MICROFINANCE IN POVERTY ALLEVIATION: A POLICY LEVEL ANALYSIS OF THE INDIAN CASE WITH SPECIAL REFERENCE TO SEWA

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NILANJANA SENGUPTA

Centre for the Study of Regional Development
School of Social Sciences
Jawaharlal Nehru University
New Delhi-110067
India
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जवाहरलाल नेहरू विश्वविद्यालय
JAWAHARLAL NEHRU UNIVERSITY
Centre for the Study of Regional Development
School of Social Sciences
New Delhi-110067

CERTIFICATE

I, **Nilanjana Sengupta**, certify that the dissertation entitled **"MICROFINANCE IN POVERTY ALLEVIATION: A POLICY LEVEL ANALYSIS OF THE INDIAN CASE WITH SPECIAL REFERENCE TO SEWA"** for the degree of **MASTER OF PHILOSOPHY** is my bonafide work and may be placed before the examiners for evaluation.

Nilanjana Sengupta
NILANJANA SENGUPTA

Forwarded by

(PROF. AMITABH KUNDU)
SUPERVISOR

(PROF. ASLAM MAHMOOD)
CHAIRPERSON

Chairperson
Centre for the Study of Reg. Dev.
School of Social Sciences
Jawaharlal Nehru University
New Delhi-110 067

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When I was deciding how to write my acknowledgements, I realized that like everything else, this too had a standard pattern. But for some unknown reason I was seized upon by this desire to break free of standards and write my own mind! So, I hope, one would pardon the flouting of norms and humor me for this little rebellion.

This dissertation work was my first peep into the exciting world of research. My guide, Professor Amitabh Kundu, helped me not only in the conceptualization and articulation of my specific problem, but also gave me a wide perspective on development issues. Moreover, he has been a constant source of academic and moral support, infusing me with a new confidence after every low that I experienced- Sir, thank you ever so much for your tremendous support through all my muddleheaded confusions and inconsistencies. Without your consistent support, I would probably be in a deep sea!

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CHAPTER ONE

INTRODUCTION

Poverty alleviation debates captured the imagination of every planner, policy maker and academician in the second half of the twentieth century. There was a great deal of dissention over the best method to achieve poverty alleviation, especially in the context of the third world, recently emerging from colonial yokes and thereby characterised by deep rooted structural bottlenecks. The issue of concern was not only the extent of poverty but also the extent of inequality. Thus, poverty alleviation programmes needed to increase incomes on the one hand and reduce inequalities on the other. There were two central approaches to poverty alleviation. The first envisaged a trickle down theory of growth whereby economic growth and development would automatically lead to increased incomes and well being of the poor people. The other approach emphasised that in view of the iniquitous distribution of income and wealth, growth and development in general may not lead to the enhancement of the living standards of the poorest sections that had little access to income and employment opportunities. Furthermore, poverty manifested itself not only in terms of low incomes and unemployment, but also in terms of low nutrition, disease, high mortality, illiteracy, unsanitary living conditions, social and cultural deprivations, to name a few. Thereby, there was a gradual recognition of the need to evolve targeted poverty alleviation programmes within a framework of integrated development of the economically and socially deprived sections of the populace. Third world economies, especially India, being essentially rural economies, a great deal of emphasis were placed on rural development programmes.

Within rural development strategies, there was a further debate between self employment and wage employment programmes. It was felt that while wage employment created a secure source of incremental income, self employment programmes led to asset creation and thereby enabled the poor person to break free, on her own, from the vicious cycle of poverty on a more sustained basis. Thus, India opted for a rural development programme with self employment as its core.

However, self employment programmes, too, were conceived in different ways. Encouraging people's small entrepreneurships could take place by one or all of area focused (developing the opportunities pertaining to a specific area), sector focused (developing a particular trade) or function focused (delivery of credit) strategies. In India, to begin with, the approach was an integrated one, which combined not only the various types of self employment strategies, but also incorporated wage employment strategies as a supportive income generating activity. Furthermore, an effort was made to integrate the employment programmes with the delivery of other development services that would enhance the overall capacities and well being of people.

Towards the end of the century, however, there was a growing consensus over the functional strategy as the best path towards poverty alleviation in a liberalized economy. Organisations like the *Grameen Bank* of Bangladesh and *SEWA* (Self Employed Women's Association) of the Gujarat, India became noted for their success in reaching a large number of poor people through microfinance provision. Since this model of microfinance did not require any large scale Government planning or expenditure, it also fell in place with the structural adjustment philosophy propagated by the World Bank and the International Monetary Fund. Accordingly, there was a mushrooming of various microfinance providers, most of which restricted themselves to mobilisation of savings and provision of credit on a sustainable basis without delivering any development services. Various non Governmental bodies, too, began to actively engage themselves in this strategy for rural development.

However, divergent trends were observable within the functional approach of microfinance provision. On the one hand, organisations like the *Grameen Bank*, funded by international and Government's grants, targeted the poorest by keeping the interest rates on loans low and providing a range of development services along with credit. On the other hand, organisations like *the Banco Sol*, Bolivia stressed upon economic viability of the microfinance provider by charging market rates of interest and refraining from provision of any development services.

Within India, too, there was a gradual inclination towards the functional approach in Governmental and non Governmental policy approaches towards rural development and poverty alleviation. This dissertation explores at the policy level, the gradual change in microfinance component in rural development and poverty alleviation programmes undertaken by the Government of India. It further examines the model of microfinance promoted by the *SEWA* in Gujarat, situating it within the overall microfinance trends observed internationally.

For the purpose of research, secondary data have been used, some of which are unpublished data, collected personally from the SEWA bank in Ahmedabad, Gujarat.

Following is a basic outline of the different chapters of the dissertation:

Chapter One is the Introduction.

Chapter Two provides a theoretical framework of international trends in microfinance. It starts with a description of the main approaches to Livelihood, Employment and Income generation (LEIG) programmes viz., the area, sector and function focused strategies and provides a short description of the main microfinance players in the international arena. Then, it goes on to discuss the two principal trends within microfinance- the poverty lending approach, and the financial systems approach. Finally, it discusses the importance of community participation in the design and implementation of various LEIG programmes including the function focused strategies.

Chapter Three outlines, first, the initial conception behind rural development and poverty alleviation programmes in India. Then, it provides an analysis of the achievements, failures and changes in the major rural development programme in India viz., the Integrated Rural Development Programme (IRDP) over the various plans. It also looks at the special measures undertaken under IRDP in the Gujarat Plans, which made Gujarat a thriving ground for collaboration between Government and grassroots organisations for the implementation of IRDP and various other rural development programmes. The chapter also looks at some other credit based self employment programmes other than IRDP, being promoted by the Government of India, like the *Rashtriya Mahila Kosh* and the *Bank Linkage* programme promoted by the NABARD, which are being modelled on exclusive microfinance provision.

Chapter Four gives an overview of the Self Employed Women's Association's (SEWA's) model of integrated rural development and the role of microfinance within that model. It looks at the performance of the *SEWA Bank*, a bank owned, managed and operated by poor self employed women from the available data. It further tries to locate *SEWA* within the international microfinance debate.

Chapter Five concludes. It is argued that to achieve an overall empowerment, there is need for an integrated development programme where the Government actively collaborates with grassroots organisations in order to effectively address the diverse needs at the ground level.

CHAPTER TWO

INTERNATIONAL MICROFINANCE DEBATE: A FORK IN THE ROAD

2.1 BACKGROUND OF THE DEBATE

The microfinance debate revolves around two broad approaches: financial systems approach and poverty leading approach. However, these approaches can be located in the larger framework of the Livelihood, Employment and Income Generation (LEIG) debates that emerged in the post Second World War period when poverty and its eradication became a central concern among academicians and policy makers. Despite large scale anti poverty programmes undertaken by several developing nations since the 1950s, a World Bank Report[1] (1986) found that close to one billion people in the developing world lived in conditions of absolute poverty, that is, in situations where their income was so low that they could not afford enough food to provide 2250 calories a day. Moreover, the disparities in economic well being between different groups of people, especially between the two genders came into focus. Caren A. Grown and Jennefer Sebstad (1989) mentioned that:

> Well over half of the poor are women, who have limited ownership of land or other assets, and limited assess to credit, well-paying jobs, and educational opportunities. Their labour incomes have declined and they continue to suffer disproportionately from hunger and malnutrition.[2]

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[1] World Bank (1986) *Population Growth and Policies in Sub-Sahara Africa*, World Bank, Washington, DC.

[2] C.A. Grown, and J. Sebstad (1989) 'Introduction: Towards a Wider Perspective on Women's Employment', *World Development*, Vol.17, No. 7, p. 937.

Thus, by the end of 1980s, it had become clear that the ongoing poverty programmes were not entirely successful. At the same time, major changes were taking place in the dominant economic discourse of the world. The philosophy of the welfare state that had emerged in the post Second World War reconstruction phase was now being replaced by an aggressive pursuit of 'free market' propagated by the neoclassical school of economics and implemented by the Brettenwood sisters, viz., World Bank and International Monitory Fund, through their macroeconomic policies of liberalization and structural adjustment. This had fundamental implications for the policy approach towards poverty in general and gender and poverty in particular. Along with the rollback of the state and deregulation of the markets, there occurred a huge expansion of the informal sector economy, a significant proportion of which was occupied by women. In fact, the period of deregulation was marked by a considerable rise in female labour participation rates. In 1950, 37 percent of women in developing countries were counted as labour force participants, by 1985, this had risen to 42 percent.[3] Guy Standing[4] (1989) pointed out that there was an increase in women's work participation rate through the operation of three macroeconomic trends: The emphasis on export-led industrialization, relying heavily on the use of low-wage female labour; the pursuit of cost cutting (and by implication low wage) strategies in the development of process; and labour market deregulation of production in

[3] C.A. Grown, and J. Sebstand (1989) *op.cit.*

[4] G. Standing (1989) 'Global Feminization Through Flexible Labour', *World Development*, Vol.17, No.17, pp. 1077-1095.

the form of contracting and subtracting, which removed the traditional male bias against employing women since the low wage and insecure job contracts were more acceptable to women and also since much of these production activities could be operated from home on a part time basis.

> The shift away from large centralized work forces toward more decentralized, flexible systems implies less emphasis on those behavioral characteristics that traditionally have been cited as justification for discriminating against the recruitment of women, such as women's alleged higher absenteeism and labour turnover.[5]

Thus, the gender focused anti poverty measures had to be reexamined in the light of the new economic condition in which more women were finding employment but the jobs were more static (dead end) than in the past, wages had declined to a point where only individual and not even family subsistence was being covered, and most importantly, insecurity and dependency relations were replacing formally secure labour contracts and job stability.

In this changed scenario, the informal sector, therefore, presented a vast area in which women in rural, urban and semi urban settings were crowding. A large part of the informal sector, in turn, comprises of micro enterprises by women, for example, street vendors, home workshops, market stalls etc. Before the period of globalization, these micro enterprises were generally perceived by the policy makers and economists to be the result of economic dysfunction. Micro enterprises were thought of as little more than an indicator that the structure and growth rate of the formal economy were inadequate to absorb the national labour

[5] R. Anker, and C. Hein, Eds. (1986) *Sex Inequalities in Urban Employment in the Third World*, Macmillan, London.

force, and so were perceived as a disguised form of unemployment.[6] But in the changed context, policy makers in some countries reviewed their approach, viewing informal micro enterprises not a problem for the economy, but rather as an important solution to crucial aspects of current problems that are caused by poverty and multiplied by massive rural-urban migration. Thus, this period marked a major transition from large scale government sponsored anti poverty measures to a focus on informal sector micro enterprises as a target area for gender sensitive anti poverty measures. Another important aspect was the realization of the vast rural urban gap. It was observed that in case of developing and underdeveloped economies, the rural sector showed an overwhelmingly high incidence of under employment in agriculture and poverty. In the absence of rural industries it was imperative that micro enterprises in the rural non-farm sector be encouraged and the opportunities for self employment of the people be explored. It is in this background that the LEIG philosophy has to be understood.

2.2 STRATEGIES OF LIVELIHOOD, EMPLOYMENT AND INCOME GENERATION (LEIG): ALTERNATIVE THEORIES AND THEIR EVALUATION

2.2 (a) Measures for Evaluating Performance

Since 1975, there has been extensive experimentation with direct productive micro level assistance aimed especially at women, in pursuit of LEIG. Judith

[6] S.M. Robinson (2001) *The Microfinance Revolution: Sustainable Finance for the Poor*, Vol.1, World Bank and Open Society Institute.

Tendler[7] (1987) while identifying a small number of 'better performing' organisations (engaged in micro lending programme of LEIG) suggested two specific measures of judging the significance of a programme: The first is meaningful sustainable gains in income levels, and the second is stability (though not necessarily permanent escape from poverty) achieved by a large number of beneficiaries as a direct result of participation in the programmes. This measure tends to favour strategies, programmes and services that are subject to economics of scale.

