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Inside

Lead: Strengthening Panchayats for Livelihoods

Giving PRIs a constitutional status two decades ago was intended to result in greater economic efficiency, larger resource mobilization, better service delivery and inclusive development leading to higher satisfaction. How far this has been achieved was the subject of deliberations in a workshop. This article is an abstract of the workshop report.

01

Study: Investing in Boys and Girls: Schooling Decisions and Credit Constraints for Microfinance Participants in India

Jean-Marie Baland, Timothee Demontt, Rohini Somanathan and Michel Tenikue: Investigating the impact of microfinance participation in India on educational outcomes, this study focuses on the changes that participation in SHGs brings about in the education of boys and girls of member households in Jharkhand. Jean-Marie Baland is with Centre de Recherche en Économie de Développement (CRED), Namur University. Timothée Demont is a research fellow at CRED, Namur University. Michel Tenikue is with the Centre for Population, Poverty and Public Policy Studies/International Networks for Studies in Technology, Environment, Alternatives, Development (CEPS/INSTEAD), Namur University. Rohini Somanathan is professor at the Delhi School of Economics.

16

Opinion: Cash Transfer—Two Sides of the Story

Pradyut Bhattacharjee and Arundathi: Exploring whether the benefits of the cash transfer scheme reach the real beneficiaries—the poorest of the poor, this article discusses the challenges facing the latest scheme of the government at poverty alleviation. Pradyut is based in Bastar, Chhatisgarh.

28

Forum: Lata Didi—From Distress Migration to Successful Farming

Pandit Arjun and Chandan Sharma: The journey of Lata Markam of the sub-primitive Baiga tribe and her fight against abject poverty to survive with honour and dignity, her economic and social challenges and her hope for a secure tomorrow. Pandit Arjun and Chandan Sharma are based in Balaghat, Madhya Pradesh.

39

Platform: Reducing Poverty by Direct Cash Transfers

Souparno Chatterjee : A comparison between the Brazilian Bolsa Familia experience and the possibilities that the Indian scenario may offer as the direct Cash Transfer scheme is launched in the country. Souparno Chatterjee is based in New Delhi.

45

Strengthening *Panchayats* for Livelihoods

Giving PRIs a constitutional status two decades ago was intended to result in greater economic efficiency, larger resource mobilization, better service delivery and inclusive development leading to higher satisfaction. How far this has been achieved was the subject of deliberations in a workshop. This article is an abstract of the workshop report.

CONTEXT

In 1992, the Indian Parliament passed the 73rd Amendment to the Constitution, which bestowed constitutional status on Panchayati Raj Institutions (PRIs), with the objectives of decentralizing power and enabling inclusive development. Decentralization was expected to result in greater economic efficiency, larger resource mobilization, better service delivery and higher satisfaction. It was also expected to bring about political inclusion of the disadvantaged sections, particularly women. PRIs offered an opportunity for villagers to participate in local governance and to lay the foundation for a vibrant democracy.

After more than two decades, the reality today is nowhere close to the scenario envisaged in 1992. State governments that were supposed to build this dream by actively devolving funds, functions and functionaries to *panchayats*, failed in their obligation uniformly. Schedule XI of the Constitution lists 29 subjects in which powers are to be devolved to *panchayats*. As matters stand, no state has devolved these powers in the truest sense. Similarly, the structure of *panchayats* (multi-village, large population, representative-based) and bureaucratic control are issues that have held back the development of these institutions. In addition, party-based-politics in *panchayats* have compromised the spirit of grass-roots democracy. In some of the states, MPs and MLAs are ex-officio members of PRIs at different levels; this inhibits leadership at the grass-roots from flourishing. Overall, *panchayats* have not become the assertive village republics they were intended to be.

While hopes arose with the 73rd amendment, the real picture at the grass-roots level hardly met expectations. Villagers rarely participate in *gram sabha* processes or play a role in the preparation and implementation of the socio-economic development plans. PRIs are, in general, weak and emaciated. When PRIs play their role in the spirit envisaged in the Constitution, they have great impact on the quality and sustainability of livelihoods. It is important to ensure that *panchayats* have the necessary capabilities to implement the livelihood programmes planned by *gram sabhas*.

Panchayats receive a large amount of money under MGNREGA but the capacity of the *gram sabha* to prepare and implement plans is grossly inadequate. Similarly, there are many other avenues wherein substantial livelihoods could be generated if the *panchayats* were empowered. Thus, to bring to life the enabling provisions of PESA and the Forest Rights Act in the tribal regions are a great challenge. Activating the provisions of the community forest rights can be a major driver for livelihoods in forest-fringe villages. The *gram sabha*, therefore, is central to the implementation of the Forest Rights Act (FRA).

Even in the face of such inadequate performance, on some fronts positive trends are emerging, taking the focus gradually back to the *panchayats*, and bringing hope for lasting and meaningful change. The mandatory involvement of *panchayats* by the centre in implementing large-scale programmes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the BRGF has provided the crucial boost.

MGNREGS is an important flagship programme of the government. It aims at generating wage employment and creating livelihood assets in private and public lands. Even though it is a central Act, its implementation on the field is in the hands of *panchayats*. *Panchayats* are expected to have the requisite trained human resources, adequate capacities and systems, the ability to handle large sums of funds that are channelled to them and the resourcefulness to plan and implement the programme effectively. However, we witness that, in most places, especially in poverty pockets, *panchayats* are not able to effectively

NRLM aims at building strong institutions of women in marginalized areas to strengthen democracy at the grass-roots. These institutions can act as training grounds for women to participate in gram sabhas and be able to express their views and concerns.

utilize funds in a systematic and transparent manner. They lack the human resources, the systems and processes, and the technical competency to carry out bottom-up planning and implementation. This is an important lacuna. When executed effectively, these programmes can have a significant positive impact on the well-being of villagers. Similarly, it is possible to see a leadership role for *panchayats* in all central

government-sponsored schemes. However, the concern is whether *panchayats* have the capacity to absorb the allocated funds and convert these funds into well-thought-out activities.

Panchayats are crucial for meaningful implementation of livelihood programmes because the assets such as land, water, commons and small enterprises of the poor as well as the local markets fall under their purview. If PRIs actualize their role, as envisaged in the Constitution, there will be a game-changing effect on the quality and sustainability of livelihoods. Therefore, it is important to ensure that *panchayats* have the necessary capabilities to plan and implement livelihood programmes. Capability enhancement of *panchayats* can be explored at multiple levels.

NRLM aims at building strong institutions of women in marginalized areas to strengthen democracy at the grass-roots. These institutions can act as training grounds for women to participate in *gram sabhas* and be able to express their views and concerns. Women's active participation will lead to livelihood enhancement of disadvantaged communities because they will learn to plan and execute their own agenda through the convergence of various government programmes.

Another important aspect that demands attention is the rights over forests. Even though there are instances of individual plots of land being handed over to villages or communities, the people's right over the forests is still highly restricted, in spite of the fact that the Forest Rights Act of 2006 confers such rights on the *gram sabha*.

To ensure that the silent and marginalized sections of the village have a voice, their participation in gram sabha meetings and in other decision-making processes in panchayats is of crucial importance.

Overall, at present, PRIs do not exercise any role in the management of forests, which cover half as much area as agriculture and have a critical impact on rural farming, livelihood systems and ecology. Historically, farms and forests were closely inter-connected, especially in the rain-fed, undulating, hilly and mountainous regions, which account for over two-thirds of the Indian land mass. This link, broken with the creation of government forests during the colonial period, needs to be restored. These are some of the issues that have direct relevance to the livelihoods of the people, where *panchayats* need policy and implementation support. There are a number of remarkable experiences across the country today when *panchayats* have dealt with one or more of the above issues. These are interesting examples that can be studied and learned from.

OBJECTIVE

The primary objective of the workshop was to highlight the various opportunities that the progressive legislation on *Panchayat* offers us in promoting rural livelihoods and the issues and problems. The workshop also aimed to discuss various good practices that exist across the country, including the experiences of Civil Society Organizations (CSOs)' experiences, where good work has been done in building capabilities at the *panchayat*

level, given local, programmatic constraints. Generating policy lessons from these experiences and working out a way forward was also an important objective of the workshop. It is important to ensure that all positive experiences are taken in cognizance which would then help bring together CSOs,

representatives of *panchayats*, government departments, ministries of Panchayati Raj, Rural Development and Agriculture, and other stakeholders who are interested in the subject. The hope is to work out some concrete action steps to build spaces for the PRIs, and to enhance their capabilities in a manner envisaged in the Constitution.

SOCIAL MOBILIZATION AND CONVERGENCE

To ensure that the silent and marginalized sections of the village have a voice, their participation in *gram sabha* meetings and in other decision-making processes in *panchayats* is of crucial importance. One of the main reasons for *panchayats* not being able to carry out bottom-up planning so that the actual needs of the people are reflected in the plans is the non-participation of the people in the processes.

A strong *gram sabha* is the basic building block of a vibrant grass-roots democracy. Under the National Rural Livelihoods Mission (NRLM), initiatives are being taken to integrate the institutions of the poor and PRIs seamlessly. The integration of these institutions is important to ensure that the livelihood plans made by households, as members of Self Help Groups (SHGs), find a place of prominence in *panchayat* plans. Although convergence with PRIs is on the agenda of NRLM, not much progress has been made. *Panchayats* have

29 mandated responsibilities linked to poverty alleviation; this implies that the Constitution mandates that PRIs will be at the centre of poverty alleviation. Both from the state and the centre, there seems to be reluctance in the delineation of power to *panchayats*. In reality, *panchayats* are a marginal player in development schemes.

If the panchayats were stronger, they would have a say in rolling out these programmes and would be able to build synergy among these multiple allocations. Such convergence is not happening today.

The PRI-Community Based Organization (CBO) convergence for programme delivery is essential and there has to be increased involvement of *panchayats* in social mobilization and formation of SHGs. CBOs have a crucial role to play in ensuring the proper functioning of *gram sabhas*. Additionally, CBOs also play the role of carrying out participatory planning among their constituents and ensuring the approval of the same in the *gram sabha*. CBOs are platforms for convergence and as such also have a role in information flow and in flagging important issues. CBOs also act as an important forum to provide social justice. The distinction of authority with clarity of roles of CBOs and PRIs is very crucial. The structure needs to be coterminous.

CBOs facilitate convergence through a variety of ways. First, they serve as the grooming ground for women representatives, especially from socially backward sections, on how the *gram sabha* functions and how issues can be raised. In addition to influencing the decision-making processes in a *gram sabha*, women also participate in the planning process. There are many sponsored schemes at the centre and state levels that are implemented by CBOs, after getting the mandate from *panchayats*, which form the pivot for decentralizing power and need the active participation of the people for effective functioning. CBOs need help in building leadership in the community, which

in turn will help strengthen citizenship.

CBOs help in the social inclusion of the poor, resulting in the empowerment of women, Dalits and tribal representatives, and the strengthening of *gram sabhas*, leading to better articulation and endorsement of rights and needs. These

interventions together empower *panchayats*.

Of course, a lot of work needs to be done to translate the best practices that exist across the country and bring in large-scale change in the functioning of these institutions of local self governance. It might be useful to dwell upon the creation of a national alliance of all the organizations and agencies on the lines of 'Friends of Panchayati Raj', that can provide momentum and impetus to this change.

There are many areas that directly affect the livelihoods of the people, over which the *panchayats* have technical control. But the government departments operate in silos. There are many initiatives of various central ministries such as the NRLM and the Integrated Watershed Management Programme (IWMP) of the Ministry of Rural Development (MoRD), and the Rashtriya Krishi Vikas Yojana (RKVY) of the Ministry of Agriculture (MoA), which are also well-funded and implemented through line departments but have an impact on many areas that are supposedly *panchayat* subjects. If the *panchayats* were stronger, they would have a say in rolling out these programmes and would be able to build synergy among these multiple allocations. Such convergence is not happening today.

INCLUSIVE GROWTH — VIEWS OF THE PLANNING COMMISSION

In the recent past, India has claimed its position

as one of the fastest growing economies in the world and it owes a great deal to the reforms that were brought about in the early 1990s. The only question that arises is whether everyone has benefitted from this development. The government

has taken many steps towards inclusive development. There has been a dramatic increase in the allocation of funds for the flagship programmes in rural development, health, women and child development, and other departments. In the 11th Five Year Plan, about Rs 700,000 crores were spent on the top 13 flagship programmes. This increased to Rs 200,000 crores per annum in the 12th Five Year Plan budget. In addition, there is a shift towards a rights-based framework. The allocation of funds is backed by increased entitlements of the people such as the Right to Information (RTI) Act, MGNREGA, FRA and Right to Education.

EMPOWERED PANCHAYATS AND INITIATIVES UNDER THE 12TH FIVE YEAR PLAN

Under MGNREGA, PRIs are given a lot of importance because the *panchayat* is the implementing agency. The journey that began with the 73rd Amendment of the Constitution of India was strengthened with the launch of MGNREGA. The functions which were devolved to *panchayats* are now backed with funds. Under MGNREGA, a very large amount of money is directly being allocated to *panchayats*, affording an excellent opportunity for empowering local self-governance in India. The foundation of participatory development is being laid. The dream is that the programmes will be planned in the *gram sabha*, based on the needs and aspirations of the people at the *panchayat* level. Yet sadly, there are cases of Maoist insurgency, malnutrition and farmers'

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suicides. The dream of bottom-up planning and development is still not a reality. The 12th Five Year Plan, approved by the cabinet, will be presented to the National Development Council (NDC) for final approval; a number of new initiatives have

been planned. We should identify ways to take forward these new initiatives and enable the government to make the principle of subsidiary operational on the ground.

Rajiv Gandhi *Panchayat* Sashaktikaran Abhiyan (RGPSA) is a major proposal in the 12th Five Year Plan. The goal of this initiative is to build the capacities of *panchayats*, to carry out the functions assigned to them. Under RGPSA, there is a substantial allocation of funds. In the 12th Five Year Plan, the largest increase—around ten times more in comparison with the 11th Five Year Plan—is in the budget for the Ministry of Panchayats. The purpose for this increase of funds is to augment the capacity of *panchayats* by providing them human resources—both technical and social, for implementing the programmes on the ground.

The government is creating an enabling environment to strengthen governance and to encourage the participation of people by shifting the focus to the block level from the district level and allocating funds for programmes prepared by the people. RGPSA will also provide systems and resources for transparent and corruption free gram *panchayats*.

RGPSA aims at breaking the vicious cycle of disempowerment of *panchayats*. Weakness in the administrative and functional capacity of *panchayats* leads to low utilization of funds. This further contributes to low devolution of funds and powers to *panchayats*, thus, leading to disempowered institutions. In the north-east

and some of the other states, where *panchayats* do not exist, local self governance systems will be strengthened through RGPSA. Budgetary allocations will be made to states, based on their annual plans and previous performance, which will be measured using indicators for each target in the annual plans.

