time or only for the leaders of several groups. Myrada insists that the institutional capacity building training is for the whole group and not just for a few members. It advises the group to rotate the Chairpersons' role in every meeting and to change the group's representatives[7] every year. The dynamics generated in meetings of a

[7] Myrada encourages SHGs to avoid using terminology like President and Secretary to denote their representatives

well functioning SHG provides the individual poor with the institutional space to grow in confidence and to acquire management and conflict resolution skills required to take livelihood risks and to change relations in the family, and - together with several SHGs - to exert pressure to change oppressive relations and hurdles that keep them from reaching the river. Since this is a major issue, it will be discussed at greater length later in this paper.

B. The Purpose of loans in SGSY has to be for identified/approved assets: This restriction, regarding assets only and identified assets at that, does not take into account:

i) **The immediate credit needs of people** for education, health, socio religious ceremonies - for which they borrow from private money lenders at high interest rates; these are often the main reasons why they continue to remain in debt.

ii) **Trading**: this is an activity in which a large number of poor families are engaged; our people are traders, and trading is an activity into which they enter easily and often as a first step in diversification of their livelihood based. For example, a person will borrow Rs 4000 from an SHG on Wednesday, buy sheep or goats in the rural area and walk them to the nearest town or city and sell them on Saturday for a good profit. The only source of credit for such activities was the moneylender before the SHGs came in. A similar situation occurs with those who collect forest produce; they have to sell these products to a moneylender at below market prices since they borrowed from him; the SHG once again rescued them. The SHGs provide loans for any activity that helps to raise or increase capital/income in the hands of its members. The assumption that only assets can repay the loan is not borne out by Myrada's experience; the poor have several small and often temporary livelihood activities, which assure them of a cash flow. Case studies of repayments in over 75% of loans showed that 60% of this repayment did not come from income earned through the asset but from other sources like labour or trading.

iii) The need to **repay high cost loans** from money lenders and to redeem productive and mortgaged assets (like tamarind trees and agricultural land). The SHG provide loans for these purposes which increases the capital in the hands of the poor; even more it releases them for a dependency relationship with large farmers from whom they have borrowed money and have to repay not only in cash but through their labour which becomes captive.

In the following page are a few examples which show the diversity of loan purposes and sizes which respond to an individuals need and to their time schedule and which do not conform to prescribed list of products under government programmes and even to the products promoted recently by MFIs.

In conclusion therefore it can be stated that the restriction under IRDP and SGSY, that the loan purpose should be for assets, and only for those assets that are **listed as approved** does not take into consideration the **diversity** in soils, rainfall patterns, markets, livelihoods already undertaken, market integration, local resources and customs, differences in the pace of adoption and people's ability to innovate. This diversity extends beyond livelihood options to include the cash flow to repay loans. The incoming cash flow of a rural poor person is not a regular monthly income, 'it is lumpy'; whereas the IRDP/SGSY pattern requires regular repayments, as if an IRDP/SGSY cow produces the same amount of milk every month. Hence the credit system has to provide for this diversity, which can only be done at the local level. A credit management system is required which takes the diversity of needs and situations as well into account. The SHGs once again responds to this diversity not only in purposes but also in repayment schedules

Shree Sitara SHG Chikkajajur, Holalkere Taluk, Chitradurga District

(1) Shanthamma*

Date of Borrowing	Amount (Rs.)	Purpose
1996	500	Household expenses
1996	1,000	Cow Purchase
1996	2,000	Education
1996	3,000	Cow purchase
1997	3,000	Agriculture inputs
1997	3,000	Education
1997	4,000	Education
1998	5,000	Education
1998	6,000	Agriculture land purpose
1999	8,000	Education
2000	11,000	For job in Railways
2000	15,000	Business
2000	325	To purchase SHG uniform
2001	20,000	For telephone booth
2003	8,325	Sewing machine (SGSY)
2004	35,000	Education
2004	2,300	LPG for home use
2005	1,000	Jewellery loan
2006	45,000	Agriculture land purchase
2006	2,000	Jewellery loan
Total	**175,450**	

*** Note:** Her husband was a sweeper in the railways. After he died in service, the family spent considerable money to see if one of the sons could get appointment in the railways.

(2) Sakamma

Date of Borrowing	Amount (Rs.)	Purpose
1996	500	Education
1996	100	Medical expenses
1996	445	Medical expenses
1996	1,000	Education
1996	2,000	House repair
1997	2,000	Agriculture inputs
1997	2,000	Education
1997	2,500	Education
1998	4,000	Education
1998	5,000	Agriculture land purchase
1999	7,000	Agriculture inputs
1999	10,000	House repair
2000	325	To purchase SHG uniform
2001	15,000	House site purchase
2003	8,325	Sewing machine (SGSY)
2003	22,000	House site purchase
2004	2,300	LPG for home use
2004	40,000	Agriculture land purchase
2005	1,000	Jewellery loan
2006	2,000	Jewellery loan
Total	**127,495**	

Note:

(3) Kausar Banu

Date of Borrowing	Amount (Rs.)	Purpose
1996	1,000	Trading
1996	3,000	Trading
1997	5,000	Trading
1997	500	Education
1997	5,000	Medical expenses
1997	300	Medical expenses
1998	4,000	Trading
1998	5,000	Trading
1998	5,000	Trading
1999	5,000	Trading
1999	12,000	Trading
2000	25,000	To release house mortgage
2000	325	To purchase SHG uniform
2001	2,000	Education
2002	40,000	House purchase
2003	325	Household expenses
2003	8325	Sewing machine (SGSY)
2003	50,000	Agriculture land purchase
2004	2300	LPG for home use
2005	58,000	To release agriculture land from mortgage
2005	6,000	House repair
2005	1,000	Jewellery loan
2006	2,000	Jewellery loan
Total	**241,075**	

***(4) Nagarathnamma**

Date of Borrowing	Amount (Rs.)	Purpose
1997	2,000	Education
1997	500	Education
1997	2,000	Education
1998	4,000	LPG for home use
1998	5,000	Education
1998	5,000	Vehicle loan repayment
1999	7,100	House repair
1999	8,000	Vehicle loan repayment
2000	8,000	Vehicle loan repayment
2000	15,000	Vehicle loan repayment
2000	325	To purchase SHG uniform
2001	18,000	Business
2002	30,000	Vehicle repairs
2003	28,000	Vehicle loan repayment
2003	8,325	Sewing machine (SGSY)
2004	2,300	LPG for home use
2005	40,000	Vehicle repairs
2005	1000	Jewellery loan
2006	2,000	Jewellery loan
Total	**186,550**	

***Note:** The family purchased a used minibus on loan; she borrowed from the group to repay the loan in instalments and to repair and refuRBIsh the vehicle.