The second measure is more indirect. It involves influencing in a positive way those Government policies and market forces that simultaneously shape livelihood opportunities of the poor. Thus, it involves a kind of systemic change. According to Tendler, therefore, the essence of performance is real improvements in income, whether achieved through direct assistance or systemic change.

Two other measures of significance have been suggested by Katharine McKee (1989) Programmes should be assessed in terms of:

> Their contribution to aggregate employment, economic growth, and diversification of the local economic base. As such, this argument gives relatively less weight to distributional concerns and ... the extent to which beneficiaries, and in some cases their households or communities, are mobilized and thereby empowered. Even if actual income gains or the number of individuals involved is small, this argument runs, the results achieved by the microlevel interventions are important (and worth funding) if the participants can thereby gain in confidence and exercise their newfound power.[8]

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[7] J. Tendler (1987) *Whatever Happened to Poverty Alleviation? A Report Prepared for the Mid Decade Review of the Ford Foundation's Programmes on Livelihood, Employment and Income Generation,* The Ford Foundation, New York.

[8] K. McKee (1989) 'Microlevel Strategies for Supporting Livelihoods, Employment and Income Generation of Poor Women in the Third World: The Challenge of Significance', *World Development,* Vol. 17, No. 7, p. 994.

The third measure, therefore, pertains to achievement of overall economic growth and employment and the last measure relates to empowerment.

There are various Governmental as well as non Governmental bodies, which employ different LEIG strategies in pursuit of poverty eradication. In this dissertation, the discussion centres around strategies for self employment, although wage employment has often been the crux of Government sponsored policy measures. The former, in spite of their complex nature, can be broadly classified into certain categories as are discussed in the next section.

2.2 (b) Introducing the Strategies

Area Focused Strategy: It offers a comprehensive range of services (skills, training, credit, marketing assistance, basic education, family planning, health/nutritional services) to a target group of clients (e.g., refugee women, women from landless households etc.), which could be a cluster of poor neighborhoods in an urban settlement, clusters of rural villages etc. In such a strategy, social and political goals are often treated at par with economic ones.

Sector Focused Strategy: Here, the development programme seeks to address the specific problems confronting micro enterprises and the self employed within one or several economic sectors, industries, trade groups or organisations. This involves a range of interventions at the level of marketing, input supply, technology training, credit, advocacy with powerful public and private sector enterprises etc.

Function Focused Strategy: The rationale for this strategy is that making credit available will itself unlock considerable self-employment, enterprise startups and expansions. This is the 'missing piece' approach. This strategy can be adopted in various ways: (a) Setting up 'parallel' systems of credit in order to substitute for their non-availability from formal capital markets. (b) Engaging banks in micro enterprise credit delivery either with 'direct' responsibility for loans and technical assistance or with 'indirect' responsibility in which the banks just gives loans but the credit assessment and technical assistance are performed by another intermediary like an NGO. (c) Creation of poverty focused development banks.

2.2 (c) Evaluating the Strategies

Proponents of the area focused strategy argue that it is intrinsically more empowering than other strategies because organisations are more accountable to the constituencies and responsive to their expressed needs. However, one limitation of this strategy is that it does not concern itself with systemic changes in policies and markets. If the organisation engages in advocacy with public and private officials and resource agencies, once the constituency's needs are met, no effort is made for changes in policy at a higher level or beyond the immediate catchment area of participants. Secondly, because this strategy entails pursuit of both economic and non economic goals, the multiple goals may become confused in practice.[9] An example of this kind of strategy would be the Integrated Rural Development Programmes all across the developing world.

The sector focused strategy raises a crucial question: should the organisation aim at incremental and marginal changes in production and marketing by focusing on sectors with largest concentration of the target group say women or should it 'pitch winners' by identifying sectors with new technologies, which are riskier and serve fewer (smaller outreach) but promise potentially more substantial economic gains through the poor women's control over modern technologies and enterprises? There are several criteria for choice. First of all, if maximum outreach is the goal of the programme, then it is better to focus on sectors with the highest density of women workers/ micro entrepreneurs etc. SEWA (Self Employed Women's Association) in fact, designed its model initially on this vision although later on, it went on to target an area and look comprehensively at all the structural bottlenecks to full employment in that area, even researching on new opportunities for employment, when the traditional occupation became difficult to pursue. SEWA's approach will be discussed in detail in the fourth chapter.

If the objective is to empower women by removing the barriers to women's entry into non traditional sectors, the second approach will be adopted. However this involves a huge amount of risk. The question is, *who bears this risk*? If the organisation is not in a position to offer a safety net in case of failure, should it steer women towards these riskier occupations?

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[9] M. Buvinic (1986) 'Projects for Women in the Third World: Explaining Their Misbehaviour', *World Development*, Vol.14, No.5, pp. 653-664.

If employment, growth and economic diversification were the issues, then organisations would look for unexploited markets, technology transfer potential, strong backward and forward linkages with industry and commercial agriculture. In fact, a strong argument for diversification is that the great majority of one-person and home-based firms (in which poor women predominate) are at the margin of economic survival.[10] Like in the previous issue, the associated risk in a new occupation is a rationale against diversification margin of economic survival.[11] Like in the previous issue, the associated risk in a new occupation is a rationale against diversification.

Another limitation of the sectoral approach is that most poor women pursue a 'portfolio' approach to earning income. They engage in a diverse range of economic activities, depending on time, resource availability and market. Thus, intervention in only one sector or market may be of little interest to them.

Both the area focused and sector focused strategies involve structural changes, which depend upon the political commitment of the country in question. Also these strategies deal with increasing women's access to publicly supported systems of subsidies, credit, non financial inputs, markets services etc., which have a strong male bias. So while these strategies are definitely empowering both economically and socially and might also have a wide outreach (in the sector focused strategy), they involve huge costs of research and advocacy for the organisation and might fizzle out in spite of research and advocacy, if the

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[10] C. Liedholm, and D. Mead (1987) Small Scale Industries in Developing Countries: Empirical Evidence and Policy Implications, MSU *International Development Paper,* No. 9, Michigan State University, Michigan.

[11] Ibid.

structural constraints are too powerful to overcome and political will is lacking. Thus, these organisations may have to face the serious risk of failure as well as loss of economic viability/ sustainability. In contrast, the credit based approach makes things much simpler and more viable for the organisation.

> By focusing on a generic constraint like credit, the development organization can legitimately remove itself from the role of trying to analyze (and pick "winners" from among) the large array of income-earning activities and sectors in which its constituency engages.[12]

From the funding agency or donor perspective, perhaps, this represents, the easiest path of intervention since the task of choice of employment, increasing incomes, expanding business, dealing with structural bottlenecks might be left with the borrower and her level of initiative and loan use. However, within the credit framework there is a further divide between provision of 'minimalist credit' vs. 'credit plus' i.e., credit accompanied by technical assistance, training or other forms of assistance like activities 'designed to raise women's awareness of the social and economic barriers they face as women or to strengthen women's leadership ability.[13] The proponents of sustainable microcredit often emphasize the minimalist credit approach since it can have the widest outreach and become an economically viable proposition. Some leading examples of this approach are the *Bank Rakyat,* Indonesia and *Banco Sol*, Bolivia, both of which have achieved the most impressive outreach in terms of credit disbursement and saving mobilisation.

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[12] K. McKee (1989) *op.cit.,* p. 995.

[13] S. Kindervatter (1983) *Women Working Together Overseas Education Fund,* Washington, DC.

However, from the perspective of the recipients of the loan, merely the provision of credit may not lead to any substantial increase in their income and employment, especially in the context of the third world, in which the poor and especially poor women suffer from structural economic bottlenecks, lack of skill, in the society as well as hunger and malnutrition. Most of the literature on microcredit focus on the issues of outreach and sustainability from the donor perspective and very few studies have been carried out to rigorously analyse the actual impact of the functional approach on the incomes and livelihoods of poor women. In fact, it is very difficult to detangle a business activity from the whole range of household activities, particularly in the case of self employed women in home based enterprises, thereby making an assessment of impact very tough.

However credit, whether or not accompanied by training and other assistance, may lead to incremental improvements in the livelihoods of the economically active poor.[14]

> In the process of livelihood stability and growth, often there is a progression of loan uses. At first the borrower may carry out an income earning activity they know well but cannot perform more profitability as a result of the loan (e.g., by buying larger qualities of inputs and inventories at a lower unit price, and by having lower interest payments) When a succession of loans is available, functioning like a line of credit, borrowers may overtime move into more complex and potentially more profitable activities.[15]

2.2 (d) Choice of the Strategy

The different kinds of programmes within the functional approach viz., parallel credit programmes, bank led credit, and poverty focused development banks can

[14] The distinction between economically active poor and the ultra poor has been taken from Hulme and Mosley (1996) and is discussed in detail in section 2.3, the economically active poor, by definition are those whose subsistence demands have already been fulfilled and can therefore invest the loan into business without diverting it for activities like children's education, provision of food etc.

[15] K. McKee (1989) *op.cit.,* p.1001.

opt for either of the credit or credit plus strategies. Mostly, however, the poverty focused development banks assume the credit plus role. The *Grameen Bank*, one of the pioneers and leaders of the poverty focused approach, operates more within the credit plus category. The microfinance component in the poverty alleviation programmes carried out by the Government of India in the form of Integrated Rural Development Programme (now merged into the SGSY) theoretically moved much beyond the credit plus strategy since it integrated various measures (sectoral, area and functional) for an overall uplifttment of the rural poor. The Bank SHG linkage initiated by the NABARD in the 1990s, on the other hand, largely restricts itself to the minimalist credit strategy.

A number of factors influence the choice between these LEIG strategies and also between the credit and credit plus strategies within the functional approach. First, of course is the specific understanding of the development organisation regarding poverty and gender- its causes and methods for eradication; secondly, its definition of the target group of beneficiaries; thirdly, the nature of the organisation i.e., whether it is a Government or non Governmental organisation funded by donors (grants and 'soft' loans), a private commercial organisation, a trade union etc. Lastly, the dominant economic discourse prevailing in the world in general and the third world in particular have tremendous influence on the choice of a LEIG strategy. Within the credit paradigm the two most commonly researched themes are 'outreach' and 'sustainability'. These notions and the divergent opinions regarding their desired levels are also rooted in the same factors and philosophies that guide the choice of

LEIG strategies. These opinions and alternative programmes can be broadly classified under financial systems approach and the poverty lending approach.

2.3 FINANCIAL SYSTEM'S APPROACH VS. POVERTY LENDING APPROACH: ISSUES AND IMPLICATIONS FOR OUTREACH AND EMPOWERMENT

The poverty lending approach focuses on reducing poverty through credit and a number of other services provided by institutions that are funded by donor and Governmental subsidies and other funds. A primary goal is to reach the poor, especially the poorest through credit. Except for mandatory savings required as a condition of receiving a loan (initial savings of the group in the pre loan phase), savings is normally not a significant part of the poverty lending approach to microfinance. Often, the poor cannot save in such an institution unless they also borrow from it. As indicated by the term, poverty lending, the emphasis is on microcredit rather than microfinance.

In contrast, the financial systems, approach focuses on commercial financial intermediation between poor borrower and savers; its emphasis is on institutional self sufficiency. These intermediaries provide loan and voluntary savings services to the economically active poor. Their loan portfolios are financed by savings, commercial debt and for –profit investment in varying combinations. The *Grameen Bank* of Bangladesh is a leading example of the former approach while *Bank Rakyat*, Indonesia, *BRT Micro Banking* system and Bolivia's *Banco Sol* are leading examples of the latter approach.

The Bank SHG linkage established in India in the 1990s is largely inspired by the BRI example. The SEWA, on the other hand is a separate category by itself since credit is just one of its manifold activities and originally it was a trade union.

2.3 (a) A Short Description of the Leading Institutions of Microfinance

In 1972, SEWA came into existence by organizing the head loaders in the city of Ahmedabad in Gujarat, India. Gradually, the union of self employed women spread to various other occupations all across the state and at present the union has assumed an all India character through the SEWA Bharat. Owing to great difficulty in obtaining credit for its members i.e., poor women, from the formal financial system, SEWA, two years after its own inception, formed Shri Mahila SEWA Sahakari Bank Ltd., in the model of a poverty focused development bank. It offered its members opportunities for depositing savings as well as obtaining credit. SEWA is one of the most notable examples in the 1970s, of a microcredit provider.

By the 1980s, however, numerous institutions in many parts of the developing world were providing microcredit and recovering their loans. The establishment of the *Grameen Bank* in Bangladesh in 1983 proved to be a major benchmark in the history of microfinance. The 1980s also saw the emergence of the *Bank Rakyat*, Indonesia. *BRI*, a large state owned commercial bank.It began its commercial approach to microfinance by 1984. It has been profitable since 1986 (even in the year 1999, when Indonesia was just emerging from the most serious economic downturn of the country in recent history, it has recorded a huge profit)[16]. It charges market rates of interest, mobilises huge amount of voluntary savings ($2296 million in 1999)[17], disburses a large volume of loans ($14218 million in cumulative terms in 1999)[18] and accepts no subsidy. The *Grameen Bank* and the *BRI* both reported high repayment rates as well as profit.

