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Microfinance Life-spans: A Study of Attrition and Exclusion in Self Help Groups

Jean-Marie Baland, Rohini Somanathan and Lore Vandewalle

Focusing on various aspects like - What factors cause attrition in a SHG? Are lack of education and social marginalization factors that cause member exit? - the article analyses survey data gathered from SHGs and suggests its criticality in the assessment of Indian microfinance

Introduction

In the early nineties, the Reserve Bank of India (RBI) issued guidelines to nationalised commercial banks encouraging them to lend to informal Self Help Groups (SHGs). Since then, such groups have been actively promoted by a number of different agencies. The National Bank for Agriculture and Rural Development (NABARD) has provided banks with subsidised credit for SHG lending. As on March 2007, 2.9 million SHGs had outstanding loans with the banks, to a tune of Rs 12,367 crores. Of this, 1.1 million SHGs received bank loans to the tune of Rs 6,570 crores in 2006-07 virtually doubling the portfolio in a year. Most of these groups are composed entirely of women.

In spite of the phenomenal growth in the number of SHGs and total loans advanced to them, there is little systematic evidence on their internal functioning. We know little about group demographics, about whether groups, once formed, continue to function effectively or how many members leave the groups that they initially join. This paper attempts to fill this informational gap by using survey data on the SHGs created during the period 1998-2006. We describe the survival of groups and members within groups, document group activities, and estimate the determinants of group and member duration, using an econometric survival model. Our data come from a survey of 1,102 rural SHGs and the 16,800 women, who were members of these groups at some point between 1998 and 2006. We considered all groups formed by Pradan in Keonjhar and Mayurbhanj in

northern Orissa and Raigarh in Chhattisgarh. Groups are engaged in a variety of collective activities but saving and credit does seem the most important. Almost all groups we surveyed had made small loans to their members and 68 per cent of them had received at least one loan from a commercial bank. Each borrower received about Rs 2,200 per year from internal group funds. For groups with at least one bank linkage, 83 per cent of the members in the group received some part of this loan, and the average amount received by these members was Rs 2,189 per year. These SHG loans are sizable as a fraction of the local earnings and, for women who received both group loans and banks loans, the total borrowing from these two sources corresponds to roughly two months of labour earnings at the minimum wage in these areas.

Groups do undertake activities not directly related to credit. About 10 per cent were involved in the preparation of school meals and 3 per cent administered state programmes to distribute subsidised food grain. About half of them had, at some point, been involved in resolving family or village conflicts. They also frequently reported helping members during periods of personal distress. These groups, therefore, seem to play a role in promoting solidarity networks in the community. We developed models of both group and member duration and find that factors behind group survival are quite different from those affecting member longevity.

The maximum level of education in the group is important for its survival, perhaps because

some educated members are needed to facilitate transactions and ensure that group accounts are accurate. The presence of other SHGs in the same village also has a positive effect on the duration. It may be that a dense cluster of groups allows for the sharing of costs and ideas or instills in members the desire to survive, compete and be part of a larger network.

Based on a large literature that points to the importance of social heterogeneity in collective action, we explore whether such heterogeneity matters for the average duration of groups and of members within groups. For each surveyed member, we recorded both their individual caste, or *jati*, and the official category to which this caste belongs. There are over a hundred different castes in our surveyed area and all four of the official categories are present—the Scheduled Tribes (STs), Scheduled Castes (SCs), Other Backward Classes (OBCs) and the residual category of Forward Castes (FCs). We find that commonly used measures of fractionalisation and social heterogeneity based on these classifications do not have systematic effects on group survival but they do explain the departure of individuals from groups. Heterogeneity matters even within broad caste categories, suggesting that the official classification fails to fully capture the relevant social hierarchy. Members from traditionally disadvantaged groups, especially poor communities within the STs, are the most vulnerable to group heterogeneity. In addition to heterogeneity, lower levels of education, smaller landholdings and the absence of relatives within the group are all associated with greater member exit. We find that most of the differences in the duration of membership within a group between Chhattisgarh and Orissa can be attributed to the characteristics of groups in these areas; regional variations in duration are negligible once these characteristics are

incorporated into our model. Our results suggest that it is problematic to evaluate the success of microfinance interventions based on conventionally reported coverage figures because these figures do not adequately account for attrition. The formation of groups is much better recorded in official data than their closure and groups, rather than their members, are the unit of analysis. As a result, estimates of microfinance outreach are inflated because they are based on the initial and not the actual membership of SHGs.

One might argue that the attrition rates observed in our data are not particularly high compared with many government programmes. Even groups that are no longer active functioned for a little over two years and members that left functioning groups stayed for an average of one-and-a-half years. Besides, even if attrition rates were higher, it would be difficult to derive their welfare implications without more information on the types of credit contracts that these members have access to on leaving their group. It is possible, and perhaps desirable, that SHGs are an intermediate stage in the process of financial integration of these households and that members leave groups when individual contracts with formal financial institutions become sustainable. We find, however, that attrition rates are systematically related to measures of social disadvantage.

Predominantly, the poorer and socially marginalised communities leave the SHG network and this makes it unlikely that women moving out of SHGs enter individual contracts with lending institutions. It also means that some of those in desperate need of credit cannot obtain it from within this sector. An additional concern is that lending by commercial banks to SHGs is considered priority sector lending by the banking system and may, therefore, crowd out other lending.

Disbursements by commercial banks to SHGs were 29 per cent of all direct bank credit to small farmers in 2004–2005 and SHG credit has been rapidly rising since. To arrive at concrete policy prescriptions for this sector, more information is needed about the financial opportunities available to members once they leave this sector and the extent to which SHG lending substitutes for other types of lending to the poor. Although the duration of membership is only one, admittedly crude, measure of the performance of the microfinance sector, our study suggests that survey data on the histories of members and groups in this sector is critical to an assessment of Indian microfinance.

Data

Our data come from a survey of all of the 1,102 SHGs created by Pradan in two of its field locations, one in northern Orissa and the other in central Chhattisgarh. We collected information on the history of every group formed since the start of the programme in these areas and on each of the 16,800 women who, at any stage, had been members of these groups. Our group-level survey records all loans taken by the group from commercial banks, rules on interest rates, fines and repayment, and a summary of the production and social activities undertaken collectively by group members over the year preceding the survey. Through member interviews, we obtain their social and economic characteristics and their borrowings from internal and bank sources. In the few instances in which current or former members of a group could not be traced at the time of the survey, we relied on other informed respondents.

The Survey Design

As mentioned, we surveyed all Pradan groups created in the districts of Keonjhar and Mayurbhanj in northern Orissa and the district

of Raigarh in eastern Chhattisgarh. Both the Orissa districts are serviced by the professionals in Keonjhar and we, henceforth, refer to these groups as the Keonjhar SHGs. Although only a small fraction of each district is actually covered by the programme, groups are geographically clustered in dense pockets. This makes it easier for professionals to visit these areas and it also allows groups to benefit from frequent contact with each other.

In our analysis, we refer to a group as inactive if the group has not held any meetings over the three months prior to the survey and if its members declare that they have no plans to meet in the future. A group is considered active if it has been meeting regularly at the time of the survey. All the women who left the groups while the group was still functioning are called past members, and all others are referred to as present members. This category, therefore, includes women in inactive groups if they remained with the group until its last meeting. Our main reason for using this classification is that we would like to distinguish between members who left existing groups and those whose membership ended because the group became inactive. It is likely that the factors underlying these two types of events are different. We intend to explore these differences more carefully in future research.

At the group level, we collected data on the rules, activities and the timing of some significant events. These events include the inception of the SHG, the creation of savings accounts, bank loans, the group's membership in an SHG federation, and, for inactive SHGs, their last meeting. Group rules include fines (for attendance and late repayment), minimum savings requirements, interest rates and the assignment of group responsibilities. We asked group members about their collective activities such as the involvement of its

members in village and family conflicts, their visits to government officials, and their administration of state-funded school meal programmes in primary schools. We also recorded the total number of other SHGs formed by Pradan in the same village.

For all present and past members, we collected information on a standard set of characteristics relating to their social and economic background: caste, education, age, marital status, fertility, household landholdings and some parental information. Our caste data includes both the *jati* of each member and the official caste category to which the *jati* belongs. We classify a group as homogeneous if all its members belong to the same *jati*. For each member and for each accountant, we recorded their dates of entering and, if applicable, leaving the group, and the total value of loans taken. We also created a relationship matrix that recorded family ties between members. For inactive groups, we asked members the main reason for group failure and recorded the most popular response. Similarly, we asked past members the main reason for their departure from a group.

Descriptive Statistics

The survey in Keonjhar was conducted during the summer of 2006 and the Raigarh survey was in January 2007 (see Table 1). In each case, we surveyed all groups created in the area from the start of the programme until the date of our survey. This gives us a total of 1,102 groups created from 1998 to 2006. Of these, 10 per cent were inactive by the time of the survey (12 per cent in Raigarh and 9 per cent in Keonjhar). A comparison of the two types of groups throws up some interesting patterns. First, active and currently inactive groups are both reasonably long-lived with inactive groups operating for an average of two years after they are formed. Second, there are many more homogeneous groups in

Keonjhar in both categories, and these groups as a whole have lower survival rates. This pattern is driven by groups composed of STs, who form a majority of our surveyed population, and it does not hold systematically for the other caste categories. Since we've defined a homogeneous group as one in which all women are of the same tribe or caste, the lower survival rates reflect in part lower levels of education among some tribal communities, which make it hard to sustain a group.

Third, groups that survive are both more involved in village activities and in the lives of their members. They are more likely to administer government schemes, meet government officials, attend cluster meetings, go on exposure trips organised by Pradan to observe projects in other villages, and get involved with family and village conflicts. In terms of their demographic characteristics, members of active groups are, on an average, more educated, own more land, and more of them act as accountants for their group.

Homogeneous caste groups retain a slightly higher proportion of their members. The demographic characteristics of past and present members are similar. Members who eventually leave have fewer years of education and a smaller fraction of them are literate, but these differences are not large. A striking contrast between those who remain in SHGs and those who leave is seen in the networks these women have within their groups and in the extent to which they are responsible for group decisions. In Keonjhar, 12 per cent of women currently in groups had another relative in the group whereas this was true of only 7.6 per cent of past members. Those, out of these, who stayed in their groups were at least twice as likely to have held the position of group chairman, conditional on the number of days spent in the group.

Table 1: Group Characteristics by Survival Status

	Keonjhar		Raigarh	
	Active	Inactive	Active	Inactive
Number of groups	486	46	501	69
(%)	(91)	(9)	(88)	(12)
Average duration (days)	1,105	884	1,129	620
COMPOSITION				
Total number of castes in dataset	88	22	96	45
Average number of castes	2.4	1.8	4.0	3.4
Average number of caste categories (ST, SC, OBC, FC)	1.8	1.3	2.3	2.2
Fractionalisation index	0.26	0.17	0.51	0.46
	34.8	52.2	10.2	13.0
HOMOGENOUS GROUPS (%)				
ST (% of homogenous)	68.6	91.6	60.8	66.7
SC (% of homogenous)	8.9	4.2	19.6	33.3
OBC (% of homogenous)	22.5	4.2	17.7	0
FC (% of homogenous)	0	0	1.9	0
GROUP ACTIVITIES LAST YEAR				
Midday meals (%)	9	0	12	1
PDS (%)	3	0	4	0
Panchayat meetings (%)	34	22	56	35
Exposure trips (%)	70	41	13	6
Federation meetings (%)	12	2	2	0
Meet government officials (%)	20	7	32	16
Involvement in family or village conflict or member in distress (%)	44	26	52	26
RULES				
Minimum weekly saving (%)	100	100	94	96
Saving compulsory (%)	30	20	38	39
Groups with absence fines (%)	97	67	38	26
Absence fine (Rs)	3.1	2.6	3.8	3.2
Higher interest rates default (%)	15	13	92	91
OTHER CHARACTERISTICS				
Received a subsidy (%)	14	0	5	1
Developed a group project (%)	34	9	26	6
Accountant is a member (% accts)	68	41	59	62
MEMBERS				
Average number of members	16	15	15	15
Past member (%)	13	14	15	14
Literate (%)	33	12	29	25
No school (%)	59	87	64	70
Maximum education (years)	9	5	8	7
Mean education (years)	2.8	1.0	2.0	1.6
Mean land (Acres)	1.7	1.4	2.0	1.9

A variety of reasons were cited by respondents for group inactivity and member exits. The principal responses are shown in Table 3. We asked former members of inactive groups for

their assessment of why the group had stopped functioning. In both regions, problems of leadership and conflict turned out to be the most important (40 per cent)

Table 2: Characteristics of Present and Past Members

	Keonjhar			Raigarh		
	Present	Past	All	Present	Past	All
Number of women (%)	7,473 (87)	1,116 (13)	8,589 (100)	6,995 (85)	1,216 (15)	8,211 (100)
Average duration (days)	1,002	491	936	1,071	542	993
CASTE CATEGORY COMPOSITION						
ST (%)	60.8	62.0	61.0	46.7	52.2	47.5
SC (%)	10.6	10.9	10.6	19.3	23.0	19.8
OBC (%)	27.1	25.8	26.9	32.1	23.0	30.8
FC (%)	1.5	1.3	1.5	1.9	1.8	1.9
BACKGROUND						
Education (number of years)	2.7	2.5	2.7	1.9	1.6	1.9
No school (%)	61	65	61	65	68	65
Read and write (%)	31	29	31	30	24	29
Father's education (number of years)	2.2	1.5	2.1	2.1	1.3	2.0
Land (acres)	1.7	1.7	1.7	2.0	1.8	2.0
RELATION TO GROUP						
Relatives within group (%) ^a	12.0	7.6	11.4	8.2	5.8	7.8
In homogenous groups (%)	35.3	32.3	34.9	9.8	7.3	9.4
Previous SHG membership (%)	4.4	9.0	5.0	5.7	6.5	5.8
Joined other SHG after leaving (%)	20.4			18.3		
CHAIRMAN ^b						
membership < 2 years (%)	5.6	0.49	4.7	8.5	3.2	7.1
2 years < membership < 4 year (%)	7.7	3.3	7.3	9.1	3.7	8.7
4 year < membership (%)	8.3	0	8.1	8.7	5.8	8.5

^a Percentage of members who have at least one relative in their group.

^b Percentage of members who have been chairman, given the duration of their membership

followed by low savings and repayment rates. The stated reasons for member departures vary by region. Difficulties in saving and loan repayment are most important in Keonjhar whereas personal conflicts matter more in Raigarh. These responses are not surprising given the higher levels of education of departing members in Raigarh and the greater social heterogeneity of their groups. One-fifth to one quarter of the members, who have left, cite personal reasons, which often involve leaving their village.

Almost all active groups provided their members with loans from internal funds in the year prior to the survey and a fairly high fraction of members received such loans (87 per cent in Keonjhar and 63 per cent in Raigarh). Borrowing members of active groups received an average of between two and three loans during the year prior to the survey, and they borrowed an average of Rs 2,298.

For inactive groups, we recorded lending activities during the last year of their regular

Table 3: Stated Reasons for Group Failure and Member Exit

	Keonjhar	Raigarh
GROUP		
Pradan withdrew support	18.2	11.8
Personal conflicts/Leadership problems/Accountant problems	45.5	38.2
Unpaid loans/Irregular savings	27.3	25.0
Others	9.0	25.0
Total	100	100
Number of observations	46	69
MEMBER		
PERSONAL REASONS		
Illness/Demise	8.3	8.1
Left village/Married/Seasonal migration/Going to school	17.8	12.0
RELATED TO GROUP		
The family was not supportive	6.2	9.1
Could not reimburse a loan taken/Difficulty in saving	29.2	17.1
Could not attend the meetings	9.8	12.8
Personal conflict with the group	15.5	20.3
Excluded by the group	4.9	1.0
OTHERS		
Wanted to join another group	0.5	6.5
Others*	7.8	13.1
TOTAL	100	100
Number of observations	1116	1216

*Others include not understanding the working of the SHG, Pradan official stopped visiting the group, the group is too big or no clear reason

functioning. Most of these groups in Keonjhar did lend out internal funds whereas less than one-third of the inactive Raigarh groups were engaged in such lending during the last year in which these groups were active. In both cases, access to these loans was very uneven and less than 15 per cent of the members received such loans. Those who did borrow received sizable amounts: Rs 1,831 in Keonjhar and Rs 1,024 in Raigarh. It is plausible that this uneven distribution of group funds may have led to the high levels of group conflict reported by members of inactive groups.

Nearly three-quarters of active groups in both areas have been linked with commercial banks. Linked SHGs have received an average of 1.7

bank loans and average total borrowings of Rs 48,518. Over 80 per cent of members in linked groups received these loans, resulting in average borrowings of a little over Rs 4,000 per member.

Empirical Methods

In the previous section, we've described various aspects of the composition and functioning of SHGs and discussed some of the interesting correlations in our data. We've observed, for example, that groups that survive are more involved with village activities, they have more stringent attendance and savings requirements and they share loans more equitably. Members who remain in groups are more educated than the average and have a network of family

connections within the group. We now proceed to estimate the effects of some of these group and member characteristics on group duration and on the length of time women remain in these groups.

Nelson-Aalen Hazard Rates: SHG level

The double-humped hazard rate for Raigarh suggests that there are two different phases in a group's life when it is especially vulnerable; about a year after inception, and then again after three or four years. Hazard rates in Keonjhar vary much less over a group's lifetime. We noted that the Raigarh groups are much more socially heterogeneous than those in Keonjhar and that group conflict is cited by members as being salient. One reason for the differences in estimated hazard rates across our two regions may be the higher levels of conflict in Raigarh. The first rise in hazard rates is at about the time that a group takes its first

bank loan and the sharing of this loan may be a possible source of conflict in heterogeneous groups. In the absence of any direct evidence on this type of conflict, this is of course purely speculative.

Figure 2 displays hazard rates using member-level data for the two regions. The risk of exit in the early stages of membership is very similar, but once again, we see a second hump in the Raigarh hazard function that is missing for Keonjhar. Differences in these member-level hazard rates across the two areas appear less marked than the group-level estimates of Figure 1.