Once again, in recent papers and emails, the assumption that loans must be asset based in order to raise the poor family above the poverty line is emerging. We need to distinguish between 'asset focused loans' and 'loans for livelihoods'. The portfolio of livelihoods is much broader; it goes beyond 'asset focused loans' and includes any activity that increases capital in the hands of the poor. Credit for livelihoods includes credit for any activity that increases the capital in the hands of the poor and not just credit that provides assets. In other words, if the poor take loans from the SHG to repay high cost private loans; this must be considered as credit for livelihoods, as capital increases in his/her hands to purchase essentials. If the poor take loans for urgent health problems, this must be viewed as credit for livelihoods as he/she does not have to resort to private lenders and can also return to work and hence capital increases in his/her hands. If the poor take loans for education - is this not for a livelihood? None of us reading this paper would have been able to, unless someone had invested in our education. But this viewpoint is not generally accepted. This brings us back to the IRDP/SGSY pattern of lending which Myrada considers inappropriate.

C. Size: Unit sizes for each loan were worked out in IRDP/SGSY for activities which were considered viable. The assumption was that substantial -one or two large - Loans for assets/enterprises were required that can 'pull' people out of poverty: This assumption did not prove to be valid. Myrada's analysis of the pattern of loans taken by each member in the SHGs showed that it differed considerably from the one or two large loans under government programmes. We found that over a period of 6-8 years an SHG member takes about 7 to 9 loans of various sizes and for various purposes - usually complementing one another. The total amount is in the range of Rs 80,000 to Rs 1 lakh, which is much, more than what was provided under IRDP/SGSY.

A case study of women members in Shree Sitara SHG in Chikkajajur, Holalkere Taluk of Chitradurga District shows that over a 10 year period they took generally over 15 loans for total amounts ranging from Rs 32,000 to Rs 2.4 lakhs. Here are some examples:	
Shantamma - 20 loans, Total amount: 175,450	**Nagarathnamma** - 19 loans, Total Rs 186,550
Kamalamma - 18 loans, ,Total amount Rs 129,750	**Renukamma** - 22 loans ,Total 106,100
Geetamma - 13 loans, Total Rs 64,45;	**Chandramma** - 16 loans, Total Rs 129,745
Nagina Begum - 18 loans, Total Rs 54,650	**Noorjehan** - 14 loans, Total Rs 52,950
Sakamma - 20 loans, Total Rs 127,495	**Lakshmamma** - 15 loans, Total Rs 61,650
Kausar Banu - 22 loans, Total Rs 241,075	**Lakshmidevi** - 8 loans, Total Rs 32,419
Kariyamma - 14 loans, Total Rs 60,275	**Lakshmamma** - 16 loans, Total Rs 47,950

The concern related to size results in the promotion of viable units that are designed under IRDP/SGSY; but these large units also **demand full time management and adequate resources:** The requirement that the product had to be a viable unit, (like a sheep unit of 20 ewes and one ram) did not take into account the fact that the individual poor person/beneficiary' was already involved in some livelihood activity; otherwise he/she would not be surviving. Managing a viable product, like the new activity, requires in most cases that he/she give up the old. How then will he/she survive in the short term? The answer usually is to sell part of the asset - like one or two sheep out of the 20; there goes the viable unit! Feedback from the SHGs showed that the poor person is more concerned about 'manageability' of a 'unit' or asset rather than its 'viability' in the short term. For what is viable may not be manageable at a point of time; if the poor were alive they must have managed to meet their essential need. These are the existing strengths, which should be built upon and not pushed aside. There is also he underlying assumption that all income necessary for a secure livelihood should come from a single activity of a viable size. On the contrary the poor in rural areas have several small and often season sources of income enough to bring the poor person out of poverty. In many cases, like in Myrada's Dharmapuri project, crossbred cows purchased with large loans were pushed by government officials under the SGSY programme which they calculated would provide adequate income to raise the family above the poverty line, but there was not enough water or fodder to feed them. Hence they became a liability. On enquiry, it was learned that cows were selected as a priority in a drought prone district because the milk route was not viable!! On the other hand the SHGs never lend for cows unless there is adequate water and fodder and even then opt for 50% crossbreds only which are more 'manageable' than the over 80% crossbreds offered under SGSY.

D. **Supervision:** The objective of Supervision under IRDP/SGSY is basically to ensure that repayments were made. Supervision however when the poor are concerned is much broader. It includes:
   a. **Freedom of choice:** the freedom of the poor person to select the purpose and size of the livelihood loan was not available in the IRDP/SGSY where the purpose had to be stated before the loan was sanctioned. Besides many of their needs did not fit into the approved list of purposes. Hence they had to 'bluff' in order to get funds for the immediate needs; this straightaway undermined supervision. The SHGs on the other hand allow this freedom; hence there is built in transparency
   b. **Monitoring of the use of the loan**; under IRDP/SGSY this is not done or seldom done. On the other hand, the SHGs monitor the use of loans closely. For example when one of the SHG members decided to stand for Panchayat elections, the group agreed to back him; but since he had taken a loan for a cow, they were concerned that he may sell it to raise funds for the election; they decided to take charge of the animal, look after it and return it after the elections, and
   c. **Support to cope with unforeseen eventualities**; this was limited and in patches under IRDP/SGSY. In the SHG some of these eventualities can be coped with - e.g., repayments can be rescheduled or reduced for genuine reasons. The SHG also provides loans for veterinary care which enables the member to access even private veterinary services. Eventualities caused by poor support services from Government like sickness in animals and poultry, may require the NGO to intervene.