However, it has been contended that if the subsidy component of the funds received by the *Grameen Bank* is removed, then it will have to raise the interest rates charged on loans substantially in order to remain economically viable.[19]

By the end of 1980s, therefore, it became clear by the examples of the *Grameen Bank* and *BRI* that microfinance could achieve a large outreach. That it could reach a large outreach profitably, without subsidy was clear from the *BRI* experience. The period of the 1990s saw an accelerated growth in the number of microfinance institutions and an increased emphasis on reaching scale. In Bolivia, *Banco Sol* pioneered the access of microfinance institutions to domestic and international financial markets and to for- profit investors. Internationally, a microfinance industry began to develop.

Unlike the *BRI*, *Banco Sol* is a privately owned bank for micro entrepreneurs. It is financed by a combination of domestic and international commercial debt and investment and locally mobilised voluntary savings. By

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[16] S.M. Robinson (2001) The Microfinance Revolution: Sustainable Finance for the Poor, Vol.1 (Chap.1) *World Bank and Open Society Institute*, Table2.3, p.65 (Table's Source is BRI Unit Desa. Monthly Reports-1996-1999)

[17] Ibid.

[18] Ibid.

[19] J. Morduch (1999) 'The Role of Subsidies in Microfinance: Evidence from the Grameen Bank' *Journal of Development Economics*, Vol. 60, pp. 229-248.

1997 it provided loans profitability to more than one quarter of Bolivia's bank clients.[20] So, by the end of the 1990s, the 'microfinance revolution' was well under way, led on the one hand by the *Grameen Bank* and on the other hand by institutions like *Banco Sol* and *BRI*.

2.3(b) The Great Debate

The debate between the two approaches revolves around the following questions:

(i) ***Which is the target group and what is its need?***

It is quite evident that the target group for microcredit provision under the financial systems approach is the economically active poor and not the ultra poor. Hulme and Mosley (1996) define the minimum economic threshold that separates the core poor (ultra poor) from the poor (economically active poor) as:

> The existence (among the poor) of a reliable income, freedom from pressing debt, sufficient health to avoid incapacitating illness, freedom from imminent contingencies and sufficient resources (such as savings, non essential convertible assets and social entitlement) to cope with problems when the rise.[21]

In developing economy context, this definition appears to be a little too demanding and may actually exclude a large section of the poor who do have marketable skills or control over earning assets but might still be subject to debt burdens, contingency needs like illness, marriage dowry, necessary funds for children's education, nutrition etc. In fact, the economically active poor can be found on both sides of the officially delineated poverty line (a little above and a little below the poverty line). For example, a woman engaged in rolling 'bidis' in

[20] S. M. Robinson (2001) *op.cit.,* p. 34.

[21] D. Hulme and P. Mosley (1996) *Finance Against Poverty,* Routledge, London, Vol. 1, p. 132.

a small backward village in India, while not satisfying the strict definition of Hulme and Mosley and lying below the poverty line, may still be economically active enough to be capable of self employment.

Thus, taking the economically active category to stand for those who have some skill and earning capacity, proponents of financial systems approach would advocate sustainable credit for them and donor funded assistance in the form of food, clothing, shelter, medicines, and education for the ultra poor. They argue that poorest of the poor should not be the responsibility of the financial sector. Their food employment and basic requirements are appropriately financed by Government and donor subsidies and grants.

The issue is that in the present scenario of structural adjustment programme along with liberalization, taking place all over the developing world, the Governments, in their effort to reduce expenditure are gradually moving away from the social overhead sectors. In India specifically, the ultra poor lie in the hopeless clutch of hunger, malnutrition, structural bottlenecks in income generating and employment activities and lack of skill and education. It is not that they are incapable of employment or earning. The problem lies in the lack of ownership of assets, seasonal employment and disguised unemployment and inters locking rural markets, which place them in a perennial cycle of debt with the local moneylender who is often the employer as well. Pressing consumption needs and emergency situations arising due to inability to market their goods/crops, dependence on weather for agriculture workers (drought/ flood/ lack of rain) push them towards local moneylenders who charge exorbitant rates of interest. Inability to identify alternative employment channels due to lack of knowledge of the market as well as lack of training, lead them to sink below the level of subsistence at times when the traditional occupation fails to yield returns. With a receding Government participation in the development and infrastructure programmes, where do these people go? International donors cannot be the general solution because it is economically non feasible that they extend support for survival to all these poor people. Moreover, AID and Grant agencies are also guided by their own political and economic philosophies, mostly fed by the same logic of a free market economy. However, these are not the themes for this dissertation and cannot be examined here. The contention is not to rule out international aid in dealing with the food and health deficiencies of the ultra poor. The contention is rather that a policy decision to exclude the ultra poor from the purview of credit may be erroneous because even the ultra poor have a strong survival instinct and some assistance along with credit might allow them to make marginal if not substantial improvements in their livelihood. It could be argued that the choice of a livelihood strategy would be different for ultra poor. The sector focused or area focused strategy might be more empowering for them. In fact even within the microcredit paradigm, one could argue for designing separate credit packages for the economically active poor and the ultra poor: minimalist credit for the former, and credit plus for the latter.

(ii) ***What is the relationship between outreach and sustainability?***

> The defining characteristics of the microfinance revolution is its large-scale outreach in the provision of financial services to low- income clients-a scale that is made possible by regulated, self-sufficient financial intermediaries.[22]

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[22] S.M. Robinson (2001) *op.cit.,* p. 34.

This is the moving principle behind the financial systems approach. The logic is that given the huge demand for microfinance worldwide, the only possible means to reach a scale of great magnitude is through institutional self sufficiency. Subsidy dependence might keep the interest rates on loans low but it cannot be a long term solution especially if a large scale of credit provision is to be achieved. Rhyne (1998) comments, 'it is clear that the poverty/sustainability debate is ultimately about whether to subsidize interest rates.... There is in fact only one objective-outreach. (Institutional) Sustainability is but the means to achieve it.'[23] Rhyne and Rosenberg (1998) further add:

> Every decision to settle for less than full financial viability is of necessity, a decision to reduce the number of people who will gain access to financial services in favour of giving larger benefit to a small number of people.[24]

Training and other services undertaken by microfinance institutions as well as subsidized interest rates raise the cost of the institution. It is important to note that advocated 'market rate of interest' is not the same as the market rate prevailing among other financial institutions like commercial banks (not involved in microcredit).

Microfinance institutions are typically labour intensive and must maintain and staff many small, widely dispersed outlets that are conveniently located for clients, which imply that costs incurred by such institutions are normally higher than those of standard commercial banks. Moreover, it is more costly to process

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[23] E. Rhyne (1998) 'The Yin and Yang of Microfinance: Reaching the Poor and Sustainability,' *Microcredit Bulletin,* Vol. 2, pp. 6-8.

[24] E. Rhyne, and R. Rosenberg (1998) *A Donor's Guide to Supporting Microfinance Institutions,* CGAP Occasional Paper, World Bank, Consultative Group to Assist the Poorest, Washington DC.

many small loans and savings accounts than a smaller number of larger ones. Thus:

> In the microfinance arena, discussion of 'market rates' and 'subsidized rates' tend to be confused. The term 'market rate' should mean a rate that arises from the interplay of supply and demand in some defined range of transactions...market rate is used to refer to the rate at which commercial banks and their conventional customers conduct deposit and loan transaction. Loan interest rates are called 'subsidised' or 'unsubsidized' depending on whether they cover the full cost of providing the loan. Costs of providing micro loans are higher, as a percentage of loan amounts, than costs conventional bank loans. Thus, a market rate (as defined here) is likely to be a 'subsidized rate' if it is applied to micro loans.[25]

The financial systems approach maintains that the two most crucial aspects from the borrower's aspect are access and cost. For the largest possible access, the interest rates have to be raised (in order to maintain the organisations viability as subsidies in the form of soft loans and grants are absent) even higher than the interest rates charged by the standard commercial bank because its cost is higher than the former. However, this interest rate is still much lower than the interest rate charged by the moneylender. It provides a net gain to the borrower from the microfinance institution (transaction cost due to borrowing from microfinance institution higher than that due to borrowing from local money lender but lower than that incurred due to borrowing from formal financial institutions like standard commercial bank).

On the other hand, under the poverty lending approach interest rates will be lower in order to grant access to the poorest of the poor, who otherwise remain excluded from the entire process. The poverty lending approach, therefore, identifies an altogether different target group- ultra poor as well as the

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[25] C.R. Peck (1997) 'Banking Services for the Poor: Managing for Financial Success', *ACCION International*.

economically active poor. Thus, its focus is on the 'depth' of the outreach (i.e., the access to credit of the poorest among the poor) and not merely on 'scale' of the outreach (i.e., access to credit of the largest number of poor). Thus, if a microfinance institution of this category wants to achieve both depth and scale of outreach, it has to necessarily compensate for the loss in return (due to lower interest rate) and higher cost (due to provision of training and other services along with credit) by depending upon subsidies.

It may be said that the two approaches constitute two alternative visions of the microcredit paradigm. The financial system's approach considers microfinance as an industry, which in order to be efficient must be commercially viable. Michall Chu, a former *Wall Street* financial specialist, who went on to become the president of ACCION International and spearheaded the financial systems approach, commented:

> Microfinance today stands at the threshold of its next major stage, the connection with the capital markets.... The reason why the connection with capital markets is a watershed lies in the fact that, if accomplished, it will make the outreach of microfinance to date...a mere prologue for what will come. The millions reached today will increase a hundredfold. This is nothing short of changing the very nature of banking, from servicing the 25or 30 percent (at the most) of the population of the developing world to meeting the demand of the rest. It is the reclaiming of finance for the society at large- the true democratization of capital.[26]

In contrast, a microcredit summit held in Washington D C in 1997 developed a charter stating that:

> 'Credit is more than business. Just like food, credit is a human right.' A commitment was made 'to ensure that 100 million of the world's poorest

[26] M. Chu (1998) 'Key Issues of Development Finance', *ACCION International*, Somerville Mass., p. 2.

> families, especially the women of those families receive credit for self employment and other financial and business services by the year 2005'.[27]

A crucial issue involved in this context is the very definition of sustainability and profitability. In standard accounting practices, the formula for profit (revenue cost) does not consider the value of the empowerment generated. Of course, it is not possible to always quantify empowerment especially if, it is a social or cultural empowerment. However, in the context of development programmes one cannot judge the performance or profitability of the programme merely in terms of economic viability of the development organisation. Where the objective is to empower (economically or otherwise) the concept of profitability of the organisation needs to incorporate some measures of empowerment achieved by its target group. This would add to the 'revenue' account of its balance sheet. A development organisation cannot be treated at par with any other commercial organisation with a profit motive. Development has a 'cost', which has to be balanced against the 'revenue' defined in a way, which includes some valuation of the development achieved. Regarded in this light, the sole preoccupation with sustainability seems misplaced.

(iii) What Are The Implications For Empowerment?

'Empowerment' is a very comprehensive term encompassing economic, social, cultural and political dimensions. The ability to increase income, gain employment, lead a healthy life, gain access to education and skill, gain control and ownership over assets, to take decisions of one's own life by herself, to have

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[27] M. Yunus in a Speech to the Microcredit Summit, February, 1997 as quoted in S.M. Robinson (2001) *op.cit.*, p. 25.

more say in decision making and distributional aspects within the household and in the society, participate in political life, exercise one's political democratic rights, avoid gender discrimination at workplace, home and society, eliminate caste/race/ colour discrimination etc are but a few examples of empowerment. In this dissertation, the focus is specifically on the aspect of economic empowerment. As has been discussed in the beginning of this chapter, alternative LEIG strategies have different potentials to empower. Of course, in the credit plus strategies mostly adopted by microfinance institutions following the poverty lending approach, the range of interventions carried out in order to enhance the employment and income conditions of the poor are much more in comparison to the minimalist credit approach. Apart from engaging in skill training, research, imparting education and health awareness, they may also act as a pressure group to initiate policy changes in the employment conditions of their clients. On the other hand, in the minimalist credit approach mostly practiced by the microfinance institutions operating within the financial systems paradigm, credit delivery is the main objective. It may be accompanied, however, by some initial assistance in the form of educating its members about finance management, maintenance of account books etc. The rest- what their clients do with the credit they receive-is the responsibility of the borrower alone.