The focus in the 12th Five Year Plan will be on building capacity at all levels in the system, for greater absorption and high quality utilization of the large amounts of funds allocated to these marginalized areas.

also help facilitate partnership among the state government, CSOs and *panchayats*. There is a huge gap between the outlay and the outcome. These gaps cannot be filled without building capacities. There is strong need for collaboration and partnership between civil society and *panchayats*.

MGNREGA is a demand-driven programme, in which the focus is on the blocks where work is needed. The 12th Five Year Plan will provide the third 'F' (functionaries), in terms of a multi-disciplinary team of professionals to the *panchayats*. So far, the funds were given to districts, which were using lot of the funds for non-tribal blocks, thereby, further marginalizing tribal blocks. The focus now will be more on blocks where the ST and the SC section of the population is more than 30 per cent. In such blocks, a Cluster Facilitation team will be deputed, to support *gram panchayats* to implement these programmes. It is proposed that each block would have at least three such cluster teams. The team, based at the block level, will be fully accountable to the *panchayats*. BRGF and IAP will also support inclusive growth at the block level. The focus in the 12th Five Year Plan will be on building capacity at all levels in the system, for greater absorption and high quality utilization of the large amounts of funds allocated to these marginalized areas.

The Bharat Rural Livelihood Foundation (BRLF), hopefully, will come into existence in 2013. BRLF will support CSOs, to leverage vast sums of government funds to support *panchayats* and state governments, to effectively utilize these funds and generate rural livelihoods. The focus of the foundation will be on the nine states of the central Indian tribal belt. BRLF will not only provide grants but will

INNOVATIONS IN PANCHAYATI RAJ — VIEWS FROM THE MINISTRY OF PANCHAYATI RAJ

There are 2,28,000 *panchayats* with 28 lakh elected representatives, of which more than 10 lakh are women. A *panchayat* is an institution of self-governance and is the planning and implementing agency for most government programmes and schemes such as MGNREGA, National Rural Health Mission (NRHM), NRLM, Sarva Shiksha Abhiyan (SSA), Mid-day meal, Pradhan Mantri Gram Sadak Yojana (PMGSY), Accelerated Rural Water Supply Programme (ARWSP), Integrated Child Development Scheme (ICDS), Indira Awaas Yojana (IAY), RAY, Rajiv Gandhi Grameen Vidyutikaran Yojana (RGVY) and Backward Regions Grant Fund Programme (BRGF). All basic citizen-centric services such as the issue of birth certificates are to be conducted at the *panchayat* level. The *gram sabha* and the *panchayat* have a very important role to play in involving the people at the grass-roots level into the development process.

Despite meager resources being allocated for MOPR in the 11th Five Year Plan, new ideas and processes were still adopted to provide administrative and technical support to states, promote participative decision making and encourage greater devolution to *panchayats*. MOPR also aims at build capacity on issues of livelihoods, focus on women representatives,

strengthen transparency and accountability, strengthen *gram sabha* and local self government, encourage knowledge sharing between states to create replication of successful models and lastly increase interaction between CBOs and PRIs. In the 11th Five Year Plan, MoPR encouraged states to devolve the 3 Fs — Funds, Functions and Functionaries to *panchayats*. In the MoPR — administered BRGF schemes, emphasis was given to decentralize planning. District Planning Committees were constituted to bring forward *gram panchayat* plans for approvals and provide trainings to the elected Panchayati Raj representatives.

AWARDS AS INCENTIVES

Another innovation of the MoPR is the e-PRI scheme to take software applications to the *panchayat* level. Eleven software applications were launched and training was imparted to *panchayats*. By 2013–14, MoPR intends to connect all *panchayats* through broadband.

To strengthen CBOs and increase their level of engagement with *panchayats*, partnerships with resource institutions and NGOs will be encouraged through collaboration under the RGPSA. Women *panchayat* members often take an interest in the activities of SHGs and, therefore, there will be special focus on training of women on livelihood issues. Resource NGOs can focus on training *panchayat* representatives on livelihood aspects in order to increase their awareness of various government schemes and convergence. Joint training of members of CBOs and *panchayats* will be conducted. Integration of SHG plans and *panchayat* plans will help in convergence for accruing various benefits through government schemes. Since 2011–12, MoPR has been awarding the best performing *panchayats*. Awards are being

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used as incentives to strengthen the linkage between *panchayats* and CBOs. MoPR will also help *panchayats* leverage from the initiatives of CBOs on livelihoods and other issues.

West Bengal, Kerala, Karnataka and Maharashtra are considered 'good' states by the MoPR

because PRIs are strong in these states. Because powers have been transferred to *panchayats*, people are entitled to demand their rights. There is need to empower women through a transfer of powers and functions, and to increase their involvement in other states as well. Through MGNREGA, each *panchayat* now gets substantially more funds than earlier. This can further grow because the absorption capacity of *panchayats* increases. Human resource is a big requirement. Under the new scheme RGPSA, there is provision for five functionaries for the *panchayat* for data entry, technical support and engineers at the cluster level.

Videography and social audit of all the work and payments are essential to maintain transparency and for monitoring under MGNREGA. PRIAsoft, a software, has been introduced by which all accounts can be put on the Web. It also shows the plans of the *panchayat* and the areas where further work can be charted. Of 2,40,000 *panchayats*, 1,40,000 have their accounts and vouchers already online. The concern is how to ensure that transparency is maintained in accounts and that all *panchayats* have proper systems.

PANCHAYATS AND THE INSTITUTIONS OF THE POOR

Recently, NRLM conducted a four-day workshop on convergence between livelihood programmes and PRIs in Kerala, in which

representatives from 15 states that are implementing NRLM participated. Kerala is a strong example of convergence, women empowerment and strong PRIs. Resource persons from Kerala could help NRLM in other states, especially in tribal areas, to build the capacities of *gram sabhas* and support the convergence of PRIs and CBOs. Mendha (Lekha) is the only example of accessing Community Forest Rights in the country. The lessons from this *panchayat* in Maharashtra need to be replicated in other states and *panchayats*.

A PARADIGM SHIFT

At the grass-roots level, it is necessary that the institutions of and for the poor are vibrant. In tribal areas, it is important to build the capacity of local self governance representatives. Marginalized tribal and IAP blocks are on the lowest rung in development and, in these areas, convergence is very important. States have different levels of powers devolved to the PRIs. In most areas the *panchayat* leadership continues to reflect the dominant social structure of the village. In spite of reservation for the people belonging to SCs, STs and women, the dominant castes control *panchayats*.

There are only two contexts, one in which the *panchayat* has not been given any power and the other in which the *panchayats* reflect the dominant caste of the society. It is important to create a level playing field for the poor and only then can they have a dialogue with the people's institutions and negotiate as equals for their rights in a village. This learning can be taken forward in NRLM.

The vision is of an effective grass-roots democracy and vibrant livelihood institutions

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for the poor in a symbiotic relationship. Ongoing capacity building of PRIs and institutions of the poor, and emphasizing the inter-relationship between the two are a framework for moving ahead. NGOs and CSOs are expected to provide

support to PRIs, in fulfilling their responsibility of implementation, and not become intermediaries. NGOs will provide support in terms of monitoring, social mobilization, capacity building and social audit. In building the capacity of *panchayats*, there should be greater focus on the block and the sub-block levels. Experienced *sarpanches* and ex-*sarpanches* could become trainers and be a part of the resource centres at the state, the district and the cluster levels because, as practitioners, their advice will be the most relevant.

MGNREGA AND PANCHAYATS

CBOs and *Panchayats* Work Together in Bankura, West Bengal

Before MGNREGA was launched, there was a high incidence of poverty in Bankura. After it was introduced, CBOs began to work closely with *panchayats*, to plan and implement works. SHGs now prepare work plans and present these in *gram sabha* meetings. The *panchayat*, then, takes these plans to the Block Development Officer (BDO) for approval. Based on the *panchayat*-level plans, the annual block development plans are made. In Bankura, representatives from *panchayats*, the government, PRADAN and SHGs hold weekly meetings, to plan work in the area. The topics of discussion include fund requirement, supervision of the quality of the work, fund utilization and whether the people are well-informed about the programme. The faith of the people in their *panchayats* has increased because income has increased, migration has

decreased and children attend school regularly. NGOs have had a big role in building the capacities of SHGs and building systems in *panchayats* for all this to function smoothly.

MGNREGA — A Boon in Jodhpur, Rajasthan

Earlier, people from the Jodhpur area migrated to Maharashtra, Gujarat and other states. The ST and SC villages got lesser funds from the MP and the MLA quotas than other villages. Ever since MGNREGA was launched, work is available within 5 km of the village for developing individual and community assets such as wells. The infrastructure of the village has improved and people have started participating in *gram sabhas*. MGNREGA is a blessing for the people, especially the very poor, who have been included in the relief work initiated during times of drought. MGNREGA has empowered the poor; they are able to demand work and are aware that there is social audit of the works under this scheme. There continue to be many challenges such as the lack of human resources because very few functionaries are willing to work with low honorariums. Corruption is also prevalent in MGNREGA.

THE KUDUMBASHREE EXPERIENCE

Kudumbashree is a livelihood mission, implemented by the Department of Panchayati Raj in Kerala. Women's groups and *panchayats* work together on works such as agriculture, shelter, watershed management and construction of new roads. The integration of CBOs and *panchayats* has benefited the poorest among the poor, through MGNREGA. Priority is given to Dalits, families belonging to the STs among the women. Kudumbashree supports

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the *panchayats* in community mobilization, information dissemination, issuing of job cards, work identification, labour management, budgeting, measurement and social audits. Approximately, 90 per cent of the workforce in MGNREGA comprises women. There is strong planning and monitoring at the grass-roots level in women's groups. As an outcome of this initiative, 238 acres of land in one *panchayat* became cultivable through MGNREGA and resources from the agriculture department. Each family earns up to Rs 20,000 per month. There is an increase in organic farming. In many instances, women have moved from being labourers to being entrepreneurs. They apply for work as women's groups and they get to learn new skills. These groups also act as support groups, in which women discuss gender issues, thus moving towards social empowerment.

LIVELIHOOD PROGRAMMES AND PANCHAYATS – PRADAN'S EXPERIENCE IN FACILITATING CONVERGENCE

PRADAN started work in Dhamtari, Chhattisgarh, in 2007, in the area of promotion of SHGs, integrated natural resource management and farm-based livelihoods. PRADAN supported the SHGs to plan, implement and monitor programmes. This boosted the self image and confidence of the the women, and brought the community together. PRADAN also trained SHGs to work together and implement their plans sanctioned by the *gram sabha* under MGNREGS. PRADAN carried out exposure visits and training for *panchayat*-level functionaries at the *panchayat* and the block level. In addition to this, PRADAN also carried out awareness training of many of the officials in line departments

such as agriculture, horticulture, fisheries and renewable energy. They also attended *gram sabha* meetings along with the SHGs and the MGNREGS staff. The village development plan drafted by the SHGs was supported collectively through MGNREGS and by the other departments. This convergence, based on the SHG-drafted plans, proved to be very effective. Success in village Chhindbharri also encouraged

PRADAN and the departments to replicate the model in other *panchayats*. Thus, in Dhamtari, a model for convergence of schemes is emerging, in which the *gram sabha* and the *panchayat* play a key role. The core learning from this experience has been that for effective convergence to happen, a mobilized and organized community is critical. A facilitating agency is also important to help build linkages and to plan and implement schemes.

THE STORY OF HIWRE BAZAR

For the last 22 years, Popat Rao Pawar has been the *sarpanch* of Hiwre Bazar. Earlier, Hiwre

In Dhamtari, a model for convergence of schemes is emerging, in which the gram sabha and the panchayat play a key role. The core learning from this experience has been that for effective convergence to happen, a mobilized and organized community is critical.

Bazar was a drought-prone area, with access to very little drinking water and hardly any irrigation. Most of the families used to migrate. Now, we find that there is reverse migration. Almost 90 families have come back; there are only three families that are living Below the Poverty Line (BPL) and 22 families that are landless in the *panchayat*. When Popat Rao Pawar became the *sarpanch*,

he decided that caste and politics would not come in the way of development. What the *panchayat*, NGOs and government are not able to do has been done with *shramdaan* in the village. The construction of a *gram sansad* building is an example of *shramdaan*. In Hiwre Bazar, *panchayat* meetings are held regularly and issues are discussed in detail. Today, Hiwre Bazar is known for its exemplary work in watershed management, education and community mobilization. In 15 years, the water table has improved from 125 feet to 20 feet — leading to an increase in agricultural productivity. Vegetables are grown and dairy

KEY DECISIONS THAT HELPED HIWRE BAZAR BECOME A MODEL VILLAGE

No tube wells for irrigation.

Only drip irrigation in case of cash crops.

Strict water rationing.

Village land not sold to outsiders.

No entry into the forest without the permission of the *panchayat*.

Soil and water harvesting introduced.

Plans for setting up a seed bank and nursery.

Mandatory in schools for each student to plant two trees.

School-based innovations such as using the see-saw for pumping water initiated.

Total ban on alcoholism.

farming has been initiated. The school in Hiwre Bazar is a model school in the district, in which children from outside also come to study. The Hiwre Bazar *panchayat* has set an example and many villages are growing similarly, with support from Hiwre Bazar.

DISTRIBUTED LEADERSHIP MODEL—THE ARGHYAM EXPERIENCE

Arghyam has been working on capacity building in two *panchayats* in Karnataka, with a mission to strengthen *panchayats* as an organization. All the programmes converge at the *panchayat* level; it is this institution, therefore, that has to be strong to be able to implement programmes. Arghyam provides management training to *panchayat* members and officials. This includes a vision and mission building exercise, streamlining roles and work flow of the functionaries, and process mapping in 17 areas of work. Arghyam has helped office bearers and functionaries of the *panchayat* to understand their organization structure, develop their perspective plans as well as their annual plans and has provided hand-holding support to implement these plans. Arghyam has facilitated a distributed leadership model, with sub-committees in each *panchayat*. The sub-committees are protection, social justice, civic amenities and capacity building, and have one leader each. This structure has helped in making *panchayats* more active. The community is now more aware about available schemes and funds.

The challenges faced in the process of capacity building include staff turnover and existence of parallel structures, which diffuse the accountability of the *panchayat*. It is important to create an environment through a policy

To strengthen panchayats into organizations, besides capacity building and training, there needs to be a well laid-out structure with a proper definition of roles and responsibilities, and systems for ensuring accountability and incentivizing performance.

for *panchayats*, to leverage government schemes more efficiently. There can be contracts signed between *panchayats* and government line departments, outlining specific responsibilities. As in MGNREGA, there is need to allocate funds for the administrative needs of the gram *panchayat* such as travel and monitoring under every scheme.