Parametric Estimates

Of the various characteristics that we consider from the group-level data, the only ones that systematically affect group hazard rates are the number of other Pradan-initiated SHGs in

the village and the maximum level of education within the group. Both these lower the risk of group failure. In our most comprehensive specification, an additional year of education for the most educated member of the group lowers the hazard rate by 8 per cent and an additional group in the same village lowers it by 18 per cent. It is conceivable that the presence of an educated member facilitates interactions with banks and other officials and ensures better book-keeping. Other groups in the village may help either through the sharing of information or by making it more likely that a Pradan professional frequently visits the area. We have not looked at these mechanisms directly and at this stage these are simply conjectures that are consistent with our data and have some anecdotal support.

Member exit from groups while these groups are still functioning appears to be sensitive to both member characteristics and group composition. Women from the intermediate social category of OBCs have lower hazard rates than those from other castes. Education, children and relatives within the group are also associated with longer life-spans. Separated women are less likely to leave their groups, perhaps because they have greater need for the social network provided by it. The average age of members in a group and higher average landholdings are also positively associated with the survival of its members.

The role played by family connections within the group seems to be particularly important. Using the combined sample of all members and controlling for a large set of member and

Figure 1: Nelson-Aalen Estimates of Regional Hazard Rates: SHG level

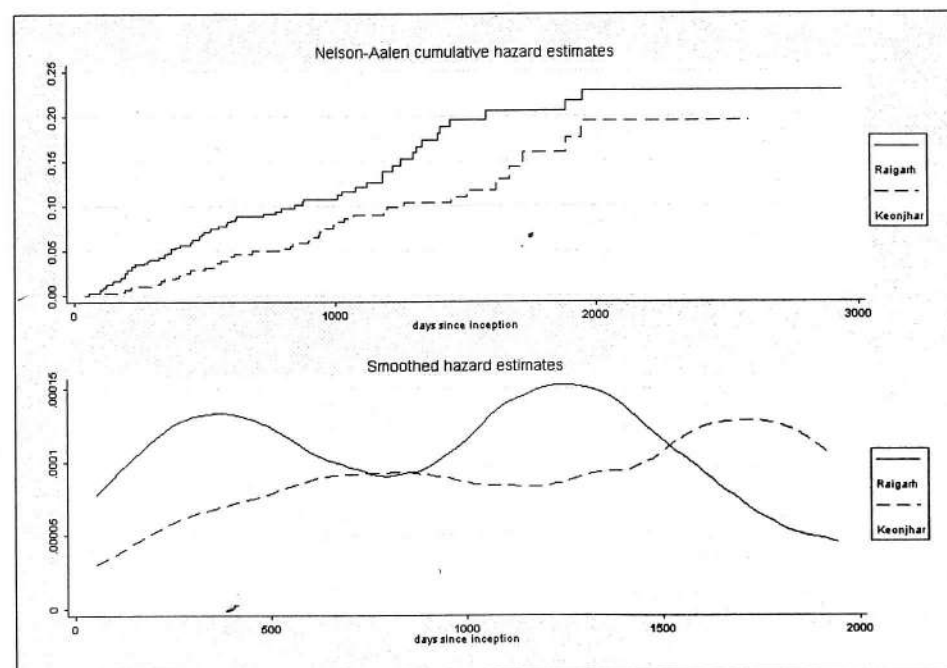
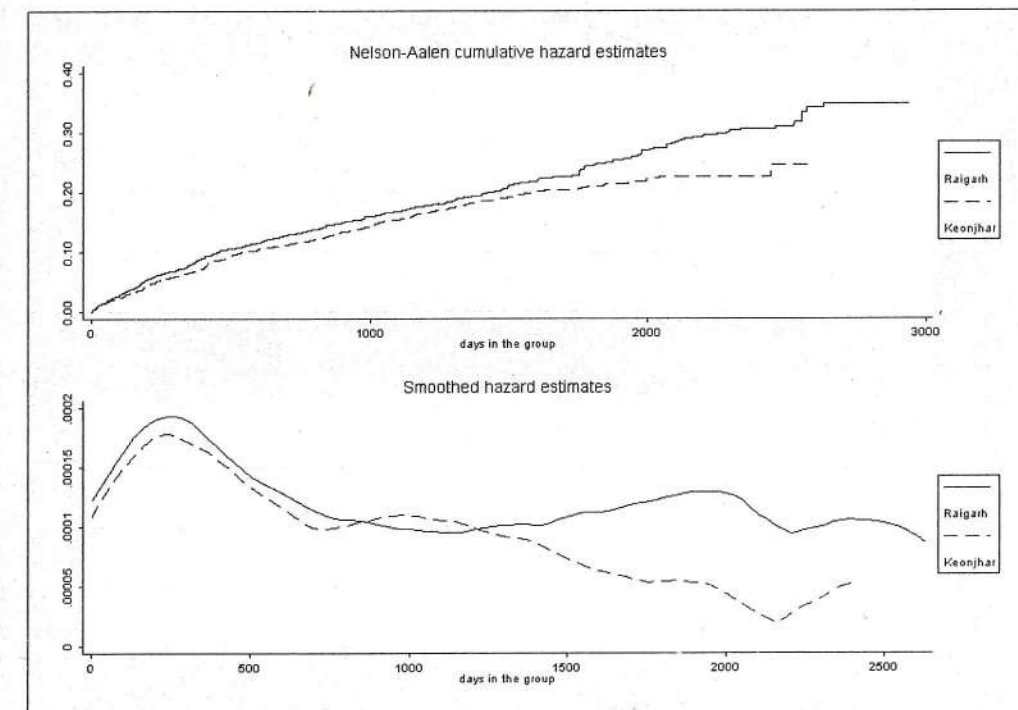


Figure 2: Nelson-Aalen Estimates of Regional Hazard Rates: Member level



group characteristics, we find that the hazard rate for a woman with one relative in the group is 92 per cent below the hazard rate for a woman with no relatives. On the other hand, we find that the average density of family networks in the group puts members at greater risk. This suggests that the most vulnerable members are those with no relatives in groups in which the other members are closely related. Finally, the existence of competing Pradan SHGs within the same village also encourages attrition, most likely by members, who choose to participate in another group. This effect of competition is statistically significant but not large.

There is a sizable literature on the role of social heterogeneity and conflict in group settings. Almost a fifth of the members in our survey, who have left groups report personal conflicts as their main reason for leaving. We examined whether the chances of exit vary based on whether a member forms part of a majority or a minority (in terms of these official categories) within the SHG. Group heterogeneity affects ST women the most. SC women leave heterogeneous and homogeneous groups at similar rates; those from the OBCs are more likely to leave heterogeneous groups only when they are in a minority. Somewhat surprisingly, the extent to which greater heterogeneity is associated with exit does not depend on whether the SHG is comprised entirely of tribal women or of a mixture of castes and tribes. These results point to a lack of solidarity among the STs and are consistent with other research that demonstrates that, unlike the SCs, tribal communities have not succeeded in establishing a common identity.

Caste, Education and Family Networks

Our parametric estimates show that the attrition of women from SHG groups is selective along three major dimensions: caste,

education and the number of relatives in the group. We now examine the role of these characteristics more carefully.

Average attrition is greatest among the STs. Over the first two years of membership, survival rates for homogeneous groups are higher than those for heterogeneous groups and higher for Keonjhar than for Raigarh, but at the end of three years about a quarter of the ST women have left their groups. This rate does not vary much across region or across homogeneous and heterogeneous groups. SCs remain longer in their groups in Keonjhar, but not in Raigarh; and castes that comprise the OBCs survive longer in both areas.

In Keonjhar, there is a marked difference in survival rates for uneducated women relative to those with some education. Over a quarter of those with no education left their groups within three years of joining them whereas only 10 per cent of those with some primary schooling did so. In Keonjhar, women with between one and five years of schooling stay longer in groups than those with some secondary schooling. Patterns in Raigarh are similar though less marked. One plausible hypothesis is that uneducated members leave because they are discriminated against or because they find it difficult to meet the savings requirements of the group whereas the more educated ones leave because they have better prospects. This is worrying given our finding that group survival depends on the highest education level in the group.

In Keonjhar, members with no relatives have a survival rate of 74.8 per cent whereas those with at least one relative have a survival rate of 83.1 per cent. A similar difference can be observed for Raigarh (71.2 per cent versus 81.7 per cent). This differential attrition starts early and over the entire three-year period, the survival function for members with

relatives lies above the one for members with no relatives in the group.

Policy Implications

In spite of the phenomenal expansion of the Indian microfinance sector since the early nineties and the dominant role played by SHGs in the sector, little is known about the composition and the internal activities of these groups or length of time for which they function effectively. We find that about one-fifth of those joining an SHG network at some point during our reference period have left it by the end of the period. This attrition is caused both by groups becoming inactive and by members leaving functioning groups.

We estimate duration models for groups and members separately and find that the maximum level of education in a group and the presence of a network of other groups in the village are both associated with longer lived groups. The life-span of a member within a group depends on her education, caste, family structure and, critically, on whether she has other family members in the group. Women with more education, intermediate (rather than low) caste status and relatives within a group stay longer.

The aggregate attrition rates we observe are not, in themselves, large enough to undermine the effectiveness of the SHG programme. In fact, some attrition is probably desirable if members use the group as an introduction to the formal banking system and proceed to enter into individual lending contracts with banks after they leave a group. Groups, with their regular meetings, rules and collective action problems are a costly way of linking rural women to the banking system and their most useful function may be as intermediary institutions that help borrowers make a

transition from local moneylenders to banks. On the other hand, it is also possible that those who leave groups are excluded from them for various reasons and that their sources of credit outside these groups are very limited. Our results on the determinants of group and member duration support this latter hypothesis. Groups with educated members and those in villages with other SHGs are less likely to fail and it is, therefore, the remote, disadvantaged communities that are most likely to be deprived of credit through these institutions. It appears unlikely that women leaving groups are moving on to better opportunities and this should make attrition a matter of concern to policy makers.

Before concluding, we would like to draw attention to several sample selection issues that make it difficult to interpret the survival rates we observe in our data as representative of the SHG system in India. First, the villages selected by Pradan for their programmes are not typical of most Indian villages and Pradan as an organisation is regarded as being especially effective. The villages we surveyed have large ST populations and high rates of poverty and illiteracy. The attrition rates we observe may, therefore, be much higher than those for other parts of the country if, as our estimates suggest, these variables lead to shorter group and member life-spans. On the other hand, other parts of the country, most notably South India, have multiple organisations promoting SHGs in the same village or town and this denser network may lead to more competition and more attrition as members move to groups that best match their needs. Organisational effectiveness is also likely to be an important determinant of SHG success but this has been little explored because of the absence of comparable data from different SHG promoting institutions.

Another important issue relates to the non-random selection of SHG members within villages. The survey data, on which this paper is based, are restricted to members of SHGs and it may be that members, who choose to participate in these groups, differ from other families in same village, who decide not to participate. We cannot rule out biases from this type of selection but we do not believe these are large, both because the process by which Pradan forms groups is quite inclusive (all adult women in the hamlet are initially invited to join the group) and because existing work that compares SHG members and

non-members in Pradan villages elsewhere finds that they differ very little at the time that they enter the programme. We are in the process of collecting village-level demographic data and information on the credit and background characteristics of a random sample of non-members. We are also compiling weekly financial data for the groups in our sample. These data sets will facilitate a more careful comparison of members and non-members and will also allow us to look beyond survival to other measures of the financial success of groups and members.

A Pleasant Experience

Falguni Ganguli

A young professional finds meaning, motivation and challenge in development work by helping the rural poor identify livelihood opportunities and supporting their efforts

Joining Pradan

I am from Malda, a small town in a district by the same name in West Bengal. I belong to a middle class family. My father is a government employee. I did my schooling in Malda and moved to Kolkata for graduate studies. I grew up under the influence of my grandfather, the Late Prof. Jatindra Nath Ganguli, who was a professor of History in Malda College and a renowned academic personality in North Bengal. He was my idol and I tried to be like him in behaviour, gestures and other aspects. I was, therefore, inclined towards History, Social Science, Philosophy and Literature and although I took Science in school, I was quite clear that I did not want to study pure science further. I joined Bangabasi College in Kolkata and took Anthropology Honours for graduation. I found the subject very interesting especially that which dealt with the evolution of society and culture from hunting-gathering to civilisation, the impact of nature on cultures and the social and cultural practices of different societies. My goal was to become a professor. During my M.Sc. in Anthropology, Prof. Manibrata Bhattacharya and Prof. Arnab Das inspired me to study beyond the syllabus such as the different theories related to Philosophy, Literature, Sociology, Psychology and History. This broadened my horizon. I cleared the National Eligibility Test of the UGC, which is mandatory if I wanted to be a lecturer in any institute.

After completing my Masters in 2004, I worked for the Audience Research Unit of All India Radio for two months as a field

researcher. My job was to assess the impact of different developmental programs aired on AIR. I learned about different developmental schemes such as Swarnajayanti Gram Swarajgar Yojana (SGSY), *Pradhan Mantri Gram Sadak Yojana* (PMGSY, etc. I then joined Bangabasi College as a lecturer. I thought my dream had come true finally. Though I was on contract, I was very serious about my job because it was the first step towards my goal. However, I understood from several people including the Head of the Department that academic jobs were not easy to get; one needed political backing else one would always be on contract and never on permanent roles. My family wanted me to continue my studies, get a Ph.D. and become a lecturer thereafter.

My friends discouraged me from pursuing academics, saying there was nothing in it. They wanted me to find a job as early as possible in some other sector because time was running out. I was under huge stress. Was I going in the right direction? Would sticking to my goal lead me anywhere? I decided to take up any job that came my way. A few of my friends had joined as sales representatives and a few others were in NGOs. I did not want to take up a job as a sales representative. I did not have much idea about NGOs. What is an NGO? What does it do? How does it do it? Who pays the people who work in it? I never got any satisfactory answers from anybody. I was curious enough to decide to join one for a short time. I did not have much commitment nor was I too concerned about the well-being of others. I needed to earn some money for myself and secure a living.

Through the Internet, I found a few websites of NGOs. I contacted my friends, who were working in different NGOs, but none seemed to have had any good experience. One of my friends worked for three months with an NGO without salary and finally had to quit the job. These experiences made me doubt whether joining a NGO would be a good idea.

I came across Pradan's advertisement in a local newspaper, asking for people to apply for their Development Apprenticeship programme. I checked up the Pradan website. What caught my attention was that Pradan valued the participation of young, educated and committed youth in the process of development. The other attraction was its salary package. The organisation was offering more than what my friends were earning in other NGOs. I quit my job in Bangabasi College and applied. In November 2005, I was selected by Pradan and was posted in Galudih, Jamshedpur, for the first phase of DA-ship. I was transferred to Lohardaga, Jharkhand, in December 2005 and have been there since then. The team in Lohardaga was engaged with 350 SHGs across 4 blocks, initiating activities such as dairy, poultry and lift irrigation.

Initial Experiences

During the first few days of my Village Stay in Sukrigoria village in Galudih, I found myself in very difficult situations. I was a town boy, who had studied for seven years in a metropolitan city. I was used to coming back from my classes in the university only by 7:30 or 8:00 p.m. But here, people went to sleep by 7 p.m. My lifestyle was different—weekend hangouts with friends, coming back to the hostel late in the night, etc. In the village, to start with, there was no electricity, no television. I had to go to bed early because I could do nothing else. No scope to even read a book. Moreover, I had to wake up early in

the morning to rush to the bushes because there were no toilets. I had always been a late riser till then. Nothing seemed pleasant to me except bathing in the pond, which I really enjoyed.

My initial work was to build rapport and get familiar with the villagers and the villages. I will never forget the warmth with which I was welcomed to the house of Sonamani Hansda and her family, with whom I stayed during my Village Stay. I remember Ranjit, one of the boys in the village, who used to take me to the fields of different villagers, and Shyam Charan Hansda, the Computer Munshi in Galudih, who introduced me to the villagers of Sukrigoria.

Sukrigoria was a Santhal village with around 50 households. With two SHGs, Pradan's major intervention here was in agriculture. I visited the SHGs and attended their meetings. I learnt a lot about SHGs, their functioning, the effort and contribution to the development of the families and villages. I also learned about paddy cultivation through System for Rice Intensification (SRI) and was surprised to know that this technique could more than double the yield. I was also impressed and motivated by the faith the villagers reposed in Pradan.

As mentioned, in December 2005, I was transferred to Lohardaga and went for my Village Stay to Tiko Barkatoli. I did not have much of a problem there because I was now more familiar with the ways of life in the villages. Tiko Barkatoli is one of the six hamlets of the village. It had about 50 households and two SHGs. A lift irrigation system had been installed in the village in 2004-05. I learned about the system and about how it was managed by the community. There were 22 SHG members engaged in the poultry activity. They were also associated

with the Lohardaga Grameen Poultry Cooperative Society Ltd. I learned about the functioning and managing of a cooperative there.

By this time, I was looking forward to my home visit and Foundation Course I (FC-I). Finally, my Field Guide, Mr Samir Bhattacharjee informed me that I had to go to Kesla for my FC-I. Before that, I had to go home. The purpose was to share my experiences in and feelings about Pradan with my family and friends. When they heard of my experiences of staying in remote villages and working there for more than 12 to 14 hours a day, their first response was to ask me to quit the job. They were worried because the area I was working was also inhabited by Naxalites. They wanted me to join some institute as lecturer because they felt that that it would suit me best. However, my father supported me and said that I should be given the space to make my own decisions and to choose what is best for me. He told others not to pressurise me. Some of my friends suggested that it would not be a good idea to quit a job so early and I should continue with Pradan for some more time. One of my best friends commented that I had become thin and dark but was happy to know that I was taking decisions on my own and that I should continue. I decided to continue for at least another six months with Pradan.

I went to Kesla and learned many things about the organisation, INRM, McF, gender sensitivity and so on. This helped me in understanding the processes and different dimensions of development. I met a few of the senior professionals of Pradan such as Deep Joshi (then Executive Director of Pradan), Dinabandhu Karmakar, Manas Satpathy and Nivedita Narain. I found Deep's session very inspiring because I understood the need for young educated individuals like me to pursue a career in the development sector. It made

me realise that working with Pradan was not just another job. I found the emotions, hard work, commitment and pleasure of being engaged with people and contributing to their benefit. These experiences in FC-I gave me a new understanding and turn to my life and the career I had chosen.