2.3 (c) Locating SEWA in the Debate

SEWA's target group of beneficiaries consisted, in the beginning, of women head loaders in the city of Ahmedabad. Gradually, it has expanded to incorporate several other trades and other regions in Gujarat. It has also expanded its membership outside Gujarat, in many states of India. There are discussed in chapter four. So, obviously its outreach is not comparable with the *Grameen Bank* or other countrywide organisations, because it defines its target group in a completely different way. The SEWA bank focuses essentially on credit delivery and savings mobilisation. In fact, many proponents of the financial systems approach claim that the SEWA bank is a pre-runner to the financial systems approach since it also emphasized upon economic viability and mainly dealt with credit and savings instead of engaging in a range of other services. But these proponents forget, that, SEWA Bank is a cooperative run by the mother organisation SEWA which itself provides a range of services to its union members, including advocacy for policy level changes. Thus, it would be wrong to place the SEWA Bank within the financial systems approach. The services in which SEWA engages are dealt with in detail in chapter four.

2.4 A NOTE OF DISSENT ON MICROFINANCE IN GENERAL

There is a growing dissent all around the globe claiming that microfinance is not an effective tool in enhancing the economic conditions of the poor. In fact, leading members of the 'Ohio School' of development finance have stated that debt is not an effective tool for helping poor people as most of them are operators of small farms or micro entrepreneurs or poor women.[28]

[28] D. Adams, and J.D. Von Prischke (1992) 'Micro Enterprise Credit Programmes: Déjà Vu,' *World Development*, Vol. 20, pp. 1463-1470.

They argue that access to credit is not a significant problem faced by small agricultural households and that factor and product prices, land tenure, technology, and risk are the factors limiting small farmer development.[29]

Another set of economists argue that the assumption that the model of joint liability in group lending followed by most microfinance organisations, leads to lower transaction cost is fallacious. They argue that the transfer of the task of serving the credit needs of rural borrowers from the banking system to the NGO controlled microcredit projects does not reduce transaction costs, but in effect, transfers transaction cost-higher transactions costs– to donor as well as borrowers.

It can be further argued that the NGO controlled microcredit organisation, whether it belongs to the financial system's approach or the poverty lending approach cannot actually replace the large scale outreach and impact that a Government programme can achieve. It is true, that the past experiences of Government directed programmes like the Integrated Rural Development Programme has failed in its objective owing to a number of factors, but can privatization and NGOisation of the tasks essentially the responsibility of the Government, offer the best solution?

This is not to deny, however, that the development programmes conducted by the NGOs and other organisations in local areas provide a rich hoard of experiences, which can be drawn upon in formulating national level policies. For example, a very important aspect of several successful NGO led programmes has

[29] B.E. Coleman (1999) 'The Impact of Group Lending in Northeast Thailand', *Journal of Development Economics*, Vol. 60, p. 108.

been the involvement of the community. Community Participation can be a major agency for empowerment. Recognizing its importance, Governments have tried to incorporate it, at least at the theoretical level, in planning its development programmes. Even the development and poverty alleviation programmes under the government aegis in India (discussed in detail in chapter three) have tried to focus on community participation, especially in recent times. In fact, in the field of microfinance, Community Participation through the formation of Self Help Groups (SHGs) has become nearly a universal phenomenon throughout the country. The next section discusses in detail the concept and potential of Community Participation.

2.5 COMMUNITY PARTICIPATION

The concept of Community Participation is marked by considerable disagreement among development scholars and practitioners. In this dissertation, Community Participation will be regarded as 'an active process by which beneficiary/ client groups influence the direction and execution of a development activity with a view to enhancing their well being in terms of income, personal growth, self reliance or other values they cherish.'[30] There can be various objectives, intensities and instruments of Community Participation (CP). In the broadest sense, CP can be thought of as an instrument for empowerment. In this case, development would lead to equitable sharing of power so that the target group is able to initiate actions on its own thereby influencing the processes and outcomes

[30] P. Samuel (1989) Poverty Alleviation and Participation: The Case for Government- Grassroots Agency Collaboration, *Economic and Political Weekly*, Vol. 24, January 14, p.101.

of development. CP may serve more limited objectives like building beneficiary capacity (where the beneficiaries share the operational responsibility of the development activity) or increased effectiveness of the development activity (through contribution by the beneficiaries in terms of better design and implementation of activity) or sharing of costs (where beneficiaries contribute labour, money or undertake to maintain the activity) or efficiency of development activity (in which cooperation and interaction are improved among beneficiaries and between beneficiaries and development agencies so that delays are reduced and overall costs are minimized).

CP being used for any or all these objectives may also vary in the intensity at which it is sought in a development activity or at a particular stage of development activity. Four levels of intensity can be distinguished:

a) Information Sharing: The designers or managers of the development activity share information with beneficiaries in order to facilitate collective or individual action.

b) Consultation: Beneficiaries are not only informed but also consulted on important issues at some or all stages of the activity.

c) ***Decision Making***: Decisions may be made exclusively by beneficiaries or jointly with others on specific issues relating to a development activity. For example, the slum dwellers may jointly decide with the development activity staff on the design for upgrading their housing.

d) ***Initiating Action***: When the beneficiaries achieve the capacity of being able to initiate action and take decision regarding a development activity, the intensity of CP can be said to have reached a peak. For example, when the beneficiaries of a health project are able to identify a new problem and respond to it on their own, then CP reaches its maximum intensity, that of initiating action.

CP can be devised and sustained by various instruments. A development agency may use its field staff to moblise and interact with beneficiary groups. However if the staff as well as the beneficiaries perceive these mobilisers as essentially outside the community, then the fieldworker's activity to moblise may be quite limited. Alternatively, the development agency may draw upon volunteers from within the community after imparting necessary training and developing their own leadership ability. These people are more likely to identify with the community's problems and facilitate CP more effectively.

CP is not a costless process. However, it greatly enhances the efficiency and performance of the development activity.

For communities of the poor, the short-term opportunity costs of organisation and active participation can be quite high. For development agencies, the initial investment in getting CP under way means an extra cost, though there is evidence from the field to show that such costs are not considerable in relation to the total cost of a DA (Development Activity). In any case, if the objectives of CP are valuable (e.g. capacity building, effectiveness etc.) and there is no better means to achieve them, in terms of cost, CP will remain the only viable alternative.[31]

However, in spite of an increasing recognition of the importance of CP in the development process, the national development programmes undertaken by the governments across the developing world, including India, have showed a

[31] P. Samuel (1989) *op.cit.*, p. 103.

tendency towards centralization. Even if they incorporated the idea of CP and decentralization of power in the theoretical framework of the development policies, the actual implementation of such policies have failed to mobilize the community. The Indian experience, discussed in the next chapter, is a saga of centrally controlled and bureaucratically operationalised development programmes which kept the community away from the planning and implementation process. However, the innovative methods demonstrated with the help of the community by some organisations, have gradually led the government to strengthen and implement the CP component of its programmes. In fact, it can be extremely useful if collaboration could be achieved between government and grassroots organisations in planning and implementation of a development programme. Grassroots organisations and the government have their relative advantages. It is true that some of the grassroots organisations have had a major local impact.[32] Whether their benefits are sustainable would depend on the extent to which local capacities have been built up by them and a foundation laid for increased resource mobilisation for future expansion. For example NGOs have demonstrated innovative strategies for strengthening the poor in several countries, but on a small scale.[33] It is at this point that governments can come in with its relative advantage and collaborate with the grassroots agencies to build community sensitive and integrated development programme.

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[32] N. Uphoff, Ed. (1983) *Rural Development and Local Organisations in Asia*, Macmillan, New Delhi.

[33] A. Hirschman (1984) *Getting Ahead Collectively: Grassroots Experiences in Latin America*, Pergamon Press, New York.

When the poor are illiterate, unhealthy, undernourished and their development shackled by structural economic, social and cultural obstacles specific to location, a development programme has to attack underdevelopment in a multi pronged way which involve educating, training, mobilizing and a host of other activities in direct interaction with the community. Such services are exceedingly difficult and call for a motivation and commitment, unlikely to be found in most public hierarchies. The government programmes typically administrated through bureaucratic channels, often fail to achieve the desired performance level despite large investment and availability of resources. In fact, if the investment of resources were a sufficient condition to achieve poverty alleviation, then the government would have won convincingly in this game. But the experience of poverty alleviation programmes in several developing countries including India give evidence to the contrary. Thus, there may be great wisdom in combining the relative advantages of the government and grassroots agencies. Collaboration may take several forms:

a) Grassroots agencies may play the role of advocacy and watchdog function. Although this is a limited form of collaboration it may still be useful in making the voices of the poor heard and in making the services meant for the poor move in the right direction. In fact in several Indian states (e.g. Gujarat and Maharashtra), governments have involved local NGOs in outreach activities and training in the health and population sectors. The role of the NGO here is to educate client groups, train field workers and deliver certain support devices. The NABARD-Self Help Group Linkage micro finance programme in India show a large outreach (both in terms of the number of SHGs formed and amount of loan disbursed) in those cases where an NGO acted as an intermediary between the SHG and the bank. The NGO helps in group formation and dissemination of information and financial education. The SEWA collaborates with the government in the DWCRA (Development of Women and Children in the Rural Areas) programme in the rural areas of Gujarat. Under SEWA, the spread of proper information and transparency in the allocation of funds have helped to build the community's confidence and enabled it to actively participate in these programmes.

b) Another broader form of collaboration could be that grassroots organizations share actively in the planning and operations of the government's poverty alleviation programmes. In Indonesia, the national population programme has effectively integrated local community groups in delivering family planning services. The government is responsible for the provision of funds, supplies and technical expertise, while the community volunteers and village organizers moblise demand and assist in the distribution of contraceptive supplies. The SEWA in Gujarat has been very successful in building leaders from within the community who assess the needs of the community and send the feelers to the main organisation, thereby helping in the formulation of appropriate policies.

c) Another form of collaboration less common is to draw upon the strategy design of a successful grassroots initiative and design a national or regional programme around it. Grassroots organizations thus act as innovators testing out new strategies and performing the role of a research and development factory for the government. The example of the Amul Dairy of India, a successful grassroots organization was replicated by the government of India in the mid sixties, in the form of the National Dairy Development Programme, 'Operational Flood'. The Grameen Bank initiative has served as an example for regional and national level replication not only in Bangladesh but all over the world. The SEWA model in India has also inspired the present model of development through micro finance in India and abroad.

2.6 CONCLUSION

The theoretical framework presented in this chapter points to the fact that the micro finance approach, which is being perceived as a kind of 'panacea' for poverty in underdeveloped countries, is itself fraught with several contradictory trends. It is quite clear that microcredit alone cannot be empowering. Even credit plus strategies, though attempting to fork out in several ways in order to build the capacity of the poor for self employment, may not be adequate. This is because the nature and extent of the bottlenecks may be such that they can be removed only through an integrated approach and through systemic changes, both of which require national policy level interventions. The experience of successful organisations operating locally, however, can be incorporated in the planning process. Active collaboration with such organisations by the government can strengthen not only the planning component of development programmes but also the effectiveness of their implementation. The Indian experience shows different levels of collaboration with such grassroots organisations at different times since independence. The next chapter situates the programmes of the Indian Government, directed towards asset creation and self employment generation, in the backdrop of the larger micro finance debate and the potential claims to empowerment of the alternative trends within microfinance.

CHAPTER THREE

MICROFINANCE COMPONENT IN POVERTY ALLEVIATION AND RURAL DEVELOPMENT PROGRAMMES

3.1 INTRODUCTION

'Growth with Social Justice' has been the basic objective of the development planning in India since independence. At the beginning of the First Five Year Plan, almost half of the Indian population was lying below the poverty line, 80 percent of which lived in rural areas. The problem was further aggravated by the disparities between states, social groups and gender. The magnitude of poverty as well as the disparities that existed between various social groups, necessitated planned state intervention to provide succor and relief to millions reeling under poverty, particularly the disadvantaged and marginalized social groups, such as scheduled castes, scheduled tribes and other backward castes, women, children, the physically handicapped and the disabled.[1] In view of the problem, the Government of India, since independence made sustained efforts through a number of poverty alleviation programmes to target and uplift large disadvantaged sections within the country. A special focus was formed on rural development since it was overwhelmingly the largest sector and most of the poor, underemployed and unemployed were concentrated in that sector. It was

[1] Government of India (2001) '*Report of the Working Group on Rural Poverty Alleviation Programme for the Tenth Five Year Plan*', Planning Commission, New Delhi, p. 3.

perceived that poverty was the product of a total system- economic, technological, social, educational, political and moral. Left to its own logic in a dynamic context, the dominant tendency of the system worked not in favour, but against the interest of the masses. Consequently, poverty could not be removed without consciously and determinedly re-orienting and restructuring the entire elite dominated system and its economic, technological, social, cultural, political and moral forces in favour of the masses. Poverty was the product of social inequality and exploitation on the one hand and underdevelopment on the other hand. Poverty was as much the consequence of inequities and exploitative patterns of growth as of absence of growth. Any anti poverty approach, which did not take an integrated view and which did not propose a simultaneous fight against social inequality and exploitation at one end and underdevelopment at the other was bound to be ineffective and even harmful for the interests of the poor. Poverty eradication required a mass oriented total approach in all strategic spheres.[2]

Thus, in the conceptualization of the problem of poverty, the planners realized the need of a two pronged attack on poverty. The first was an attack on the state of underdevelopment by initiating large scale macro policies focused in such a way, so as to achieve faster economic growth. The second was an attack on the state of inequality by structuring targeted poverty alleviation programmes that could generate employment for the poor and the disadvantaged.