To strengthen *panchayats* into organizations, besides capacity building and training, there needs to be a well laid-out structure with a proper definition of roles and responsibilities, and systems for ensuring accountability and incentivizing performance.

CAPACITY BUILDING OF WOMEN PRI LEADERS - THE HUNGER PROJECT

The Hunger Project (THP) works in seven states to build the capacity of women PRI members as leaders, to ensure that the socially disadvantaged gets priority. Multiple identities of EWRs need to be kept in mind when addressing their capacity building needs. Reservation has helped ensure the participation of elected women representatives, to some extent; however, a more effective involvement is required.

THP seeks to undertake capacity building of elected women representatives, based on their needs and priorities, keeping in mind the social context of the women. Capacity building is more than class-room training; informal spaces in the community and the *panchayat* should also be seen as providing opportunities for training. In 2010, Jagruk Manch was formed as a platform, where EWR and community members come together to build a common ground.

Another necessary strategy adopted in the process is the training of secretaries of *panchayats*, which comprises mostly of men. There is need to create an effective interface between the EWRs and the MLA and the MP of the area, and also establish linkages with line departments. Moreover, it is important to create an inclusive space for EWRs, where they come together to share and learn. The inputs from THP are well distributed across the dimensions of personal empowerment, technical skills and constituency building skills. Technical skills are imparted through need-based workshops.

EWRs face many challenges such as the stronghold of patriarchal structures, the political environment in the states, illiteracy and lack of technical skills to deal with issues on a day-to-day basis. There is a dearth of sensitive trainers, especially women trainers, who can help EWRs in dealing with multiple identities. THP conducts capacity building in a campaign mode through its programme SWEEP—Strengthening Women’s Empowerment in Electoral Processes, seeking to increase women’s participation as voters and contestants, as booth officers and counting and polling agents.

PESA AND COMMUNITY FOREST RIGHTS — THE EXAMPLE OF VILLAGE MENDHA

Village Mendha in Lekha *panchayat* of Gadchiroli district is a tribal-dominated district, which has been part of the joint forest management programmes since 1992. The villagers have protected over 1,800 ha of forests around the village. The villagers

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have been discharging this responsibility since then in good earnest, with all the families participating equally in the task of protecting the forest cover. Protecting forests is not the only progressive step that the village adopted. The *gram sabha* in the village has been driving a variety of development initiatives. Almost 80 per cent of the households in the village use Deenbandhu biogas plant for clean cooking. A women’s SHG runs a fair price shop in

the village. Women and youth are involved in many micro-enterprises, providing livelihoods to members. Several youth of the village have received training as technical professionals, to implement MGNREGS activities. There is yet another group of youth in the village, who have received training in film production. The *gram sabha* has established a computer training centre with its ‘Village Fund’. Every resident contributes 10 per cent of their income to the fund and each family contributes 2.5 per cent of its produce to a grain bank. The villagers assert: “In our village we are the government.” All decisions in Mendha are by consensus in the *gram sabha*.

On 15 December 2009, the villagers were given the right to manage the forest cover around the village and also to have ownership over harvesting minor forest produce. The forest was abundant in bamboo and the *gram sabha* decided to take over the harvest and trading of bamboo. The forest department, however, objected fiercely, stating that harvesting bamboo can have an adverse effect on the green cover. The officials were not willing to provide the villagers with a Transit Pass. It led to a series of struggles and peaceful confrontation; finally, the Minister for Environment and Forests came to the village

in person and handed over the Transit Pass to the *gram sabha*.

This led to the commercial exploitation of the bamboo stock in the forests around the village, and has also resulted in substantial revenue earnings for the village. The *gram sabha* is now planning to adopt commercial cultivation of various species of bamboos that are technically compatible with the forest. It is also planning to introduce modern post-harvest technologies and provide skills training to the village youth on bamboo cultivation, post-harvest processes, value addition and marketing. Mendha is now in the forefront of the action, helping other villages claim their rights over their forests. Inspired by the experience of Mendha, 783 more villages in the Gadchiroli region have taken control of about four lakh hectares of forest land under FRA.

Even 16 years after the PESA law was passed in 1996, most of the states have not formulated any rules and procedures. There is hesitation on the part of the respective states to pass on the rights delineated to the *gram sabha* in the Schedule V and VI areas. All government departments such as excise, mining and transport need to make their own rules and bring about the necessary changes according to the Act. Today, individual forest rights have received more attention and community forest lands are facing a crisis. Neither the forest departments nor the *panchayats* are focusing on the issue of community forest rights. There has been no qualitative change and forest rights continue to be implemented like the old Joint Forest Management regime. Replication of models, such as the Mendha (Lekha) village, where the *gram sabha's* rights over the forest produce are clearly accepted, should be

Panchayats have to be strengthened as organizations. Today they are loose formations, with haphazard systems for functioning and, therefore, not very effective.

promoted. People should have the right to plant trees in barren forest lands.

MAJOR LESSONS

When the 73rd Amendment was adopted by the Parliament in 1992, it had a vision for local self-governance. The Act tried to

create a law that would facilitate the emergence of vibrant village republics as envisioned by Gandhiji. Even after two decades, however, state governments and the bureaucracy have not shown readiness to devolve powers or to formulate rules to truly build these institutions. Recently, due to initiatives such as the MGNREGA and BRGF, *panchayats* have come into focus because these programmes mandate the transfer of large sums of funds and functions to the *panchayats*. *Panchayats* today, however, do not have adequate commensurate functionaries and capabilities, to fully realize the potential of these programmes. This workshop has thrown up important points for all concerned, to ponder over and to initiate action. State agencies, CSOs and CBOs need to come together and develop a plan of action. There are many opportunities available and these must be exploited as best as possible. CSOs and other important stakeholders must come together and work as a network, taking forward this agenda of strengthening *panchayats*. There must be polycentric action in which different organizations play leadership roles. An alliance of all the 'friends' of the Panchayat Raj needs to emerge. RGPSA is a very timely initiative and a great opportunity for us to consolidate our actions.

RGPSA, being launched as part of the XII Plan, is a new national initiative, to strengthen *panchayats*. The ongoing capacity

building of elected *panchayat* representatives, streamlining *gram sabhas*, putting in place systems and processes to strengthen the PRIs at the village, block and district levels are priorities under RGPSA. It seeks to set up cluster facilitation

teams to support *panchayats*, providing a big opportunity to NGOs interested in working with *panchayats*. As of now, RGPSA does not envision large-scale collaboration with NGOs. That the MoPR develops guidelines and plans to partner with NGOs under RGPSA is important so that the experiences of these organizations can be utilized to strengthen the RGPSA initiative. NGOs also have to develop suitable proposals and approach the Ministry with ideas for collaboration and possible ways forward.

Panchayats have to be strengthened as organizations. Today they are loose formations, with haphazard systems for functioning and, therefore, not very effective. They have a set of functions and they have to be organized accordingly. Systems have to be designed and put in place. Induction and training of human resources are very crucial. Elected representatives and functionaries, especially the women among them, require a great deal of training and hand-holding support. Most importantly, they have to develop an appropriate attitude, to deal with the issues and responsibilities. The most important process in *panchayats* is the streamlining and strengthening of the *gram sabha*. Wherever CSOs or charismatic *panchayat* leaders have worked in building the *gram sabha* as a cohesive unit and institutionalized processes of participation and decision-making by all, the results have been phenomenal in developing an active grass-roots democracy.

NGOs now need to work pro-actively at integrating the action of CBOs with panchayats, starting with enhanced participation of SHG members in gram sabha meetings.

MGNREGA 2.0 has been launched with a renewed focus on strengthening *panchayats* and also on works contributing to building livelihood assets. New guidelines have been drawn up and 30 new works added. The capabilities of

panchayats in planning and implementing livelihoods have to be substantially increased, and developing appropriate human resources and suitable systems in the *panchayats* is necessary. Equally important is developing the processes for participatory planning, which are crucial to create livelihoods. There are many opportunities here for CSOs, especially the NGOs working on the ground on natural resource management, to become engaged with the process.

BRLF could be another opportunity for CSOs to partner with the government in strengthening *panchayats*. BRLF is an autonomous body, set up with a one-time corpus support from the government, which will be augmented by contributions from other agencies, including the private sector. The purpose of BRLF is to support the scaling-up of best practices evolved by NGOs around livelihoods, governance and so on, especially in the left-wing, extremist-affected blocks. One of the major issues confronting these blocks is the dismal state of governance; therefore, NGOs that receive funds from BRLF will be expected to work on strengthening PRIs. These NGOs will need to work in partnership with the *panchayats* and the state government.

An important lesson to take home is that CBOs and *panchayats* are not antithetical to each other; they are allies. CBOs provide the platform for social mobilization of the poor and the training ground for the weaker sections to articulate their priorities and ensure that they are made part of the agenda of the *gram sabha*.

Further, these institutions of the poor are platforms for convergence and decentralized planning. The existence of vibrant SHGs, federations and other similar institutions adds to the effective functioning of *panchayats* because there will be more participation and initiative from the silent majority.

As for CSOs, it is important that they believe in the potential of *panchayats* and initiate steps to strengthen them. Most NGOs usually prefer to work through CBOs and build very little

interface with *panchayats*. NGOs now need to work pro-actively at integrating the action of CBOs with *panchayats*, starting with enhanced participation of SHG members in *gram sabha* meetings. NGOs also must work in close collaboration with state governments and PRIs at all levels. Advocacy for more devolution of powers and passing of relevant rules in PESA districts are also important roles that NGOs can play. State agencies and CSOs need to work together to strengthen *panchayats*.

This article is an abstract of the report on the Workshop on 'Strengthening Panchayats for Livelihoods' held at the India Habitat Centre, New Delhi, on 21 November, 2012.

Investing in Boys and Girls: Schooling Decisions and Credit Constraints for Microfinance Participants in India

JEAN-MARIE BALAND, TIMOTHEE DEMONTT, ROHINI SOMANATHAN AND
MICHEL TENIKUE

Investigating the impact of microfinance participation in India on educational outcomes, this study focuses on the changes that participation in SHGs brings about in the education of boys and girls of member households in Jharkhand.

INTRODUCTION

The impact of financial services such as savings and credit on the economic and human development of users remains far from being identified to date. In particular, understanding whether and how microfinance can improve children's education is of crucial importance, given the widely-accepted links between human capital formation and development outcomes such as poverty reduction and growth.

Evidence has repeatedly shown that microloans are probably not enough on their own to directly foster business creation and economic development. People often lack the relevant infrastructure, market outlets and, especially, training or education. Yet, if microfinance impacts the education of children, it could bring about important changes in the long term. There are good reasons to expect microfinance to impact schooling decisions among member households.

Access to credit can help afford education-related expenses by relaxing the budget or liquidity constraints. It can modify the preferences of households' by empowering women and generating important peer effects. It can modify occupational choices and influence the opportunity cost of educating children. It can better ensure households against income variation, thus decreasing the need to pull children out of school whenever shocks happen.

The impact of microfinance on educational outcomes is hard to measure not only because of the usual selection bias but also because these impacts can take a fair amount of time to materialize due to state dependence in school attendance, cohort effects and behavioral inertia. Solid empirical evidence on the matter is both meagre and mixed. Utilizing both quantitative and qualitative studies, we find a generally positive effect of microfinance on child schooling, though with important gender heterogeneity for some studies. However, none of the reviewed studies can reasonably be interpreted as causal estimates of the impact of microfinance.

Recently, some randomized control trials have tried to tackle the issue of selection bias seriously. Although those studies were short-term and not caveat-free, they tend to indicate that microfinance has no impact on educational outcomes. Using a large microcredit initiative by the Thai government as a natural experiment, it was found that access to microcredit had a sizeable impact on other consumption items but left the educational expenditure stable. By contrast, members of the Bolivian microfinance institutions (MFIs) were more likely to keep children in secondary school. Yet, studies show that this probability decreases if the family owns agricultural land and argue that this reflects the fact that increasing opportunities to work on a farm might increase the demand for child labour. A study conducted in two rural towns in Guatemala while supporting the positive effects of micro-loans on schooling, shows a statistically significant negative effect on schooling if the family enterprise such as a tailoring shop or a retail business requires a skill. Along the same lines, credit may reduce the likelihood of going to school in Pakistan if the children are already working part-time in a family business, and increase the enrollment of children who did not work previously.

Short-term effects tell little about long-term welfare. First, we know that development outcomes often take time to materialize, for example, because behaviours need to adapt, investments need to mature before becoming profitable, or certain thresholds need to be crossed for results to accelerate and eventually become sizeable. Second, although transition paths are certainly relevant, it is the stable, equilibrium state that truly matters

The study focuses on a particular form of microfinance, namely the Indian. These are very small-scale, informal and decentralized institutions. Yet, bank-linked SHGs are the dominant microfinance model in India and probably the world's largest.

when evaluating the impact of microfinance. Some effects might be short-lived responses, ultimately reverting to the pre-intervention equilibrium or, to the contrary, continue for a long time before they stabilize. Third, microfinance certainly triggers general equilibrium effects, whereby credit, labour and/or good markets would need time to absorb the shocks. All of the above imply that aiming

at the identification of longer – run effects should rank high on the evaluation agenda although it is extremely challenging (for instance, arguably no randomized experiment could ever maintain a pure control group long enough).

The study focuses on a particular form of microfinance, namely the Indian Self-Help Groups (SHGs). These are very small-scale, informal and decentralized institutions. Yet, bank-linked SHGs are the dominant microfinance model in India and probably the world's largest. Moreover, despite their very interesting characteristics (especially regarding sustainability and outreach), SHGs have been largely under-researched so far.

Our data comes from an original survey that takes the form of an extended 'Living Standards Measurement Survey', which was administered in four waves between 2002 and 2009. Whereas the non-randomized nature of the treatment does not allow obvious causal inference, the richness and the long time-span of the panel database permits the observation of a wide-ranging set of longer – run evolutions and dynamic mechanisms at the individual, household and village levels.

More generally, we believe the richness of the data allows a fairly detailed description of the economic lives and decisions of microfinance borrowers and their neighbours, which might help designing better-targeted (randomized) evaluations in the future. Combining matching and panel-data techniques, this paper focuses on educational outcomes, to find the following. First, we find a strong increase in children's school enrollment that appears in the last round of data, that is, after six years of membership. Though there is evidence that the process started earlier, our finding implies that educational outcomes and enrollment rates, in particular, can take a long time to materialize. Second, the detected effect is much stronger and significant for girls than for boys, thereby reducing the wide gender gap in education observed at baseline—and which is known to be a persistent problem in India.

By the last round of the survey, the SHG members had closed the gender gap at the primary and the secondary levels. Third, we found that household composition and, in particular, the presence of younger siblings that need to be looked after is an important constraint for schooling decisions, which microfinance members are able to overcome. Fourth, one important channel for the effects appears to be the empowerment of women within the household, whereby mothers with enough say in household decisions, are able to take advantage of their participation in the SHGs to foster their children's education.