After 17 days of orientation in Kesla, I came back to Lohardaga for my second phase of apprenticeship. The objective was 'Learning by Doing'.

Getting Involved

I was based in Kuru block of Lohardaga district and was given the responsibility of facilitating Pradan's work in three clusters, namely, Tiko, Jima and Itra Chadra clusters. I had to extend the dairy programme there. Pradan was implementing the *Rashtriya Sam Vikas Yojana* (RSVY) dairy scheme in Kuru block where I was to share the concept of the dairy business with members. I had to discuss how the programme needed to be implemented, managed and monitored so that they would be able to make profits. Details such as who would lift the milk from members, how they would be paid, what would be the rate of the milk, etc., were discussed at the meetings. I informed them about the subsidy and the loan provisions in the scheme, the cost economics of the dairy business, how they would be linked to banks, how they would get the money to purchase cows and materials for shed construction, etc. I also informed the members about the co-operative, how it is formed how it functions and the services they could avail of through it. People took time to understand how a cooperative is different from Pradan. Even today, very few villagers understand the concept of co-operative. They asked questions such as what if an animal falls ill, who will treat it, if an animal died how they would pay back their loan, what would be the system for the payment of feed and medicine, and so

on. Most of the time, the villagers were satisfied with my answers and the system.

I worked hard from 6:30 a.m. till 9 p.m. every day. Eighty-three villagers from three villages agreed to take up dairy as a subsidiary livelihood activity. This gave me great satisfaction because it was my first target in Pradan and I had achieved almost 83 per cent of it. I was also praised by Samir and other team members for my performance. Samir told me that he had not expected such a performance from me and was glad to be my Field Guide.

I enjoyed my work a lot. A big reason for this satisfaction was that I was not only earning my living but was also working to secure the livelihoods of hundreds of rural poor people. Achintya Ghosh (Programme Director, Rajasthan, Anchor, Livelihood Projects) once told my mother, when she came to Kuru to see the Lohardaga Dairy, that we are not ordinary people, we are extraordinary people doing extraordinary things. I felt the same way and am proud of my decision to work in the development sector, especially in Pradan.

Troubled Times

The period starting from July 2006 onwards was quite a tough time for me as well as Pradan. A local political leader in Kuru persuaded the people to go against Pradan because he thought that Pradan was making profit out of the various programmes, and mainly the dairy activity, implemented in the village. My colleagues and I were threatened by a few people, who asked us to stop going to the villages and withdraw all our work there. I was scared and the thought of quitting my job in Pradan flitted through my mind. However, I just could not think of leaving my colleagues in such a critical situation and at a time when the reputation of my organisation was at stake. Many people staged

demonstrations against Pradan. Despite a number of requests, the district administration seemed reluctant to intervene in the matter. I thought that Pradan had not done anything wrong and there was no reason for me to be scared or act as a coward. I decided to stay back and fight all odds along with my team members.

The whole team faced the issue together and the matter was finally solved with support from the community. This was the turning point of my career because I felt emotionally attached to the dairy programme that I was handling, the community and Pradan. This incident also changed me as a person. Earlier, I use to avoid problems and expect someone else to solve them for me. I learned to face problems that I encountered, analyse them and find a solution. This was a very big change in me. I realised that I had the capability to motivate people and to empathise with them. This gave me huge satisfaction.

I was soon given the responsibility of handling the entire dairy programme in Kuru. Sameer told me that very few people of my age get such big responsibilities. He said that I had the capability and that I should take up the opportunity. These words were of enormous motivation and inspiration for me.

More Responsibilities

In November 2006, I was appointed Manager (Operations) of Kuru Grameen Dairy Cooperative Society Ltd. Samir, who was previously the CEO of the co-operative, was shifted to Ranchi as anchor of the dairy programme and handled the accounts and administration. I was the in charge of the entire field operations of the dairy activity in Kuru. I had to regularly attend the review meetings of milk collection centres, monitor supervisors, make field visits and implement the new strategies decided upon in the board

meetings. Our veterinary doctor, Dr. Manoj Kumar, and I struggled to control the situation in the field. The co-operative was making losses at that time because the cows were dying of diseases.

Samir visited Kuru once or twice a month for one or two days. We discussed matters at length and tried to find ways out of the situation. We discussed how there could be more engagement of the cooperative leaders, especially the board members, in solving the issues in the field. Some thought that the money in the cooperative was being misappropriated and that the dairy itself was not a profitable business. People were losing faith in the whole process and had begun dropping out of the activity. In Phulsuri village, 26 villagers initially agreed to join but later backed out. In Baratpur, 41 villagers stepped forward to do the business but only 18 continued. We decided to send the board members to these centres to meet the villagers and explain to them about the activity, its benefits and the rationale. We thought that if women went to these meetings and interacted with the villagers, it would be more effective than a professional trying to do so.

We revised our accounts thoroughly to identify the reasons for the loss and found that most of it was at the central level feed stock. We decided to check the feed stock once a month physically and track losses on a monthly basis. One of the board members, Tetri Devi, and I visited centres such as Phulsuri and Baratpur to conduct meetings with the villagers. We encouraged and motivated a number of villagers to start and persist with the dairy activity. We introduced payment cards for all the members, in which each member would have her own records of the amount of milk, feed and medicine, along with the refund and loan balance, were maintained. Earlier, this was done centrally and kept in the cooperative

office. We decided to regularise the meetings in the collection centre, attended by the members, the veterinarian and me, in which issues and the steps to be taken to resolve it were discussed.

This continued for one year. We were not able to find appropriate solutions to the problem but were only trying to solve the crisis. The construction of sheds was restarted in new areas. Still, there were unproductive, anoestrus cows that were adding to the loss of the members as well as the cooperative. Members lost interest in the dairy business. People started selling their unproductive cows at very low prices. The herd size was decreasing and so was the production. But the overhead was fixed, thus resulting in losses. I was utterly disappointed.

I learned a lot about the co-operative business, the accounting system, working capital blockage, its management practices and *Artificial Insemination* (AI) techniques, through discussions with the veterinary doctors, Samir and Santosh (at present, Team Leader of the Lohardaga project). I read books and articles published in journals and the Internet on the activity. I learned about the symptoms of different diseases and the possible treatment.

When I first joined, there were people who were much senior than me, both in age and experience. I got my first feedback in Pradan from a senior dairy supervisor: *Yeh bachha yahan kya kar raha hai? Ise dairy ke bare me kuch pata hai kya?* Before I joined, there had been other apprentices, who had left the job mid-way; so people were not sure of how long I would continue. As time went on, I learned about the activity and was also given the responsibility to train the supervisors. Supervisors had technical knowledge about dairy such as the various diseases, medicines,

etc. I started training them on concepts of management practices, feed and supplements, fodder cultivation and so on. Gradually, everybody around gained confidence in me and accepted me as the CEO.

Initially, I would be critical about the logic behind every practice. This helped me clear my concepts. The questions that occurred to me were: Why this method of practice? Why not any other practice? What are the merits and demerits of different practices? Is there any alternative? If yes, what is it? This helped me to get a better understanding of the activity and to find out alternative solutions for issues and problems

I got married in June 2007. In November 2007, I became the CEO of KGDCS after Samir stepped down from the post. Participation in the audit process, the checking of accounts, the preparation of the audit file, etc., with the accountant helped me to understand the accounting system. In the Annual General Body Meeting of the cooperative (AGM), I presented the audit report to the general body in the absence of the auditor's representative. This experience gave me the confidence that I was capable of doing the job and was contributing positively to the process. People with me in the project gave me the feedback that my contribution to the dairy programme was noteworthy. I enjoyed this period from July 2006 very much, in spite of all odds. I was proud to be the CEO of the first tribal women's dairy co-operative in Jharkhand.

I completed one year as CEO of KGDCS in November 2008. The situation in dairy had worsened during this period. A number of members opted out of the programme. There were huge losses in the co-operative and a huge amount of money was outstanding with the members. Losses were made in feed stock due to mismanagement of stock. Cows became

dry much earlier than usual and became anoestrous, which resulted in the blockage of working capital. Then there was the income-expenditure deficit. The dairy programme in Lohardaga became an issue of much concern in Pradan. Achintya Ghosh visited Lohardaga several times and we tried to find solutions to the problems that we were facing. We decided to go for fodder cultivation so that we would be able to cut the feed cost. If members could get good margins, they would be able to pay back their dues early. We also tried to purchase good quality feed directly from wholesalers, cutting the costs for members and helping them to earn good margin. We introduced automatic milk analysers in the centres with the help of the Department of Animal Husbandry. We initiated individual payment systems on the basis of milk testing, which helped reduce adulteration in milk. This helped to get good quality milk that fetched good rates, increasing the margins for members. We are still trying to map out the problem areas and design strategic plans to resolve issues.

Reflections

Nevertheless, I became very depressed with the way the dairy programme was functioning. I felt like a failure in spite of being engaged with the activity for the past three years. I was more committed to this programme than the other programmes such as SHGs, agriculture and poultry in the Lohardaga project. I was interested only in acquiring knowledge in dairy management, different practices in cattle and calf management. I never seemed to engage much in SRI or vegetable cultivation. I knew how Barseem, Hybrid Napier or other green fodders are cultivated, what is the exact soil condition required and what is the perfect time for cultivation of fodder. I had little knowledge about the names of pesticides used in crops but I knew the treatment of ticks and mites

for cows. Similarly, I could not identify fungal or bacterial infections in crops but could spot mastitis in cows. I thought I was only meant for the dairy programme and when this programme did not seem to run well, I felt worthless. I had put in a lot for this activity and yet I seemed like a failure. I was in a dilemma as to what should I do. Should I continue or not? I would not be able to contribute my 100 per cent in any other programme because I had little knowledge about them. Being engaged in dairy on the other hand was not giving me the satisfaction I wanted. I had to consider other things as well. I had a family now and I had to take care of them; my parent's expectations from me; my dissatisfaction with my job, and again the responsibilities and hopes vested upon me by the organisation. When there were so many things I had to consider, I became more confused.

I reflected on the achievements in the activity that we had made. We started the long awaited green fodder programme in 3.5 ha with Nb21 variety of Hybrid Napier. Nb21, if grown well in 5 dc, can assure availability of green fodder for 6 months. Thirty kilograms of Nb21 can easily replace 3 kg maize required by an animal per day. Thus Nb21 reduces the cost by Rs. 24 per day for the fodder requirement; hence, increasing the margin by Rs. 720 per month. We were able to check losses in feed

stocks as well. Six new centres initiated during this period were doing well, giving some hope for the programme.

In Retrospect

My experience in Pradan over the years has been pleasant and the best in my life. My ways have changed in a positive manner. The qualities I have learned here will help me in every step of my life. There will be situations outside Pradan when I have to be empathetic, honest, solve problems on my own, and take the lead and initiative. Currently, I am the second senior professional in the team after the Team Leader, and I have many responsibilities as a team member. I am also responsible for the co-operative and economic sustainability of thousands of families as well as my own.

I had joined Pradan thinking I would be here only for six months. It has been three long years now. I had never imagined I would be here for so long. One of my colleagues, Prem Bhaskar, of Khunti once told me that working and being engaged in this sector is an addiction, difficult to get out of. The love, respect, responsibility and commitment that the community and I mutually share are overwhelming. These are the experiences and aspects that inspire, help and motivate me to continue my work in Pradan.

NREGA: Experiences from Rajasthan

Ram Lubhaya

The author shares his experiences of being involved with the implementation of the NREGA in Rajasthan and raises his concerns related to this pathbreaking legislation

NREGA represents a paradigm shift in the governance of this country. For the first time we have started working on a rights-based approach. The citizens of the country have a right on the government. Now we – the Government – are at the receiving end. I have had the fortune of being associated with this programme right from the beginning, so I have some insights. Both my colleagues, Mr. Chinmay Basu and Ms. Amita Sharma, have given their views about the design of NREGA and the expectations from their common perspective of the national level. They have also told us about some of the ways by which we can move forward towards convergence, and how we can move towards sustainable livelihoods through NREGA through the creation of durable assets, which is in fact the second most important objective of NREGA.

As things have gone along in the implementation of NREGA, there is happy news as revealed in Rajasthan. Perhaps you are aware that Rajasthan has been one of the leading states in the implementation of this programme. Sixty per cent of the entire state's area comprises of desert and we are located in that part of the country where there are recurring droughts. Therefore we have this peculiar problem where the off-season wage employment demand is very high. From 2002 to 2005 we had provided employment to 78 lakh households out of a total of 92 lakh households in the state. Such is the kind of demand for off-season wage employment in Rajasthan and it continues to be so. In the current year, upto November, we have already provided employment to about 52 lakh households out of a total rural 92 lakh

household population. It has become one of the high performing states as far as wage employment is concerned.

I come now to today's central theme, which is asset building and sustainable livelihoods, and how we can look towards achieving this objective of NREGA.

In the initial six districts in Rajasthan where NREGA started in 2005-2006 we commissioned independent evaluations to see what has happened and what we have done. I am being honest when I tell you that we had had no time for planning. We hardly had a month to do planning. All of you can imagine the kind of planning you can do in that one month and what kind of human and other resources you can mobilise. To be sure, there is always an assumption in the government that there is unlimited scope for expansion of programmes. The crux of the issue is that we did not have any plan. The guidelines had come, they were to be implemented, the muster roll had been issued, and the programme started on a particular date. And so it started.

Today, however, I can look back and say that even with that kind of work – one in which we cannot claim to have done any scientific planning, nor that the implementation was as per written guidelines – the results were quite remarkable. The six independent studies said so, too. One of them concluded that it was one of the best self-targeted schemes because the participation rates of the SC/ST and women were very high. It was also noted that the state was building the foundations of social security through wage security. Now

the funds were actually reaching the poor. We found that in 99 per cent of cases workers have received wages as per the muster roll.

One of the positive impacts of these developments has been the reduction of out-migration. The programme has succeeded in partially checking migration in the six districts of southern Rajasthan, which are defined as tribal districts. The large-scale migration of people to Ahmedabad, Mumbai and many other places, has come down substantially in the last two years and, in fact, people who have previously left are now coming back.

We have also found that wages received by these households from NREGA are being wisely utilised on food and health. I have been to 120 villages in last three years and have been engaging the families in dialogue. I have interacted with the labourers, for example, who told me that their first priority for spending is food security, followed by health, and education for their children. This is encouraging news, indeed, that a good part of the wages is being used for education of the children, discharging social obligations and debts, procurement of seeds, and purchase of productive assets like goats, sheep, and others. There is also a growing trend that when people have met their immediate needs, they start diverting these resources towards further investments. This is also promoting social equity and empowering rural dwellers, especially women. The assets created are mostly not durable but they are useful.

NREGA has proved to be a lifeline for the rural poor and it has the potential of wiping out the sharp edges of poverty as the Prime Minister said. It is happy news to know that it carries such potential.

How then do we sustain this kind of programme which is facing large-scale

criticism on various sides apart from other serious issues in implementation? But at the same time it has the potential of providing sustainable livelihoods to the rural poor who so far have been living in deep poverty and we are seeing the potential that it can prove to be a boon to the rural poor.

Some of the issues which are bothering us in the implementation of the programme include the question of why we are not able to create durable assets, and what we should look at when talking about sustainable livelihoods.

The first major issue which we are confronted with is the planning for works. A natural resource framework has been provided in the guidelines in the Act itself. Our experience with this kind of planning which we started last year is that in a hurry to deploy more labour – I had said that there is a high demand for wage labour and it is very difficult to design those kind of works which can have that absorption capacity – it ultimately comes to just aimless digging and filling works. The panchayats face a problem because they have to start work and large-scale labour is to be employed and at the village level. The works that are selected normally include renovation of old ponds, *nali*, or something similar, and there is no technical expertise available with the panchayats. So they simply see a pond or a kind of confined structure and nobody looks at whether there is a catchments area from which water is to come, or whether the structure receives water or not. More than half or 60 per cent of the desert area in Rajasthan does not have catchments at all; it's an inland drainage system. Whatever little rainfall we receive goes inside and then merges with the brackish water which is available underground, and there being no catchment area, you cannot bind water, you cannot collect water. The old structures which were used by the local population when population was sparse

and could sustain on that kind of water collection and rainfall was also better. Sadly, however, they have degraded over time. So in the desert areas they are left with no choice but to take up only the roads under NREGA and in the sandy areas you can very well imagine what type of *kuchcha* roads they can construct. It involves bringing some sand from somewhere, putting it on a track and then forgetting about it. So these are some of the local conditions.

In the guidelines of NREGA, though we say that we have talked about local priorities but the choice with the panchayat is very limited. That the guidelines strictly say that the priorities laid down in schedule 1 to 8, should be followed in planning. You are not allowed to change this priority even according to local conditions. That is the mismatch between local planning and the national thinking. First of all, what we have to look at is whether or not that kind of flexibility for local planning is available. The second question is whether or not the agencies or the institutions which are doing the planning are competent and if technical support is available for them to plan such kind of work that can ultimately become a base for sustainable livelihood. For example in the government, if I am to do the irrigation works or the water conservation works, I will require a highly trained engineer and a water sources engineer. If I have to do watershed, I will require an agriculture engineer. If I want to plant trees or conduct afforestation, I will require a forester who should be an Indian Forest Service officer. But when it comes to the panchayats at the grassroots level, the guidelines simply say that we will have a junior technical engineer at the level of 10 panchayats on the average, and then they should do all the planning with the help of that person. The issue then becomes one of capability: How can you expect panchayats to perform these specialised tasks? After all,

some surveys have to be done, feasibility studies have to be conducted, watersheds have to be planned, sustainability has to be ensured and so on. With only good intentions in mind, central government officials at the helm of affairs in NREGA have asked me, why I don't ask my technical departments to help the panchayats. They are my colleagues, and I hold them in high esteem, but they seem to forget simple things. All of us know that the government works in silos. If I am looking after the rural development department, my responsibility and role is to see how I move forward with my schemes and to show results. The other fellow in the other department will be moving with his or her scheme. There will be hardly any match between the two. And I may be thinking that they have spare capacity but they say that they do not.