The guiding principle of the latter, that is, poverty alleviation programme, has been aptly captured in G. Parthasarthy speech:

[2] Govt. of India, (1985), *'Report of the Committee to Review the Existing Administrative Arrangement for Rural Development and Poverty Alleviation Programmes'*, Ministry of Agriculture, Department of Rural Development, p. 6.

> Rural poverty is rooted in the system in which the poor are deprived of assets but do not gain adequately that support of employment in the organised sector. There is a stubborn persistence of its incidence as rural resources are diverted to elite consumption and meet the needs of the elite through market processes. Where there is no socialization of assets or radical land reforms, complemented by a strong public sector, there are formidable obstacles to reduction in the incidence of poverty within a given time frame. There will be a given need for a mix of employment and asst development programmes for the poor, the mix depending upon the need of each location. These will however, succeed only if there is no drain of rural resources through market processes and the organisation of rural development programmes facilitates the emergence of group power of the poor. The former requires that the peasants should gain control over markets and processing units through their own organisation and rural surplus should be used for diversification of rural economy. The latter requires shift from individual to group approaches and control of poorer over Panchayati Raj bodies, which need to be invested with the responsibility for area development.[3]

In this statement we find three important indications. First, that there is need to combine programmes of asset creation with employment generation. Second, that there should be a shift from individual to group based programmes in order to bring to the fore, the group power of the poor that will give them a greater bargaining position. Third, there is need for decentralizing the planning and development processes and investing more power in local bodies like the Panchayat. These have been the theoretical underpinnings of various poverty alleviation and rural development programmes in successive phases.

This chapter deals specially with an evaluation of the programmes designed for asset creation and self employment in the light of the basic understanding about poverty and the means to eradicate it, as has been discussed above. It will be argued in the following sections that the Government of India conceived these subsidized credit programmes for self employment not as any exclusive functional strategy, but rather as part of an integrated approach

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[3] Govt. of India, (1985) Ministry of Agriculture, Department of Rural Development', *op.cit.*, p.14.

combining all of sectoral, area and function focused strategies. However, whether the planning and implementation process truly incorporated this integrated approach needs to be reviewed. The following sections further touch upon the role of Community Participation in these programmes in their successive phases. As has been discussed in the previous chapter, Community Participation constitutes a 'planning from the bottom' approach. It leads to employment through social mobilisation and also helps in adapting the development programmes to suit specific needs of the local community. Some specific policies targeting women as well as the targeting of women within general poverty alleviation programmes have been implemented owing to the growing recognition of women as a target group for development policies.

First, a brief description of the development policies in the various plans prior to the emergence of the large scale credit based self employment programmes, is presented in the next section.

3.2 RURAL DEVELOPMENT INITIATIVES TILL THE THIRD PLAN AT A GLANCE

The first rural development programme by the Government of India was the Community Development Programme started in 1952. The aim of the programme was to basically achieve integrated development at the local level through the active co-operation of the people and convergence of technical knowledge in various fields. The Community Development Blocks that were created for this purpose across the country at that time, exist even today and serve as field level administrative units for many rural development programmes at present.

Unfortunately, in spite of a well-conceived objective, the programme failed since piece meal programmes with a bureaucratic bias gradually replaced it.

The second initiative was taken by abolishing of exploitative systems of land holdings like Zamindari, Jagirdari, etc. This was followed by a comprehensive policy of land reforms. However, in reality, there was very little land redistribution from the rich to the poor. Wide spread corruption owing to the concentration of administrative power in the hands of the rich and the influential turned the land reform agenda into a farce.

The third measure was the strategy of Five Year Plans for economic development. There were plan-specific strategies to this end. The First Five Year Plan focused on achieving self-sufficiency in food. The Second Five Year Plan emphasized on heavy industries by envisaging the public sector in the leading role for industrialization. The Third Five Year Plan concentrated again on food production and led to the adoption of the strategy of green revolution. However, it was successful only in case of wheat in certain states with preexisting irrigation facilities. Thus, regional disparities sharpened. Moreover, the costly input mix as well as requirement of modern technology likes tractors and combined harvesters meant that only the large landowners could avail of the new strategy. Additionally, the richer and powerful states and the bigger landlords cornered the subsidies given by the government. Realising the commercial viability of the strategy, bigger landlords started buying or leasing (or wresting) land from the small and marginal farmers. As a result, the number of landless laborers, swelled. Moreover, labour displacing techniques in agriculture meant that the incidence of unemployed and underemployment increased in the rural sector. It is in this scenario that the further poverty alleviation programmes from the Fourth Plan onwards were formulated with a focus on both rural farm as well as non-farm sectors as potential areas for employment and income generation.

3.3 POVERTY ALLEVIATION PROGRAMMES FOR ASSET CREATION

The first half of the decade of 1970s witnessed an upsurge of concern about the large scale poverty in rural India. There was a growing body of opinion that the main attack on rural poverty has to be done by endowing the poor with the productive assets or skills so that they can take an economic leap forward and escape the vicious cycle of poverty. Creation of additional wage employment was to supplement this. The Forth Plan and the Fifth Plan provided the first indications of such an approach. The main poverty alleviation programmes in rural India at that time were the SFDA and MFAL development programmes (which subsequently got merged into the SFDA). These were essentially beneficiary oriented programmes (targeted at the small and marginal farmer). The SFDA was designed to facilitate extension of new technology like inputs (seeds, and fertilizers) and additional productive assets (wells/tube wells, pumpsets, bullocks, farm implements etc.) to small farmers who would have the capacity to make adequate use of them and rise above the poverty line while simultaneously repaying the loans. For others who still did not have enough capacity to make effective use of the new technology, loans at concessional rates were given along with subsidy to support supplementary sources of income like dairy, other types of animals, husbandry, bullock carts and small handicrafts.

By the end of the Fifth Plan, however, it became quite evident that SFDA had failed in its objective of alleviating rural poverty. Firstly, the coverage of SFDA was very small, less than half of the districts of India. Secondly, it had led to the provision of current inputs rather than additional productive assets. Thirdly, the landless labourers who had the greatest need for assistance were left relatively untouched. Fourthly, the different agencies responsible for various aspects of the programme were completely uncoordinated in their activities. Finally, the infrastructural developments necessary to successfully implementing the programmes, were often lost sight of.

The Integrated Rural Development Programme (IRDP) was initiated in 1978-79 in 2300 development blocks already covered by special programmes like SFDA, MFAL and DPAP. It was extended to all the 5011 development blocks in 1980. It targeted families below the poverty line and aimed at raising their income level above the poverty line.[4] This was sought to be achieved by providing productive assets and inputs to identified families below poverty line.

The aim was to bring 3000 rural families in each block above the poverty line during the Sixth Plan (1980-85) period at the rate of 600 families per block per year. In terms of absolute number of beneficiaries, the objective was to assist 15 million beneficiaries during the Sixth Five Year Plan (1980-85) and another 20 million families in the Seventh Five Year Plan (1985-90) and another 30 million

[4] V. Desai (1988) *Rural Development: Experiments in Rural Development*, Volume IV, Himalaya Publishing House, New Delhi, p.128.

families in the Eight Five Year Plan (1992-1997) period. The programme was financed by subsidies provided by the Government and loans from banks.

Subsidy on the total unit cost was not to be paid in cash but in kind. The subsidy was paid to the credit institutions where the programme was tied up with loans. Subsidies for individual families varied between 25 percent to 50 percent of the capital. A family could be provided a maximum of Rs. 3000 by way of subsidy. Small farmers were eligible for a subsidy of 25 percent of the total cost of the scheme. Marginal farmers and agricultural labourers are eligible for subsidy of 33.33 percent, beneficiaries in drought prone areas were eligible for a maximum subsidy of Rs 4000. Tribal families got a subsidy upto Rs. 5000 (50 percent of the cost of project).

Table 3.1 represents the financial progress of the IRDP over the various Plans periods (1980-1999) in terms of the credit disbursed and per family investment (credit+ subsidy+ total).

TABLE-3.1

FINANCIAL PROGRESS UNDER IRDP

YEAR	Credit Disbursed (Rs. Crores)	Per Family Investment (In Rs.) Subsidy	Credit	Total
1980-81	289.05	582	1060	1642
1981-82	467.59	975	1724	2699
1982-83	713.98	1041	2067	3107
1983-84	773.51	1102	2099	3201
1984-85	857.48	1186	2153	3339
Total	3101.61	1003	1873	2876
1985-86	730.15	1172	2403	3575
1986-87	1014.88	1478	3033	4511
1987-88	1175.35	1526	2944	4470
1988-89	1231.62	1718	3350	5068
1989-90	1220.53	1845	3663	5508
Total	5372.53	1590	2979	4569

Cont..

YEAR	Credit Disbursed	Per Family Investment		
		Subsidy	Credit	Total
1990-91	1190.03	2289	4133	6422
1991-92	1147.34	2613	4528	7141
1992-93	1036.8	2808	5081	7889
1993-94	1408.44	3171	5575	8746
1994-95	1450.58	3719	6594	10313
1995-96	1701.33	4166	8144	12310
1996-97	1969.16	4709	10235	14943
Total	7566.31	3668	6983	10651
1997-98	1996.64	5056	11697	16753
1998-99	2174.06	5257	12964	18221
Total (80-99)	22548.52			

Source: Computed from Annexure V of the Report of the Working Group on Rural Poverty Alleviation Programmes for the Tenth Five Year Plan, pp 92 GOI, Planning Commission December 2001.

TABLE-3.2

Annual growth (IRDP)				
YEAR	Credit Disbursed	Per Family Investment		
		Subsidy	Credit	Total
1981-82	61.77	67.53	62.64	64.37
1982-83	52.69	6.77	19.90	15.12
1983-84	8.34	5.86	1.55	3.03
1984-85	10.86	7.62	2.57	4.31
1985-86	-14.85	-1.18	11.61	7.07
1986-87	39.00	26.11	26.22	26.18
1987-88	15.81	3.25	-2.93	-0.91
1988-89	4.79	12.58	13.79	13.38
1989-90	-0.90	7.39	9.34	8.68
1990-91	-2.50	24.07	12.83	16.59
1991-92	-3.59	14.15	9.56	11.20
1992-93	-9.63	7.46	12.21	10.47
1993-94	35.84	12.93	9.72	10.86
1994-95	2.99	17.28	18.28	17.92
1995-96	17.29	12.02	23.51	19.36
1996-97	15.74	13.03	25.68	21.39
1997-98	1.40	7.37	14.28	12.11
1998-99	8.89	3.98	10.83	8.76

Source: Computed From table-3.1

The annual growth rates of the credit disbursed and the per family investment in the three Plan periods are given in Table 3.2.

The annual growth showed a great deal of fluctuation. For example, negative growth rates were recorded between 89-90 and 92-93 while the next year 93-94 showed a huge jump in growth rate to 35.84 percent. Similarly, the per family subsidy investment too showed a great deal of fluctuation although it was seen to consistently decline from 1994 onwards till 1998-99. In order to obtain a general assessment of the growth pattern over the Plans, the following Table 3.3 is presented showing the trend growth rates, which have been estimated using the regression equation: LN (Credit Disbursement) = a + b T + e

The estimate of b gives the annual trend growth rates of credit disbursement over the various periods. The Table shows the trend growth rates in percentages and 't' values related to the estimates of b in each period. As the t values show, all the growth rates are significant at 5 percent level.

TABLE- 3.3

Trend Growth of Credit Disbursed Under IRDP

	Rate (percent)	t-value
1980-81to1998-99	8.22	9.50
1980-81to1990-91	12.32	6.08
1991-92to1998-99	10.61	8.79
1980-81to1985-86	18.66	3.14
1985-86to1990-91	8.69	2.68
1990-91to1995-96	7.99	2.89
1995-96to1998-99	7.49	4.32

Source: Computed from Table 3.1

Comparing the pre reform (1980-81 to 1990-91) and post reform (1991-92 to 1998-99) periods, it can be seen that the growth rate of credit disbursement declined from 12.32 to 10.61. Considering five year periods from 1980-81 onwards till 1998-99, it can be observed that the trend growth rate declined sharply from 18.66 during 1980-81 to 1985-86, to 8.69 during 1985-86 to 1990-91 and then fell steadily after that till 1998-99.

Table 3.4 shows the physical progress of the IRDP between 1980-81 and 1998-99.