THE PROGRAMME AND ENVIRONMENT UNDER STUDY

Our data comes from a large microfinance

This study focuses on the state of Jharkhand, which was carved out of Southern Bihar in the 2000 due to political pressure from tribal groups. It is among the poorest of the 28 Indian states, with 46 per cent of its rural population below the national poverty line (according to the latest official 2005 figures available).

programme in Central India, initiated by a large development NGO called the Professional Assistance for Development Action (PRADAN). The main objective of the organization is to promote and strengthen the livelihoods of socio-economically disadvantaged communities such as indigenous people, women, Scheduled Castes (SCs), landless and the marginal and small cultivators. Central to this broad agenda is microfinance, which is considered as a means for rural poor to make strategic

investments in improving their livelihoods over time. Yet, unlike other microfinance models in which the NGO develops itself as the alternative credit provider, PRADAN organizes women in Self-Help Groups (SHGs) that become microfinance institutions themselves. These SHGs are small, informal village associations, which are engaged in a variety of collective activities, of which savings and credit are the most important. PRADAN promoted its first SHGs in 1987 in Rajasthan. In 2009, it was active in eight states of North India and had around 11,000 running SHGs.

This study focuses on the state of Jharkhand, which was carved out of Southern Bihar in the 2000 due to political pressure from tribal groups. It is among the poorest of the 28 Indian states, with 46 per cent of its rural population below the national poverty line (according to the latest official 2005 figures available). It has a comparatively lower literacy rate at 53.6 per cent as against the national average of 65.4 per cent, with 67.94 per cent in males (75.85 per cent is the national average) and 39.38 per cent in females (54.16 per cent is the national average) (2001 Census). Jharkhand is mostly rural (78 per cent of its 30 million inhabitants)

and its population comprises 28 per cent tribals and 12 per cent people belonging to SCs, which are known to be the most vulnerable groups of India. In its 2008 India State Hunger Index, the International Food Policy Research Institute (IFPRI) estimated that Jharkhand had the second highest level of hunger and malnutrition in India, behind only Madhya Pradesh. Historically, Jharkhand

has been lacking well-performing local NGOs and, today, it combines one of the lowest SHGs to population ratio (less than 200 SHGs per 100,000 of population) with one of the highest percentages of poor population nationally.

By 2009, PRADAN was working in 12 of the 24 administrative districts that constitute Jharkhand and had established microcredit groups in about 2,000 villages in these areas or about six per cent of all villages in the state (corresponding to over 60,000 women). An important aspect of PRADAN's strategy for expanding its activities has been to concentrate its programmes in geographical clusters (targeting administrative blocks with high incidence of rural poverty), following a strategy of 'saturation' of the area. This strategy was chosen not only for administrative ease and economies of scale but also to enable beneficiaries in different villages to interact and learn from their combined experience.

SELF-HELP GROUPS AND PRADAN'S INTERVENTION

This section will describe in detail how this general definition translates into the environment under study. Establishing a group usually begins with a PRADAN representative holding a meeting at some public place in a village, such as the *panchayat* office or the

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primary school, where the details of the programme are explained. Within geographical clusters around the local offices, PRADAN chooses to work with relatively disadvantaged communities and poor villages, where no other NGO has worked before. A study by CGAP (an independent policy and research center) found that PRADAN had indeed deeper-than-average outreach: almost all the SHG

members are tribal people or SCs, of which 85 per cent have no homestead land or only marginal non-agricultural landholdings and almost 90 per cent of them live in thatched huts or are squatters (CGAP, 2007).

After a few such meetings, a group of 10 to 20 motivated women is formed. One important rule imposed by PRADAN is that there may be only one member per household in a group. If a village is large, or the interest in the programme is widespread, multiple groups may be created. Moreover, new groups are often created after a few years. After some initial training and capacity building by the NGO, the group chooses a name for itself, agrees on a weekly meeting time and determines other group rules such as the minimum contributions per member at each meeting (usually Rs 5 or 10, which amounts to about USD 0.5—1 per month), the interest rate charged on loans that are given to group members and fines for non-attendance or late payment.

After a few months of smooth functioning, a savings account is opened at a commercial bank near the village, to deposit the group's savings, and usually after about a year, the groups showing mature financial behaviour are allowed to take bank loans for a variety of income generating activities (the group is then said to be linked). At that point, groups are

pretty much autonomous and the intervention of the NGO is only required to solve occasional problems. PRADAN then starts unrolling some livelihood programmes, in which SHG members are trained for farming or for any other self-employment activity of their choice.

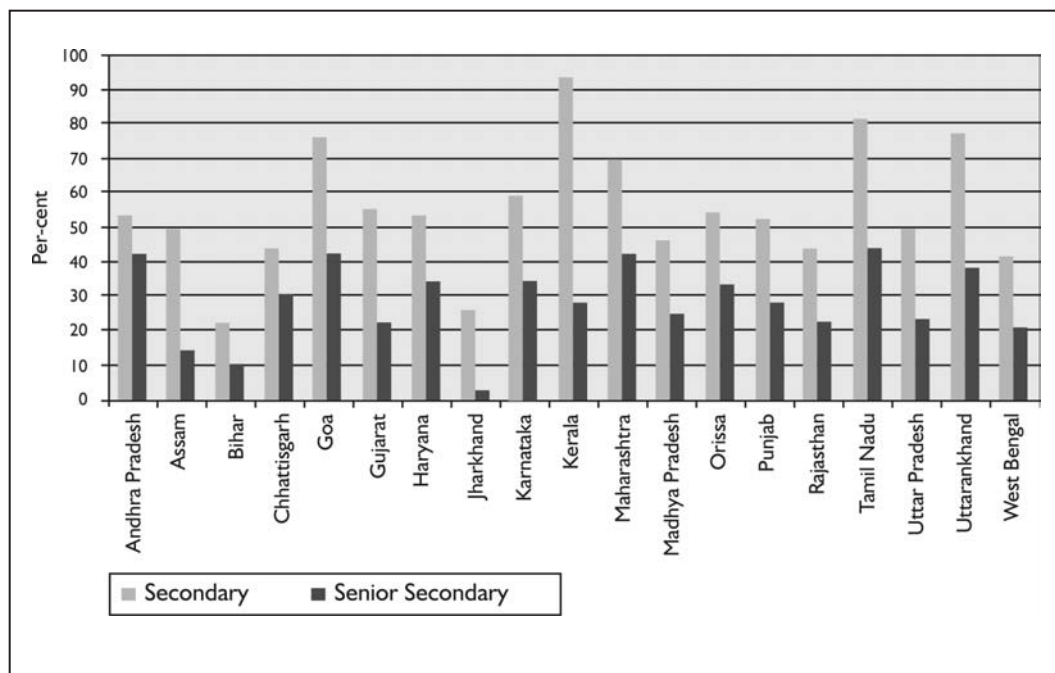
As a conclusion, the bank-linked SHG model is a decentralized, cheap and potentially sustainable way of providing access to small-scale savings and credit services in rural areas (not to mention other potential benefits from the group structure, such as peer support and other social services). It is often thought of as being well suited to progressively and safely foster greater confidence in the poor, instill financial discipline, reduce vulnerability and cultivate smoother consumption profiles, help access the formal financial sector and eventually create new livelihood activities that improve their standard of living.

Today, the bank-linked SHG model is considered the largest financial inclusion programme in the world, with almost seven million bank-linked SHGs in India covering about 97 million families, as on 31 March 2010 (NABARD, 2010). This represents a remarkable achievement, especially given the general belief that standard microfinance products remain more suited to urban and semi-urban areas rather than to the rural world. Yet, very few (impact) studies have focused on SHGs.

EDUCATION IN JHARKHAND AND THE POTENTIAL ROLE OF SHGS

The educational system in Jharkhand (as in most of India) follows a 5 + 3 + 2 + 2 schedule, the end of each step being sanctioned by examinations. Primary school (grades 1 to 5) starts at 6 years, followed by middle school (grades 6 to 8), lower secondary (grades 9

Figure 1: Gross Enrollment Ratio by State



Source: World Bank (2009) - data from MHRD 2004-05

and 10) and higher secondary (grades 11 and 12). The average primary enrollment is 72.1 per cent in Jharkhand, much lower than the national average at 83.3 per cent (figures from DHS 2005–06). In addition, there is a very low transition rate into secondary school; Jharkhand has one of the lowest secondary enrollment rates in India, which is not due to exam failures. One problem certainly lies in the infrastructure: only 36 per cent of villages in Jharkhand lie within 5 km of a lower secondary school and 23 per cent within 10 km of a higher secondary school.

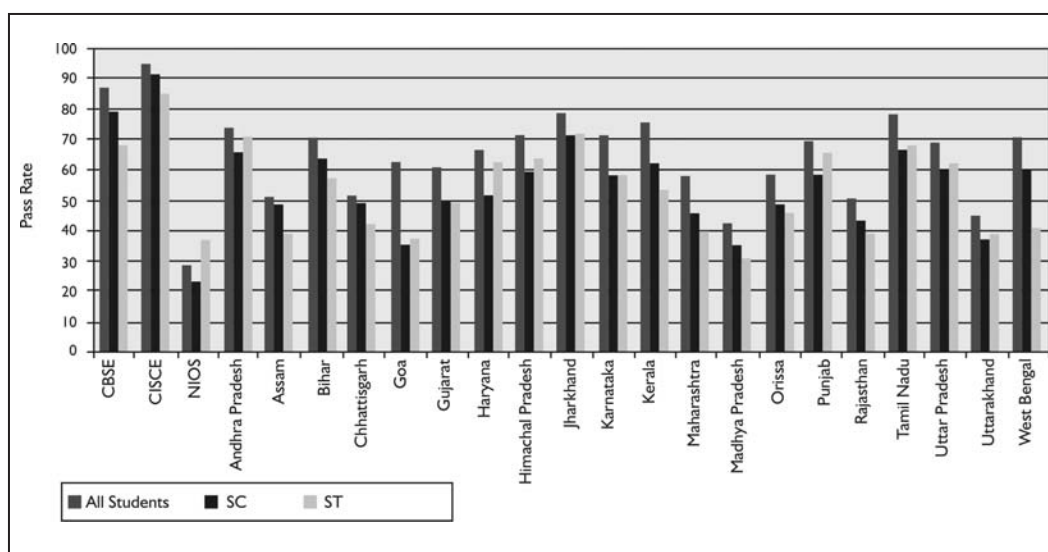
In some cases, however, in the absence of attractive schooling (for example, low returns to education, poor infrastructure and absenteeism of teachers), parents might prefer to send their children to work instead. Parents might also be deterred from sending their children to school due to the high costs associated with schooling.

with the Right of Children to Free and Compulsory Education Act (which came into effect on 1 April 2010). As a consequence, there was no major change in the legal environment during the seven years of our survey. However, many smaller and narrower schemes have always existed to provide incentives to improve the enrollment rates at the various education levels (for example, Sarva Shiksha Abhiyan and Mid-day Meal). Given that they are always implemented at the district level, it is important to account for district fixed results in the subsequent analysis.

The Indian Constitution directs the state to provide free and compulsory education for children until 14 years of age (article 21A, added in 2002). Yet, this legal provision was translated into an Executive Act as late as 2009

Research usually highlights the fact that when deciding how the children should spend their time, parents usually have a strong preference for schooling, as long as the basic needs of the family are covered. Yet, altruistic and egoistic

Figure 2: Pass Rates of Students



Source: World Bank (2009) - data from MHRD 2004-05

motives may apply. Altruistic parents want the best for their child and choose education over work to secure the future of their offspring. On the other hand, egoistic parents might prefer to pay the upfront cost of schooling and reduce the current household income, in return for a higher income later on when the children are older and earn higher wages due to a better education. Note, that this last motive is likely to entail important gender differences in the context under study because girls usually leave the family household early to live in her in-laws' household after marriage.

In some cases, however, in the absence of attractive schooling (for example, low returns to education, poor infrastructure and absenteeism of teachers), parents might prefer to send their children to work instead. Parents might also be deterred from sending their children to school due to the high costs associated with schooling (for example, school fees, expenditure for books, uniforms and transportation), especially if they have to be paid as a lump sum.

One of the ways in which the SHG membership can help in the education of children is by providing credit to pay for those expenses. These costs are likely to be limited in our context, given that most schools in Jharkhand are public schools, which are supposed to be free up to the age of 14. Some evidence suggests, however, that this may not always be the case. School expenditure for a child, including tuition fees as well as expenditure on uniforms or stationary, are around Rs 340 per year in rural India, implying that for an agricultural labourer living in Bihar with three children, the complete earnings from more than 40 days of work would go towards sending his children to primary school. In

If SHGs facilitate income generation in micro - and small enterprises/farms, they can be potentially important instruments in reducing child labour and, therefore, increasing education.

our sample, the median annual school expenses per child enrolled amounted to Rs 480 in 2008, which represented 3.3 per cent of the median household income. When restricting the sample to households with at least one child enrolled in a secondary school, the median

school expenses per child enrolled is Rs 1,747 (11.9 per cent of the median income), a very sizeable amount. As a consequence, the cost will especially matter at the secondary level.

The relaxation of credit constraints is not the only channel through which the SHGs can affect educational outcomes. If SHGs facilitate income generation in micro – and small enterprises/farms, they can be potentially important instruments in reducing child labour and, therefore, increasing education. Furthermore, if credit reduces the need for temporary migration in search of cash for adult members in the household, we might observe a decrease in child labour and, once again, potentially higher school enrollment and/or attendance.

Perceived returns to education might also increase in the medium run if households switch to higher-return, larger-scale businesses or can afford to pay for (long-distance) migration of children. This said, the evidence regarding the potential of microfinance to generate new income remains mixed. Moreover, the overall effect need not be positive if the newly-created activities actually require more labour—which might take the form of more help from children.

Another way SHG membership could affect children's education is through providing insurance against income shocks. Indeed, SHGs help to smooth income in the face of adverse rain shocks and may, therefore,

decrease the need for child labour as one traditional way of diversifying and smoothing family income. In case of 'consumption smoothing', parents might decide to take their children out of school and put them into work to sustain a certain minimum consumption level if parents' income drops or fails. The danger of this strategy lies in the irreversibility of child labour. Once children are taken out of school and integrated into the labour market, transition back to school is often very difficult. As a result, children continue working even when the direct consequences of a shock are overcome. In Guatemalan household data, negative shocks substantially increase the probability of child labour. Coupled with the evidence that child labour shows a high degree of persistence, they deduce that "policies aimed at improving access to credit and providing safety nets, especially for poorer households, appear to be among the most powerful instruments for promoting school attendance and reducing child work."