Four to five years ago my budget used to be Rs 100 crores. Before this assignment, I was Secretary PWD in Rajasthan, and when I joined that department, my budget was Rs 250 crores. When I left it was more than Rs 2,000 crores. Earlier in 2001 I was Secretary in Rural Development and my budget was Rs 3,000-odd crores. Now I am handling a portfolio of thousands of crores and there is a decrease in the staff by 10 per cent. Today there is a mismatch in almost all departments. In this country we have brought in Fiscal Responsibility and Budget Management (FRBM) where we are trying to control our non-plan expenditure by cutting down expenditure on establishment. So on one side we are reducing, while on the other side we are expanding, in expenditure. There is the mismatch. And that poses a problem. How will the sustainable assets come if you do not provide the wherewithal under NREGA? Under NREGA the Parliament has said that minimum 50 per cent works should only be done by panchayats. I think Parliament has their own wisdom, they were aware about the

capacity of the panchayat to take up such works. And the remaining 50 per cent they have suggested that the departments or the PIAs can undertake. But the Government of India's guidelines says that maximum works will be done by the panchayats, as many as they can take and there will be no administrative charges for the other agencies who will work. Now how can the other agencies and NGOs come and work when they do not get compensated? NGOs, as said in the guidelines, can take up work but without any administrative charge. Thus the expectation is that NGOs are going to do charity, that they will spend their own money on their establishment and perform the task.

The panchayats will have to be provided with that kind of wherewithal to prepare a master plan of the village. You look at the village as such, and plan what type of works the village requires. There are just about seven to eight types of works which village requires in terms of infrastructure, both as social and economic infrastructure. The first is water conservation work, which may be in the form of an irrigation pond or any water harvesting structure. From my experience I have seen that in a majority of some 50 or 60 water harvesting structures, the catchment areas were under encroachment. Renovation of such structures will be important. Then there is pasture development work, the third is sanitation work which one can take up with drainages and, household latrines. Then there is a requirement for school buildings. Now at this point we still have not come up to a level where our children in rural areas have rooms for each class. Now the Sarva Shiksha Abhiyan (SSA) guideline says that you have to have minimum two classrooms. We expect that if it is a primary school with up to Class V, the other three classes will sit outside the two rooms and study under a tree. And then you have an aanganwadi centre or the health sub-centre, village roads, or some

sort of village storage facility. I made a list of seven to eight items which are very necessary rural infrastructure. Last month I made a presentation before the Deputy Chairman, Planning Commission, on the convergence idea as to how in the next five years we can meet all the needs of the people without allocating additional resources if we converge with NREGA. We already have an experience of convergence in this country. It is a question of deciding on one's own terms and coming to a meeting point that this work can be done through this kind of system. The deputy chairman was kind enough to agree. We proposed that we make an announcement that every village will have this minimum infrastructure over the next five years. For Rajasthan I made calculations that with the current SSA allocations in its present form, where you are constructing school rooms, it will take another 15 years if we have to provide just one room per class. All NGOs, and everybody in this country, agree that one teacher in a primary school is not sufficient. At the same time the government says two teachers is a luxury that the country cannot afford; I was, in fact, a member of one of the committees which said so. The experts have laid down that so many classes are to be taken in a particular year so that the students become competent to move to the next class. Now who gives you the power to take away that right which the teacher has and how can you say that you can do it with just one teacher? How can the teacher take so many periods when you yourself have specified the norms? So we have to be very clear about what we want to deliver to our people in the rural areas – whether we want to deliver quality, whether a minimum infrastructure needs to be created, and what is the time frame required. We are not thinking of the time frame under the National Rural Health Mission (NRHM). We are constructing health sub-centres without

knowing how many years it is going to take. Now the NREGA funds as 40 per cent and 60 per cent where 40 per cent is for material component, 60 per cent for labour component. Now if these funds of NREGA are dovetailed with the funds that are available in SSA, National Rural Health Mission or under a host of other schemes, things will work out. I have listed 27 schemes, and I have a budget of Rs 2,500 crores available under those schemes, and they are all aiming at eight basic things in rural areas. There is so much duplication in these schemes. We have MP fund and MLA fund all aiming at rural infrastructure. Then SSA is taking up school rooms. That is the component which we want to merge.

Take the total sanitation programme for rural latrines. We are telling a BPL family to construct a latrine that costs Rs 2,200 in which they have to pay Rs 1,200. These families do not even have money to eat. How can you then ask them to give priority to a latrine? Maybe if he is able to earn Rs 1,000 from his hard labour from NREGA, and then you provide the remaining Rs 1,200, then he will be more willing to construct a latrine. Then you can have better sanitation. The same is true with *pucca* streets, drainage systems, and other infrastructure. There is a slew of other schemes such as the Backward Region Guarantee Fund (BRGF), watershed programmes, Rashtriya Krishi Vikas Yojana (RKVY), Border Area Development Programme (BADP), Accelerated Irrigation Benefits Programme (AIBP) – the list is very long. We have ample scope to converge but the legislation does not allow integration. At the same time, there is ample money. Can we use this money to do useful work? Can the system stand up and deliver? We can actually make a huge difference in the rural areas with the funds that we have.

The question is – how do we converge? This is precisely the point where the planning commission is itself quite bewildered. How do we blend these allocations together? The planning commission has provided a mechanism of district planning which is, again, very rudimentary unless you have clear-cut division of power between centre, state, and the district governments. The planning is only redistributing your central fund allocations and state allocations at the district level, but even that, I do not mind at the initial state. But you must prepare a plan at the district level, keeping in mind what you want to do, and the funds available under various schemes. Then you authorise the collector to issue a sanction for that work. The work will have an NREGA component, and there is a scheme component. I told you that we have successfully dovetailed NREGA with most of the schemes. NREGA is at the core because it is a major chunk that brings in the labour component while the material component comes from other schemes. This is a practical thing to do. So unless we do that, there is going to be lot of duplication and replication. Take for example the case of natural resource management; I think convergence is a key requirement. There is no doubt about that but this will require time and we have to first make an inventory of what is available.

There is no district which has an inventory of water resources as per the land records or a picture of the existing situation of natural resources. In order to ensure that we spend funds fruitfully we have to spend some time in surveying those water bodies and making a technical plan. We have seen the water structures being created by interested farmers around their field under various schemes, and then taking water through pumps and electric motors. But it is not serving the community

purpose like we expect. Therefore planning requires time. You cannot rush. That is the first premise on which I hold that give us time, give us technical wherewithal, give us funds to get those people who can do this kind of job. We have waited 60 years, the villagers have waited 60 years, now there is no harm in waiting for six months more wherein you carry out this kind of scientific survey. For example, the cost of roads in Rajasthan, under PMGSY has gone to 50 per cent less than as compared to the neighboring states. The reason being, that we have done the entire earthwork under the NREGA. Under NREGA we have taken up the core network for all the villages below 500 population. We are doing all the work up to below tar level under NREGA. And for bitumen work we are finding some resources, we are taking loan from the World Bank to bring the roads to a tar level. Now we will be saving huge money on this account. When we started this we started planning for roads, there were complaints against the government of Rajasthan to the Government of India that we were making PMGSY roads under NREGA. And our funds were stopped. I came to Delhi and explained. It took a lot of time for me to explain to them that this is in the national interest. The same observation was repeated that the panchayat has not planned it. I told them that there are roads which are inter-connecting various panchayats. Some panchayats may like it while others may not. And then you set priorities. I requested them not to hold up our funds and they could get it checked if they wanted. So they certified that this was a very scientific plan and only after that were the funds released. We are going to construct 2000 kms of roads through NREGA which can tie around rural areas which are not yet connected. It has the potential, provided that we have that kind of planning and that kind of resources. Because my colleague in PWD is my batchmate, he was kind enough to agree and he took up the survey and did the planning

for us. But when it came to implementation, he sent me a letter saying that unless I gave him staff he would not be able to do it because NREGA is muster roll work and they are not used to doing such work. The guidelines of the Government of India prohibit deputising any staff to the technical department. There the work stopped, and now we have to depend on panchayats. And we all know, after all, who is in the panchayat. It is a group of elected representatives, literate or illiterate. In Rajasthan, 60 per cent of all representatives are illiterate even now – the sarpanches and other members.

How can you then expect these representatives to keep all the measurement books and do other things, and supervise, and bring material as well? They are given only Rs 250 and are in fact starting to ask for more. After this they are also subjected to five types of audits: Comptroller and Auditor General (CAG) audit; local fund audit; CA audit; social audit. Then there are, of course, these grievance mechanisms, among other things. And there is no department in the government which is subjected to more than one audit. That is the problem which we are facing at the institutional level. These issues need to be sorted out if durable assets are to be created. In case we are not looking at convergence then we are simply looking at all kinds of things that can happen. You cannot create a sustainable livelihoods base only by digging ponds. I can give you many examples. It is not a pessimistic view but a real-life view of the field. You must have seen roads which are washed away and you cannot blame the panchayats for this. Because their mandate under NREGA is that you have to give employment to the workers within 14 days in case they come and apply. So they have an urgency to provide work. Thus you have the *nalis*, *talabs*, or *gaddhas*, where water do not collect, a lot of digging and digging, where is this going to end? We have to look at

systems if it has to be done at the local level. Now how do we strengthen panchayats without technical wherewithal, who can plan these works, and execute them with successful outcomes?

Now, you see, 'outcome' has become a buzzword within the Government of India. I have not yet come up with my outcome budgets. Most of the people are not yet aware what 'outcomes' are. We do not know what the outcome will be if you dig a pond, and how to measure such outcome. It is very difficult. Therefore we have to lay down certain standards of what we are looking at. If the work is completed, what can be called the successful outcome that can also be sustainable? It is not as simple as issues of inputs and outputs.

Then there is this whole dynamics of developing human resources, empowering communities, and making people participate. Now there is a lot of talk on community participation. I am one of the strongest votaries of community participation and we have tried in all earnestness that people come in gram sabhas, participate in social audits, as well as in the planning processes. I got some evaluation studies done by the Indira Gandhi Panchayati Raj Institute based in Jaipur, as to what is happening after making these efforts. Today in gram sabhas, the attendance is 90 per cent. You have to re-hold the meeting if at least 10 per cent of people do not come, which is the minimum quorum for a gram sabha. In 90 per cent of cases people do not come. I thought it was unfortunate so I made a personal enquiry as to why people do not come. I went to a couple of villages and interacted with the communities. It was a very interesting story. They said that "your" (they actually used the word "your") Gram Sabhas happen so frequently, for various purposes – for setting

up the aanganwadi center, for NRHM, for RKVY, for this and that, that they could not manage to attend all of the meetings. They asked, rhetorically, "Will we work on our farms or would we attend Gram Sabha meetings?" I found that they still did not own the gram sabha. It is very easy to talk about grassroots democracy but it is very difficult to implement. What I have seen in the panchayats is that the people who are at the helm of affairs really do not represent the view of the people. I can quote hundreds of examples where sarpanches have taken the works which benefit them. For example, one of the sarpanches constructed a 5-km-road to his field and constructed three water structures near his land. Nobody even questioned it. How do we make people participate and see for themselves what has been laid down here – transparency, community participation? Now you make those people paste these slogans on walls but see what happens at the village level.

We have not educated our people yet. We are not sincere in attempting to empower them because the power structures are such. For example, I was mentioning that in the selection of works, none of the panchayats have even put a single work of individual beneficiary of SC/ST in their plan of action in the last two years. Then we issued a fiat that at least you have to take so many works for SC/ST because otherwise, your plan will not be accepted. And then one of the quality volunteers from the Government of India reported that how could the government of Rajasthan issue such an instruction to the panchayats, when panchayats had the autonomy to do their own local planning. This is where the mismatch happens between how we start and how we do it. My point is we have to strengthen the Panchayati Raj system, we have to strengthen the implementation mechanism in planning, as well as in

execution, if we really want to have livelihoods. Then livelihoods should not be constrained to natural resource management. For example, in 60 per cent of the desert areas even if you manage the natural resource, how much water you will collect? You will collect 25 litres or 100 litres of water in a tank. Can you provide sustainable livelihoods? The old model of 'one size fits all' is not the correct strategy. You have to look at other alternatives like animal husbandry, skill building, and many others.

I have worked very closely with Pradan and a large number of other organisations in the DPIP in Rajasthan, where we have looked at the people's perspectives on poverty and what they think and what we think. It has taught us many lessons. I think the most important realisation that is emerging among the poor is that they want education for their children. It may be news to many. We asked them why you are poor and they say we are poor because our children are not educated or we are not educated. This is why I say that SSA should not be limited to construction of schools or school rooms or ensuring one teacher in a school. It has to become a larger programme and where the NREGA can come in to provide that basic infrastructure. But these programmes need to simultaneously focus that the child has to come to school, and if they are not coming then reasons have to be looked into. We are looking at these reasons in greater detail in a UNDP project in Dungarpur. For the last several months we have engaged specialised organisations to prepare a village plan. Even these specialised organisations are yet unable to identify the issues of what is pinching the rural areas and at the households. They have done all the surveys, technical data are being analysed, and still we have not identified how we can tackle the problems at that level. It is a complex issue. All these

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things have to be holistically looked into. In health, if you do not have a sub-centre or if you do not have a room for the ANM, then you can provide that from NREGA. We should not hesitate. When I spoke to one of the officials in the Government of India about NREGA, he said he did not want to pollute his programme. A secretary to Government of India saying, 'No, I am not going to pollute my programme!' I was taken aback.

Thus we are still in the silo mode and perhaps the silos have to open up. I am very happy to hear about the NREGA convergence report; I was also a member of the Task Force that deliberated on it. I was in one or two meetings but I have not seen that report as yet. But convergence is possible and this can really turn around the programme. The important thing is that we have to come out of our silos and see at the holistic objective that this is the village where these 8-9 things have to be done and this is how it can be done. This *can* be done. And, secondly, the Government of India has to make up its mind that the existing infrastructure in the government is not equipped to do this kind of job. It has to be additionally done, either by the department or by NGOs. Only then you can handle this kind of investment of Rs 4,000 crores this year. That is the kind of budget you handle. And I cannot handle these programmes with those Gram Rojgar Sahayaks who are paid Rs 2,500 or with an engineer whose market value today is Rs 35,000 but being paid only Rs 10,000 – Rs 12,000.

This nation has to change its view towards its people and people who work. If it is thought that rural development on NREGA does not require professional competency or professional support, and that half-baked solutions can work, then I think livelihoods will remain a very distant dream.

On Producer Companies

Prof. Yoginder K. Alagh

Imperative it is to retain and sustain the amendment to the Companies Act, providing a legal framework to primary producers to organise themselves into institutional forms, and not succumb to the recommendation that it be dropped

Introduction

It is an appropriate time to rekindle civil society interest in institutional reform in bodies such as cooperatives, Producer Companies and community groups. The crisis the country is facing on land and water needs this. Producer Companies have been around for some time and need review and strengthening. Besides, the concept of Producer Companies is under attack. This needs a response.

Some Examples

Designing new structures to raise incomes is recommended, and Producer Companies, possible since 2003, may have some of the answers. If existing cooperatives join and form a Producer Company, the one-share, one-vote rule applies to nurture the cooperative spirit and marry it with corporate efficiency. But if individuals form one and want to enter into strategic alliances with, say, other Boards, companies or corporations, the economic strength of the actors could form the structure of the Producer Companies. In this case, strategic partnerships, the details of which cannot be outlined in advance, would be possible.

Many are experimenting with Producer Companies. Since I chaired the Committee which drew up the law, I am kept loosely informed. At Dari in Amreli District, the late Anil Shah had set up a Producer Company with ten watershed development groups as founders from the ten villages in which they were working. Now the company is in agricultural input and technology supplies and

doing reasonably well. We call this Watershed Plus since money has to be made after the water is harvested.

In December 2005, the National Dairy Development Board (NDDB) restarted the Junagadh Dairy, which on account of mismanagement earlier had gone to the Board for Industrial and Financial Reconstruction BIFR. Milk collection was again started at the four talukas of Keshod, Manthali, Mendad and Junagadh and is now spread over 130 out of the 244 villages and covers 5,000 producers. This time around, the approach is business all the way. At the village level, there is a Sahayak, who collects the milk from the as yet informally created milk producers' institution. The testing centre for fat content is far away and after the samples are tested, the money is deposited in the savings bank of the producer. Given the politicisation the conventional cooperatives have gone through, the idea is to focus on the business aspects only to build the traditions to set up the Producer Company, in one hopes, the not-too-distant future. In Saurashtra, they use buffalo milk, for which the demand is rising. On account of this and the high fat content, the dairy is able to give around Rs 13 a litre. Farmers such as Rambhai in Dhandhusar and Chandulal in Mohabatpur, which I had visited earlier and which is on the prosperity route, are investing more in buffaloes. But it is early hours yet, and I suspect when the systems stabilise, NDDB will make an effort to organise the Producer Company. Since there will be experience on the economic interest taken by individual producers, the strategic partnership

variant seems more plausible. In December 2006, Dinshaw Patel, the popular Anand MP and now Minister in Delhi, and others were enthusiastic; Sharad Pawar with all his cooperative and agriculture experience voiced his hopes when he said:

"We have accepted the cooperative system, which is over a 100 years old. There is a need to change. The reforms have been introduced following the recommendations of Prof Alagh. It begins from Junagadh. If this venture succeeds, you will be remembered as the torchbearers of the new path of the cooperative movement. You will be successful in paving the way for the new model."

NDDB had, in fact, been experimenting with the same model in Chittor District in Andhra Pradesh, which also had a flourishing dairy. It went into disrepair because of the blatant political interference at fairly high levels. This is a poorer area and the milk producer institutions started around women-led SHGs. With difficulties in cotton and oilseed farming, milk became a more important source of income and is being linked to the Balaji Dairy at Tirupati.

A group called 'Just Change' met in Bangalore in 2005. Just Change, as a concept, was first introduced in 1994 by Stan and Mari Thekaekara based on their experience of working with the adivasis of Gudalur. It is an initiative to enable communities to take control of their economy by directly trading with other similar communities. Basically, the concept is to create a new marketing chain in which the traditional links between investors, labourers and consumers can be redefined. The Ratan Tata Trust agreed to support the process of converting the concept into a reality. Just Change was set up as a trust in the UK and pilot trading with three community groups started. The Just Change Producer Company

will be made of community groups as shareholders and will handle the trading operations. The Just Change Trust will be for planning and R&D support. This is thinking out of the box.

Land and Water

These new experiments are important. Land is going to be the central issue in India in the years to come, with the cropped area going down. We must have successful ways of the farmers—many times, women—farming their land and developing links with technologies and management on the input, technology and market side. Those who believe that contract farming means giving land away to companies are in for shock.