Of the above mentioned faults in design in IRDP, the first one - namely the practice of giving the loan to the individual poor person - needs further consideration since it is controversial (it involves a bit of ideology related to the critical role of 'power of the poor' in pursuing livelihood options) and more importantly since it provides the first step in what emerged as Myrada's strategy to promote livelihoods of the poor. The first fault is therefore considered below.

8. Loan to the individual poor person

Is this an appropriate strategy that allows the poor to have access to livelihood options/resources and to manage them? The loan was given to the individual poor person, usually a man, in IRDP. In fact the SGSY, the successor of IRDP and its sister programmes promoted by the Ministry of Rural Development Government of India, did not change this, but continued the individual pattern of lending in most states even though it included group formation in design. The SGSY programme, largely because of the need for individual based data and the provision of subsidy, continued to maintain the pattern of loans to individuals even though they were formed in groups. This programme is running parallel to the SHG-Bank Linkage programme, which was designed to give one loan to the group, which then decides on loans to individual members.

Models of Lending to the Poor:
There are basically three models:

1. Lending to individuals as in the IRDP and in SGSY
2. Lending to individuals in groups - in this case each member has to prepare a separate loan application which is approved/rejected by the financial institution. These individual applications may or may not be vetted by the group; the major role of the group is to exert pressure to repay. The purpose of the loan taken by each member is known before the loan is sanctioned by the MFI/Bank; there are various versions of this including the Joint Liability Group based lending of many MFIs; the SGSY programme largely followed this model
3. Lending to a Group as a group: in this case there is only one loan to the group and the group itself decides on the loans to each member on her/his request; all decisions on purpose, size, repayments, etc. are taken in the group; this is the SHG-Bank Linkage model as it was conceived.

Lending to an individual as in Models 1 and 2 helps to identify who is responsible for repaying the loan and to maintain a paper trail; it suits the requirements of the administrative and legal system. Lending to individuals supports the interests of politicians because they can select the 'beneficiary' and establish a relationship of patronage with a perceived obligation to return the favour by way of a vote. Finally, it suits the implementing line department officials who need to report on the individual - especially if the member belongs to SC or ST; it also suits the interests of lower level functionaries who can strike a bargain for payback with each individual more conveniently and relative to each ones 'power' base - the really poor individual without any contacts to support him/her obviously had to 'pay' more if they were selected in the first place. When the policy for the SHG Bank Linkage was being put in place between 1988 and 1990, the change from lending to an individual to lending to a group as a group, without asking for the purpose in advance were viewed as major obstacles; thanks to RBI/NABARD, this change was introduced in policy.

Lending to an individual throws the entire responsibility of using the loan effectively on him/her. This does not take into consideration the oppressive and restraining relations of power that exist in society and which are largely responsible for keeping the poor where they are and making it difficult for them to rise and stay above poverty or even to use the ladders (like reservations where the poor SC and ST persons are edged out by the more powerful in their own community) that government policies and programmes provide. Getting out of poverty requires that the poor person is able to introduce change in these power relations to enable his/her economic activity to be grounded and grow. This she/he finds difficult to do on her/his own. Even when the poor were given assets under the loan - like cows or sheep (which on the face of the activity/asset does not involve change in power relations), in reality these relations played a major role. For example, the poor have no access or inadequate access - to fodder, to water or to grazing - all the resources required to make the 'asset' productive. These resources are controlled by the powerful. They often have to pay bribe/speed money to be selected as a beneficiary and also to get the loan/subsidy sanctioned because they do not have the 'political' power required to get a free and quick loan/subsidy. This forces them to buy a lower quality asset. Reduction in the cost of an asset reduces its productive potential. Veterinary care if available is restricted to those who have power or can pay. All this affects the viability of the assets and hence the income. If the activity is related to marketing it has to face even more 'powerful' hurdles since middlemen control the market relations. The basic assumption that the individual poor can increase 'profit' without having 'power' is not supported by the reality on the ground, where relationships that condition and govern livelihood opportunities in rural areas are often oppressive (extract capital from the poor) and at the least not supportive of new entrants, especially not the poor.

9. Is the group approach a more appropriate answer?

The strategy to change relations of power that has been adopted in the past is to 'organise' the poor so that they too have 'power' in numbers. However there are several interpretations to what organising the poor means. Some stop at mobilising large crowds to tackle a particular issue, which today often develops into riots. These are gatherings or crowds of people with a short-term objective. Others go further to organise people into smaller and more identifiable groups, which work together to achieve a long-term purpose. There are many examples of such groups like the Fishermen's Cooperatives and the Sugar Cooperatives (which are in reality the producer groups/companies about which much is talked of in recent times). Their appropriateness at the initial stage where producers have small surpluses and are widely spread/dispersed, is however, still to be tested[8].

There is another category of groups, which are not linked by any livelihood activity but by affinity among its members. Affinity is based on internal relationships of mutual trust and support - such groups must self select their members - and are called self help affinity groups or SHGs for short. There are other groups which are linked by external criteria selected by the Government - like those selected for the IRDP/SGSY beneficiaries. In recent years groups have been form in major Multilateral Projects, which are called 'common interest' groups. However this name itself is not new[9]. In some cases, several group members doing the **same activity but doing it individually** are called a 'common interest' group; but though they may be involved in the same activity individually, they need not have the same interests or the same interests forever, and on the contrary often find themselves in a situation where they have to compete to sell their products. Others are called common interest groups since all the members are involved in **one activity**; Government programmes tend to foster such groups and to provide a protected market in some cases. Often people are force-fitted into these groups despite their diverse aspirations as they do not have the options of going along with their interest. A farmer in the Garo Hills of Meghalaya, at the end of a complicated microplanning exercise said, "I was interested in fisheries. I still don't know how I ended up in the 'banana group'". However, experience also shows that if the group is involved in one activity, it seldom lasts; a common group activity is seldom sustainable if it is open to competition and interests are bound to diversify and change. If by

[8] A group being promoted recently by some NGOs is called the Producer Group, which may be informal or registered as a Producer Company/Cooperative. This excludes all non-producers and attempts to prevent the major weakness of the traditional cooperative societies, which were taken over by non-producers. These groups are not new. There have been cooperatives of fishermen, which are really producer groups, for many years; it is the same in sugar. The problem Myrada encounters is that as the SHG 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, which a producer cooperative requires in order to be viable. They need to be supported for a few years at least until they attain scale. Myrada finds that the Community Managed Resource Centres (CMRCs) which emerged in its projects over the past four years - and which are federations of 100-130 SHGs and Watershed Associations - have begun to promote groups of small producers. They provide training to upgrade the quality of their product and to cut costs in production; they also provide them with a marketing outlet. These 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.