SHG participation may also better enable women to foster the education of their children provided they have enough say for those decisions in the household. By having access to more resources and opportunities, participating women are better able to promote and invest

SHG participation may also better enable women to foster the education of their children provided they have enough say for those decisions in the household. By having access to more resources and opportunities, participating women are better able to promote and invest in education and the general well-being of their family.

in education and the general well-being of their family. The resulting increase in enrollment, if any, may entail gender discrimination. For instance, given that the returns that men get are much higher in the labour and the marriage (because of the dowry system) markets, the additional resources may benefit boys more than proportionally thereby increasing the gender gap in education. This may revert when some target education level for boys is reached in the

household, after which investment in girls may take over and the gender gap may decrease.

EDUCATION RESULTS

We first present descriptive statistics of enrollment rates in our sample. We report the average enrollment rates by age categories corresponding to the three main education levels. Primary school starts at six and lasts five years. Taking into account late entries and/or grade repetition, we consider the primary school age as 6 to 11 (and entry as 6 to 7), middle school age 12 to 14 and secondary school 15 to 17 (age 18 is not included because the survey did not cover the enrollment of children beyond 17).

First, we find that the household-level and the child-level statistics are very similar and become virtually equivalent in the last

Table 1: Membership Distribution of Sample

Status	Year			
	2002	2004	2006	2009
SHG members	25.0	44.2	48.3	44.8
Non-members in treatment villages	75.0	35.5	31.8	35.0
Households in control villages	0	20.3	19.9	20.2

age category, for which most households have only one child of the relevant age.

Second, as expected, we also observe higher enrollment rates for boys than for girls and large dropout rates in secondary school. Third, except in the 12 to 14 age group, SHG members start off being largely similar to other households (in particular non-members), but experience a more rapid rise in enrollment rates so that significant differences are observed mostly in the last round and, in particular, at the level of (early) entry into primary school and (late) into secondary education, which corresponds to the end of compulsory and free education.

As will become clearer, late entry and secondary school dropouts are indeed two very serious issues in the area under study. Finally, the increase of enrollment rates experienced by SHG members appears especially strong for girls whereby the important gender gap that is present in the first round(s) is virtually closed in the last round—at least for the primary and secondary levels. As a matter of fact, there is not much evolution in the age group of 12 to 14 because the enrollment of those children is largely determined by the decision to enter primary school (there is no big transition issue as for secondary education). As a consequence, those children are either too old or too young to be really affected by SHG participation (except perhaps for a reduction of dropouts). In the analysis that follows, therefore, we focus on overall, primary and secondary enrollment.

Our main analysis will normally make use of all the rounds of data, thus controlling for the enrollment level before the time at which the SHGs started their activities. However,

Another reason is that SHGs, by progressively accumulating the regular deposits of their members and becoming linked to a commercial bank after some years, require time to produce results, if only in terms of access to credit. There might be more subtle reasons as well.

given that we had only a limited sample in the first round, we are unable to get robust estimates for children above 14. For that reason, we compute the estimates for the last age group, using data from round two to round four (for which we can construct a proper base category). In round two, there is already a potential effect of one year of the SHG membership, even though we believe this effect to be essentially limited

because the groups are still mostly in their savings phase and none were then linked to a bank. At most, by comparing round four to round two, we may underestimate the total effect of participation, if some effects were already at work in round two. On the other hand, excluding the first round, which covers a restricted sub-sample of households interviewed in the later rounds, helps us in getting more precise estimates of enrollment in the base year and a well-defined control group over all rounds. We, therefore, check the robustness of all results when dropping the first round.

ENROLLMENT

In the basic estimation of enrollment rates for children of different age groups by rounds and membership status, we find a general increase in the enrollment rates of the entire population; particularly from 2006 onwards. Yet, the effect is significantly stronger for members, implying that children from participating households are significantly more likely to be enrolled in the last round (2009) than children from non-participating ones. The overall average effect is between nine and 15 per cent. This is true at all levels of schooling although especially strong at the entry into primary school, in which the average effect exceeds 20 per cent.

Although some of these effects were already present in earlier rounds (especially for children of entry age), the bulk of these effects materialize in round four.

Various reasons may explain the strength of the impact in round four. The first and most obvious one is that, for enrollment rates to change, one needs to have enough children entering the critical age groups for education decisions (for example, 6 to 7 years for entry into primary, 16 to 17 years for entry into secondary) because, otherwise, the effect gets diluted in the 'average' enrollment rates, which include children for which those effects are irrelevant.

Another reason is that SHGs, by progressively accumulating the regular deposits of their members and becoming linked to a commercial bank after some years, require time to produce results, if only in terms of access to credit. There might be more subtle reasons as well. For instance, participation in an SHG involves repeated interactions with other group members that may change attitudes or preferences with respect to schooling and we do not expect those effects to be instantaneous.

OTHER INDICATORS AND MECHANISMS

We now provide various alternative approaches suggesting that the entry effect is at least as important as the reduction in dropout rates. The results on entry (6 to 7 years old) are larger and are essentially present over all rounds.

For these children, the initial enrollment decision was taken before the start of the SHG programme and any differential evolution between members and other households essentially reflects a differential dropout. We

The composition of a household also has an impact on school attendance. Whereas enrollment rates for boys are essentially not affected by the family composition, the picture looks very different for girls.

do not find a strong reduction in the average dropout rates for children of member households. (Some caution is in order here because the effects estimated for round four are composed of changes in dropout rates in middle school and changes in entry rates into the non-compulsory grades of the secondary school.)

We also observe an evolution of (a few) households with school-age children, who are not enrolled in 2004 and find a very large effect of entry for these members. In the last two columns, we run similar estimates for enrollment in 2009, on the condition that the child was enrolled in 2004. These coefficients provide a direct measure of the difference in dropout rates. We estimate a positive and significant coefficient for children of member households, implying a dropout rate of around 10 percentage points lower than other households.

We note estimates of the probability of being over-age at the relevant grade: the proportion of over-age children decreases for member households, particularly in round four, which may reflect a higher investment and parental supervision of the children attending school.

One of the main roles of SHGs is to bring access to credit to its members. In the various loan options available in a typical village of our sample, SHG borrowing appears clearly as a cheap option, especially as compared to moneylenders, which is the only other 'readily-available' alternative. SHG loans are also relatively small and of short duration. Yet, they can be accessed much more frequently.

From the number of loans, it is easy to verify that member households reduce their reliance

on moneylenders dramatically, by substituting it with borrowing from SHGs.

This observation implies that (i) borrowing from SHGs is cheaper (and/or more convenient) and (ii) SHGs meet most of the demand for credit by its members. This finding is analogical to those that find that households dramatically decreased their borrowing from moneylenders once they got an easier access to bank loans. We clearly see that member households take more loans and that this difference is increasing over time. Second, the total amount borrowed tends to increase as well, especially because almost all SHG members do borrow.

Hence, on the basis of these findings, it can be surmised that SHG membership reduces credit constraints. Moreover, SHG membership has an additional income effect, that is, of lowering borrowing costs. We, therefore, expect credit to play a positive role for SHG members (not for other households), especially at the secondary level, which involves much larger costs.

Some estimates of the impact of access to credit on enrollment show that access to educational loans for members results in larger enrollment rates as compared to non-members, particularly for secondary school children. Nevertheless, credit is probably not the only channel through which member households reach higher enrollment rates since, even when we control for the access to educational credit, enrollment rates between members and non members remain significantly different.

The composition of a household also has an impact on school attendance. Whereas enrollment rates for boys are essentially not affected by the family composition, the

We do find that the effect of membership on enrollment is particularly strong in households in which the wife participates in the decisions about children's education.

picture looks very different for girls. For the latter, we observe that, among non-member households, the number of siblings at school reduces the probability of enrollment of the girl whereas this effect does not exist for member households. We interpret this finding as an effect of competition over scarce family

resources. More interestingly, the presence of young children (0 to 5 years old) reduces female enrollment in non-member households, most likely because older girls are required to look after their younger siblings. This effect does not materialize for member households, perhaps because they put a stronger emphasis on children's education or because they are better able to.

Finally, we explore the possibility that the impact of SHG membership may differ across households, depending on the participation of the woman in household decisions, particularly in matters of education. We do find that the effect of membership on enrollment is particularly strong in households in which the wife participates in the decisions about children's education. This effect is especially marked for girls. This result is also consistent with the fact that a higher number of female adults in the household increase the relative enrollment of girls. Finally, the impact of SHGs on enrollment is also much stronger for children, who are not working outside the household.

CONCLUSION

In this research, we investigated the effects of access to microfinance on education decisions in India. More specifically, we compared the evolution over time of school enrollment between participants and non-participants in SHGs, the dominant form of microfinance

in India, by using an original panel data set collected in Jharkhand (North India) between 2002 and 2009.

We find substantial evidence that the SHG membership of a woman increases the chances of her child being enrolled in school. The effect is particularly important during the last round of the survey, which suggests that these effects may take a long time to materialize (in this case, seven years after the start of the SHG programme in the area). This may explain why the most recent Randomized Controlled Trial (RCT) evaluations have found micro-credit

to have a very limited impact. Moreover, we find that participation in an SHG is particularly important for the education of girls, thus closing the important gender gap observed as baseline for primary and secondary levels. Interestingly, the effect is especially strong when the mother participates in household decisions and where there are more female adults present in the household. Finally, we find that SHGs support the overcoming of traditional barriers, such as the presence of younger siblings in the household, to the education of teenage girls.

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Cash Transfer: Two Sides of the Story

PRADYUT BHATTACHARJEE AND ARUNDATHI

Exploring whether the benefits of the cash transfer scheme reach the real beneficiaries—the poorest of the poor—this article discusses the challenges facing the government's latest scheme for poverty alleviation

"Cash instead of rice? Our life will go back in time," says Dashmi *didi*, member of Malati Mahila Swa Sahayta Samhooch of Mangalpur, a small village of 70 Mariya (a tribe)-inhabited households in Darbha block of Bastar district. Years ago, before the PDS system of food subsidy was functional, all families in the Mangalpur hamlet used to have two houses. One by the main street of the village, along with their homestead land and another makeshift house built near the agriculture fields between the months of sowing and harvest. "Too much robbery!" exclaims Butki *didi*, Dashmi's neighbour. "If for even a single night, the fields were left unattended—even if it were before the paddy ripens—the crop used to be chopped off and stolen. That's why we in the family take turns to sleep in the makeshift house near our land."

The cash transfer scheme for Butki and Dashmi seems more of a bane than a boon—especially with regard to the PDS system. They also fear that once the subsidy for rice and the ration shop is substituted by direct cash transfer, the prices of rice in the market will shoot up. It will, therefore, become difficult and close to impossible to gain access to quality rice grain.

Manglu, the *sarpanch* of Teeratgarh panchayat is of the opinion that providing cash is not the solution to meet the issue of hunger and food sufficiency. "*Paisa bank se niklega zaroor, par woh chawal ke dukaan tak pahunchega nahin. Beech ka landa aur mandh ki dukaan main hi ud jaayega. Dada ka pet landa aur mandh se bhar jaayega, par ghar mein didi aur bachhe bhookhe mareenge.*" (The money will be drawn from the bank all right, but it won't be spent on buying food grain. The money will be spent in liquor shops, which lie on the way to the grocery shop. While the man of the family fills his stomach with the local liquor, the women and children at home will starve to death)." He claims that the villagers will spend the money received through the cash transfer scheme on alcohol than food grain.

Kamala *didi* from Danteshwari SHG was worried that it will be her husband whose name the account will be in and that it is he who will have sole access to the money received through the cash transfer scheme. "That will mean that only he can draw money. What will happen when he migrates? Or when he doesn't tell me when he's drawing money and spends it on something other than food grain?" she wonders sadly.

"Gone are the days of *kanki chawal* (low-grade, broken rice) we had thought," says Balman, a villager of Kotwarpara hamlet, Teeratgarh. "Nowadays, we rely on *kanki chawal* only in times of distress. But with the ration shop shutting down, and the cash transfer scheme coming into play, *kanki chawal*, like in the earlier days, will become the main ingredient of our meals." Balman is also of the opinion that

people with large landholdings, who anyway do not need BPL cards but who mysteriously possess these cards, will enjoy and reap the benefits of the cash transfer scheme. He says, "This scheme will make the rich richer and the poor poorer." The cash transfer will give the rich an extra cash income, increasing the class disparity in their village. Further, it will be the large landholder, who will sell their land's produce (food grains) at escalated prices in the markets, and will mostly likely use the cash from the scheme to build on and flourish in his business.

Before the PDS system became fully functional in Mangalpur, the diet of the villagers used to be mostly dependent on forest produce (bamboo shoot, tubers and greens) and *kanki chawal*. Pej (a thin porridge made of *kanki chawal*) used to be consumed during the day and rice cooked and consumed for just one meal. The PDS system brought in a degree of security—with families consuming better-quality rice meals twice a day as well as not worrying about their crops and harvest being robbed. A cloud of worry and doom looms over Mangalpur as the villagers anxiously hope that the reality of the cash transfer bill will not reach their lives.

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A close scrutiny of the pension and scholarship schemes today reveals that money is being pilfered en route to the elderly and that the people in power (the sarpanch, the panchayat sachiv) draw pensions at an age when they are not even eligible for it.

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Aite *didi*, 65, from Dilimili panchayat put her hands together in a pranaam when she heard that there is a possibility of her widow's pension of Rs 200 reaching a bank account

in her name rather than receiving it from the *sarpanch*. "It's been a year since I have seen any trace of my pension," she says forlornly. "Before the elections, the *sarpanch* came to be to ask for my vote and promised me timely pensions, but today all he says is that he doesn't know, it hasn't reached him yet." Likewise, Mahangi *didi*, 73, too feels hopeful and enthusiastic about receiving her old age pension of Rs 300 through cash transfer rather than from the *sarpanch*. Budu, the *sarpanch*, has acquired an SUV. In many cases, the Rs 1,500 under Janani Suraksha Yojana (JSY) seldom reaches the beneficiary because the nurses and doctors all demand their pound of flesh. This is true for the Indira Awaas Yojana (IAY) funds too.

This story is true for most of the *panchayats* of Darbha and other blocks of Bastar. Entitlements such as IAY, handicap scholarship, old age pension, widow pension, JSY, maternity benefit, Sukhad Sahara, Janashri Bima Yojana seldom reach the needy and the poor. Even when in some cases they do reach, the periodicity and time lag between payments proves to be a deterrent.

Whereas the cash transfer schemes might prove to be a boon in these cases, ground realities are very different. Darbha has around 15,000 households and is served by only three

banks—two branches of the Bank of Baroda and one branch of the Chhattisgarh Grameen bank—and 4 post offices. Most of the branches shut down much before stipulated time for fear of Naxalites. These branches are horribly under-staffed and attempts to computerize the system haven't yielded results. The long daily queues for normal transactions are quite common.