Land

In 2002-03, the last year for which we have a number, the net area sown (NAS) in India was 132.86 million hectares (Table 1). In a book authored with Uma Lele of the World Bank (Table 3), I had predicted wrongly that NAS would be stuck at 141 million hectares and growth needs would need to be sourced from productivity and more intensive cropping. Growth in NAS at around 1 per cent annual in the early period of planning fell to around 0.6 per cent and then to 0.3 per cent in subsequent decades and was now not growing at all. It was reasonable to assume that the geographical area of the country or the extensive land frontier for exploitation had reached its limits and some of us, while at the Planning Commission, had correctly projected that the NAS or arable land of the country would remain constant. But now, for the first time in Indian economic history, we are told that the NAS, rising slowly earlier and constant since the early nineties, has gone down by eight million hectares. The last year in which NAS was less than the 2002/03 number was in 1958/59.

Table 1: Net Area Sown in India 1999–2002

Year	NAS (million hectares)
1987/88	134.09
1991/92	141.63
1999/00	141.10
2000/01	141.08
2001/02	141.40
2002/03	132.86

Source: Government of India, Ministry of Agriculture, Nov.2005, *Agricultural Statistics at A Glance: 2005*, Table 14.2, p.176

It would be imprudent to brush aside the decline in cropped area as a consequence of the drought of 2002–03. It is true that in the 2002 South West monsoon, 21 meteorological sub-divisions out of 36 had deficient/scanty rainfall. In the drought in the late eighties, NAS also fell and the severity of the drought in 1986–87 and 1987–88 was comparable. But in the eighties, even in the second year of drought, NAS was 134 million hectares and it was 139.58 million hectares in 1986–87. More basic factors seem to be now at play. We need to disentangle the 'drought' effect from these more basic factors leading to the diversion of land from agriculture, and this needs analysis with statistical and GIS data and field-level verification. At a more general level, soil degradation, urbanisation and slow down of irrigation have been suggested as reasons.

Soil degradation has been extensively studied. It is now being suggested that urbanisation is proceeding much faster than the earlier estimates of scholars such as A Kundu, who worked with the low urbanisation growth rates of the Census 1991–2001 period. For example for Gujarat, PH Thakkar and I worked out that a number of habitations, which met the Census 2001 criteria of urbanisation, were still classified as 'villages'. According to Population

Census 2001, census towns are non-statutory towns and are actually rural areas, but satisfy the following criteria:

- (A) Minimum population of 5,000
- (B) Density of population of at least 400 persons per sq.km.
- (C) 75 per cent of the male working population engaged in non-agricultural activity.

It was found that in the decade 1991–2001 in Gujarat, rural non-agriculture main workers increased more than urban non-agriculture main workers. As per the 2001 Population Census, there were 122 big villages in Gujarat, each of them satisfying the three census criteria of non-statutory towns. These villages had a total population of 11.21 lakhs. If this is taken as a correction factor, the revised estimate of the degree of urbanisation of Gujarat for the period 1991–2001 will be nearly 39.57 per cent (earlier estimate being 37.36 per cent and the correction factor being 2.21 per cent).

Table 2: Level and Growth of Urbanisation in Gujarat

Year	Number of Towns	Population (in Million)		Urbanisation (in %)
		Entire State	Urban Areas	
1961	181	20.63	5.32	25.77
1971	216	26.70	7.50	28.08
1981	255	34.09	10.60	31.10
1991	264	41.30	14.25	34.49
2001	242	50.67	18.93	37.36
2001 Revised	364	39.46	30.14	39.57

Source: Yoginder K Alagh and P.H.Thakkar, *Short Notes on Urbanisation Levels*, Ahmedabad, SPIESR, 2006

The level of urbanisation in Gujarat has, therefore, not increased by 2.87 per cent points, but 5.06 per cent points, which is close to double the earlier estimated change and makes a big difference in policy and forecasting work since it is well known that urban projections are based on urban-rural growth differences and changes in first

differences of the magnitudes considered can make a big impact on seven outcomes. Earlier, land-use studies found little effect of urbanisation on land use. For example, the decadal release of land for urbanisation was generally less than 5 per cent. This may now change. If land is to be released for non-agricultural purposes and if the farmer is to share in the process if his rights to land are protected, he could through producer associations, leverage his strengths in strategic partnerships with other companies.

Water

There is an intimate relationship between cropping intensity, land use and water development. Irrigation permits the possibility of multiple cropping by bringing additional land under cultivation and the same land to be used more than once. The application of new technologies in the past was related to assured water supply. The new technology obviously raises productivity. But on account of photo insensitivity properties, newer technologies permit shorter duration crops, which also is associated with an increase in cropping intensity. The use of these kinds of relationships has been common in Indian agricultural policy and plan models since the mid-seventies when the first agricultural sub-model of Indian planning was formulated for grain self reliance and is used in the current generation of water forecasting models also.

In the nineties, the arable area had stopped growing and so the land constraint was far more severe. Growth was seen now as to be sourced from double cropping and yields. This fundamental relationship was used to project the intensive resource base of the economy. It was projected that by the end of the decade, India would have used up most of its balance water reserves, with the

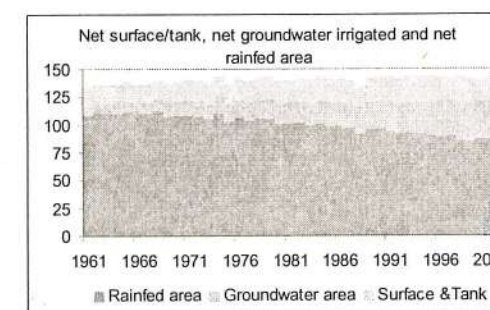
Table 3: Irrigated Area in India 1998/99–2002/03 (million hectares)

Year	Net Irrigated Area	Gross Irrigated Area	Irrigation Intensity
1998/1999	56.51	77.64	121.13
1999/2000	56.76	77.99	121.23
2000/2001	54.83	74.29	119.46
2001/2002	55.88	77.00	121.12
2002/2003	53.07	70.67	117.60

Source: Government of India, Ministry of Agriculture, November 2005, *Agricultural Statistics at A Glance: 2005*, Table 14.2, p.176.

irrigated area reaching around 114 million hectares by 2010. Projections for 2020 were a requirement of irrigation of 122 million hectares. The projections assume a vastly improved performance on the land and water management frontiers. It needs to be remembered that the balance ground water reserves are now more limited. A very dramatic effort will be needed to harvest and carefully use the available water. Meanwhile, in actual fact, in this decade, the irrigated area stopped growing (Table 3).

People like me were wrong in forecasting that the cropped area would remain constant, but are right in the warning we gave. The decline in canal irrigated area is equally recent and shocking, having been discovered by Tushar Shah of the International Water Management Institute in this neat little picture copied from the IWMI website.



We really do not have a detailed analysis of the debacle in irrigation. The first issue is the failure of the Advanced Irrigation Benefit Programme (AIBP). This programme for completing on going irrigation projects was started when I was Planning Minister. It was started because we have a long history of successes with such programmes. The first such programme was started in 1975-76, when we had formulated a plan for food self reliance. It worked and the irrigated area went up by 5 million hectares and irrigation intensity from 108.77 to 110.25. We then reinvented it in 1987-88 when Rajiv Gandhi wanted a plan for stepping up stagnating agricultural production. As member in the Planning Commission, I saw it again worked and, over a brief period, the irrigated area went up by around 5 million hectares and irrigation intensity from 113.15 to 115.15. There has been very little progress since. These earlier programmes and the critical role they played have been described elsewhere, but the real issue is why did the AIBP fail? We need a serious professional evaluation, but being involved with planning and monitoring such programmes for over three decades, I suspect that not including a canal component to cover the last mile of water deliveries is one reason and the other is bringing in a loan component and not keeping it a Central Plan scheme.

There are, however more basic factors at play. As compared to relief against rainfall failure, the farmer now wants yield enhancing water supplies for water stress periods of the diverse crops grown with modern technology. Access to ground water gives them this facility; badly planned and inefficiently managed canals do not. Farmers and their communities now want control on water deliveries. We have just started canal systems that employ, for example, hydraulic controls up to distributory levels. The successful examples are few and

far between. In a recent critique of the Ken Betwa project put on the Internet by the Interlinking of Rivers Project, we have described how soil scientists have shown that the area is unsuitable for paddy and that irrigation would enhance yields from oilseeds, pulses and fodder crops but that the system is designed largely for flood irrigated paddy. We have also described the alternatives now possible such as the computer controlled delivery systems being constructed in the Sardar Sarovar Command.

The implications of these trends are not being realised with the urgency they deserve, since at a basic level, resource constraints of a more severe kind faced by certain East Asian economies are now being approached in India. Organisations, communities, households and individuals will have to grasp this fact and live with it. The severity of the blow will take time to sink in. But time India does not have. A few years ago I had warned that we are getting close to the kind of land and water shortage East Asian societies such as China, Japan and Korea have grappled with but have built institutions through the centuries to cope. I had argued that we need to hasten. We hoped we would harvest water and improve irrigation deliveries.

Institutional Reforms

For land development, access to water, technology and markets, three kinds of institutions are being talked about and experimented; namely, the private sector, stakeholder institutions such as cooperatives and producer associations, which can register under the Companies Act 2002, Second Amendment Bill. This translated into law, a model I had developed for the reform of the cooperative sector and the panchayats. The first aspect to note is that it is early hours yet and we should go by experienced based studied results and I trust the Ministry will

support the tradition of rapid appraisals, case research and evaluations to feedback into decision-making through real time. I believe that enough is going on in the field to make this possible. We may discuss some of the possibilities.

When the original legislation on Panchayati Raj was being designed in the late eighties, under the supervision of the present Minister of Panchayati Raj, the idea that agencies that access technologies and markets to farmers or artisans will have a relationship with the panchayat was discussed. A think tank, working under the Secretary, Planning, Krishnamurthi, saw stakeholder institutions as sub-committees of the panchayat. This was very preliminary and, in fact, sounds rather naïve now. The mid-term appraisal of the Tenth Plan and the approach paper of the Eleventh Plan set the right tone. The PM has, in his Independence Day address last year, opted for the Authority for Rainfed Regions. Indira Gandhi started the quest for self reliance in food grains in 1975 from the Red Fort, Rajiv Gandhi was the forerunner of agro-climatic planning, the origin of the 'second green revolution' in 1986 from there. And so, we must, in the centenary of SK Dey Saheb, hope for the best. If the new Authority now set up is taken up in earnest, the beginning of the battle is won. The Technical Committee on Watershed Programmes, 2006 or the S Parthasarathi report, with inputs from activists such as Mihir Shah have given the blueprint. These were also there, in what is called, the Bopal Declaration, but there are many issues that remain to be addressed.

I believe that working models with stakeholder groups and PR agencies need much greater attention. Land scarcity is going to be perhaps the single greatest constraint to Indian development. Local bodies are the repositories

of what are called Common Resources. Those who work or live off a resource are obviously the first to be affected and need to be consulted. We need to build models of cooperation rather than clash. These are not simple matters and while best practice cases exist, we do not as yet have working systems. The idea that land is not an economic good in the market, which lies behind the tenancy legislation, is irrelevant in practice because the greatest change that has taken place in rural India is land being transferred voluntarily from very small peasants to middle peasants, in what is called reverse tenancy. Private organisations are expanding in ground water exploitation and there is the beginning in places such as Kaira District in Gujarat of small water storage tanks in private plots. The economic interest in land and water has to be at the heart of any reform process. I believe that groups of stakeholders, including the smallest peasants, can cooperate for well-defined and limited purposes for land development and water projects. Farmer-level irrigation management systems, watershed development projects and groundwater cooperatives are all thriving and many more and very promising possibilities are there.

The Bopal Declaration emerged because stakeholder participation was diluted both in watersheds and in Joint Forest Management (JFMs); the former in the Hariyali Guidelines and the latter in departmental instructions. The Declaration comprises Eight Principles for revival and road maps for each. These are of some importance and have been introduced in the Eleventh Plan. These are: Centrality of community based organisations (CBOs), Equity, Decentralisation, Importance of facilitating agency, Monitoring and Evaluation, Training and software inputs, Sustained momentum of development and Organisational re-structuring.

The relevance of all of this to a group of rural development specialists is obvious.

I will only highlight two principles for you. The first is, let us forget about the past. The second is the seventh principle since it is new – Initiate productivity enhancement and value addition during the project period and for a few years beyond so that National Resource Management (NRM) programmes realise the full potential of local resources, resulting in rising income and prosperity for the rural communities.

Watershed Plus says that CBOs have to take the community to the market to take advantage of value addition and prices. This is an addition to the concept box and not easy. It took me quite some time to convince my friend Harnath Jagawat, for example, that his adivasi girls and boys will have to sell produce for profit, after successfully running lift irrigation cooperatives. For a land and water developer, this is a new ball park and needs effort. Cooperators will see this aspect immediately. Are there alternatives to CBOs, cooperatives and producer associations?

My view is, it is early hours yet and the mixture of public and private initiatives in strategic organisations is an issue with experimental possibilities. The question of the organisation of small farmers and their links with higher level organisations such as input supplying or selling companies or irrigation systems are complex. The possibility of small farmers forming their own companies, without loss of control on their land, now exists under the law and needs to be explored. Later on, they may be allowed to have joint ventures with big companies, if they so decide. A problem visualised in contract farming is the organisation of farmer groups for interacting with large companies. One answer is to encourage farmers groups in this context.

According to a recent review of such issues by Samar Dutta:

"Even though several states have introduced parallel cooperative laws, and even though the union law, too, has been made more liberal, yet the pace of reform has been far too slow. Several states have resisted all effort at reform. Farmers in Gujarat, Maharashtra, Tamil Nadu, West Bengal, Punjab, and several other states continue to have few options. Under these circumstances, a new chapter on producer companies was introduced in 2002, to the Companies Act. This legislation was based on a draft produced by a Committee under the Chairmanship of YK Alagh. The attempt was to draft the chapter to enable farmers and other primary producers to set up companies, which resembled cooperatives as closely as possible. Where profits in companies are normally shared on the basis of share holding, producer companies can distribute profits based on patronage of services. Where other companies with several shareholders have to list their shares in the stock market, producer companies do not. Voting rights in producer companies where individuals are members is on the basis of one member, one vote. However, where institutions are members, voting right is based on patronage of business transacted with the federation. While it is possible for a producer company to wind up its affairs, the registrar of Companies has the right to "strike off" the name of the company, if he/she does not believe it to be based on mutual assistance among members."

The Producer Company legislation, now on the statute book, provides an important method of strengthening farmer groups to take advantage of strategic alliances for growth, following the cooperative principle. The cooperative principle is alive and kicking, if we have the strength to adapt and innovate.

It is being reported that the proposed amendments to the Companies Act are planning to change the Producer Company provisions. It is important that the institution is strengthened since it could provide the sinews to the National Authority for Rainfed Regions.

It is early hours yet and the mixture of public and private initiatives in strategic organisations is a question with experimental possibilities. In the forthcoming period, I suspect farmers groups, stakeholder organisations and cooperatives, apart from playing a larger role themselves, will also play a larger role in strategic partnerships with business groups. Otherwise, interaction between atomistic peasants and large companies may create problematic situations. A monopolist is not a villain of a Hindi movie. He just works with an inelastic demand curve. However, the more we encourage organisations of smaller producers to organise their interests and strategise their relations with large companies, the better and more enduring will be the systems we will create. I believe panchayats and bodies of stakeholder-led institutions in the agricultural and related fields will play an increasing role in the emerging period.

The one role in which this will, I believe, be most important will be access to land. Relocation from land will be the most vexed question in India, in the years and decades to come. The more we build transparent institutions at the local level in the details of solutions to these questions, the better off we will be. Inheriting the 'Revenue' tradition, panchayats are the obvious candidates to underpin a sensible National Rehabilitation Policy, once we get it going. The Employment Guarantee Scheme (EGS) is also away of empowering the poor to participate in the process, at least with their labour and needs

to be integrated with the growth strategy. I have, in fact, also been advocating the not-very-popular idea that a Minimum Assured Income from agriculture would also play a role in empowering small peasants, by way of fallback positions, to participate in the newer contract-based regimes that are emerging. The cost, for example, will be less than the money we have spent this year on suicide aversion in Western Maharashtra with little success.

The Attack on Producer Companies

It has been suggested with some justification that producer companies are not corporates, both in spirit and form and, therefore, cannot be companies. I argued however that this is a short-sighted view. This is brought out best in a letter I wrote to the PM. which is as follows:

Dr. Manmohan Singh
Prime Minister
Government of India
New Delhi

22 July 06

Respected Prime Minister,
I am writing this letter with considerable concern on the proposal to amend Producer Company section of the Companies Act, 1956, based on the recommendations of the committee chaired by Shri JJ Irani.

In the proposed draft bill to amend the Companies Act, Part IX – A comprising 46 sections relating to Producer Companies, is sought to be replaced with a single Section.

With this, many of the important and essential features of the Producer Company concept will be lost besides causing severe difficulties in implementation.

The Producer Company legislation passed by Parliament in 2002 was based on the recommendations made by a High Powered Committee constituted by the Government of India and I had the privilege of chairing this Committee. The Committee had examined in detail the

problems and challenges rural producers are faced with in the emerging liberalised and competitive environment particularly owing to lack of resources and business like institutions to solve their problems. Recognising the importance of efficient professionally managed Producer owned enterprises to serve rural enterprises, including small producers and the inadequacies Cooperative Institutions suffer from, the Committee had appropriately recommended creation of specially devised Companies called "Producer Companies" within the ambit of the Company law. The Committee had taken note of the fact in countries such as the United States of America, New Zealand and Denmark, cooperatives and similar forms of user enterprises are registered and operate under the same laws as govern Companies and other Corporates. Consequently the amendment to the Companies Act in the year 2002, provided for incorporation of cooperative businesses as Producer Companies while accommodating their unique features within the liberal and enabling framework of company law.

A number of such institutions have been incorporated, although it is early hours yet, and many are doing well. In essence, the recently enacted provisions for Producer Companies under the existing Company law provides for: An effective alternate organisational form for rural producers offering an opportunity for competing on an even footing with other business organisations.