[9] The Trade Unions, for example were called 'common interest' groups; but the concern is whether this type of institution - which succeeded with the working middle class - is appropriate to raise individual poor families above the poverty line.

chance the common interest groups are linked by internal relations of affinity, why not call them Self Help Affinity Groups (SHGs/SAGs) and let them function as described earlier? The term 'common interest' is not too clear; many think that it has been coined to distinguish the groups formed under one project (or donor) from another. This indicates the desire to keep control or possession of a group, which is just contrary to the very spirit of the SHG movement.

Myrada too realised that the poor must be organised into groups if they are to have the space they require to build their confidence and management skills and to gradually become a power centre, both by itself as well as with other SHGs for impact in a broader social sphere. However as said earlier, these groups need to have at least three structural features and need to function as participative and transparent institutions. The dynamics generated in such groups during its regular (weekly meetings) generates confidence and management and conflict resolution skills which are empowering. It was assumed and later proved that the individual strength of each SHG together with unity among many SHGs would enable them to cope with the hurdles of caste, community, gender, social relations and attitudes, which prevent them from reaching the river. The important point is that collective strength had to be generated by the strength of individual groups to begin with, before the collective in turn is able to support individual groups without suffocating them.

The role that organisations can play in changing power relations is not something that Myrada discovered. This approach has been adopted for a long time, but needs to be placed in two categories to be useful as an example here. The first category are those groups which exist outside the Government, or have not been established by Government under any 'poverty related or inclusive' programme, though they may be affiliated to political parties to gain greater leverage. The Trade Unions are a good example. Workers organise themselves because they see this as the best way to protect their common interest or their livelihoods - by introducing a balance in the power relationship between employers and employed. This 'common interest' was strong enough to keep them together until some found that their own interests are better served if they break ranks. In the second category are those institutions which are sponsored by Government to provide credit inputs and marketing services for livelihoods; they are structured to give 'power to the poor' by including them on Boards and in providing them with subsidies for livelihood support. The major institutions in this category fall in the Co-operative Movement, especially the Primary Agricultural Cooperative Societies. Unfortunately, these cooperatives are controlled by a host of regulations imposed by the government, with the good intention of ensuring that they fulfil their social objectives; they are also controlled by the local power elite, some of whom, with political aspirations, use them as stepping stones. The weakness of the individual poor, therefore, has been recognised in the past. Sharing in decision-making in the cooperatives was expected to provide the poor with the confidence and the skills to manage their affairs. It must be said, however, that the experience over the last forty years has shown that the groups in the first category - namely those formed outside the government - have been far more successful in changing power relations than the cooperatives which are government sponsored.

Myrada started with organising cooperatives. Two of them - in Kadiri, Anantapur District (which broke down) and in Odeyarapalya, now in Chamarajnagar District (which had constant problems and showed no signs of including the poor) showed clearly that cooperatives were inadequate to change the relationships of power that kept people poor. On the contrary they reflected and often strengthened the constraints that existed in society and kept the poor dependent on the powerful, due to the potential for patronage through the Cooperative. For example, how could the poor members on the Board disagree with decisions taken during a meeting when they had to go in the night to the homes of the powerful members of the Board to request them for work or a loan?

Some other form of group - other than the cooperative, producer group or crowd - was required. Myrada staff did not try to design one; our staff went round in our projects looking for solutions embedded in people's initiatives. This took place around 1984-1985. Briefly we stumbled on the 'affinity group'. These groups emerged from a breakdown of one Cooperative in Kadiri, which Myrada had organised; this happened mainly because one or two members had captured power. A similar picture emerged from an analysis of the other Cooperative in Odeyarapalya where the poor families received hardly any benefit and had little or no part in decision making at the Board.

Discussion with members of the Kadiri Cooperative, who met Myrada staff in groups to discuss the crisis, showed clearly that they were willing to repay the loans they had taken from the Cooperative. However, they were ready to give the money to Myrada but not to the Cooperative, which they felt, were being used by a few to exploit them. Myrada staff realised that they came in groups to discuss their problems and suggested that they return the money to these groups. After several rounds of discussions they agreed to start a 'group fund' and Myrada staff started helping them to conduct a meeting, to keep records of their meetings and to adopt a simple accounting system and even to open a bank account. Later when they wanted money for their needs, Myrada staff suggested they borrow from the common fund. On analysis, Myrada found 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 affinity among some of the poor families existed prior to our intervention; we had to be sensitive enough to identify and respond to it. This is why Myrada calls the groups it has formed and trained as Self Help Affinity Groups or SAGs, whose members are homogeneous economically, and self select themselves. This also helps to distinguish groups formed not on the basis of affinity but on criteria of membership laid down under government sponsored programmes and which are called SHGs.