Bankers look at MGNREGS transactions as a burden because they don't contribute to much business. Although there has been an attempt to open mobile banking accounts using the biometric system (FINO) in 10 *panchayats* of Darbha, there have been several technical and logistical hitches.

Another bottleneck is the very low awareness in the community about its various entitlements and the low literacy levels (functional literacy among women is less than 15 per cent in Darbha). Along with this, there is rampant forgery of thumb impressions and signatures, in order to withdraw money from the account. In most villages that PRADAN works in, the knowledge of the existence of the Aadhaar card and the UID number is almost negligent. Some *didis* of PRADAN's SHGs are apprehensive that the cash transferred to their account might be forcibly withdrawn by their *dadas*. Hence, there is an issue regarding control as well. Another important issue is the eligibility criteria (most notably for Below the Poverty Line—BPL) for most of the schemes and entitlements, leading to the exclusion of the needy and the deserving.

THE BACKGROUND

The government began the New Year ushering in another policy reform aimed at cutting its bloated subsidy bill of Rs 1,64,000 crores

Despite all the hype about the scheme, the government is clearly cautious. Some 29 existing welfare schemes will continue to be made available to existing beneficiaries; only their mode of payment will change.

by rolling out the ambitious direct cash transfer of benefits covering 7 welfare schemes in 20 districts of 16 states. The programme covers schemes such as educational scholarship for the Scheduled Castes (SCs) and the Scheduled Tribes (STs) and pensions to widows.

Food, fertilizer, diesel and kerosene have been kept out for the present. The seven schemes

that will now employ direct cash transfers to beneficiaries' accounts are mostly related to student scholarships and stipends, the Indira Matrutva Yojana and the Dhanalakshmi schemes. It is estimated that at least two lakh beneficiaries will receive cash benefits from 1 January 2013. Cash benefits in the remaining 19 schemes will be available from February and March 2013 when the government will cover 23 other districts across the country.

The government had originally identified 51 districts across 16 states to be covered by the programme under which cash subsidy benefits will directly go to the bank accounts of beneficiaries with the mandatory requirement of the Aadhaar number. Subsequently, four districts each of Himachal Pradesh and Gujarat were exempted from the roll-out because of the assembly elections. The states being covered in the initial phase are Karnataka, Maharashtra, Delhi, Rajasthan, Madhya Pradesh and Punjab and the union territories (UTs) of Puducherry, Chandigarh, and Daman and Diu. This will be extended to 11 more districts from February 1.

Despite all the hype about the scheme, the government is clearly cautious. Some 29 existing welfare schemes will continue to be made available to existing beneficiaries; only their mode of payment will change.

Scholarships and pensions have, after all, always been paid in cash and routed into bank accounts or via post offices and *panchayats*. Now the payment will have to be linked to Aadhaar cards and bank accounts. It's only when the government replaces the growing food, fertilizer and fuel subsidies with cash that the 'game-changing' idea will face its litmus test. Supporters of the government's move also feel that it is time India found an alternative to the age-old PDS, which is full of leakages and corruption at all levels.

Officials in the Prime Minister's Office (PMO) say that the Aadhaar-enabled payment system will help weed out fake beneficiaries and ghost ration cards. The PMO claimed this by citing a study by the National Institute of Public Finance and Policy (NIPFP), which holds that integrating Aadhaar with welfare schemes is likely to yield a 52 per cent return to the government on that investment, even after all costs are accounted for.

In a country that has the world's largest number of poor, it is logical for India to be one of the few countries to spend about two per cent of its gross domestic product (GDP) on the social sector. However, it sounds illogical that nearly three-fourths of the money is spent towards the cost of making development reach the poor.

To make one rupee of 'worth of development' reach the poor, India spends Rs 3.65, according to its own official estimate. To put it in perspective, India needs to triple its development budget to ensure each rupee currently allotted reaches the intended beneficiary. That is quite a tall task.

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For the current fiscal, India has earmarked Rs 1,37,674 crores for the social sector, that is, 37 per cent of the total budget. This is if one takes into account that state spending as well the total social sector spending in the previous fiscal was Rs 3,69,053 crores, as calculated by the Centre for Budget and Governance Accountability in Delhi.

This expensive mode of reaching development has been a point of debate for decades. Currently, India adopts two ways of reaching out to the poor: create development schemes and top them up with subsidies in food, fertilizer and fuel.

In 2009–10, the central government budgeted Rs 1,99,932 crores as subsidies. Nearly half of it was for food, fertilizer and fuel. The public distribution system (PDS), which aims at distributing at least 35 kg food grain and kerosene a month to each of the estimated 62.5 million poor families in the country, is sustained by this subsidy. If the Rs 1,80,000 crores spent on centrally sponsored schemes and subsidies on food, fertilizer and fuel (in 2007–08) were distributed equally among poor families, it would have meant a monthly transfer of Rs 2,140 per family. This is more than the poverty line income for rural families and more than 70 per cent of the urban poverty line income.

Widespread fudging of the list of beneficiaries and corruption has kept the poor out of the reach of programmes. The brokerage firm, CLSA Asia-Pacific Markets, estimates that between 2010 and 2015, India will have spent Rs 11,25,000 crores in subsidies, of which 40 per cent of it will be siphoned out by fudging beneficiary lists. Data from the 61st National

Sample Survey show only 44 per cent of the poorest of poor families have BPL cards—key to access many development programmes—whereas 17 per cent of families in the rich group do so. Only 39 per cent of eligible families have received BPL cards in the country.

Is Cash Transfers the Panacea?

The government thinks it now has an answer to this development riddle: transfer money directly to the beneficiaries. In fact, some states already have schemes in which cash is used as an incentive for the poor to take part in them. Under such schemes of conditional cash transfer (CCT), money is given on such conditions as families send children to school. The government has cited three key reasons for the shift in its strategy to deliver development. First, the cost of reaching development programmes to people is very high. Second, the intended beneficiaries are not getting the benefits. Third, the impact of development programmes is not tangible. For example, the absolute number of poor in India has remained the same for the past three decades.

Because food and fertilizer subsidies account for the largest chunk of the central subsidy pool, these are targets for the cash transfer method. PDS is prone to pilferage because of the huge subsidy.

The government spends Rs 1,544 on every quintal of food grain sold to the *Antyodaya* families at Rs 200, according to the Department of Food and Public Distribution. In a system of cash distribution of subsidy, PDS food could be priced at the economic cost, leaving no incentive for diversion. Government will just transfer the subsidy component to the poor.

The jury is still out on whether cash transfers will work in India the way it has done in many other countries. Over 30 countries, notably in Latin America, dole out CCTs—payments to the poor that meet certain conditions such as health care and education.

This cash payment through smart cards to be prepared under the unique identification (UID) called Aadhaar is increasingly being seen as an option to prevent leakages in PDS.

There is a sense of political triumphalism and euphoria euphemism over the government's ambitious plan for cash transfers to the poor, in lieu of entitlements and subsidies.

Senior government ministers are calling this a “pioneering and path-breaking reform”, even a “game-changer” in a country beset with appalling levels of corruption in public services. A slogan—‘*Aapka paisa, aapke haath*’ (your money, in your hands)—has been quickly coined around the scheme. Clearly, the government, troubled by allegations of financial scandals, a slowing economy and an environment of highly partisan politics, believes that cash transfers will help bolster its sagging political fortunes.

Will Cash Transfers Work?

The jury is still out on whether cash transfers will work in India the way it has done in many other countries. Over 30 countries, notably in Latin America, dole out CCTs—payments to the poor that meet certain conditions such as health care and education. Such transfers typically cut transaction costs, plug leakages, curb corruption, help migrant workers and are easier to monitor.

But, as economist Jean Dreze eloquently argues, cash transfers should never replace public services by forcing the poor to buy health and education from private providers. Cash transfers have been successful in Latin America, he says because they are “seen as a complement, not a substitute, for public

provision of health, education and other basic services."

In other words, the incentives work because the state spends and delivers public services efficiently. Dreze cites the example of Brazil where almost half the health expenses are paid by the government (compared to barely a quarter in India), and where basic health services such as immunization and ante-natal care at birth are almost universal.

Even the World Bank believes cash transfers are not a panacea. They work well, the Bank says, when the "supply of health and education services is extensive and of reasonable quality." Sadly, this cannot be said of India.

Public services are badly planned (there is still no consensus, for example, on who comprise the very poor and who should receive subsidies), leaky and notorious for corruption. The country's booming middle-class have virtually seceded from public services—they avoid government hospitals and public transport, hire private security and run private generators for their electricity—and the poor bear the brunt of the miserable services. In large swathes of the country, the state has simply withered away.

In truth, the government has made a cautious start with cash payouts for pensions and scholarships. The real challenge will come when cash transfers are made for food and fertilizer. "Food is a complex issue and fertiliser is more complex than food," Finance Minister P Chidambaram concedes. "They are not being put into the system now as there are many issues that need to be addressed."

Cash transfers, especially in lieu of cheap

The government hopes to bridge the gap through "business correspondents" appointed by commercial banks. The banks seem to have taken to the idea because it is more cost-effective than opening a rural branch or maintaining a physical ATM.

food or fuel distributed through a vast network of public distribution shops, can lead to misuse by family members and result in higher food prices in the market. They can also put immense pressure on India's patchy banking system, which is not very friendly to the poor and will struggle to cope with the rush of claimants. Only 222 million people have enrolled into a biometric identity scheme that provides each with an

identification number. Also, the poor, studies have shown, still prefer food over cash. Cash transfers, analyst Pratap Bhanu Mehta says, can never be a substitute for governance. He believes that cash transfer systems actually require 'more sophisticated governance'.

In India, that sounds like an oxymoron.

The Glitches

There still remains the issue of bank accounts. The last Census shows that only 54.4 per cent people in rural areas have bank accounts. Bank branches too are not evenly distributed, with too many of them and too few of them elsewhere. Some of the rural branches are located very far apart, forcing people to waste several hours commuting and waiting to collect cash, having to forgo daily wages in the bargain.

The government hopes to bridge the gap through "business correspondents" appointed by commercial banks. The banks seem to have taken to the idea because it is more cost-effective than opening a rural branch or maintaining a physical ATM. The correspondents will use hand-held devices to help authenticate the identity of the beneficiary and the credit balance in his bank

account. Much of the success of the system of cash transfer will depend on how this system will work.

The shortage of banks/post offices is evident

from Tables 2, 3 and 4. Table 2 shows that a very large area served by a post office, and also that the average population served per post office is over 7,000.

Table 1: Post Offices – Population and Area Served Per Post Office

States/UTs	Post Offices			Population Served by a Post Office	Area Served by a Post Office (sq km)
	Urban	Rural	Total		
Andhra Pradesh	1299	14860	16,159	4,995	17.0
Assam	298	3708	4,006	7,156	19.6
Bihar	432	8622	9,054	10,023	11.1
Chhattisgarh	223	2901	3,124	7,232	43.3
Delhi	489	81	570	28,107	2.5
Gujarat	732	8,242	8,974	6,180	21.9
Haryana	325	2,328	2,653	8,788	16.7
Himachal Pradesh	120	2,659	2,779	2,323	20.0
Jammu & Kashmir	227	1,464	1,691	6,470	131.4
Jharkhand	272	2,819	3,091	9,479	23.9
Karnataka	1,245	8,592	9,837	5,719	19.5
Kerala	911	4,159	5,070	6,575	7.7
Madhya Pradesh	848	7,481	8,329	7,971	37.0
Maharashtra	1,313	11,524	12,837	8,280	24.3
North-East	200	2,732	2,932	4,236	60.2
Orissa	579	7,582	8,161	4,765	19.1
Punjab	527	3,425	3,952	6,873	12.8
Rajasthan	718	9,646	10,364	6,009	33.0
Tamil Nadu	2,058	10,121	12,179	5,438	10.7
Uttar Pradesh	1,987	15,679	17,666	10,375	13.1
Uttarakhand	220	2,496	2,716	3,394	23.4
West Bengal	1,135	7,925	9,060	9,516	11.5
Total	16,158	1,39,046	1,55,204	1,69,904	579.7

Source: *Annual Report, 2007–08, Indian Posts.*

Table 2: Distribution of Bank Offices (Includes Administrative Offices)

States/UTs	Banks					Total
	Rural	Urban	Semi-Urban	Metropolitan	Population Per Bank	
Andhra Pradesh	2,316	1,568	1,464	1,003	12,000	6,351
Assam	777	287	317	–	19,302	1,381
Bihar	2,337	395	795	265	21,888	3,792
Chhattisgarh	643	308	232	–	17,611	1,183
Gujarat	1,449	620	936	1,284	11,814	4,289
Haryana	671	868	415	110	10,245	2,064
Jharkhand	960	377	331	–	16,155	1,668
Karnataka	2,130	1,280	1,137	1,185	9,220	5,732
Kerala	329	1,093	2,631	–	7,856	4,053
Madhya Pradesh	1,734	716	894	534	15,562	3,878
Maharashtra	2,106	1,059	1,341	2,959	12,978	7,465
Orissa	1,623	547	463	–	13,978	2,633
Punjab	1,093	716	900	498	7,596	3,207
Rajasthan	1,739	817	942	405	14,478	3,903
Tamil Nadu	1,660	1,358	1,683	1,071	10,812	5,772
Uttar Pradesh	4,725	1,594	1,647	1,480	17,595	9,446
West Bengal	2,293	901	585	1,275	15,864	5,054
Arunachal Pradesh	50	–	24	–	14,838	74
Delhi	53	–	31	2,065	6,445	2,149
Goa	157	–	252	–	3,296	409
Himachal Pradesh	703	61	146	–	6,679	910
Jammu & Kashmir	536	257	185	–	10,372	978
Manipur	33	23	20	–	30,184	76
Meghalaya	123	47	24	–	11,954	194
Mizoram	54	24	14	–	9,663	92
Nagaland	35	–	48	–	23,976	83

States/UTs	Banks					
	Rural	Urban	Semi-Urban	Metropolitan	Population Per Bank	Total
Sikkim	46	–	25	–	7,620	71
Tripura	106	50	52	–	15,380	208
Uttarakhand	551	230	275	–	8,039	1,056
Andaman & Nicobar	17	–	20	–	9,622	37
Chandigarh	23	273	1	–	3,034	297
Dadra & Nagar Haveli	4	–	17	–	10,476	21
Daman & Diu	–	–	18	–	8,778	18
Lakshadweep	7	–	3	–	6,100	10
Puducherry	22	61	29	–	8,696	112
Total	31,105	15,530	17,897	14,134	13,077	78,666

Source: Master Office File on Commercial Banks (latest updated version), Department of Statistics and Information Management, RBI.