Professional management and flexibility in organisational operations, including entering into collaborations/joint ventures—that would become necessary in a changing economic environment in order to optimise the benefits to their producer members.

The recognition of user enterprise as a business organisation and its equal treatment under the law; Combining the institutional strengths of Mutual Assistance and the Cooperative Principles within the liberal regulatory framework as well as strict disclosure norms that the Company law offers. Producer Companies have to observe and practice the unique features of cooperatives viz. —

- a. One member one vote in Producer Companies with individual members and patronage based voting in Producer Companies with Producers Institutions as members
- b. Limited interest on shares
- c. Return to members in proportion to their participation in the business
- d. No trading of shares
- e. Users, alone, are owners

The Producer Company legislation is a carefully thought out legislation which has been notified as recently as 2003 and which provides for a new concept that enables new generation cooperatives to be set up to compete with the private sector in the present liberalised environment. Considering that a Committee under the chair of a person with the eminence and experience of Shri J.J. Irani had made the suggestions, I asked some knowledgeable and experienced friends to examine the proposed amendments to see if we can accept some of them with some changes. Unfortunately we are not able to retain the essential features of the Producer Companies, namely transparency, one vote/one share, patronage voting based on interest taken and the possibilities of strategic partnerships, without keeping the existing text and so are not in a position to recommend the acceptance of the proposed text with amendments.

In view of the above considerations, I would urge you to ensure that the existing provisions for Producer Companies as provided for in Part IX – A of the Companies Act, 1956 is retained as such. If needed I will be very happy to brief anybody you so desire on any details which may need clarification. I could request friends from the NDDB to accompany me, since they have a concrete programme of action in setting up Producer Companies as also some executives of companies already set up.

With my regards and respects,

Yours sincerely,
Yoginder K Alagh

The NDDB fully supported these initiatives. In response, the PM was gracious enough to help.

Conclusion

The Company Affairs Minister has suggested that the legislation will be protected. If

necessary, a new legislation may be enacted. This is very encouraging, but civil society vigilance may be necessary and helpful. Also, if experience shows the need, the structure could be improved. This meeting is timely for both reasons.

Not Just Another Job

R. Lalita

Choosing a career as a development professional has meant to be more than just another job

Getting a Job

I joined Pradan as a Development Apprentice on 2 June 2008, and was immediately posted with the Raigarh project. I had then just completed my Master's Degree in Mathematics from NIT, Rourkela. Through a campus selection process I was chosen by Pradan. During the recruitment process in college, the Pradan staff gave us an orientation about the organisation and their work through various audiovisual materials, including a movie, a slide show, and few video clips. There they showed us activities like fishery, paddy cultivation, poultry, and tasar cultivation. I learnt that Pradan was a voluntary organisation that worked towards enhancing the livelihoods of the rural poor. They were based in some of the most remote areas of rural India, where they directly engaged with the communities to bring about positive changes to the lives of the marginalised and disadvantaged. Prior to joining Pradan, I had very little idea about NGOs and their work. Like all my other batch mates, I saw myself joining the corporate sector and never thought about working in the rural development sector. But after understanding Pradan's work through their presentation, however, the idea of contributing to make the lives of the poor better, had motivated me to apply for a position in the organisation. Being selected made me happy and boosted my confidence that I would succeed in an endeavour. Moreover, I had a job at hand!

I decided to go ahead and move to Raigarh. My family – my parents, and my younger sister who is pursuing her B.Sc. – as well as my friends, were all very supportive of my decision. My father works with an insurance

company and my mother is a homemaker. I have seen how my parents went through a lot of hardships in order to support our studies and basic needs. They sent us to private schools and paid huge amounts of money, even taking out loans only to give us a better life. Their first priority was always the dreams of their children, even if it meant choosing hard times for themselves. After getting Pradan's job offer, I was glad that I was finally getting my turn to support my parents in their old age, and my little sister.

On the Job

On my first day at work, an executive, Mr. Girish Peter, gave me an orientation about the organisation, the project in Raigarh, and the activities that the team had initiated in the area. From him I learned that the Raigarh project was started in 1998 and spread across two blocks: Raigarh and Tamnar. There were around 650 SHGs across 132 villages and the project was engaged in activities like paddy cultivation, poultry, tasar cultivation, and INRM-based activities. By November 2008 the team had extended its initiatives to another block named Lailunga.

On Day Two, Girish and I went to a village called Kashichua to attend a cluster meeting. There I met around 25 SHG members who were having a discussion about issues like meeting regularity of their SHGs, reviewing and planning their livelihood activities, – for example, paddy cultivation through SRI. As they conversed in the local 'Leriya' dialect I found it quite difficult to follow exactly what was being discussed. Even then, I picked up bits and pieces of what they were discussing. I enthusiastically participated in the meeting

by asking them about their SHG and the work they were doing, with the intent of learning more about SHGs as well as to familiarise myself with them. During the meeting, the women also discussed the issue of illegal liquor shops that had sprung up in their village, and which they wanted to close down. Girish facilitated the meeting and helped the members to make action plans for each issue that they were raising. After the SHG meeting, I had a discussion with Girish who then helped me better understand the concept of SHG, livelihood, and the collective efforts of women to deal with issues that concern them in their village. All of it was new to me, and such different experience made me feel glad.

The next day another colleague, Mr Rahul Tiwari, showed me around a little more and together we visited the villages of Sambalpuri, Badpali, and Nawagaon. This time I learned about the poultry programme from the members who were engaged in the activity. We visited around 12 poultry sheds in those villages where I observed as Rahul discussed proper cleaning techniques for the sheds so as to maintain hygiene and prevent the chicks from getting diseases. The women also seemed excited as their batch of chicks were about to hatch within the next two days. I was thrilled to see the women actively engaged in the activity and I became eager to know more about it.

More activities happened in the next four days. I attended a couple of SHG meetings with my colleagues, visited a number of villages, and met many people. Overall, my experience in this one week was very new and exciting for me. I was, however, not able to make up my mind whether or not I wanted to continue with the job. Everything was new to me: the work, the approach, the situations. I was not confident if I would be able to contribute in a positive way like my other colleagues. But

my team members and my family were all very supportive and, heeding their advice, I decided to stay on a little longer.

Shortly after, I went to Sambalpuri village for my village study as part of the DA programme. The village had 174 households and it had one SHG promoted by Pradan, members of which were engaged in activities like poultry, tasar, and paddy cultivation. Earlier I found it difficult to converse with them as I did not know their dialect. Then I realised they also understood Hindi and it was a relief for me. I explored the various aspects of their life and learned about their lifestyle, livelihoods, and culture. Agriculture was the main source of livelihood for the villagers. Rice was their staple and hence they cultivated paddy. Families who could afford to produce some surplus paddy in the year also sold it in the nearby markets. I met families of varying economic backgrounds – some are relatively well-off and many were very poor – living in the same village. I met Shanti didi who was from a family of Chauhans belonging to the upper class in the village. She owned around 5 acres of cultivable land and her husband was also employed with the Central Water Commission (CWC). She was also an SHG member engaged with the poultry activity. They earned around Rs 7,000 a month. Their life was relatively comfortable as compared to Urmila didi and her family. Urmila didi did not have any land and hence used to work as wage labourers in other people's fields.

During my stay in the village I was fortunate to witness celebrations of their Rath Yatra and Haryali festivals, where the villagers showed unity, joy, and enthusiasm. Apart from those special occasions, however, it was the everyday experience of living with the villagers which made my stay even more meaningful. It was the first time ever in my life that I ever lived in a village. Needless to say, life in the village

was very different from the life I have always known in the cities. Dealing with even the most basic amenities like transportation, electricity, and sanitation, was tough. What made me forget the hardships was all the care, concern, and love, showed to me by the villagers.

After my village stay, I did my sectoral study on poultry where I learned that the activity in itself had a huge potential to provide sustainable livelihood to the rural poor communities. The Raigarh project was successfully implementing the poultry programme in nine villages with 143 members. The members have formed a cooperative called the Kelo Grameen Poultry Cooperative. During the SHG orientation I felt that the SHG programme was an important intervention in the lives of rural poor women as it provided them mutual support, financial help, and access to livelihood options. Moreover, it served as a forum for collective action and decision-making on pertinent issues that concerned them as individuals and as a village in general.

During my home visit, I shared all of my experiences with my family and friends. They were quite impressed with the kind of work I was engaged in, but could not help but be a little worried as to how I was managing, given the lack of basic amenities in the villages. I myself knew that working with Pradan, in remote villages was a tough job. Still, I felt content with the kind of activities and the village community that I was engaged with, deriving satisfaction from being involved with their lives and striving to bring about change in my own way.

The home visit was followed by the Foundation Course I did in September 2008, for which I traveled to Kesla in Madhya Pradesh. There I gained clarity on many concepts and issues,

some of which I was already working on for the previous three months and trying to get myself on understanding them better, such as SHGs, livelihood promotion, and gender issues. It was also during that trip that I met my batchmates who joined Pradan at the same time that I did. We shared our stories with one another and learned from each other's experiences with our work in Pradan for the previous three months.

Overall, my stay in Pradan has truly been a learning experience. Although I had never thought of working in such a setting, being here makes me feel proud of the decision I have taken. The working conditions are tough, but to see the impact that Pradan – and me being a part of it – has made in the lives of many rural poor communities is an overwhelming feeling. Apart from this, the theories and practices of grassroots development work that I have learned seem to have helped me mature, allowing me to now call myself an educated person and not merely someone who has a Master's degree. Having said that, however, I am still concerned whether or not I would be able to practice and implement what I have learned and productively contribute to the betterment of the lives of the people like my fellow members in Pradan.

The second phase of the DA-ship programme is called the 'Learning by Doing' phase. Now I actually had to implement what I had learnt over the months. With all the various orientations, FC and interactions with my field guide and other professionals, I felt confident and set forth to 'get my hands dirty', as they say. The team gave me the responsibility of four villages – Pali, Hamirpur, Karmagarh, and Amlidhoda. These four villages had a total of 14 SHGs and I was to facilitate these groups in their functioning and in their livelihood activities. I started with attending their

weekly SHG meetings, getting myself familiar with them, and also trying to understand their issues and concerns. Before the advent of the SHGs, the families had to struggle to make ends meet. With very little returns from their agricultural fields that provided them with food sufficiency for less than six months, the families had to migrate to other cities in search of a living. Credit requirements were met through the moneylenders who ended up exploiting them by demanding high rates of interest or mortgaging their land and other valuables. With the start of the SHGs promoted by Pradan, the families – especially the women – have not only found access to easy credit but also discovered a new identity and a life of dignity.

As part of promoting livelihood activities with the members I initiated vegetable cultivation in these villages, starting from October 2008. I explained to the members that by following the Package of Practice (POP) that involved improved and scientific methods of cultivation, identifying diseases and treating them, it was possible to have a good yield and make income from it. There were a few interested farmers who came forward to engage with the activity. I intervened with five farmers for potato, 15 farmers for onion, three farmers for tomato and one farmer for brinjal. These were new concepts for me but with the help of my team and field guide I learned the various aspects in vegetable cultivation. For example: During potato intervention, I myself was engaged in doing and demonstrating the steps to the farmers. We cut the potatoes with 1-2 eyes in each piece and then we treated the cut seeds with Diethane M-45 solution. Then the cut seed tubers were spread in a straw and kept in a cool shady place for a week. And when the seed tubers grew up to 1 cm, it was taken for transplanting. The field was ploughed 4-5 times and the land was prepared by putting

FYM, DAP and potash. The rows were kept at 18"- 20" distance and the seeds were placed horizontally with tubers upwards at 4 cm depth under the soil. Before placing the seed in the ground, the ground was made moist to maintain the moisture level. Then the seed tubers were covered and slightly flat ridges were made. Such was the degree of technical details that I learnt about the activity, about something I had never done earlier. And when the yield was out, the sight was overwhelming. It gave me a whole new confidence to believe that I was able to contribute, though in a very small way, to bring some smiles on the faces of the people I was engaging with.

During this time I also promoted a SHG in Amlidhonda village with 10 members. Seeing the impact SHGs had on the women from their nearby villages, the women from Amlidhonda were eager to be a part of one such group as well. In my first few meetings with them I explained about the benefits of SHGs mentioning that it would be an easy source of saving and credit that would enable them to meet their emergency needs. It would also help them to invest in livelihood generating activities and also open new avenues for income generation. Apart from these the SHG will also provide them a forum for mutual support, giving them the space to discuss and act on issues that concern them. The 10 members formed their SHG and have named it Jai Santoshi Mahila Mandal. They have their weekly meetings every Sunday which I often attend, where I facilitate them to understand the processes involved in a SHG meeting, for example, sitting in a circle, discussing wider issues, and saving and tallying. They have also been linked to the Computer Munshi system, the automated SHG accounts system.

Reflections

Initially, the first thing that occurred to my mind when I got the offer letter from Pradan

was more like, 'I got a job,' I was happy to get the job because I knew I would now be able to support my family, something which I had long awaited for. Now I do contribute to some extent to the expenses in my house. I am happier as I can now support my sister and also bear some of her expenses, thus minimising the burden of my parents in a small way. Apart from these, I think, I myself have evolved as an individual, as a professional in Pradan. I have learnt many new things, from the reality of rural India to the technicalities of dealing with these. Staying in the villages,

being a part of the lives of the people here, sharing their joys and sorrow and being a partner in overcoming their problems, are some of the things that I cherish most here. Being a part of this huge movement of enabling rural communities and contributing to their better future in my view is more than just a 'job'. There are many more things that I need to and wish to learn from and do in Pradan, so that my contribution can be worthwhile. And with every day being a learning experience, I think I am already on the go.

NREGA: A Challenge for Civil Society

Deep Joshi

Deep Joshi quite passionately challenges the civil society to make use of the legitimate space that the NREGA allows to organise the poor communities to demand what is their Right. Or else there will be resentment and unrest he warns.

According to the World Bank if the poor of India were a separate country, they would comprise the third largest country in the world. If we were to take the word of the Government of India, they would be the fourth largest. The government data shows that 60 per cent of the rural poor are farmers; that means they have land and they plough it and grow crops. If you look at the data from the agriculture department, they will tell you that two-thirds of our farming is rain dependent or rainfed. It has been a passion with me for a while. I have pleaded with the government, usually with the planning commission, and talked to people like Abhijeet Sen of agriculture or with Mr Yugandhar, as he deals with poverty alleviation. I have been pleading with them for a while to initiate some investment in rainfed India. Because the rainfed India actually has the capital, has been eroding, whereas in irrigated area by virtue of irrigation potential, that is created through raising the capital base, the productive capacity, the carrying capacity of the resource goes up with exception about sanitation and so on and so forth.

In the rainfed areas, farming techniques are poor. Not only there is zero investment, but also a lot of disinvestment – cutting of trees, ploughing fields which are not worthy of agriculture because they are not built up in such forms. So, almost two-thirds of our *khetibadi* is in terrible shape in this country. Thus I have been pleading with people like Yugandhar and Abhijeet Sen – why is it that you can invest more than Rs 2.5 lakh per hectare of irrigation potential, when you do these big dam canal projects like Narmada or

Bhakra. In those places, for every hectare of irrigation potential that is created, I do not know the current numbers but some time back the number used to be more than Rs 2 lakh per hectare – which does not benefit individual farmers. But when you say that, can we increase the investments in rainfed areas and the programme that was launched during the 1990s which now Chinmoy Basu, Additional Secretary, Ministry of Rural Development looks after, the national watershed programmes. In that, the rates of investment used to be Rs 4,000 per hectare, and after a great deal of fighting, and pleading, it became Rs 6,000. And several of us from the NGO community were there and we pleaded and said can you please make it Rs 20,000. After much argument, it was decided that it will be Rs 15,000, but then we discovered that the ministry has already sent the figure of Rs 14,000 to the parliamentary committee – for Rs 14,000 per hectare for rainfed areas, Rs 12.5 lakh per hectare if you want to produce dam canal irrigation.

Basically, somewhere, the planners themselves do not seem to be convinced. There is a fascination that there is no development on a piece of land unless you have a line of water coming from a dam which irrigates that particular piece of land. Whereas there is plenty of evidence in small experiments, including by a farmer in Maharashtra, who has been practicing rainfed farming for the last 15 years or so and has earned Rs 100,000 per acre. He does not get terribly affected by droughts because he is practicing a particular kind of agriculture. He has done some amendments to the land; he has bunded his

farms, dug some small pits, and so on and so forth, so that all the water that comes from the 'Rain God' stays there. There are places in Rajasthan like Anantpur and there are places in this country where, whatever you do, you cannot produce much because the total rainfall may be 250 mm per year to 500 mm per year and two out of three years there is a drought. But there is a large part of India where the Gods are quite generous. You get rainfall more than 700-800 mm all the way up to 2000 mm but most of it just ends up as run-off. So a way one could harvest it is on the place where it falls, in the field. My guru, Mishra ji, famous for his Sukhomajri project, many years ago had this slogan: "Catch the rain where it falls, when it falls."

If one did that in most of the rainfed areas in India, I think much of the poverty would go away, although these arguments somehow still have not succeeded with the powerful people who take decisions. But through some other mechanism we have come up with a scheme, the NREGA, through which you can actually do the same thing that some of us have been pleading about for so many years. For most of my working life I have pleaded and argued for that, comparing these numbers, the great injustice that is being done to the rainfed areas. Unwittingly, the Government of India has actually created a vehicle through which we can transform rainfed India and with that, we can help get rid of the dehumanising poverty in this country. If the goals of NREGA could be met – and there is a key for the goals to be met, which is that this is not a scheme, this is not a budget or a project, this is a law. If somehow we could take advantage of that fact, and that is important for those who work in the NGOs, civil society here. We do not have to depend on people like Ram Lubhaya, the Principal Secretary (Rural Development), Government of Rajasthan, and their decency. One kind of exceptional officers

– who will be at least willing to hear a NGO *wala* – may not agree with you but will be willing to listen to you. Most of them do not do that. We do not have to worry about that anymore as you can get the money through the law. In the last three months I have traveled through the Bundelkhand area, both on the Madhya Pradesh side and on the Uttar Pradesh side, and everywhere I asked about NREGA and the old age pension and other things. Everywhere I was told that it is not working. The poorest people, say the Ahirwars, for whom this programme is most valuable, have their job cards invariably in the pockets of the Sarpanch. Everywhere I asked this question whether in Hamidpur in Uttar Pradesh, Mahoba in Uttar Pradesh, Banda in Uttar Pradesh and Chhattisgarh, Tikamgarh, Panna invariably seemed to have the same conditions. These were the villages where Pradan is not working so I do not have any linkage with them. These were the villages where nobody knew that I was coming. I was doing some other study with some other colleagues of the Bundelkhand region. So I just landed up there. The people who were able to obtain their cards were only those who were slightly better-off and who could speak up. The good thing about it is that people know about this scheme. They do not know, however, all the intricacies of it such as, that one will get 100 days employment and the fact that you can make a demand. The procedure is not known but, by and large, I did not meet anybody in all these travels who told me 'I don't know or I have not heard about the scheme.' People know it by different names but they all do seem to know it.