Initially groups of men and women emerged from these interactions with the members of the Cooperative that had broken down and from other Cooperatives where the poor were unhappy. Some other groups emerged from a project in Talavadi (now in Erode District Tamil Nadu) where people organised (self selected) themselves into small groups to construct a 5 km long trench to keep out wild animals from their farms. Some groups even comprised both men and women. As time went on, the groups began to meet weekly and participate in the trainings provided; they began to decide to which member to give a loan and on the purpose and size of loans; they began to monitor the use of loans As a result of the trainings which focused on building leadership in the group, they appointed new chairpersons for each meeting. Initially there was little discussion in meetings of women's groups, and they had to be prompted by our staff. In some cases, women would not attend meetings - the reason which they brought up later was that their husbands objected; in some cases they were physically dragged out of meetings by their husbands. But within six months, they began bringing several issues to add to the meeting's agenda and began to take decisions on their own behaviour and on their functions in society. The dynamics that were generated in the group were steadily generating more confidence, skills in debate, in problem solving, conflict solution and organisational and financial management. It was becoming evident that the self-confidence and management skills of each member were growing. The SAGs therefore did emerge as appropriate institutions that provided the space required for each member to build his/her self-confidence and management skills. We could call this 'empowerment'.

Apart from the affinity which united these members, the other features of these groups noticed by Myrada were:

1. all the members had more or less the same economic status - they shared 'poverty' - they were **homogeneous** to this extent
2. they came from several castes - there was **inclusion** but linked by affinity
3. they were involved in different livelihood occupations and each one was involved in **several livelihood occupations** - many of which were seasonal, and
4. the groups were **small** - 10 to 20 members.

However, Myrada was also promoting other groups at this time which we did not share these features. For example Myrada was promoting:

1. Village development societies and credit cooperatives in which all the poorer families in a village were involved - they were large groups (60-150 members) and needed constant presence of our staff at their meetings to resolve conflict and to introduce issues that concerned the poor . We came to the conclusion that these large heterogeneous groups did not have the potential to function on their own. The only way they would survive was to allow the traditional power elite to capture power and control the others; expecting these groups to promote a degree of change in oppressive social relations would be unrealistic.
2. Dairy cooperatives at village level. These groups also helped us to understand the dynamics of various types of groups and their relations to achieving a particular objective. For example the milk society members were not homogeneous - they were similar to the village societies mentioned earlier. There were large and small farmers in the milk societies as well as many landless with crossbred cows provided by Myrada. In spite of his heterogeneity, these societies worked. The question was why? Myrada realised that there is a difference between the credit cooperatives and the milk societies. While in the milk societies, the small producer sits on the back of the large one - since it is the large producer who makes the milk route viable for the Milk Union - on the other hand, in the credit cooperative, the rich/powerful sit on the back of the poor. Hence it was becoming clear that any grouping was not adequate to empower the poor. The milk societies were appropriate for a particular purpose and the poor were included. The same could not be said of the credit cooperatives. Myrada later came to the position that: **a people's institution needs to be appropriate to the resource to be managed especially if the objective of poverty alleviation is to be achieved**. This institutional appropriateness, Myrada believed can be achieved if the people themselves take the lead in designing their institution. The NGO needs to play a supporting role to build this institutional framework and to ensure (through adequate and timely capacity building) that the dynamics of managing the institution builds the confidence and skills of the members so that they decide on their livelihoods and graduate at their pace to take bigger risks if they so decide.

The finding that loans should be given - to a group, as a group - also jelled with and helped to provide authenticity to Myrada's Mission which was being crystallised in the late 80s namely: 'To build institutions of the poor' - as part of civil society institutions which would have the strength not to be co-opted by the state or pushed aside by local power structures. As mentioned earlier, the SHGs did not emerge in Myrada's project with the purpose of providing credit. In fact they started with savings. Myrada's experience with the dynamics generated in a well functioning SHG, led it to the position that it was not the provision of credit, which was important, but the dynamics generated through discussions and decisions taken in the group related to the management of credit and savings - which helped to build confidence and management skills.

10. Impact on gender relations.

Myrada's observation of and interaction with the SHG members showed that the dynamics of a well functioning SHGs provide the institutional space for confidence building and for cultivating the skills in management. This in turn had an impact both in society and in the home. When they began in the mid-eighties, the SHGs (they were called Credit Management Groups at that time) emerged both of men and women. Myrada soon found that:

- Men were not happy to find their wives leaving home every week for meetings; who, they asked, would carry out the family chores?
- They were suspicious about what was going on; there were instances of men coming to a women's meeting and dragging their wives out, of men throwing stones on the tin/asbestos roof of women's meeting place, of men setting fire to the thatch roof of the meeting place Even after the visible opposition died down, many men would creep up to the windows of the meeting hall to hear what was going on, and
- When the incomes of men increased partly as a result of the support from the SHGs, they spent much of it on themselves - they 'graduated' from bidis to cigarettes, from local hooch to branded liquor.

All these experiences pointed clearly to the obstacles placed by relations of power that existed between men and women. This prompted Myrada to focus on forming women's groups based on the assumption that this would provide women with the opportunity to grow in confidence, management and negotiating skills and 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.

These assumptions proved to be valid. They were confirmed by a major study in Myrada's Chitradurga Project conducted by the Centre for Advanced training in Agriculture and Rural Development (CATAD) of Humboldt University, Berlin in 1998-99 on behalf of German AgroAction[10]. This showed how as a result of participation in SHG meetings and credit-plus activities, the position and condition of the poor and marginalized (mainly women) changed in the home and in society; the upward trend of change - in the social and livelihood sectors - was evident, as the SAGs increased in age. A study by a researcher from Brown University, Watson Institute for International Studies, Rhode Island - USA[11] and another sponsored by NABARD[12] in 2002 also confirm these findings. These findings are also repeatedly confirmed by in-house sample studies conducted by Myrada staff and by the responses of women members of SHGs when asked by visiting evaluators how they benefited as well as by several case studies[13].