Table 3: India: Villages per post office and bank

No. of commercial banks	78,666
No. of post offices	1,55,204
Total number of villages	6,00,000
Villages per post office	3.87
Villages per Bank	7.63

Table 3 shows that the average population in India per bank branch is over 13,000. Similarly, a post office on an average serves about 4 villages whereas a bank branch serves about 8 villages. All this implies that without a system of bank correspondents (as discussed in the Raghuram Rajan Committee report on Financial Services to the Planning Commission, 2008), a system of Conditional Cash Transfers is unlikely to be successful.

At a broader level, not many share the government's optimism about cash transfers

as a modern way of disbursing subsidies. "Cash transfer is not a silver bullet for dealing with corruption. The identification of who will receive these transfers is still not clear. The government has been spectacularly unsuccessful in identifying the beneficiaries," says social activist Harsh Mander.

The fact that the government has announced the goal without actually defining the route is a cause for concern. Mander, for one, is of the opinion that it is erroneous to think of cash transfer as a substitute for provisioning public

good—healthcare, education and food—without first putting a system in place.

The danger in not doing this is that the PDS is associated with the system of minimum support price (MSP) for farmers and price stabilization, which the government ensures. With the government procuring high amounts of food grain from farmers for PDS, an alternative use for that grain would need to be found. Likewise, the physical infrastructure of the six-decade-old PDS (thousands of stores all over the country and lakhs of employees) will have to be put to some use.

A wholesale transition from the PDS to cash transfers in rural India will be misguided and premature, at present. For the poor, food rations have many advantages over cash transfers. First, they are inflation proof, unlike cash transfers that can be eroded by local price hikes even if they are indexed to the general price level. Second, food tends to be consumed more wisely and sparingly; cash can easily be 'blown up'. Third, food is shared equitably within the family whereas cash can be appropriated by its powerful members especially the male. Fourth, the PDS network has a much wider reach than the banking system. The Chhattisgarh government has already declined to implement cash transfers.

The other issue is that of the distributional effects of different kinds of benefits within the family. There is a good deal of empirical evidence to suggest that direct access to food tends to favour children rather than only adults, and also girls rather than only boys, working against biased social priorities, common in the subcontinent, favouring adults

If the cash transfer is not additional to food subsidies, and is given 'instead of' food subsidies, it would be important to make sure that the money given is used for nutritional purposes and, equally importantly, that it is divided within the family in a way that addresses the manifest problems of undernourishment and deprivation of young girls.

over children, and boys over girls, which is a long-standing problem in Indian society. If the cash transfer is not additional to food subsidies, and is given 'instead of' food subsidies, it would be important to make sure that the money given is used for nutritional purposes and, equally importantly, that it is divided within the family in a way that addresses the manifest problems of undernourishment and deprivation of young girls.

N.C. Saxena, NAC member, argues, "First, the scheme will be used in programmes targeted

at the poor where identification is a huge issue. When you talk about kerosene and fertilizer subsidies but don't have a methodology to identify the target people, it could become a problem. This cannot be done with Aadhaar. It cannot identify the rural poor. It can only eliminate ghost entities. For cash transfer to work, you need to have a good system for identification of the poor. Additionally, if cash is given instead of grain, what do you do with the large amount of grain bought from the farmers? If you abolish PDS, you will also have to abolish MSP (minimum support price) because they are two sides of the same coin. In giving cash in lieu of PDS grain, we also need to look at issues like the grain rotting in our godowns and increasing open market prices. Even in healthcare, there could be the issue of doctors and hospitals charging more through tests and services."

The Way Out

Vinod Vyasulu in his article "Brazil's 'Fome Zero' Strategy: Can India Implement Cash Transfers" in EPW, suggests that Brazil's experience shows that cash transfers, when

implemented properly, are at best a necessary condition for poverty alleviation. Supply-side constraints have to be removed if the increased purchasing power is not to lead to unbridled inflation that will hurt the poor badly. India's investment in health, for example, is so low that it cannot handle more demands being made on the system. Creating such demand without measures to meet it would be irresponsible indeed.

Devesh Kapur, Partha Mukhopadhyay and Arvind Subramanian in their article, "More for the Poor and Less for and by the State: The Case for Direct Cash Transfers", in EPW believe that central expenditure should be redirected in principally two ways, viz.: (a) A scheme of outright transfers to individuals and (b) A quantum increase in flow of funds to local governments.

If you abolish PDS, you will also have to abolish MSP (minimum support price) because they are two sides of the same coin. In giving cash in lieu of PDS grain, we also need to look at issues like the grain rotting in our godowns and increasing open market prices.

Another element of such re-direction worth considering is enhanced allocations to the state governments. Transfers could be made to the female members of the family. Furthermore, where feasible, they could be made through formal financial channels.

There are financial inclusion initiatives that address the difficult issue of interface between poor and illiterate beneficiaries and the formal financial system. Else, they could be made publicly and transparently in forums such as the *gram sabha*. It may also be prudent to leave such decisions to Panchayati raj institutions. In conclusion, therefore, unless grassroots infrastructure and awareness levels are strengthened, the desired benefits of cash transfer will be difficult to reap.

Lata *Didi* : From Distress Migration to Successful Farming

PANDIT ARJUN AND CHANDAN SHARMA

The journey of Lata Markam of the sub-primitive Baiga tribe and her fight against abject poverty to survive with honour and dignity, her economic and social challenges and her hope for a secure tomorrow...

THE BAIGAS

The Baigas are a few of the surviving sub-primitive groups (SPG) in India. As per the 1981 Census, they number 2,48,949. They are predominantly found in Mandla district and in Baihar *tehsil* of Balaghat district. They are also scattered in small groups in several villages in Paraswada and Balaghat blocks of Balaghat district.

The Baigas are one of the most exploited and impoverished communities in the Central Indian belt. Most of them are either landless or have insignificant landholdings. Usually dependent on forest produce (they are heavily engaged in bamboo basket making) for their sustenance, the dwindling resources and strict regulations of the forest department have pushed them further to the brink of a steady but sure extinction in this area. In addition, there is the rabid problem of rampant alcoholism. The *mahua* flower, used for making country liquor, important from the point of view of the much-needed cash income, is destroying the social fabric of the Baigas. Alienation from the system and a decline in their way of life and local culture have resulted in the Baigas resorting to heavy drinking to cope with their identity crisis. Their semi-nomadic way of life also puts them at high vulnerability. Distress migration to urban centres such as Nagpur and Jabalpur is a rising trend among the Baigas. Added to all this is the Baiga belief that the Earth is Mother Goddess and that ploughing the fields is equivalent to ploughing the breast of a mother. This prevents them from ploughing the field for agriculture. However, many Baiga families, driven to desperate poverty, have now starting venturing into agricultural practices.

Baigas also have a love-hate relationship with the majority Gonds in this area. According to legend, the Gonds and the Baigas are descendents of two brothers—the Gonds being the children of the older brother whereas the Baigas of the younger. And whereas both are *adivasi* tribes, the social status of the Gonds is higher than that of the Baigas. Moreover, the social standing of the Baigas is further degraded in villages where there are Other Backward Caste (OBC) people. In many villages in Balaghat district, the Baigas live near the edges of a village bordering the jungles, usually where there is no access to clean water, roads or electricity.

THE DURENDA VILLAGE

Durenda village is a part of Sirvi *panchayat* in Balaghat block of Balaghat district. The village comprises three hamlets: Rayatwadi Tola, Katoli Tola and the main *Basti* (settlement). One has to travel more than 10 km of *kachcha* road to reach this village. There are 103 families in this village, 69 families from the Gond tribes, 21 families from the Baiga tribes and 13 from the Other Backward Caste (OBC) families. The OBCs are the dominant as well as the better-educated group in the village, with greater access to resources; followed by the Gonds, whose access to land resources ranges from one to five acres. At the bottom of this resource hierarchy are the Baigas, who are mostly landless and have very little land resource. Like in other places of the district, the Baigas have settled down at the very periphery of the village bordering the forest. Most of the Baiga households are not connected by road and do not have power. The OBC families of the village are engaged in agriculture and some of them are moneylenders. Some OBC families also play the role of middlemen, buying forest goods from the Gonds and the Baigas and selling them in the markets outside. The Gonds in this village are engaged in agricultural activity, forest-based activity such as bamboo cutting and labour whereas the Baigas rely on forest produce and manual labour for their survival.

LATA MARKAN: LIFE BEFORE HER SHG JOURNEY

Lata Markam is 40 years old and lives at the far end of Durenda *basti*, which is also called Baiga Tola. There are seven Baiga families in this *basti*. She was born here and when she was about seven years old, her parents expired.

Little did Lata know that, in the coming years, her life would take a new direction and that she would face unseen challenges, shake all traditional views and move forward into a future—one which she truly deserved and had always hoped for, during all her years of struggle.

She went to live with her uncle in Lamta, where she worked as a maid in different households for 10 years. She was married to Pawal, from Tingipur village in Baihar *tehsil* when she was 17 years old. Drinking was endemic in that village and Lata had to live in an extremely inhospitable situation. There were times when it would be hard for her to feed her family, which comprised her husband, her two sons and a

daughter. Finally, about seven years ago, she decided to come back to her native village with her family. Her aunt gave her 10 decimals (1/10th of an acre) of land to construct a hut. But life was still a struggle for her. On the positive side, her husband, who had grown physically and mentally weak due to excessive liquor consumption, gave up drinking. Like most members of her tribe, she lived in the jungle, periodically cutting bamboo. She also worked as a manual labourer on the farms of the other families in the village. On many occasions she had to borrow money for her sick husband from the local lenders at very high rates of interest. She was so dejected that at one point of time, she had even entertained thoughts of migrating to Nagpur permanently with her entire family.

THE FIRST SHG JOURNEY

PRADAN started its intervention in the Durenda village in May 2009 through Self Help Groups (SHGs). Lata *didi* had heard about these groups from other women when she went to work as agricultural labour in one of the households in the village. The system of savings and easy credit appealed to her. So, when the PRADAN staff organized a meeting in Baiga Tola, and an SHG was formed by the name of Vikas Mahila Samiti, Lata Markam joined it. It had nine Baiga women and two

women from the Gond community. Little did Lata know that, in the coming years, her life would take a new direction and that she would face unseen challenges, shake all traditional views and move forward into a future—one which she truly deserved and had always hoped for, during all her years of struggle.

Three more SHGs were formed in this village at different points of time. At a village-level meeting, a PRADAN professional shared with them the new ways of vegetable and paddy farming that were being introduced in other villages and how poor families were benefitting from these. The representatives of the agriculture department were also invited to this meeting and they were also keen to take the process forward. However, the community was reluctant to go for vegetable production in a village where, so far, vegetable cultivation had been confined to a few plants in the backyard, meant for their personal consumption only. The risks such as technicality, market linkage, input cost and even the very idea of a commercial scale vegetable production seemed to deter them. To build the confidence of the community, a video show was organized and members from the community were also taken for an exposure visit to the nearby areas where these interventions were already in place. The members of the community interacted with the farmers who were engaging in vegetable cultivation on a marketable scale.

After the visit, five farmers took the initiative and for the very first time in Durenda village, vegetables were cultivated, with the intent of accessing markets. And Lata Markam, with a *barri*, or a backyard, of seven decimals, was one of the farmers. The agriculture department also supported this new venture by constructing eight vermi-compost tanks in the village. Of these, four were constructed to help the new vegetable farmers.

PRADAN facilitated the process at every step, giving not only technical support but also moral support. Lata *didi* became motivated and for the first time in her entire life she was growing vegetables and that too with commercial potential. The construction of the compost tank boosted her confidence and the making and usage of organic fertilizer, *jeev amrit*, significantly brought down input costs.

There were other developments going on simultaneously. She took a loan of Rs 2,000 from the group to acquire an acre of farmland on a two-year lease to grow rice. Interestingly, though she was motivated after watching a demonstration plot in the village where the System of Rice Intensification (SRI) was being promoted, she however, went for the traditional paddy in this plot.

There was excellent all round production of vegetables in all the five plots. The production details of Lata Markam on her seven-decimal backyard *barri*, during the first year are as follows:

Table 1: Production of Vegetables

Name of Vegetable	Area under Cultivation (in Decimals)	Production in Kilograms	Average Rate Per Kilogram (in Rupees)	Total Amount (in Rupees)
Chilly	2	92	20	1,850
Long yard beans (<i>Barbati</i>)	3	210	22	4,620
Brinjal (Egg plant)	2	225	18	4,050
Total Sale				10,520

Lata put in a tremendous amount of hard work to get a good harvest. Post monsoon, she would regularly irrigate her crop by fetching water from the nearby hand pump. It paid off rich dividends, not only in terms of production, but also in terms of social acceptability and mobility. Moreover, for the very first time in her life, many people from the village came to her household to check the high quality vegetables and to learn from her the technicalities. In addition, breaking every barrier, Lata Markam loaded the vegetables into a bamboo basket, placed them on her head and went to sell them from door to door in all the villages in the vicinity. She also sold them to a vegetable vendor in the Charegaon market. Her husband, who had started actively helping her, now shouldered major responsibilities. He sold earthworms from the vermi-compost for more than Rs 2,000. That year, she married off her son and her daughter, and a major portion of the expenditure came from the profit from various interventions suggested by PRADAN.

For the first six months, the Vikas Mahila Samiti functioned well. In spite of the fact that many of its members periodically migrated to the forest, they would sit in meetings whenever possible. A village-level committee (VLC) was initialized and there was a steady but sure change in the economic dynamics of the village. Three events during this period led to the politicization of the whole process and ultimately the collapse of the SHG some months later.

- a) Easy access to loans: Before the formation of the SHGs, the families in the village, especially the Baigas, relied on one of the OBC moneylenders in Durenda for even paltry loans. Within six months, this

Lata put in a tremendous amount of hard work to get a good harvest. Post monsoon, she would regularly irrigate her crop by fetching water from the nearby hand pump. It paid off rich dividends, not only in terms of production, but also in terms of social acceptability and mobility.

system changed. All members were now availing small loans from the SHGs.

- b) Work demand: In a VLC meeting, work was demanded from the *panchayat* for the very first time. The villagers got work for more than a month and the payment, albeit with a minor delay. This meant that cash, normally unavailable in the hands of the Baigas, now started flowing and the dependency on the moneylenders decreased.

- c) Breaking of the *molai* tree monopoly: The bark of the *molai* tree (used for making ropes) was brought by the Baiga families from deep inside the forest and sold to the moneylenders of the village for a pittance, who afterwards made a good profit by selling it in the market. Empowered by the process of the last six months, the Baigas refused to sell it to the lenders at a cheap price.

However, in a community, which has been exploited to the hilt through the ages and where most male members are chronically alcoholic, it is easy to spread rumours and create discord. The slow change in the economic dynamics of the village was met with hostility from some of the more affluent OBC families. The men from the Baiga households were provoked with baseless allegations. All this culminated in many instances of domestic violence in inebriated condition and, finally, despite many pleas from Lata didi, after about a year of its inception, the Vikas Mahila Samiti had to be closed, literally to restore some sanity in the Baiga households.