Therefore the challenge before the civil society is that we do not have to go to Mr Basu or Mr Lubhaya, and we do not have to depend on their decency because NREGA is a law now. If you organise the people, they are empowered by the law to demand for the money. We do

not have to plead on their behalf, and we do not have to go to the DRDA chief or the collector or the state secretary and say, please, sanction this money for some small watershed. If poor people are aware, they can make the demand for 100 days of job and to use it for developing the land that is there with the person. If you have a village with 100 families you can get Rs 10 lakhs per year for as long as it takes for you not to need that money to develop your land and water resources. I think that is the challenge for civil society. Can we do this, can we organise people so that you and I, the English-speaking people in civil society do not have to go and plead with the government using our connections. That is what is required, especially in places like Bundelkhand, which is a dark area because the sarpanches are all erstwhile exploiters. The sarpanches very clearly do not want the Ahirwar to develop their own lands or have an assured source of income. Say, some Tiwariji is sarpanch and have 15 acres of land, but he is not a 'rich' man. By the way, he would like the Ahirwars to come and plough his land. And if these Ahirwars begin to get their own land developed, whatever little they have and they get assured source of income, why they will want to work in other's land. where will the sarpanch then get his labour from – this is the story I was told by the people themselves. That is where lies the test and challenge for civil society. The question is – Are we up to it? Can we organise people and help them get their rights? Let us not forget that in this country, neither you nor I – not even probably the Prime Minister if he went *incognito* – can get his rights. Those of us who have experienced applying for a driver's license or passport, or some other official document, all know that in this country, the practice of our rights is very difficult. This is a fantastic country in many ways. The people are fantastic, we make fantastic laws. There is no other country which

has something like NREGA, with a budget of Rs 18,000 crores a year which is going to increase. But there also are not too many places where it is so difficult to get what is your due, to get your rights, to get the laws implemented. The only way we can do it is by organising people, by making them aware, and demanding for what is due. In some ways, the NREGA is a test for the country's civil society, those who are working in rural areas for promoting livelihoods. If we are competent, capable, and equipped with the technical competency, we would be able to draw on this programme and transform rural India's economy.

It will also enhance democracy, and that is why I was referring to the goal mentioned by Ms Amita Sharma, Joint Secretary, Ministry of Rural Development – that not only is NREGA going to provide temporary employment but also it will go a long way in enhancing democratic functioning of our country. But it is not going to happen by training sarpanches, and it will also not happen by giving an engineer to the sarpanches. It will happen only if those who need this wage begin to make demands by asking questions like – "How can it not happen? This is our right, you will give it." And if it is not done then there is an application that will go up to the government and for that, hopefully the government will put together these mechanisms sooner or later. It is also a challenge on our technical capability that we make good use of this money. Mr Lubhaya, himself mentioned that if you make a pond on the top of a hill and there is no water it is a mistake. And if we all do the same thing then it makes no difference, you will not get rid of poverty, and people will become even more deprived. So both in terms of our technical capability, as well as our engagement with the people, if we are to take a resolve, we should be able to make better use of this programme, simply because

it is a law, it is the law that gives you money. There are very few laws that give you money to do things which you want to do in a village. That, to me, is the biggest challenge for civil society.

As a last note, allow me to tell you a story from my travel in Bundelkhand. There I came across a young man who made me reflect that if this scheme does not get implemented properly for several years, there is going to be a Naxalite in every district of the rain fed area. I met this young man in Bundelkhand and his reaction and understanding of the situation made me cry. He said it was his 'bad luck' that he was born in that state. He is a wage worker; he migrates to Delhi every year so he has seen things which are slightly different. I could understand and feel his anger and frustration. Frustration and anger, simply because he knows that there exists such a law, and that there is money for him which

his sarpanch is eating away. Well there is a huge population from Bundelkhand and from other areas in the country who do migrate to Delhi and other metros and they do know the various aspects of the Act.. If the act is not done in the manner it was set out to be done, well I am afraid, the way I see an increasing anger because when you do not get what you know is yours, how long will you keep quiet? That is the other side. If you do not make use of this programme properly, now that people know that there is something meant for them and it is not coming to them, people will begin to organise and on their own begin to do things which would be not good either for them or for the nation.

Speech delivered during the workshop on "NREGA: Beyond Wages to Sustainable Livelihoods", held on 21 November 2008, in New Delhi.

Report of the Working Group on Producer Companies

Emphasising the need to retain the amendment to the Companies Act, the Working Group deliberates on the salient features and the inadequacies, and makes its recommendations

Introduction

Producer Companies came into existence in 2003 as a result of an amendment in 2002 of the Companies Act 1956, by a committee headed by Professor Yoginder K Alagh. The amendment sought to provide a legal framework to primary producers, to organise themselves into appropriate institutional forms for linking with markets. The underlying aim of the amendment was to create recourse to producers to organise themselves outside the purview of the cooperative legislation, which has, over the last century or so, got considerably discredited for various reasons such as elite capture, political hijack, corruption, nepotism and plain inefficiency. Over the last five years, many organisations, including Pradan (as part of their strategy to promote sustainable livelihoods), have promoted Producer Companies. The experience has been mixed. Many have faced various issues in the process. Many of these can be attributed to the novelty of the idea and the lack of information at various levels. Some of these also have to deal with the specifics of the law itself, especially the clauses that deal with capital mobilisation. Those who were excited about the fact that such a law was indeed needed were also concerned that it be made more effective in achieving goals. In the meantime, a recommendation by the JJ Irani Committee to repeal the amendment also added to the concern.

In December 2007, a workshop on Producer Companies—'Linking Small Producers to Markets'—was organised by Pradan, under the aegis of the National Resource Centre for Rural

Livelihoods. The workshop deliberated on these and other issues around Producer Companies and also tried to look at the way ahead ('Producer Companies—Linking Small Producers to Markets—I and II', October and November 2008, *NewsReach*). It was an opportunity for participants drawn from a wide spectrum, ranging from practitioners to academics and donors, to deliberate on issues that arise when linking small producers to markets through Producer Companies.

The consensus from the workshop was that a civil society initiative be started in order to impress upon the policy makers the need for retaining the amendment, and to make the necessary changes to make the law more effective in enabling poor rural producers to link with markets.

Working Group on Producer Companies

The workshop suggested that a Working Group comprising representatives from different stakeholders, be formed to look at the provisions of the legislation carefully, carry out consultations with interested stakeholders and suggest possible amendments to the legislation. Subsequently, the Working Group, hosted by the National Resource Centre for Rural Livelihoods under Pradan, was constituted, comprising as members Prof. Arvind Gupta, IRMA; Dr NV Belavadi, Sr. General Manager, NDDDB; Ms Anjana Batra, Head, Public Affairs Department, FabIndia Overseas Pvt. Ltd; Mr. V Nagarajan, Chartered Accountant; Mr. Madhabananda Ray, Managing Director, MASUTA Producer Company Ltd; Mr.

Trideep Pais, Advocate and Mr. Anish Kumar, PRADAN.

The Working group, over four months, held deliberations on the different clauses and identified issues as summarised in the following sections. The meetings were also attended by special invitees, who provided very important inputs. The invitees included representatives from, Fab-India, Tata Chemicals, Vanilco (Vanilla India Producer Company Limited), Aavishkar Micro Venture Capital Fund and NABARD. Dr. YK Alagh and Dr. Amrita Patel of NDDDB and Vijay Mahajan were a continuous source of advice and encouragement, providing very useful insights and feedback throughout.

Salient Features of the Producer Company Legislation

The Companies Act 1956 was amended in 2002 through Part IX A, providing legislation for the formation of Producer Companies, based on the recommendations of the YK Alagh Committee. This entailed:

- Framing a legislation that would enable the incorporation of cooperative form of enterprises as companies and the conversion of the existing cooperatives into companies.
- Ensuring that the proposed legislation accommodates the unique elements of cooperative business within a regulatory framework similar to that of companies.

The Producer Company legislation came into force on 6 February 2003. The law clearly stipulates that provisions of the Part IXA shall override the provisions of the Company and other laws (Sec. 581ZQ). The Companies Act keeps Producer Companies under the category of private companies but does not impose any restriction on the limit to the number of

members. The legislation combines the institutional and philosophical strengths of cooperative (ownership limited to users; limited interest on shares; no trading of shares, patronage-based not capital-based) with the flexibility and autonomy of company law.

The salient features of the Producer Companies Act include:

- a. A Producer Company may be incorporated by:
 - i. Any ten or more individuals, each of them necessarily being a producer
 - ii. Any two or more producer institutions, or
 - iii. A combination of ten or more individuals and producer institutions, who are desirous of forming a Producer Company and having its objects as specified in the legislation may form an incorporated Company as a Producer Company under Part IXA of the Companies Act 1956. A Producer Company can also be formed by conversion of co-operatives which are inter-state in nature, with objects extending to more than one state.
- b. Consistent with the internationally accepted, ICA-approved 'Cooperative Principles', the legislation has incorporated a set of principles termed as 'Mutual Assistance Principles'.
- c. In case a Producer Company is formed by individual members or by a combination of individuals and institutions, each member shall have one vote, irrespective of share holding. In case of a Producer Company formed exclusively by producer institutions, the voting right may be computed on the basis of participation in the business.
- d. The shares or any other rights of a Producer Company cannot be traded on

the stock exchange, thus ensuring that they are not taken over by other companies.

- e. The articles of association (AoA) of the Company may establish minimum levels of participation in business (such as supplying produce) and may provide conditions under which those who do not meet those levels, or who cease to participate, may be made ineligible to hold office, to vote or to continue their membership.
- f. The number of shares held is in proportion to patronage (participation in business) but voting rights are not linked.
- g. The law provides for co-option of expert directors up to one-fifth of the total number of directors on the Board, keeping in view the expert/professional assistance needed for the Board. This is an enabling provision, aimed at bridging the Board-Management information asymmetry.
- h. The law enables the articles of a Producer Company to provide for division, amalgamation and merger, the creation of subsidiaries, entering into joint ventures, etc.
- i. The Board of Directors shall appoint the Chief Executive of the Producer Company. Other employees of the Producer Company will be appointed by the Chief Executive, in accordance of the powers delegated to him by the Board.
- j. The Board of Directors of the Producer Company shall be responsible and accountable to conduct timely audit, election and general body meetings.
- k. Dispute settlement shall be by simple process of arbitration and reconciliation.

Inadequacies/Constraints in the Current Legislation

The Alagh Committee had observed that the restrictive provisions such as inability to refuse membership, lack of premium on patronage,

the overarching role of the Registrar of Co-operatives and so on hamper the autonomous functioning of cooperatives. In the present competitive scenario, the producers (especially the rural poor among them) need a level playing field with other corporates. As per the features listed above and the overall letter and spirit, the Producer Company legislation entails an enabling and progressive legal framework for the cooperative form of organisations. However, since the notification of this amendment to the Companies Act, some problems encountered in the implementation and interpretations of some provisions of the Act have necessitated the need to review and suggest modifications.

Since the new law was encoded with the view to strengthen the cooperative form of organisations, it might be fruitful to look into some of the common weaknesses of the traditional cooperatives and whether the provisions of the Producer Company legislation are adequate to address the same.

- a. The problem of free riding, which is largely due to the principle and practice of 'open membership', has led to:
 - Grant of membership to fresh applicants, without the consent of already existing members
 - Grant of fresh membership disregarding the ability of the cooperative to effectively provide services
 - Lack of rewards and incentive to long-standing loyal members
 - De-linking capital from patronage

Observation: The Producer Company law does not address this issue adequately.

- b. Inadequate governance and control mechanism attributable to the:

- Practice of one-member, one-vote principle, which puts all members irrespective of their patronage on an equal footing in matters of governance, including elections and major decisions that are required to be taken by the General Body of the cooperative.
- Absence of external scrutiny by skilled investors, financial analysts and rating agencies as applicable in case of public companies.
- Board comprising members, who lack information, require business orientation and expertise.

Observation: These issues are partially addressed in the new legislation. The legislation provides for voting based on patronage, albeit only in case of Producer Companies formed by producer institutions. The legislation also provides for cooption of experts up to one-fifth of the strength of the Board. There is a need to consider some changes or additional provisions.

c. Problems related to capital formation:

- Risk capital can come in only by way of member equity.
- Difficulty in raising member equity for growth or expansion of business either because members cannot afford or they are not willing to contribute due to reasons such as the absence of capital gain on shares invested and limited return on capital.
- Capital built through retention of earnings is generally held as unallocated reserves and the correct position on equity is not reflected.
- The lack of ability for borrowing from external sources because of insufficient member equity.

- The lack of provision to raise capital from external financing agencies.

Observation: The law does not address these issues adequately. The law here also provides only for raising risk capital from members. There is no incentive for members to acquire more shares than necessary. Thus, while there is difficulty in mobilising internal capital, there is no provision for mobilising external equity capital.

- d. In a producer's cooperative, members need the organisation because they would all like to further their individual business interests. As long as the members relate to the cooperative as users, they share a common interest. However, since value addition to the producers is dependent on additional investments, interest conflicts may emerge when it comes to deciding on returns, based on patronage, as against that on investments.

Observation: The law does not address these issues adequately. The issues are similar in Producer Companies as well.

Issues and Proposed Changes in the Producer Company Legislation

The Working Group subsequently went into the details of the various provisions and formulated a comprehensive list of issues.

- a. Definitions: Various terms used in the legislation require clearer and unambiguous definition. These include terms such as:

Patronage: In a growing business, 'patronage' over time would change as an organisation would want to expand and add more services to its existing repertoire; it imparts a dynamic nature to 'patronage'. To cater to this dynamic

nature, it was recommended that defining 'patronage' should be left to the articles of association (AoA) of the Company. It reinforces the much-needed flexibility to the company to define patronage from time to time.

Primary produce:

- It is necessary to modify this section to ensure that only those involved in activities concerning the primary produce can form Producer Companies and to restrict it to those who are not directly connected to the primary production such as transporters, contractors, traders who also claim that their business promotes the interests of farmers and consumers.
- That the word 'pisciculture' be replaced by 'fisheries' to include other forms of fishing activities like off shore fishing, not included in the original Act, was proposed.
- The suggested formulation can also accommodate water users associations and microfinance institutions.

Producer: The change in the definition of producer has been proposed to narrow down the concept of a 'producer' so that the primary producers maybe protected from middlemen, so that it is limited to those who are actually involved in the production of products as defined in 'primary produce'.

Withheld price: A change has been proposed in this definition to remove the obligation of the company to pay up 'withheld price', which is definitely due but not clearly a liability and is subject to realisation. This also enables it to be treated as an expense by the Producer Companies for taxation purposes and not as a post-tax dividend.

b. Voting rights:

- The existing legislation very strictly prescribes the one-person, one-vote rule for Producer Companies, other than for the ones formed exclusively by producer institutions, in which patronage decides the weight of the vote. The amendment is to provide flexibility so that the company can decide whether to make patronage or membership the criteria for voting in all types of Producer Companies. This gives value to patronage in case the members decide so.
- An additional point is that the existing legislation does not have provision for voting by proxy, in case of companies with very large memberships, or those which are spread over very large geographical areas. It is proposed that this facility be provided to such Producer Companies

c. Membership: The issue of open membership must be addressed so that the Producer Company has an opportunity to accept or refuse new membership, based on business constraints, even though s/he may satisfy all eligibility criteria.

d. Distribution of Surplus: The relevant clause in the existing legislation requires a re-look to ensure that the surplus generated by the company is distributed among the various stakeholders in an equitable manner. This becomes more important in view of the proposals to incentivise internal capital by providing for appreciation of share value and also attracting external non-voting equity, by offering attractive returns. In this regard,

the recommendation given by the group provides clarity on the equitable distribution of surplus amongst members and for returns on investment shares issued by the company.

- e. Election based on constituency: In case of Producer Companies spread over large geographical areas, it would be useful to have mechanisms for voting that allows grouping of members into constituencies, based on territory or otherwise.
- f. Name of the Producer Company to be mentioned in Memorandum of Association: There is need to provide some more flexibility for the Producer Company to decide its name. The intent of the legislation was to provide for specially structured organisations to serve the needs of rural producers by incorporating all such unique characteristics of a cooperative enterprise along with the flexibility of company law. The term 'company' is many a times not liked by rural producers. An additional provision for allowing the company to call itself 'Producer's Limited' is being suggested. The proposed change leaves it open for the promoters/members to keep or to drop the word 'company'.
- g. Promoting thrift, mutual insurance and other mutual benefit schemes: Financial services such as savings and insurance and similar mutual benefit activities are being proposed to be specifically added to the objects of the Producer Company.
- h. Expanding the scope of share capital: Limited availability of equity will limit the extent of debt financing possible, which can lead to a resource crunch. In

order to provide for additional avenues for capital formation, from the current sole source of member equity, it is important to mobilise risk capital from different sources. Preferential share is a useful route in which the company can mobilise risk capital with no voting rights; therefore, it is proposed to include the preferential shares in the share capital besides the equity shares.

Provisions Recommended

In addition to rectifying the issues mentioned, a few new sections have been proposed for incorporation in the Producer Company legislation, to make it more effective in dealing with some of the lacunae identified by the working group. These include:

- a. Valuation of equity shares: Provision for the company to create mechanism to periodically assess the value of the equity shares held by members and declare a fair value of shares periodically, taking into account the accumulated surpluses, goodwill and such considerations. In case of well-performing companies, this can create an appreciation in the value of the equity share, which would incentivise members to acquire more shares. This will help in mobilisation of additional capital, required for growth and expansion of the business, from members themselves. Similarly, there needs to be provision to enable share transfer from member to member, at freshly assessed values, rather than at par value, as is the provision now.
- b. Issue of new equity shares: Both old and new members will buy new equity shares at the appreciated value. The Board may set up a system to assess a fair value, which the new members will be required to contribute to for buying shares.