11. The poor profit only when they have power:

There is adequate evidence, therefore, that as SHGs developed in number and strength, the poor (and the marginalised sectors like women) began to 'profit' only when they had 'power'. The assumption that poverty has something to do with unequal relationships between institutions and groups - was proving to be true. As the poor, through their groups began to change these relationships in their favour, they were increasingly able to benefit from livelihood options and to enjoy a more equitable and gender balanced complex of relationships in the home. When the relationships of power dominated, the livelihood options/resources were either inaccessible, or

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[10] Berg, C., K. Bredenbeck, A. Schürmann, et al. (1998). *NGO-Based Participatory Impact Monitoring of an Integrated Rural Development Project in Holalkere Taluk, Karnataka State, India*. Berlin, CATAD. Available at CATAD: Podbielskialle 66, 14195 Berlin, Germany

[11] Otis, M. (2004). *Standing Before the Fire: A Sociological Analysis of Participatory Practices and Values*. Watson Institute for International Studies. Providence, Rhode Island, Brown University

[12] Myrada and ORG-MARG (2002). *Impact of Self-Help Group (Group Processes) on the Social/Empowerment Status of Women Members in Southern India*. Paper presented at the Seminar on SHG-Bank Linkage Programme, New Delhi.

[13] Fernandez, A. P. (2003). Putting institutions first - even in microfinance. Bangalore, Myrada. by the Author summarises some of these studies and findings; available at Myrada

even where they are accessible, their profits were siphoned off and the drudgery and hardships women experienced in undertaking these livelihood options did not change.

Myrada therefore came to the conclusion that the poor can profit only if they have power; this power is generated in an institutional space (in this case the SHG), which they have designed and in the dynamics generated therein. The role of the NGO is to identify the basis of their institutional space (in this case affinity) which exists before the NGO enters; to realise that this affinity arises from 'strengths' of people (not from their needs) and to invest in building these strengths so that the institution can taken on new (and non-traditional) responsibilities. The training here referred to focuses on building the institutional capacity of the SHG, not on individual training in book keeping to maintaining SHG records, or in livelihood skills which comes later. The message to Myrada staff was: "keep your ears clean, your eyes wide open and your mind purged of your prejudices (particularly that the poor are poor because they are lazy, ignorant and unwilling to take up new initiatives) which you picked up along the way as you became 'educated', and remember that if the poor are alive in a situation of scarce resources, they must be good managers; you can learn from them".

12. Lending to a group as a group proved to be the most cost effective model:

Lending to a group in the model of one loan to the group, also emerged as the most cost effective model in NABARD's studies on the relative cost of transactions, which was done, in the mid 1990s14. This study showed that when the three models were compared namely:

1. lending to individuals,
2. lending to individuals in groups - which also requires individual loan applications from each member, and
3. lending to a group as a group - which is just one loan application - the group then decides on the purpose, size, etc.,

The third one was the lowest in terms of transaction costs. In fact, this was one of the most convincing arguments that lent its weight to the decision of the RBI/NABARD to shift to the third model - namely lending to a group as a group.

13. Is the SHG lending for livelihoods?

The brief answer is YES. The 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-YUKTI[15] 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, adequate data on the loans for livelihoods given by SHGs; providing the data here will make this paper too long. However, the sample case studies provided earlier in this paper supports this claim that the SHGs provide loans for livelihoods and not only for so-called consumption smoothening. (Refer to point 6 B).

[14] V. Pugazhendhi, (1995) *Transaction Costs of Lending to the Rural Poor: Non-Governmental Organisations and Self-Help Groups as Intermediaries for Banks in India*: (NABARD). Foundation for Development Cooperation, Brisbane, Australia. (http://www.bwtp.org/publications/pub/TransCostsOfLending.html - for executive summary)

[15] SHG monitoring software developed by Myrada and available with NABARD.

When these affinity groups emerged in the mid-eighties there was no focus on livelihoods. The meetings focused on discussing problems and issues. Savings was promoted (not just a one time contribution to the group fund but regular savings to build a habit of savings) to build on the culture of self-reliance, which already existed in traditional societies, and to maintain the interest of the group that self selected its members on the basis of affinity.

The self-help groups therefore, did not emerge from an expressed concern or strategy of Myrada to promote livelihoods - much less as credit providing institutions. But on closer scrutiny, Myrada realised that this alternate system was the most appropriate one that promoted and built a framework required for the poor to build a sustainable livelihood base. What were the reasons for this conclusion?

- The SHGs provide space to cope with the **diversity** of livelihoods and the diversity in the investment required for the same type of livelihood; this diversity cannot be managed by banks and the Government schemes, which have to prescribe certain 'guidelines' for their own administrative purposes. This pattern of standardised loan purposes and sizes however is emerging again in recent MFI programmes where 'the entire portfolio is broken up into standardised 'products' against which loans are given to the individual.
- Members can take **as many loans** as they require and **when they need** them; there is no time restriction or quota or prescribed 'viable' size of loan. The decision depends on the assessment of the group related to the members' ability to manage the asset (if it is an asset) or related to urgent needs and secondly it depends on the group fund available. The decision is also based on the member's savings habit, conformity with group norms and repayment performance
- The SHG provided ample flexibility to cope with unexpected **changes in the situation** due to drought, sickness, etc; hence there is **an inbuilt 'insurance'**, mechanism which does not function like official insurance schemes but which provide space to 'adjust' repayment schedules when the members decide that the reason is genuine;
- The SHG can respond to **all the needs** of members without any restriction that loans should be only for assets; the SHGs lend to members who they judge are willing and able to repay high cost loans taken from money lenders; they lend for trading which is usually the first tiny step the poor take; they lend for agriculture, for taking land on lease, release of mortgaged lands, animal husbandry, small enterprises, house repair and construction, fencing, education and for toilets and a host of other requirements; in brief, the SHG sets the agenda; all decisions are made within the SHG meeting. And the loans are getting larger as they progress. Today hundreds of SHGs receive loans ranging from Rs 1 lakh to Rs 5 lakh from Sanghamithra[16] and some Banks.
- The **interest rates** levied by the SHG are structured by the group to ensure that members do not borrow and lend outside at higher interest rates and that they are proportionate to the income earned for an investment. For example, activities with a quick turnover which tend to have larger returns carry a higher interest rate - which helps to subsidise loans for health and food. In a way therefore, this is not strictly an 'interest' as commonly understood, but a 'profit sharing' approach which is finding support in countries where interest in not approved by some religions. Further this profit remains in the group's common fund for re-lending and is not appropriated by an outside financial institution. In general, there is evidence of a decline in interest rates. Myrada's analysis shows that the groups tend to start lending at around 22%-24% per annum but after the first three

[16] A Section 25 MFI set up by Myrada which lends only to SHGs formed by any NGO and by Government agencies

years come down to around 15%-16% once they find that the group fund has grown through savings and interest[17].