A NEW BEGINNING: MAA BAMLESHWARI SHG

The confusion in her hamlet meant that Lata

Markam and the other Baigas had to return to the old way of life of living under the shadows of the more prosperous families in the village. During this period of upheaval, her husband and the eldest son migrated to the jungles to cut bamboo for a period of one month. When they came back, there was a

However, in a community, which has been exploited to the hilt through the ages and where most male members are chronically alcoholic, it is easy to spread rumours and create discord.

discussion in the family about migrating to Nagpur to work as manual labour. Many Baiga families, who her husband and son had interacted with in the jungle during the bamboo cutting, were heading to Nagpur to work at construction sites. Even Lata Markam was giving that prospect a second thought. She shared this idea with the PRADAN professional working there. The closing of her SHG had been a great setback to her. However, three other SHGs were functional in the village: one made up of Gond families, another of Gond and some Baiga families while another was a mixed one with even some poor OBC families in it. The first was in the Durenda *basti* whereas the other two were in the Rayatwadi and Katoli hamlet, respectively. In January 2011, Lata Markam attended the weekly meeting of the Maa Bamleshwari SHG and expressed her desire to join the group. The rest of the *didis* readily accepted her. She provided excellent inputs to the group by sharing her experience of vegetable farming at the VLC meeting. In addition, in the second year, the number of families going for vegetable cultivation scaled up to an impressive 23 families.

To reduce the drudgery and further promote vegetables as a viable commercial option, eight *jalkunds* (small rainwater harvesting tanks) were constructed in the village. Lata Markam was one of the beneficiaries. The *jalkund* ensured that Lata Markam could concentrate some of her energy on paddy cultivation and

this time she decided to adopt the SRI method.

In 2011, the family sold earthworms worth Rs 6,000 from their vermi shed. The vegetables gave Lata Markam a profit of about Rs 8,900. However, it was her graduation from traditional paddy to SRI

in her leased farm that saw hordes of visitors come from near and far for exposure visits. The number of tillers in her SRI plot ranged from 30 to 90 per plant and this was quite an unbelievable experience for anyone growing paddy in that area. In a steady social change, even resourceful farmers belonging to the better economic strata began asking her about the methods and technicalities. Villagers from other places were taken to her SRI plot and her vegetable cultivation for exposure visits. In an interaction later, Lata shared that she had never felt so proud and happy. It had been quite an incredible journey from being a destitute in the village to a successful farmer who was known far and wide. The harvest from that plot was a staggering 16 quintals, in a village where the average rice production per acre was usually just four quintals. She sold 10 quintals of rice and fed her family with the rest. With the profit earned from her paddy, vegetable and earthworms, she repaid all debts incurred by her family for her son's and daughter's marriage.

Unfortunately, the landowner, who leased Lata didi the land saw great opportunity and has refused to extend her lease. He, however, has agreed to go for shared cropping this year. That meant that the SRI harvest will be shared equally between the two parties in the future. It is also uncertain whether her lease will be further extended. Dynamics such as this one pose a major challenge not only for Lata

didi but also for the PRADAN professional engaged in that village. Allied activities such as poultry farming could be a way out of this situation. Other avenues need to be explored soon.

LATA'S DREAM FOR THE FUTURE

Every time, the delayed payment under NREGS has deterred her family (and others) from demanding work from the government. Instead, they still prefer to migrate periodically to the jungles for bamboo cutting for which they get cash in hand. Migration, however, leads to instability in the family. With her meagre land resource, she is exploring other avenues of durable income. For a start, she has built a small chicken shed and has bought one fowl. She has also inspired the other Baiga women in her *tola*/hamlet and most of them do not drink anymore (Lata was always a teetotaler). But to bring the other woman from her hamlet into the SHG institution is a

The confusion in her hamlet meant that Lata Markam and the other Baigas had to return to the old way of life of living under the shadows of the more prosperous families in the village.

daunting task, migration and alcoholism among the men being the major deterrent. There has been a sea change in the behaviour of her husband and he is now ever supportive and stands like a rock in all her endeavours. The marriage of her two children was a major

responsibility and Lata is delighted that she has managed that with her own hard work. Her youngest son dropped out of school last year to support the family. She wants to put him back to school this year in his uncle's village in Baihar and hopes that she will be able to support him financially.

Lata talks with such warmth and has a calm aura. She has set an example for not only the downtrodden Baiga families in Durenda but for the entire village. As we sit outside her hut, she offers us some small sized local mangoes. She points to her chicken shed and smiles radiantly. And we know in our hearts that a new way will be found!

Reducing Poverty by Direct Cash Transfers

SOUPARNO CHATTERJEE

A comparative study between the Brazilian Bolsa Familia experience and the possibilities that the Indian scenario may offer as the direct Cash Transfer scheme embarks in the country

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things – Niccolo Machiavelli

The study comes at a time when a different attempt is being made by the central government, to address the issue of poverty alleviation, especially the incidence of rural poverty, which has been on the agenda of every government ever since the independence of India. This time, the plan is to transfer money into the bank/post office accounts of the poor so that it can enhance their access to it. The scheme involves direct transfer of the subsidy amount, usually paid by various departments of the government to the poverty stricken, into the bank accounts of beneficiaries. One of the direct benefits could possibly be that the scholarships for higher education for Dalit students, previously paid to a university, would henceforth be transferred directly to the individual, who would then pay for his or her studies. This scheme may also aspire to replace, in the long run, the prevalent perspective of poverty reduction through government 'in-kind' support– widely known as Public Distribution System (PDS). The advantage of the new cash transfer (CT) system is that the government can ensure the delivery of the money to the intended claimant, thereby reducing for them the pitfalls of paying bribes to secure their due or giving officials the option to channelize funds for other purposes.

To address this situation of corruption and malpractices, the central government, headed by a high-powered national committee on direct cash transfer constituted by Dr. Manmohan Singh, the Honourable Prime Minister of India, passed the decision of direct cash transfer to the target population on 26 November 2012, thereby reducing the scope of deep-seated malpractices in several tiers of the subsidy programmes such as fraud, middle-men, black-marketing and bribery when dispersing subsidies (including PDS.). The Minister of Finance, Mr. P. Chidambaram claimed in a press conference on the eve of the declaration of the scheme that "This is a game-changer for governance... this is a game-changer in how we account for money, it is game-changer in how the benefits reach the individual." Initially 29 welfare programmes such as subsidies, pensions and scholarships will be included in the domain of the scheme. At first, the government had plans to deploy the project in 51 districts across 16 states under which cash subsidy benefit will directly go to the bank account of Aadhar card holders. However, at the implementation time, 4 districts each of Himachal Pradesh and Gujarat were exempted from the roll-out because of the impending assembly elections. The states to be covered in the initial phase are Karnataka, Andhra Pradesh, Delhi, Rajasthan, Madhya Pradesh and Punjab, and the union territories of Puducherry, Chandigarh, and Daman and Diu.

These 43 districts will be covered in 2 phases—20 (from 1 January 2013) and 23 (during February and March 2013). Families with Aadhar cards, entitled to subsidies, pension, scholarships, etc., will get money directly in their bank accounts. Direct cash transfer of subsidies will be done through Aadhar-enabled bank accounts. Every person is expected to hold a bank account to enable such transfers.

BRAZIL, MEXICO AND OTHERS STARTED ROLLING THE BALL

The idea of direct cash transfer to beneficiaries, to address basic necessities, was initiated in Brazil in the 1980s, based on the assumption that poverty is lack of income. This programme was termed Bolsa Familia. It was a part of the umbrella programme called Fome Zero strategy (Zero Hunger), which involved part transfer of money as per requirement of families; the amount was made commensurate to the number of family members and the income of the family. The families under the benefit of the project are categorized on the basis of their income, which if restricted to Brazilian Real (R\$) means 120 per member per family.. The objective is to enable the poorest families to buy food and essentials, and at the same time encourage these families to access health, education and social welfare public services. The transferred income thus provides each of these families with the much-coveted access to proper dietary intake and schooling of young children. (Vinod Vyasulu: Brazil's "Fome Zero" strategy: Can India implement Cash Transfers? *Economic & Political Weekly*, June 26, 2010, vol. XLV Nos. 26 & 27, pg 89.) The families receive monthly benefit ranging from R\$ 20 to R\$ 182, depending on the number of children or adolescent family members and the family's per capita income. This entire

The idea of direct cash transfer to beneficiaries, to address basic necessities, was initiated in Brazil in the 1980s, based on the assumption that poverty is lack of income.

exercise is conducted through the clever use of information and communication technology (ICT)—the cash can be accessed through a pre-loaded magnetic debit card (ibid.).

Brazil has extreme inequalities, in terms of economic distribution, and quite a substantial proportion of the population lives in abject poverty conditions. Since the latter half of the 1980s, governments have been making attempts to bridge this gap of stark inequalities and deprivation; in the process, many steps were taken to improve the situation, mainly through the state-run cash transfer scheme. In 2003, Luiz Lula da Silva of the Worker's Party came to power and expanded the arena of this programme by merging it with the Fome Zero programme. Substantial increases were made in the budget for this programme in the subsequent years and, by 2010, the government allocation for the scheme showed a 300 per cent increment, compared to what it was in 2003. Simultaneously, the government also concentrated on increasing the minimum wage levels, the effect of which was found in an increase of 200 per cent, in real terms, in 2010 when the minimum wages are compared with that of 2004. A similar and equally strong case is found in Mexico, where the programme was named *Oportunidades*.

GRAFTING THE DIRECT BENEFIT TRANSFER INTO INDIAN CONTEXT FOR POVERTY ALLEVIATION

To contextualize this experience in the Indian scenario, several nuances need to be pondered upon. The renowned economist Peter Svedberg argued that this cash transfer scheme, as largely drafted in the light of the Brazilian and Mexican experience, once implemented on a full scale will cover at least

two-thirds of the population and can effectively ensure larger transfers to the targeted population, in comparison to the actual subsidy embedded in the existing systems, including PDS, and the overall process may facilitate cutting down the budget allocated for

subsidies. His comparative study: 'Reforming or Replacing the Public Distribution System with cash transfers' published in *Economic and Political Weekly* (18 February 2012, vol. XLVII No. 7) basically focused upon the salient features of the PDS and those of the newly proposed and deployed scheme. Svedberg enumerates the positive aspects that the cash transfer scheme cater to for the Indian poor. He writes (sic): "The case for CTs: The main advantages with the differentiated CT scheme suggested here are that :

- (1) About two-thirds of all households can be covered,
- (2) The transfers to the poorest are huge compared to the actual transfers embedded in the TPDS,
- (3) The impact on income distribution is progressive,
- (4) The risk of large exclusion errors is eliminated,
- (5) The scope for corruption and fraud is diminished,
- (6) Operational costs are slashed,
- (7) No poverty lines,
- (8) No central caps are required,
- (9) Objections from one-third of households left out would probably be muted as they may prefer not to be brandished as poor, and
- (10) The overall budget can be held at the level of the present TPDS.

There are concerns about the scheme itself and the method of transfer. In addition, other questions include: What is the amount of transfer? On what basis is this decided?

However, despite all these, there are loopholes that are prognosticated by several thinkers in India and outside that are capable of bringing more trouble for the targeted people. As we witness the flagging off of the new system, it is perhaps equally important

to contemplate on the other aspects because, in the past, many of these issues have left deep scars on several schemes, which have otherwise been soundly drafted, to address the issue of poverty alleviation in India. Among these scholars, eminent economists such as Himanshu and Abhijit Sen, Jean Dreze, Reetika Khera, Mihir Shah and others have put forward their apprehensions of mis-utilization and malicious handling of the registration part of the UID system in India. They have argued that the UID coverage will fall far short of including all the deserving households. Thus, the benefit of various subsidy schemes and the cash transfer, as apprehended by these scholars, will remain out of reach for a formidable section of these communities. They have pointed towards faulty targeting and eligibility as another potential cause for such exclusion errors. Also, concerns about the productive utilization of this money for proper food intake and not for its mis-utilization by buying alcohol and other intoxicants remain (ibid.).

The questions that Nobel laureate economist, Prof. Amartya Sen has raised are: What is going to be replaced by this scheme and who exactly will benefit by this? People entitled to get the benefit of this transfer scheme are already in a lose-lose situation. Will their peril increase further? There are concerns about the scheme itself and the method of transfer. In addition, other questions include: What is the amount of transfer? On what basis is this

decided? If in case, in the longer run, this scheme aims to replace the PDS, as claimed by the government, will the beneficiaries remain in a position to access food and other meagre items of daily necessity, which would then be available in the market at an unsubsidized price? Also of greater concern is whether the cash disbursed will be utilized for food by each of the benefiting families for all the members in the family. Empirical evidence suggests that direct access to subsidized food used to address the age-old social discrimination of the amount of food accessed by adults and children, boys and girls that is rampant in Indian society. Also, not every family has a bank account. This is so essential for the scheme to work. Last, but not the least, it must be kept in mind that middlemen will remain active in the post-ICT scenario as well. They will continue to control the prices of the items in the local market. How then will such a system ensure that these malpractices are tackled properly and are reduced substantially?

A RAY OF HOPE FOR THE INDIAN POOR

Despite all these apprehensions, on the basis of the path shown by Brazil, Mexico and some other countries and by the recommendations put forth by the high-powered national committee, the direct cash transfer scheme has been launched by the central government with the noble mission of poverty alleviation from all parts of India. It has several benefits and promises for the poor people, but a very meticulous examination of the affairs has to be conducted by the administration to ensure a 'disease-free' conduct of the system. It talks about money, which ensures direct benefit to the poor and gives them power in a more tangible manner, but also leaves scope for more scams and grave lacunae. Time will pronounce the verdict. At the moment, we can only hope for an Indian Bolsa Familia to save the have-nots.



Villagers rarely participate in gram sabha processes or play a role in the preparation and implementation of the socio-economic development plans. PRIs are, in general, weak and emaciated. When PRIs play their role in the spirit envisaged in the Constitution, they have great impact on the quality and sustainability of livelihoods. It is important to ensure that panchayats have the necessary capabilities to implement the livelihood programmes planned by gram sabhas.



Pradan is a voluntary organization registered in Delhi under the Societies Registration Act. Pradan works through small teams of professionals in selected villages across eight states. The focus of Pradan's work is to promote and strengthen livelihoods for the rural poor. It involves organizing the poor, enhancing their capabilities, introducing ways to improve their income and linking them to banks, markets and other economic services. The professionals work directly with the poor, using their knowledge and skills to help remove poverty. NewsReach, Pradan's monthly journal is a forum for sharing the thoughts and experiences of these professionals working in remote and far-flung areas in the field. NewsReach helps them to reach out and connect with each other, the development fraternity and the outside world.

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