TABLE- 3.4

PHYSICAL PROGRESS UNDER IRDP **(Lakh Families)**

YEAR	Total Families	SC/ST Families	Percent of SC/ST	Women Beneficiaries	Percent of Women
1980-81	27.27	7.81	28.64	N.A.	N.A.
1981-82	27.13	10.01	36.9	N.A.	N.A.
1982-83	34.55	14.07	40.72	N.A.	N.A.
1983-84	36.85	15.37	41.71	N.A.	N.A.
1984-85	39.82	17.38	43.65	N.A.	N.A.
Total	165.62	64.64	39.03	N.A.	N.A.
1985-86	30.6	13.23	43.24	3.03	9.9
1986-87	37.47	16.8	44.84	5.67	15.13
1987-88	42.47	18.99	44.71	8.3	19.54
1988-89	37.72	17.5	46.39	8.74	23.17
1989-90	33.51	15.45	46.11	8.59	25.63
Total	181.77	81.97	45.1	34.33	18.89
1990-91	28.98	14.46	49.9	8.95	30.88
1991-92	25.37	12.96	51.08	8.41	33.15
1992-93	20.69	10.64	51.43	6.91	33.4
1993-94	25.39	13.46	53.01	8.54	33.64
1994-95	22.15	11.03	49.8	7.51	33.91
1995-96	20.89	10.14	48.54	6.99	33.46
1996-97	19.24	8.95	46.52	6.44	33.47
Total	108.36	54.22	50.04	36.39	33.58
1997-98	17.07	7.92	46.4	5.86	34.33
1998-99	16.77	7.76	46.27	5.77	34.41
Total (80-99)	543.94	243.93	44.85	99.71	18.33

Source: Annexure V of the Report of the Working Group on Rural Poverty Alleviation Programmes for the Tenth Five Year Plan, pp. 92, GOI, Planning Commission, December 2001.

The absolute number of families assisted under the IRDP showed a uniformly increasing trend in the Sixth Plan. Since 1988 however, the absolute number of families has been declining with the exception of the year 1993-94. The percentage of SC/ST families assisted out of total families assisted, however, showed a rising trend till 1993-94. Since then, it has been failing. The percentage of women out of total families assisted under the IRDP has been increasing in a secular trend since the Seventh Plan, i.e. 1985. Information for the five years before that is not available. This points to the fact that there has been a growing awareness that it is necessary to specially target women in rural development policies. At the end of 1999, the percentage of women beneficiaries stood at 34.41. The growth rate of the percentage of women beneficiaries however, showed a declining trend through the 1980s as well as the 1990s. Starting at a high of 52.83, in 1986-87 (data before that is not available), it declined to a low of 0.23 in 1998-99.

There were a number of allied programmes undertaken with the view of strengthening the IRDP. The scheme for training of Rural Youth for Self Employment (TRYSEM) started in August 1979 was intended to take care of the training requirement of the people who were selected and assisted under the IRDP. There was a programme to focus specifically on the rural poor women, namely Development of Women and Children in Rural Areas (DWCRA) started in 1982-83. The Supplies of Improved Tool Kits to Rural Artisans (SITRA) was initiated in 1992 in order to mobilize and enhance the efficiency of the poor rural artisans. With a view to address the land based activities particularly, the irrigation requirement of the small and marginalized farmers, another sub-scheme of IRDP known as the Ganga Kalyan Yojna (GKY) was introduced in 1996-97.

TRYSEM was conceived to be implemented with direct complementarily to IRDP. Thus, the beneficiaries of IRDP were to receive training under the TRYSEM. The following Table 3.5 presents the physical progress of TRYSEM since inception.

Table 3.5

TRYSEM SINCE INCEPTION
PHYSICAL (In Lakhs)

PERIOD		Youth Trained	Women Trained	percentage
SIXTH PLAN		10.146	3.427	33.8
SEVENTH PLAN		9.979	4.595	46
ANNUAL PLAN				
	1990-91	2.361	1.166	49.4
	1991-92	3.07	1.598	52.1
EIGHTH PLAN				
	1992-93	2.759	1.349	48.9
	1993-94	3.038	1.539	50.7
	1994-95	2.818	1.378	48.9
	1995-96	3.016	1.299	43.1
	1996-97	3.643	1.955	53.7
	Total	15.274	7.52	49.23
NINTH PLAN				
	1997-98	2.514	1.328	52.8
	1998-99	2.224	1.155	51.9
GRAND TOTAL		45.568	20.789	45.6

Source: Computed from Annexure V of the Report of the Working Group on Rural Poverty Alleviation Programmes for the Tenth Five Year Plan, p. 93, GOI, Planning Commission, December 2001.

The point of interest here is that the percentage of women out of total youth trained under the TRYSEM has varied roughly between 48 and 53 percent since the 1990s, the exception being the year 1995-95, when the percentage fell to 43 percent. However, the growth of the percentage of women beneficiaries, show negative rates in all the years except 1993-94 and 1996-97. However, what is more important is not how many women were trained or how many women received credit, but rather, how many of them could actually achieve sustainable gains in income through self employment. Such information however, is not available and can only be roughly generalised by analyzing the various field survey reports and case studies by different researchers. These issues will be discussed in Section 3.4, which evaluates rural development programmes in general and IRDP in particular. Prior to that, however, it is important to look at another allied programme of the IRDP, namely, the DWCRA.

The DWCRA was formally launched in 1982-83 as a sub-scheme of IRDP. The objective was to provide income generating activities to women so that there is a positive impact on the economic and nutritional status of the family. From the inception of IRDP, an effort was made to set apart resources for giving benefit to women below the poverty line. The scheme was designed to operate group formations at the village level with each group consisting of 15-20 members. The following Table 3.6 presents the physical achievements of DWCRA since inception.

Table 3.6 shows that in terms of number women's of groups formed under the DWCRA, the achievement exceeded the target. The growth in the number of women beneficiaries, show quite a bit of fluctuation. However, from 1996-97 onwards, it has been uniformly falling.

TABLE-3.6

PHYSICAL AND FINANCIAL ACHIEVEMENTS UNDER DWCRA SINCE INCEPTION				
	Target (No. of Groups)	Achievement	Women Benefited	Annual percent growth in Women Beneficiaries
SIXTH PLAN	6035	3308	52170	
SEVENTH PLAN				
1985-86	5000	6008	101056	
1986-87	7500	5545	96132	-4.87
1987-88	7500	4959	83589	-13.05
1988-89	7500	5968	98636	18.00
VII Plan Total	35000	28031	469707	
Annual Plan				
1990-91	7500	7139	109557	
Annual Plan				
1991-92	7500	9378	208012	90
EIGHTH PLAN				
1992-93	7500	9029	128744	-38.11
1993-94	11000	15483	268525	108.57
1994-95	13400	37964	592026	120.47
1995-96	30000	37576	697088	17.75
1996-97	30000	41462	581944	-16.52
VIII Plan Total	91900	141514	2268327	
NINTH PLAN				
1997-98	30000	36436	460409	-20.88
1998-99*	61850	46916	576523	25.22
IX Plan Total	91850	83352	1036932	
Grand Total	239785	272722	4144705	

Source: Annexure VII of the Report of the Working Group
on Rural Poverty Alleviation Programmes for the Tenth Five Year Plan
GOI, Planning Commission, December 2001, pp.
94.

The programmes discussed above had been conceived as an integrated plan. Coupled with rural development in terms of infrastructure, market, industry etc. and social security measures like health, education, housing etc. they could have brought about a large degree of transformation in the rural economy. However, what happened in reality was that each programme worked with little or no coordination with other programmes under the same plan. Moreover, rural development policies and social security measures did not evolve in the desired way.

The indications of a failure of such a kind was evident by the end of the Sixth Plan. Thus, the Seventh Plan and the Eighth Plan tried to incorporate certain elements, which could fill in the gaps in the implementation of IRDP. The Seventh Plan reiterated that poverty alleviation programmes and rural development were to take place simultaneously.

Secondly, linkages in the form of planned rural economic infrastructure was to be provided so that where productive assets were made available to the target groups, all constraints on the supply side were removed and the range of services required to ensure the viability of the assets at a normal income generating level was achieved. In order to address a major area of weakness of the IRDP that is, the absence of infrastructural support and backward and forward linkages, it was conceived that additional funds over and above subsidy funds were to be provided under IRDP and an infrastructure sub-plan was to be prepared as part of the sub-sectoral district plan.

Thirdly, redistributive land reforms were to go hand in hand with the poverty alleviation programme. However in practice, this did not happen.

Fourthly, women, who constituted half of the workforce in rural areas, were to be targeted more specifically.

Finally, group ventures and collective action was to be promoted. There was a greater awareness regarding the role of voluntary organisations in mobilizing peoples' participation.

> In the ultimate analysis, the objective of the removal of poverty can be attained only to the extent to which the poor themselves become conscious, improve their education and capabilities, become organized and assert themselves.[5]

In fact, the Seventh Plan largely restored the original concept of community development. It meant that community development and Panchayati Raj had to break free from the conventional methodology of including a large number of small schemes with minimal budget provisions. There was also a greater need to achieve local decentralized planning at the village and block levels for which block funds were to be placed at the disposal of Panchayati Raj and community development bodies.

The Minimum Needs Programme was to be strengthened and reoriented in order to serve the health, nutrition, education and sanitation needs of the rural households.

However, despite such formulation at the policy level, the implementation proved to be otherwise. Apart from the lack of integration among various agencies in the implementation of the anti poverty programme, there was also the added problem of misutilisation of funds by the individual beneficiaries.

> There was no effort for project appraisal of any kind. Loans were sanctioned without any attention to the viability of the project. There was no follow up either by the banks or governmental agencies. Because of the missing guidance there was temptation among the beneficiaries to misutilise the assistance as well. The efforts made for the self-employment of the rural poor gradually proved to be self-defeating.[6]

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[5] V. Desai (1988) *op.cit.*, p. 59.

[6] Government of India (2001) *op.cit.*, p.7.

These programmes along with the wage employment programmes were reviewed by a committee constituted by the Planning Commission in February 1997 under the chairmanship of professor H.R. Hashim, member, Planning Commission. The committee submitted its report in April 1997. It recommended that a single self-employment programme should substitute these programmes for the rural poor. It also suggested that efforts should be made to move away from the individual beneficiary based approach to a group based approach in the implementation of the programme. Accordingly, from April1, 1999, the self-employment programmes of IRDP, TRYSEM, DWCRA, GRY and the Million Wells Scheme (MWS) were all brought under one umbrella- the Swarnajayanti Gram Swarozgar Yojna (SGSY). The new scheme sought to focus on Self-Help Groups (SHGS). At least half the groups at the block level should be women's groups. SHGS had to fulfill certain minimum norms before being able to access credit. Secondly, the SGSY was to promote the idea of multiple doses of credit rather than a one-shot credit injection. Expenditure was to be incurred in the process of capacity building of the SHG. The subsidy component was to be a 'minor and enabling component' as against the credit component, which was to gain primacy. In September 1993, the Reserve Bank of India had constituted a high-powered expert committee to look into the problems of IRDP and suggest remedies. The Government of India subsequently accepted the suggestions made by the committee.

The SGSY incorporated the following important features:

a) By integrating a number of allied programmes in the rural areas, it aimed at an integrated approach as was conceptualized (though not actualized) during the IRDP.

b) It integrated not only various rural development programmes but also the working of various agencies like DRDAs, NGOs and other semi governmental organisations.

c) It also put a large degree of emphasis on social mobilisation through the formation of self help groups (SHGs). Thus it accepted the logic of community participation as a principal factor in achieving development.

d) The programme provided special safeguards for weaker sections 50 percent of the SHGS and 40 percent of the self-employed were required to consist exclusively of women. Moreover, 3 percent of the Swarozgari / self-employed had to belong to the SC/ST community. Thus, here women centred development found a place in the main poverty alleviation programme.

e) The subsidy allowed under the programme was uniform at the rate of 30 percent of the project cost subject to a maximum of Rs. 5000 per individual. Swarozgari, 50 percent of the project cost subject to a maximum of Rs. 10000 in case of SC/ ST Swarozgari and 50 percent of the cost of the scheme subject to a ceiling of Rs. 1.25 lakhs for group project.

The following table shows the financial progress under the SGSY.

TABLE-3.7

PERFORMANCE OF SGSY

Physical in Lakhs, Financial in Rs. Crores

	1999-2000	2000-2001
Total Fund Available		
(Opening Balance of		
State+Central Releases)	1907.66	1479.44
Total Fund Utilised	959.86 (1)	1115.28 (1')
Credit Mobilisation	1056.46 (2)	1445.3 (2')
No. of SHGs Formed	2.92 (3)	2.01 (3')
Total No. of Swarozgaris		
(Ind. + Group)	9.34	10.3
Total No. of individual		
Swarozgaris	5.86	3.43
Credit-Subsidy Ratio	1.95:1	2.5:1

1 : 50 percent of Available Fund
1' : 73.44 percent of Available Fund
2 : As Against a Target of 3205 Crore
2' : As Against a Target of 3205 Crore
3 : Out of These only 29017 could take up Economic Activities
3' : Out of These only 27205 SHGs could take up Economic Activities

Source: GOI, Planning Commission, December 2001,
Report of the Working Group on Rural Poverty Alleviation Programmes
for the Tenth Five Year Plan, pp. 8-9.