- The SHG groups are **able to supervise** the loan from beginning to end. An example of the member who stood for elections has been described earlier in this paper. The level of micro supervision that groups can ensure - Banks and NGOs cannot.

It was clear that the SHGs were able to cope with all the design faults in that IRDP and SGSY. However there are a few major 'sine qua non'- without them the SHGs are not effective. These are:

1. **Major investment in institutional capacity building for the entire group**. Myrada brought out a Capacity Building Manual with 24 Modules in 2000. It has been translated in several languages and adapted. Unfortunately, this investment in institutional capacity building has not been done in all programmes promoting SHGs. The SGSY budgets Rs. 10,000 for training each SHG, but this money was spent for other purposes in most states.
2. **Involvement of experienced NGOs to do the training of promoters and trainers**. This has been neglected. In some States the amount of Rs 10,000 allocated under SGSY for training, was used to pay the Panchayat Secretaries to form and train the groups. There is reluctance in many States to engage NGOs to do the training in institutional capacity building; this is regrettable. Government officers, especially at the middle and lower levels, do not have the background and culture to build institutions of the people. This does not mean that all NGOs are capable of undertaking this function. The NGOs too need training and exposure; but many of them have the potential to become good trainers.

Government's role is to identify NGOs who are field based and who have experience in providing support in institutional capacity building, to use their services to train other committed, field based and well managed NGOs (not those NGOs formed by people retired or otherwise who set up consultancies but have no field presence); to avoid setting targets but insist on quality performance, to avoid subsidies or at least manage them in ways that create manageable distortions, to subsidise the support services rather than the asset, to extend grants rather than loans where it is clear that the situation does not warrant a loan strategy, to upgrade and extend its training institutions to provide technical and marketable skills to dropouts if they prefer not to return to school and to rope in the private sector to support emerging enterprises of the poor especially as regards design and marketing, to provide adequate infrastructure and finally to provide the poor with the freedom and the space to make their own decisions at their own speed.

14. NAB-YUKTI and its role in supporting a focused strategy in Entrepreneurship Development:

NAB-YUKTI is the name given to the software which Myrada played a major role in developing with the financial support of NABARD.

- **What analysis does NAB-YUKTI provide?** Under the SHG-Bank Linkage programme, the Banks provide one loan to the group as a group without asking for the purpose of loans taken by each member which the group decides later. However, it must be pointed out that the Banks do not extend this loan without due diligence; they assess the performance of the

[17] The interest on loans to members remains with the group fund and can be redistributed to members at a later date; loans from Banks under the Bank Linkage programme are usually given to members at rates higher than bank rates (9-12% higher)

SHG against several organisational and financial criteria before extending the loan; but they do not ask for the purpose of the loan which will be taken by each member later. As a result, most reports on the SHG-Bank Linkage Programme focus only on the supply side: 'how much finance provided, in which states, how many SHGs promoted, in which state'. Major initiatives have taken by NABARD to mobilise Banks to link with SHGs all over the country and to promote SHGs and the Bank Linkage Programme in states which did not show progress. But what needs to be known and analysed is how this money was used by the SHGs. What purposes did the SHG lend for, what is the size and number of loans for various purposes, have there been trends in the purpose and size over 0-5 years, what has been the repayment rate for each loan and sector related to purposes. It is not enough to report on the over-all lending and repayment rates if one wants to obtain insights into the viability and diversity or peoples choices. **These insights are critical for a focused and effective strategy for livelihood promotion**. NAB-YUKTI provides data which throws light on these queries. On the basis of this analysis, planning to support the poor as they move upward can be more focused and effective.

- **Why is this analysis of purposes, size of loans, trends and repayments useful**?
  - **To assess whether SHGs only lend 'small' 'consumption smoothening' loans**: Is the recent criticism that SHG loans are 'small' (hence inadequate to raise the poor above poverty) and largely if not entirely for 'consumption smoothening' valid? Myrada's analysis using NAB-YUKTI shows clearly that in the first 5-6 years the loans may be small but they are several and together they amount to over Rs 80,000 per person on an average over 5-6 years. However after 5 years, even individual loans tend to grow larger where opportunities increase, often ranging from Rs 15,000 to Rs 25,000. Secondly most loans are for income generating activities - farm, on-farm, off-farm, and trading, to increase capital (by repaying high cost loans or releasing mortgaged assets) or for long term/asset investment in education, housing, toilets.

  - **To find out any trends in loan purposes over a period of 0-5 years**. For example if the purposes of loans in the first year are largely for food, clothes and other basic necessities, it is understandable, since people are poor; but if this pattern continues for several years, then it must be assumed the other inputs required are absent or inadequate. As this paper stresses, credit alone does not have an impact on livelihoods unless there is all-round development and a growth in confidence, skills and 'power'. Myrada's position is that this all-round development and empowerment needs to accompany credit provision. However, very few if any MFIs invest in this all-round growth and empowerment. Myrada's position is that it is not their job - though some have opted to promote development from their profits. Rather, this is the role that the government, private sector and NGOs need to play. While government and the private sector are the most appropriate organisations to invest in infrastructure and industries that generate growth, NGOs are the most appropriate institutions to organise people and to support their institutions where the dynamics generated in each group and their networks generate power to change traditional and oppressive relations. However in remote areas, where the private sector has no presence and government programmes are poorly implemented, the NGOs also need to step in with village roads, storage, water, and technology to add value and scale to people's produce, to build linkages with the private sector where possible, and to reduce risk. For example, when Myrada found that the SHGs advanced a large number of loans for dryland agriculture, it invested heavily in watershed management and protective irrigation which helped to reduce the risk involved in dryland agriculture. NAB-YUKTI helps to identify these trends in purposes on the basis of which the NGOs can assess whether their all round interventions have been effective in supporting people's efforts to promote their livelihoods and to decide when and where to step in to provide facilities and support or lobby with Government and private sector for these services.