- c. Provision for easy exit of non-active members: Once the definition of active members becomes sharper, it will be required to have an easy exit mechanism for them and refund of their equity. The law should provide for easy exit to non-user members. If a member remains inactive for a certain period of time as may be specified in the articles of association (AoA), he becomes redundant and the Producer Company should get rid of such members expeditiously. Therefore, the required addition in the provisions is included in the recommendations.

- d. Capital structure—raising external funds through preference shares, bonds, debentures: This is a new provision that needs to be created because the existing legislation does not provide for raising external risk capital. All the issues that the external risk capital investor would have regarding return, control and exit needs to be taken cognisance of adequately and appropriate provisions will need to be made, and therefore suggested in the report.
- e. Inclusion of financing agency in the Board: A provision for Board position for financing agency/agencies will need to be created so that there is an opportunity for them to influence decisions. Care has to be taken to see that the control will remain with the members of the Producer Company. Therefore, it is suggested that space may be provided for their participation in governance in such a way that the majority control of producer members is not compromised.
- f. Voting Rights of Delegates: Clarification is needed on the voting rights of the Producer Companies that have delegates for representing group of members in the General Body meetings.

- g. Buy back of shares: A provision needs to be created to enable a company to buy back shares if the need arises.

Issues Outside the Present Producer Company Legislation

While reviewing the Producer Company legislation, a number of issues outside the scope of the legislation were also identified by the Working Group, the resolution of which is important for the effective functioning of the Producer Company, providing a robust platform to producers, especially the small and the marginal. These issues also are included in the final report of the Working Group.

- a) Tax exemption to Producer Companies: Although the Producer Companies are business enterprises, they serve an important social need, providing a platform for large number of poor producers such as farmers and artisans, to link with markets. It is important that the state puts in place provisions that will encourage the easy setting up and running of the organisation. Exemption from corporate tax, even for a few initial years, will have far-reaching effect on the setting up of such enterprises.
- b) Problems in registration with requirement of Director Identification Number (DIN) and digital signature: The company law requires for every director to have a DIN. For availing of DIN, the proposed director has to furnish proofs such as certificate of Date of Birth and photo identity. While organising Producer Companies with poorer sections of the community living in remote rural areas, many of these conditions are difficult to meet. Similarly, the tax law requires that the proposed director should have a digital signature for electronic filing of tax returns. Availing of this requires Internet facilities

in addition to having a DIN. Such requirements can dampen the interest of rural poor producers, for whom the legislation is primarily meant.

- c) Member education and capacity building: Since many of the Producer Companies are formed by rural poor producers, who may be predominantly illiterate and not fully aware of the law, it is important to invest in their education and capacity building. There needs to be special provisions for this.
- d) Start-up capital: Producer Companies are incorporated as private limited companies and will require to raise a minimum of Rs 1 lakh paid-up share capital as per the provisions of Section 3(1) (iii) of the Companies Act, 1956. For rural producers, raising Rs 1 lakh as start-up capital is a difficult and time-consuming proposition. Similar to the exemption provided under Section 3(6) to Section 25 companies, Producer Companies must also be exempted from the requirement of raising minimum share capital of Rs 1 lakh and be allowed to be incorporated with a minimum share capital of Rs 10,000.

Since many of these companies will be floated by small producers from economically weaker sections, it is suggested that the government needs to provide financial assistance in the form of grants while ensuring that the autonomy in governance and management of the companies is not affected. Wherever feasible, the grants

may be channelled through to the individual producers.

- e) Exemption from capital gains tax and stamp duty while transforming from an inter-state cooperative to a Producer Company: While undertaking this transformation, there needs to be explicit mention in the tax laws that the said taxes and duties will not be applicable. This is again to enable easy transformation, which has been an important objective of formulating this new legislation.
- f) Administrative bottlenecks in setting up a Producer Company: There is need to simplify the procedures of registering a new Producer Company, especially in making the transactions in the local language, as against English currently.
- g) Producer members are not to be treated as employees for the purpose of Provident Fund and similar Labour legislations.

The payments made by the Producer Company to the members are strictly in lieu of their patronage. These payments are not to be considered as wage payments.

The recommendations in the Report are in the process of being offered to the government, to the community of NGOs and other organisations involved in this area and to the small producers, whose interests Producer Companies are meant to serve.

Abridged from the Report of the Working Group on Producer Companies, January 2009

The Business of Guiding

Sanjeev Phansalkar

Mentoring an apprentice needs to be done with caution because of the responsibilities it entails

Field Guides are expected to guide and mentor the Development Apprentices joining Pradan. Whereas the mentorship presumably extends to the whole spectrum of the development profession as such, I suppose the main task is in regard to preparing the Apprentices for community action—how to interact with people, form groups, motivate members in some action, resolve disputes and so on. Without any intention of commenting directly or indirectly on the guides in Pradan, I look at the subject if I were to mentor someone.

Personally, I would feel very shaky about mentoring anyone explicitly and intentionally, mainly because that would entail a responsibility of shaping the way the Apprentice would think and act. Why? Because I would need to feel very sure of myself before I offer a piece of advice to someone new. In the specific context of community action, my diffidence is warranted since I have not undertaken the task myself anywhere.

But even in fields in which I have been working—teaching, case writing, research, consulting, etc., I wonder if I would feel very comfortable with the idea of mentoring a junior deliberately and as a matter of responsibility. This may have more to do with myself as a person and the fact that I have not been trained to mentor—an aspect in which Pradan Field Guides differ from me—than with the fact that wittingly or unwittingly, the newcomer does pick up his lessons from what he observes you doing.

Organic vs. Deliberate

Oh, I am quite aware that during my career, many of my younger colleagues have been interacting with me and speaking to me about

diverse professional issues and, at times, also incorporating what I say or do in their courses of action. An organic process of younger colleagues learning from me is a sort of socialisation process that must go on in any living organisation. On the other hand, a structured, deliberate process that requires me to design inputs for the young colleagues would give me the heeby-jeebies. Why is that?

I guess for three or four reasons. The first is that such a deliberate design presumes that the goals of my action are predictable, incontrovertible, stable and well defined and the relationship between what I do to achieve them and these goals is instrumentally perfect. Such a situation may obtain, for instance, when I teach my young child cycling. The goals are clear, he must learn balancing, know how to start and get on the bike, have the know-how to steer it and avoid oncoming objects. The technology of achieving these, such as body movements, coordination, etc., is well known and the relationship between the actions and goals is stable.

Yet, these conditions seldom obtain in professional spheres. It does not obtain in the academic profession. It is difficult to even specify how much material is good enough to last and be adequately absorbed in an hour by average pupils. So how would I tell people how much to read, what language to use, how much reliance to place on audiovisual aids and so on?

Thinking on the Feet

And these things are even less sharply defined in the complex profession of development. This means, I will need to be doubly sure of what I am telling people to do. Given the

fact that most of the time, the contextual variables—people, kinship networks, bio-physical conditions, politics and so on will be variable, there is a huge need for thinking on the feet and using balance and judgement.

And when these two come in, it is perhaps better that one has a modicum of self-doubt. But the doubt is defeating the basic objective of mentoring tasks. I mean what kind of a mentor would I make if I kept wondering if what I am doing is right all the time?

And yet youngsters need to be taken along and guided. How then? Now I am stretching. I have no idea how you people do it and hence do not think I am attempting to comment. I would rather ramble on situations that have elements of commonality with the one facing the youngster and try to project and analyse what would have been had I taken one course of action and then another and so on.

I would make my own suggestions look as if they were from among a larger set of possible

action. I would stress the need to feel essentially uncommitted to a predetermined course of action. I would rather talk more about developing a sense of smell about the situation and about the people. Yet, I would hold firmly on to some things on which no compromises are possible—personal integrity, transparency, willingness to work hard and so on.

Possibly, I would also communicate my eternal optimism about everyone—people are basically decent and would agree to the right things if their concerns were seen to be at least paid heed to.

But I would very possibly stay away from suggesting a peremptory course of action. And I would hesitate above all to sound as if I know all. For I do believe that the most effective mentors are also those who are seen as patient and wise and not aggressive or pushy.

This article was first published in January 2006.

When Men Migrate

Sabita Parida

Women face abuse when men migrate to cities and are also ill treated when their husbands come home on leave

Recently, *Prabhat Khabar*, a daily newspaper published in Jharkhand, evoked the issue of increasing cases of AIDS in Barsot block of Hazaribagh district in Jharkhand. The increasing trend of migration at an early age was described as the cause of such a situation. The newspaper only focused on one block but in many of the blocks of Hazaribagh and Koderma districts, migration is one of the major earning sources.

The increase in migration in recent years makes the situation alarming. Increased number of AIDS patients is just one facet of this malaise; it has several other impacts upon the lives of migrants and people close to them. It is not too difficult to ascertain the rate of migration from villages. One needs only to look at the huge numbers travelling by general class in Mumbai Mail or Purushottam Express during festivals such as Holi and just after sowing paddy. For the young and the middle-aged men, and even young boys of 13 and 14, migration has become a lucrative option. It is really difficult now to find a young educated boy in this area, who would either be the group accountant or service provider.

Migration cannot not be seen merely as an earning option because it has a deeper impact. There are several people, who are affected by this migration, including the wives, who suffer the most, financially, mentally and physically, and the children, who are brought up under the guidance of a single parent.

Categories of Migrant Youth

The impact of the migration depends upon the categories of migrants, distinguished by age, place of migration, employment, etc.

The first category comprises teenagers. They migrate after the 7th or 8th standard to Mumbai, Delhi or Dehradun, to earn their living.

One of the main reasons behind such migration is the influence of a next-door boy who has already migrated. The latter's lifestyle influences other boys to emulate him by migrating to cities and towns. The lure of a cash income and parental pressure to earn money are the other reasons.

Men who migrate after marriage at 24 or 25 years form the second category. The need for a livelihood drives them.

The migrants can also be distinguished by the places to which they migrate. Some migrate to metros such as Delhi, Mumbai or Kolkata. Others migrate to places such as Dehradun and Andhra Pradesh. I have found that people who migrate to metros wish to lead a life strongly influenced by the urban culture. On the other hand, people who have migrated to southern India come back to try their hand at new and innovative ways of cultivation or are inclined to do some developmental work.

Migrants can also be distinguished by the nature of their employment. It has been my experience that people who work as waiters in hotels or as chauffeurs have the most difficulty in adjusting to rural life.

Impact on Women

Chanchala Devi of Kandadag is married to a migrant worker and is a mother of five children. Her husband sends no money home. She has to earn on her own at a brick kiln or a stone crusher. When her husband came

back after a year of absence, he brought back a meagre sum of Rs 4-5,000, which was barely sufficient to meet his own demands of liquor and good food.

Chanchala's life is hard. She is always working—at home or outside. She has no helping hand. Her in-laws live separately. Her routine is hectic with household work, going to the Padma market 2 km away, collecting firewood from jungles 4-5 km away, and then going to work at the stone crusher to earn daily wages.

She has a small piece of land, which her husband refuses to cultivate, after being used to city life in Dehradun. So she has to cultivate the land (except ploughing, which she might also had to do if women were not restricted from ploughing).

She gets a little physical relief now that some of the children have grown up a bit. But mentally she has to cope alone. It is difficult for her to remember moments when her husband has been beside her during a difficult period

Unreasonable Demands

When men come home on leave from city work, they bring an urban attitude with all its baggage. Sometimes, they do not like the simple, homely look of their wives and often demand that the women (besides her numerous duties) dress up like film actresses. The men often create fuss over the food that is served to them.

For the wives born and brought up in the rural environs, it is sometimes impossible to meet their husbands' unnecessary demands. The men cannot understand how difficult it is to beautify herself when doing household chores. She has to prepare and serve food, clean dishes, maintain the cattle,

collect firewood and do agricultural work under the scorching sun.

The men compare their wives with the city girls. And when the wives do not live up to their 'expectations', the men become frustrated and angry. They then beat up their wives. In Dahuatola village, Jainagar, every day 2-3 women get beaten up by their husbands. It is such a regular thing that villagers just take it for granted.

Several years ago, during my month-long Village Stay as part of my apprenticeship, I found that Shanti Devi, newly wed daughter-in-law of Kalasari Devi, was beaten several times for different reasons by her husband. Sometimes she was left bloody and senseless for hours. He revealed to me that that he was not happy with his wife and her looks. He was working as a cook in a restaurant. According to him, his wife should be smart and beautiful like the girls who frequented the restaurant.

Radha Devi of Bhandra village of Padma has no financial problems because money arrives by draft at regular intervals. But the suspicious nature of her husband has made her life miserable. He has always doubted her character and fabricated stories of her extra-marital affairs. He beats her mercilessly when he sees her talking with any man. According to Rekha Devi, his suspicious nature gets aggravated after his visits to Mumbai. Whenever she tried to prove her innocence, he narrates stories of betrayal in films and the city, and remains adamant about his suspicions.

Sexual Abuse

Women, whose husbands have migrated for work, also have to cope with sexual abuse. Often, close relatives sexually abuse them in the absence of their husbands. Marriage

at an early age is common in this area. Teenage newlywed girls are the prime victims of such cases. After their husbands leave, every other man in the family (father-in-law, brother-in-law, etc.) harasses her sexually.

One such case came to light in Manjhlitarn village of Padma block when the daughter-in-law tried to protest. Her husband left for his workplace after their marriage. When her mother-in-law was absent, her father-in-law forced her into a sexual relationship. When she resisted, her father-in-law beat her head severely. The lady tried to get justice from the panchayat. But her own parents, husband and community pacified her in the name of prestige and social status.

The daughter-in-law of Khemni Devi is another such victim. After 2-3 months of marriage, Khemni Devi's son, who is working as a driver, went to Mumbai for 10-12 months. The young girl was sexually abused several times by a close relative of her in-laws. She hesitated to complain in the new environment. Things came out in the open when she gave birth to a child. Although her in-laws accepted her due to the intervention of the village women's groups, she committed suicide because of the behaviour of the people around her.

In both the cases, the main culprit went scot-free. They were not bound by any societal rule and regulation. In most of the cases, women are victimised. Most family members are aware of such incidents but family prestige and social status make them blind, deaf and dumb. The woman has to endure the harassment.

This is not the end of her story; there is another cruel aspect. Different types of sexually transmitted diseases also came to the woman as a 'gift'. Recently, during a

credit appraisal of a women's group, I was astonished at the credit taken by a member for medication. On asking her several times, she revealed that her son was suffering from a deadly disease. With great difficulty, she spelled the name of the disease, AIDS.

After that incident, I found four such cases in the same village within a year. According to doctors of different blocks of Hazaribagh and Koderma districts, such cases are increasing day by day at an alarming rate, though we do not have the exact data.

Lure of Ready Cash

The main area of concern is the indifference of people to the problems women face when their men migrate. Instead of seeing the ugly side of the coin, people view it only as a good earning option. Parents encourage their teenaged male children to migrate and earn money. The scarcity of working opportunities in the village is not always the only reason.

Migration ensures ready cash in hand, which is not available to people, who are engaged in agriculture or daily wage labourers. According to them, the opportunities to save or construct a *pucca* (brick and mortar) house, which is a common dream, are more for migrants because they get the money in a lump sum. People who work in the fields get their returns either in terms of food grains or very little amount of cash, which is generally spent on a daily basis on food, clothing, etc.

Besides the money, migrants enjoy a special social status. They are considered as people with good knowledge of the 'outside'. When they come after 6 or 8-month stay 'outside', they get royal treatment and that makes migration attractive to the boy next-door.

The migrants' social worth can be guessed from their demand in the marriage market.

Generally, dowry given to a person working in Mumbai, Delhi even as a driver ranges from Rs 1-2 lakhs whereas for a person doing agricultural work, it ranges from Rs 10,000 to Rs 60,000 according to landholding and house status. The bride's parents also feel proud to get their daughter married to a person working 'outside'. Who will not prefer to migrate to enjoy such social status?

How to Address the Problem?

The first roadblock is that the victim herself often does not realise the problem. Wife beating is taken for granted. It is taken as the right of the husband. How does one stop this, without making them realise that this is wrong? Social acceptance is a big obstacle.

As a Pradan professional engaged in livelihood promotion, we rarely pay attention to these social issues. We are so engaged in promoting dairy, poultry and agriculture that we forget the real life of the people with whom we work. We are more concerned about the lives of cattle and poultry.

A real cause for concern is we do provide a platform to our SHG members to share their problems. They hesitate to discuss their home affairs although they discuss agricultural development or the urge for reeling yarn. If a member does discuss her problems, other members avoid the issue, dismissing it as a personal matter.

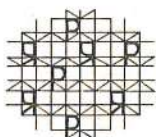
When I tried to highlight such issues in general body meetings, I met with a very cold response. But the members discussed late fines, absent fines, credit linkages, etc., very vibrantly.

There must be some problem in our grooming process; else how are our members blind to such sensitive issues? They may be able to earn money, but without the awareness of their own rights, they will not be able to own the money. We have to re-look at whether we are merely promoting enterprises to be run by rural women or are we really interested in changing their lives for the better.

This article was first published in October 2005.



PRADAN (Professional Assistance for Development Action) is a voluntary organisation registered under the Societies' Registration Act in Delhi. We work in selected villages in 8 states through small teams based in the field. The focus of our work is to promote and strengthen livelihoods for the rural poor. It involves organising them, enhancing their capabilities, introducing ways to improve their incomes and linking them to banks, markets and other economic services. PRADAN comprises professionally trained people motivated to use their knowledge and skills to remove poverty by working directly with the poor. Engrossed in action, we often feel the need to reach out to each other in PRADAN as well as those in the wider development fraternity. NewsReach is one of the ways we seek to address this need. It is our forum for sharing thoughts and a platform to build solidarity and unity of purpose.



Professional Assistance for Development Action (PRADAN)

3 CSC, Niti Bagh, New delhi 110 049, India

Tel/fax : 011 2651 8619/2651 4651 4682, Website: www.pradan.net

E-mail: newsreach@pradan.net