It can be seen from Table 3.7, in a single year (i.e. 1999-2000 to 2000-2001), the total funds utilised rose from 50 percent of the available fund to 73.44 percent of the available fund. Total credit mobilised and total number of Swarozgaris also increased. However, the absolute number of SHGs formed declined in 2000-2001 from that in 1999-2000. Table 3.8 presents more points of interest.

TABLE-3.8

	1999-2000	2000-2001
percent of Credit Mobilised as		
Against Credit Targeted	32.96	45.09
percent of SHGs out of Total		
SHGs Taking up Eco. Activity	9.94	13.53
Individual Swarozgaris as		
a percent of Total Swarozgaris	62.74	33.3

Source: Computed from Table 3.7

Table 3.8 points to the fact that the overall progress of the programme in the first two years was rather slow. This could be because SHG formation and SHG capacity building are time taking processes. However, even in a one-year gap, the physical and financial performance of the SGSY shows considerable improvement. For example, the percentage of credit mobilised as against credit targeted increased by 13 percent. Further, a greater percentage of SHGs were able to take up economic activities in 2000-2001 as against 1999-2000. The percentage of individual Swarozgaris out of total Swarozgaris was as high as 62.74 percent in 1999-2000. This is a disturbing feature since the SGSY started out by shifting emphasis from the individual beneficiary approach to the group beneficiary approach. However, reduction in the same to 33.3 percent in 2000-2001 seems encouraging.

The Working Group, on rural poverty alleviation programme for the Tenth Plan (2002-2007) set up by the Government of India, noted another disturbing feature of the SGSY. Many banks have made collateral requirement a criterion for sanctioning of loans. This will defeat the very purpose of the SGSY since the nature of the target group is such that they can offer very little collateral. Thus, other criteria have to be involved. An alternative may be the joint liability approach or the requirement of savings previous to the sanction of loans. These alternative models have been practiced very successfully by various microfinance organisations all over the world and can be adopted by the GOI in this programme.

3.4 AN EVALUATION OF THE IRDP AND OTHER RURAL DEVELOPMENT PROGRAMMES IN INDEPENDENT INDIA

In the introduction to the Chapter (Section3.1), it was mentioned that the problem of rural poverty was sought to be tackled by a two-pronged approach: one of growth oriented macro policies and the other of targeted poverty alleviation programmes. However, there has been a great dichotomy between the general macro policies pursued by the government and the targeted poverty alleviation programmes. While the former focused upon labour displacing production processes, the latter involved itself with employment generation. However,

> If employment for all is an objective to be realized, what is needed in this context is a complete change of focus in the Plan, away from Plan outlay *per se* to a focus on production processes, on the manner of achieving increased output. For surely, one needs expanding output to feed, clothe, house and educate an expanding population. And yet, since there does exist a choice as between alternative techniques for achieving the same output, one needs a somewhat basic structural change so that the problems of production and distribution can get solved simultaneously, since grater employment intensity of the production

process would automatically take care of the problem of distribution of the national output.[7]

Thus, what was needed is a systemic change rather than any tinkering with investment at the margin. Unfortunately, it was the latter that aas tried out through the poverty alleviation programmes like IRDP, NREP etc.

Secondly, most poverty alleviation programmes, be they self employment programmes like the IRDP or wage employment programmes like the NREP, had focused on raising the maximum number of people above the poverty line. Although this was extremely important in the context of large-scale absolute poverty, there is a need to simultaneously address the issue of inequality of incomes and assets.

> ...goals of rural development should be defined in terms of reduction of inequalities of incomes and assets, and not entirely in terms of bringing people above the poverty line. Though we appreciate that in a situation of acute absolute poverty, focus on eradicating absolute poverty is inevitable, treating a poverty line as some kind of a magic line and assuming that the poor achieve Nirvana after crossing it will not at all be appropriate.[8]

One of the staunchest criticisms of IRDP is that it failed to achieve the very goal it set out with, namely, the integration of rural development programmes. The Draft Sixth Plan of (1978-1983) revised, visualized an integrated plan at the block level.

> The imperative laid down for the plan for rural areas of the country is increasing productivity though a strategy of growth with social justice and providing full employment to the rural sector within a ten year time frame. As a comprehensive strategy and approach for translating these objectives into specific programmes the Integrated Rural development now contemplated involves a multi pronged attack on the problem of rural development. Integrated

[7] A. Ghosh (1991) Eighth Plan: Challenges and Possibilities- III: Employment, Core of the Plan, *Economic and Political Weekly*, Vol. XXVI, February 2, p. 199.

[8] I. Hirway (1990) in D R Shah, Ed., Alternatives in Rural Development, Sterling Publishers, New Delhi.

> here covers four principal dimensions: integration of sectoral programmes, spatial integration, integration of social and economic processes, and above all the policies with a view to achieving a better fit between growth, removal of poverty and employment generation. More specifically, it involves a sharp focus on marginal farmers, agricultural laboureres and other types of rural artisans, and an extremely location specific planning in the rural areas.[9]

With this conception, the plan document went ahead to propose the formulation of comprehensive block level plans based on local resources and their productive use. The specific beneficiary oriented schemes for the rural poor were placed within the plan and were to form a part of a total plan for the block. However, such an integrated block development programme could not be charted out and implemented immediately. Therefore, as an interim device, it was decided to focus attention on the identification of the rural poor and prepare plans for these identified rural beneficiaries and call this the Integrated Rural Development Programme. A name appropriate from the whole was given to only a part of it.[10] Unfortunately, however, this approach, though conceived as an interim device, firmly established itself as the mainstay of the programme:

> ... no serious attempt was made to develop a block plan. IRDP continues to be a programme for the improvement of the rural poor, without any overall plan or conception of total development of the village within the Block.[11]

Some of the severest critics of IRDP belong to the group of staunch supporters of wage employment programmes like NREP. They hold that the

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[9] Draft Sixth Plan 1978-83 (Revised) Paragraph 21.16 as quoted in N. Rath (1985) 'Garibi Hatao': Can IRDP Do It?, *Economic and Political Weekly*, Vol. XX, No. 6, February 6.

[10] N. Rath (1985) 'Garibi Hatao': Can IRDP Do It?, *Economic and Political Weekly*, Vol. XX, No. 6, February 6.

[11] N.J. Kurian (1989) 'Anti- Poverty Programme: A Reappraisal', *Economic and Political Weekly*, Vol. XXIV, March 25, p. A-13.

policy of asset creation through self-employment shifts the burden of finding employment on the poor.

> It is not easy to decide the scope of self-employment in a district or development block. The poor man knows little about it and the administrative agencies of the government know even less. For instance, it is not easy to determine how many sewing machines a development block will support. To ask a poor man to make his judgement and then leave him to the operation of the market burdened with a bank loan is the cruelest thing to do to the poor man. [12]

According to these critics, the beneficiary normally stated her preference for that asset, which, people familiar to her were buying and which would fetch subsidy. There was hardly any informed choice based on the state of the market, the commercial viability of the self-employment to be undertaken or the capacity (skill and otherwise) of the beneficiary to undertake the income generating activity. Hence, the critics argued that large-scale wage employment programmes relieve the poor of the burden of a wrong choice of activity and help in generating at least subsistence income. The defendants of the IRDP programme on the other hand maintained that self-employment is a major form of employment in rural India and the family unit is the most common production unit. Thus, it will not be realistic to base the rural employment programmes on wage employment only.[13] Further Indira Hirway has pointed out:

> ...it will be desirable to distinguish between two categories of the poor: (1) those who have at least some asset or have some skill, education or enterprise to take up self employment, and (2) those who neither possess any asset nor have any skill; enterprise, education etc. to take up any activity independently...It seems that the poor belonging to the former category should be given assets for self employment and the latter should be offered wage-

[12] V.M. Dandekar (1986) 'Agriculture, Employment and Poverty', *Economic and Political Weekly,* Vol. XXI (38 and 39), p. A-100.

[13] I. Hirway (1985) 'Garibi Hatao': Can IRDP Do It? *Economic and Political Weekly,* Vol. XX, No.13, March 30, p. 561.

> employment...Unfortunately, IRDP clubs both the categories in one and expects even the second category (in fact, gives them top priority) to take up self-employment.[14]

This is in fact the inherent principle of the Antyodaya approach, which was adopted by the IRDP. Antyodaya literally means uplifting the 'last man in the row'. Thus, a huge emphasis was laid on the identification of the poor. However, in spite of the professed principle of reaching the poorest of the poor, several case studies to assess the impact of the IRDP found that, in reality, reliance on bureaucracy and politicians (people's representatives) at the block level led to a lot of corruption beginning at the level of identification and continuing at all other levels like credit and subsidy allocation. The poor, it has been argued, are not well placed to pay large bribes, fill complicated forms, influence the village headman and find themselves 'guarantors'.[15] Secondly, bank officials themselves are often reluctant to deal with poor borrowers because they believe rightly or wrongly that the poor are bad risks.[16] This meant that a large number of IRDP beneficiaries were actually non poor.

> On the whole, however, it would not be improper to suggest that at least 15 percent of those identified as poor and helped under IRDP did not really belong to the category of the poor. Such wrong identification is inevitable, considering the agency entrusted with the work, the nature of the questionnaire prescribed for the purpose and the time set aside for work. Naturally it leaves ample scope for favouritism and corruption. Once the block level official agency (the District Rural Development Authority and its agents) classifies a household to be poor and recommends its case for loan assistance for a specific enterprise, the bank does not verify its present and expected income position, which it would otherwise normally do. The expected incremental income is also estimated on the basis of norms developed for this purpose by the DRDA, and the bank do not

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[14] I. Hirway (1985), *op. cit.*, p. 562.

[15] Tendulkar and Jain (1990) Rural Poverty and its Alleviation in India: A Critical Scrutiny, *Economic and Political Weekly*, Vol. XXV, September 22, p. A-97.

[16] Ibid.

> normally verify this. Thus, once classified by the DRDA, as a poor household, there is no possibility of a counter-check.[17]

It should also be mentioned that a large section of the poorest constitute of widows, the physically infirm and the aged who do not have the capacity to employ themselves in any income generating activities. In spite of the principle of Antyodaya, the IRDP could not bring these people into the net.

Another criticism of IRDP is that it became completely dominated by the bureaucracy. This had a number of fallouts. First of all, it led to a dissociation of the programme from the ground reality at the block level.

> The bureaucratic machinery, which is geared to uniform operations over wide geographical areas, is not attuned to the requirements of small areas or individual bureaucracies. The target approach which characterises all these programmes stands in the way of taking up schemes of a purely local nature which do not fit into national target, however relevant they may be for the local conditions and people's requirements.[18]

Another fallout of bureaucratic mechanism is that performance is evaluated only in terms of the inputs like *how much money was spent* rather than *how well the money was spent*, or *whom it benefited.*

Further, full control by the bureaucracy implied that the programme by and large eschewed the process of community participation. Even when elected local bodies of people's representatives like Panchayati Raj Institutions were involved, it did not amount to true participation of the poor people since most of these elected bodies were controlled by the rural elite. Moreover, the bureaucracy as well as the politicians were engaged in fulfilling the financial and physical targets of the IRDP with little regard for information dissemination about the

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[17] N. Rath (1985) *op.cit.*, p. 241.

[18] C.T. Kurian (1985) in M.L. Dantwala, R. Gupta, and Keith C. D. Souze, Eds. *Asian Seminar on Rural Development-The Indian Experience*, Oxford and IBH.

programme among the beneficiaries, consultation with the beneficiaries regarding the formulation and the implementation of the block plans or involvement of the local beneficiaries in the monitoring of each other's projects. Thus, the IRDP became nothing more than a gigantic arithmetic operation that covered every year a specified number of poor spread all across the country. Fresh batches of villages were selected every year in each block to reach the target number of beneficiaries assigned to the block for the particular plan period. Researchers often found it difficult to relate the IRDP targets to the medium term and perspective sectoral plans and strategies at the level of larger aerial units like regions or to the concurrent operational programmes for providing the forward and backward linkages essential for the viability of the schemes promoted by IRDP.[19]

The structuralist critique of IRDP was that it was a programme without a framework considering the realities of the situation on the ground. According to Kurian:

> Traditional rural society was hierarchical and iniquitous, yet it was also of mutual obligations. But growing privatiasation of resources and the commercialisation of economic activity have almost completely marginalised the weaker sections who find increasingly that they have to buy things which they formally used to receive in the form of traditional claims. Special mention must be made of the manner in which common property resources—grazing lands, forests, water resources—are coming to be eroded through the inter-related processes of privatisation and marketisation.[20]

[19] A. Aziz (1988) IRDP in Karnataka: An Evaluation, as quoted in V.M. Rao Interventions for the Poor: Critical Dimensions, Potentialities and Limitations, *Economic and Political Weekly*, Vol. XXIII, November, Special No., p. 2423.