- **To develop focussed interventions**: To help in focusing interventions of NGOs and support groups to add value and scale to livelihood activities chosen by the SHG members and also in some cases to introduce new activities which are organically connected with those they have selected. This will avoid the practice of NGOs/Government agencies and Consultants promoting activities which they have decided have potential but which people find difficult to manage. It must be recalled that the SHG members are free to decide on the purpose and size of the loan. Hence it is assumed (and field studies have confirmed this assumption) that if the group is functioning well, the members select their livelihood activities based on their skills, on the confidence (at that time) to take risks and on their assessment of income they will earn. Knowing that they can take as many loans as they require provided they have the confidence of the group, they are more willing to tell the truth and to take a decision which can be implemented. Besides the other group members also assess the credibility of the member and whether her/his choice of the purpose can be managed by her/him. This strength has saved them from succumbing to offers where loans (for assets they cannot manage) have been dangled with a subsidy.

> This author had the experience of attending a SHG meeting of 18 members where a committed Banker was motivating the members to take loans for crossbred cows under the SGSY programme. Animal husbandry had been selected as a priority sector in the District under SGSY. Each member was asked to take at least two cows. The members did not respond in spite of the Banker's urging. I could overhear them saying that with 36 cows entering the village there would be major problems regarding water and fodder availability. Incidentally it was a drought prone District where the milk route (established under political pressure) was not breaking even which prompted the priority given to animal husbandry. As a last resort the Banker said 'if you take this loan for two cows each you will get a subsidy of Rs 1.2 lakh. The people explained to him why they did not want cows and thanked him for the offer of a subsidy. This is what one expects from a good SHG. There are several other cases where the subsidy bait was taken and the people ended up with cows which they could not manage.

Myrada considers the openness that the dynamics generated in an SHG to be a strength which can be built on by interventions to add value and scale to livelihood activities. However, the important point is that interventions need to be are based on an analysis of the decisions taken by members of SHG and not on an external agents own assessment of what should be promoted in the area. NAB-YUKTI helps Myrada to find out if a pattern of similar loans is emerging in a village or in a particular area. For example, in a particular area where 5-6 SHGs are functioning, the analysis of the

> In another case an analysis of loans using a pilot software indicated that one or two members of several SHGs in two villages close to each other were taking loans to buy and sell raw hides (of animals). The NGO concerned brought these members together and brought in a local person who was involved in running a tanning unit to teach them tanning. Some adopted this process which added value, others did not. They returned to their SHGs and continued to function as previously. But they took larger loans required for tanning. Still later they were trained in making leather slippers. Again some opted to add value, others did not. In another case the same NGOs conducted training programmes in weaving without making a preliminary analysis of the purpose of loans but more on its own analysis of what could be done in the area. Those trained in weaving did not continue with this occupation. These experiences raise concerns about the once popular training provided under Enterprises Development Programmes which are not based on an analysis of the purpose of loans and which are provided by consultants with no experience in managing any enterprise.

purposes of loans may reveal that one or two members from a few SHGs are borrowing for a particular activity like small poultry units of 5-10 birds or for weaving carried out on traditional looms. Myrada then intervenes to ascertain whether this pattern is due to some traditional skill or comparative advantage arising from markets close by, availability of inputs, medical care, etc. If it finds that this advantage exists, it calls together all those who have taken loans for small poultry units and trains them to manage larger units. They then return to their group. Some decide to take larger loans and invest in larger units while others may not. Myrada also helps to establish a better support and marketing network. NAB-YUKTI helps to focus training where there are already signs that an activity has potential to grow. Without this analysis, the tendency is to conduct poultry training for all the members which is a waste of time and energy.

15. Training in non-farm technical skills as a livelihood source:

This paper deals with livelihoods in the rural areas which are largely farm and off farm based including those related to trading and adding value and scale at a lower level. But the scenario in the rural areas is changing and a word on this is required before signing off. Agriculture, especially on small dryland farms, is fast becoming an old person's occupation. A visit to the central districts of UP where the soils are comparatively good and rainfall more reliable than on the Deccan Plateau reveals a similar picture. The youth have migrated leaving the farm to the elders who hire labour when required for the heavy work of ploughing. The youth are all migrating for jobs in the mines, ship breaking yards, construction sites, etc. But none of them have any skills. As one would expect they are paid poorly and given little support in terms of housing and medical care. Besides they save as much as possible to send back home. It is during the first two-three years that they are particularly exploited since they do not have a skill and are learning one. If these youth could be given some livelihood skill before they migrate, their situation would change dramatically. Unfortunately they have not passed the 10th standard and hence cannot be admitted into government ITIs. They have picked up the skills of welding, construction, fitting, etc. on the job. If these families are to get out of poverty, their youth need opportunities for acquiring these skills.

Ten years ago Myrada started a Non Formal Technical Training Institute in Hosur for school dropouts. Three years ago another was started in a remote area, 60 km to the East if Kollegal. Trainings offered include welding, fitting, electrical repair (household and industrial), motor winding, construction, tailoring, repair of home appliances and computers and driving. The graduates find no problem in getting jobs. In fact industries visit the Hosur Centre and select candidates right from the campus. The Government has recognised the urgent need for providing this training in off farm livelihood skills and allocated Rs 31,000 crores for the National Skills Development Mission in the 11th Plan.

However, unless the present delivery system changes its rules to allow drop outs to enter for all skills provided they can read and write, unless the State Vocational Education Councils are rejuvenated and given responsibility to design appropriate and relevant courses offering marketable skills, unless the private sector is brought into the picture to manage or co-manage these institutes, unless a degree of competition is introduced where youth are able to select the best institutes and those not performing well are pulled up or closed down, unless refresher courses are offered and incentivised, money alone will not achieve the objective of providing a sustainable livelihood base in the non farm sectors.