[20] C.T. Kurian (1985) in M.L. Dantwala, R. Gupta and Keith C.D. Souze Eds., *op.cit.*

Thus,

> While anti poverty programmes are launched by the dozens, social and economic processes which continuously deplete the resources from which the poor derive their income and employment and make their traditional skills redundant are either not noticed or ignored and effective action to stop such processes is rarely taken. Thus what the government gives to the poor through its anti poverty programme is taken away, not unstealthily, by the social process dominated by the rich.[21]

The erosion of traditional claims and resources might have had less of a negative impact if the programme had provided for the creation of social goods. Unfortunately, this did not occur. The failure of poverty alleviation programmes including IRDP was largely because of their lack of integration with rural infrastructural programmes and the provision of social consumption goods and services.[22]

Finally, it needs to be mentioned that the quantum of government investment alone cannot be a measure of success of any poverty alleviation programme. But, this is not to undermine the importance of investment as a preliminary and necessary (though not sufficient) step in the direction of poverty alleviation. Investment has to be made along with appropriate planning and effective implementation. The decade of the 1990s has witnessed a tendency towards reduction in government expenditure. However, it should be borne in mind that:

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[21] C.T. Kurian (1985) *op.cit.*

[22] R. Thamarajakshi (1989) 'Agricultural Growth, Rural Development and Employment Generation', *Economic and Political Weekly,* Vol. XXII, March 25, p. A-8.

> So long as poverty alleviation continues as one of our important economic goals, irrespective of the tenets of structural adjustment, emphasis on investment in these programmes has to continue.[23]

In recognition of the maladies of the poverty alleviation programmes, the Government of India has, in recent times, taken up a number of new initiatives in the area of rural development:

> First, the Panchayati Raj Institutions (PRIs) are involved in anti-poverty programmes. This may improve targeting and delivery systems. Second, the government has recognised the role of self help groups for credit mobilization and has been involving NGOs in the programmes. Third, the multiplicity of existing programmes are being consolidated into two or three major programmes.[24]

How far these initiatives will be successful remains to be seen in the coming years.

3.5 SOME SPECIAL FEATURES OF THE RURAL DEVELOPMENT PROGRAMMES IN THE STATE OF GUJARAT

Gujarat is among the pioneering states that have explored the role of decentralized planning and participation of voluntary agencies in various development programmes. In 1963, three years after it was constituted as a separate state, Gujarat introduced Panchayati Raj. Most of the district level schemes were transferred to district Panchayats. The implementation and monitoring of these schemes have been with the district Panchayats ever since. Decentralized district planning acquired special focus when in 1980, District Planning Boards (DPBs)

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[23] Vyas and Bhargava (1996) 'Public Intervention for Poverty Alleviation: An Overview', in Kapila, Uma, Ed., *Indian Economy Since Independence*, Academic Foundation- TRP, p. 332.

[24] S.M. Dev (2000) 'Economic Reforms, Poverty, Income Distribution and Employment', *Economic and Political Weekly*, Vol. XXXV, March 4, p. 832.

were set in each district. The focus of the DPB has mostly been on the provision of the basic minimum needs. The formula of distribution of funds to the district and district to the Taluka has also improved over time and a sophisticated system of monitoring has also been put into place. Taluka level committees with large measure of people's participation from the elected leaders is a feature of Gujarat's decentralized district planning.[25] Special programmes for geographical backward areas, Talukas identified as most backward, Talukas with high proportion of population who are educationally and socially backward, have been among the devices to check the anomalies arising out of the uniform application of a standard formula in the distribution of funds.

Another distinguishing feature of Gujarat state planning is the active involvement of the non Governmental and grassroots agencies.

Voluntary agencies have played a notable role in contributing funds, assisting the government in scarcity and flood relief through opening cattle camps, construction of houses, providing material for house construction, providing grass for cattle camps, providing seeds, tractors and other helps in cultivation, distribution of milch cattle, providing self employment and construction of school rooms.[26]

In the field of rural development also, these voluntary agencies have been participating in a wide variety of activities to supplement Government's efforts.

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[25] Gujarat State(1990) General Administration Department, Planning Division, *Eight Five Year Plan, 1990-95, and Annual Plan, 1991-92,* p.26.

[26] Ibid., p. 27.

Some notable features of their work are cost effectiveness, local innovation, and reapplication of successful experiments in one area to another.

As a result of decentralized planning and the involvement of voluntary agencies, the different development programmes have shown greater adaptability to specific local conditions. The scope for community participation in Gujarat has also been greater than that obtained in the country in general.

At the beginning of the Sixth Plan on 2 October 1980, the entire state of Gujarat comprising of 218 blocks came under the IRDP. Some interesting initiatives with a view to successfully implement the programmes taken by the state government at this time are as follows:

a) ***Family Book (Kutumb Pothi)***: With a view to monitoring the economic and social development of the identified families, it was decided that each of the assisted families would be given a book in which to record all relevant details about the family, its assets, land holding etc. with copies of extracts of land records, indebtedness, educational and health status, assistance received by the family etc.

b) ***Project Linkage***: The state was first the to undertake and innovative scheme, namely, Project Linkage, in order to strike a co-ordination between the labour requirement by industries and the need for employment of the youths in the neighboring villages of the industries. It was initiated first in Vapi and Ankleshwar.

c) ***Voluntary Agencies***: As has already been mentioned, the Gujarat Government actively enlisted the participation of various voluntary agencies in rural development programmes. A number of trusts, co-operatives, companies etc. were actively involved in rural development. Some voluntary agencies were also undertaking the task of implementing the IRDP. A special cell was functioning for monitoring and coordinating the rural development activities taking place under voluntary agencies. This cell also guided the voluntary agencies in the preparation of projects selection of villages and scrutiny of applications sent to the state level committee.[27]

The Draft Seventh Five Year Plan (1985-90) and the Annual Plan (1985-86) proposed to focus on rural women by covering 10 percent of IRDP beneficiaries from female headed households and allocate 10 percent of the IRDP investment for the block to schemes directly benefiting women and children. The Draft Plan also proposed that the training under TRYSEM should be closely linked with production, raw material procurement and marketing function. It also emphasized the specific role that can be assigned to voluntary agencies and take steps for the promotion of collective or group action by the beneficiaries through their own organizational efforts.[28]

The emphasis in the Eight Plan was on employment:

> The emphasis in the Eighth Plan will mainly be on vocational training and self employment. The new industrial policy of the state is predominantly employment- oriented, with special emphasis on village and cottage industries

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[27] Government of Gujarat (1983) General Administrative Department, Planning Division, *Development Programme 1983-84*, Budget Publication, No. 26.

[28] Government of Gujarat (1985) General Administrative Department, Planning Division, *Draft Seventh Five Year Plan 1985-90, and Annual Plan 1985-86*, p. 121.

> and promotion of the tiny and small scale sector so as to ensure flow of benefits of industrialization in a wide spread manner.'[29]

The Ninth Plan laid a great deal of stress on development of women and children.

> .... Necessary financial, administrative and training support needs to be provided to bring about empowerment of women, so that they can make their contribution to the economic growth and planned development of the nation.[30]

To this end, some of the government schemes that were to be strengthened were as follows:

- ***The Gujarat State Social Welfare Advisory Board:*** This was constituted in 1960. The main objective of the Board was to run women and child welfare programmes under registered voluntary organizations.
- ***DWCRA*:** It was started on a pilot basis in 50 districts in 1982-83 and extended to all the districts by the Ninth Plan. Along with provision of income generating assets to women, the DWCRA also sought to improve the access of rural women to health services, clean drinking water, sanitation, nutrition etc.
- ***Gujarat Women Economic Development Corporation*:** This was to implement the Rural Women Development and Empowerment Project for a period of five years in four districts of Gujarat. The programme was based on the Self- Help Group (SHG) approach and targeted women living below the poverty line.

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[29] Gujarat State (1990) General Administrative Department, Planning Division, *Eighth Five Year Plan 1990-95, and Annual Plan 1991-92*, p. 21.

[30] Gujarat State (1997) General Administrative Department, Planning Division, *Draft Ninth Five Year Plan 1997-2002*, p.74.

Thus, in all the plan periods, one can see the significant role played by voluntary agencies. The collaboration between the government and the voluntary and grassroots agencies existed at different levels of intensity in different programmes, an analysis of which is out of scope of this chapter. What is important to note is that Gujarat has had a long tradition of such partnerships between the government and voluntary agencies resulting in significant amount of social mobilisation. The experimentation of SEWA in grassroots mobilisation for rural and urban development discussed in chapter 4 has to be situated in this context.

3.6 SOME GOVERNMENT AFFLIATED RURAL DEVELOPMENT PROGRAMMES: EXAMPLES OF THE RMK AND BANK LINKAGE

The decade of the 1990s witnessed the initiation of certain microfinance based rural development programmes, not directly led by the Government, but largely affiliated to it. Following is a description of two such programmes: the Rashtriya Mahila Kosh (RMK) and the NABARD led Bank Linkage Programme.

3.6 (a) A Government Promoted Scheme of Microcredit for Poor Women: The Example of Rashtriya Mahila Kosh

The National Credit Fund for Women or the Rashtriya Mahila Kosh (RMK) was set up in March 1993 as an independent registered society by the Department of Women and Child Development in Government of India's Ministry of Human Resource Development with an initial corpus of Rs. 31 Crores.

The main objective of the Fund was to specifically target the economically active poor women and provide them with micro credit for income generating activities. It incorporated several of the features of successful microfinance institutions in India and the world over. Given the nature of clientele, it aimed at developing a quasi-informal delivery system, which was simple, had minimal procedures and disbursed quickly and repeatedly. It was based on a model of microfinance, which linked thrift and savings with credit. It was funded by the Government and was also open to non-Government donor grants.

The Kosh has Three Main Roles:

Wholesaling Role: It acts as a wholesaling apex organisation for channelising funds from government and donor agencies to retailing Intermediate Microfinance Organisations (IMOs). Thus, many scattered organisations, which are in need of funds for their activities, can appeal for assistance to this apex institution instead of running around to different government departments and donor agencies.

Market Development Role: It develops the supple side of the microfinance market by offering support for institution building to new and existing IMOs. This is achieved through a structure of incentives, training of staff and other non-financial services.

Advocacy Role: Owing to the fact that it is a creation of the Government of India, the RMK often has an edge over other organisations in matters of advocacy with the Government for the creation of a more enabling environment for the development of microfinance activities in the country.

Table 3.9 gives the state wise position of RMK performance as on 31.8.99.

It can be seen from the Table that the southern states of Andhra Pradesh, Tamil Nadu and Kerala have performed the best in terms of the number of women beneficiaries covered by the RMK. This is largely because of the presence of a large number of voluntary organisations working in the field of microfinance in these states. Moreover, these states have had a long history of chit funds etc., which make it easier for the poor to understand the concept of microfinance.

TABLE-3.9
RMK
CUMULATIVE STATEWISE POSITION AS ON 31.8.99
(Total of all Schemes except SHG Development)

State	Amount Sanctioned	No. of NGOs/ No. of Others (WDCs, IMBS, SUDA etc)	No. of SHGs	No. of Women Beneficiaries
Andhra Pradesh	2656.53	94	6159	123172
Assam	6.5	4	12	230
Bihar	60.5	4	261	5227
Delhi	12	1	19	370
Gujarat	95	4	292	5830
Haryana	10	1	20	400
Himachal Pr.	74.5	4	152	3031
J & K	20	1	40	800
Karnataka	228.5	23	474	9475
Kerala	538.12	19	1490	29800
Madhya Pr.	50.5	5	161	3220
Maharastra	473.9	4	991	19815
Manipur	110.5	4	261	5225
Nagaland	2	1	4	70
Orissa	126.3	20	310	6205
Rajasthan	210.2	5	612	12240
Tamil Nadu	1498.58	59	3469	69389
Uttar Pradesh	241.55	15	625	12495
West Bengal	365.85	23	993	19860
TOTAL	6781.03	291	16343	326854

Source: http/:www.rmk.nic.in

The next Table presents the growth rates derived from Annexure II.

TABLE-3.10

GROWTH RATES			
YEAR	LOAN SANCTIONED	No. of SHGs	No. of Women Beneficiaries
1994-95	16.64	-32.38	-32.39
1995-96	66.30	49.64	49.65
1996-97	96.50	142.83	142.82
1997-98	-26.23	-34.53	-34.53
1998-99	14.24	-12.81	-12.81

Source: Calculated from Annexure II

There has been quite a bit of fluctuation in all the categories in the period under reference. For example, the growth in the number of women beneficiaries shot up to a maximum of 142.82 in 1996-97 and then immediately fell to an all time low of –34.53. Thus no uniform trend of the indicators can be available from the above Table.

3.6 (b) The BANK--SHG Linkage Model Promoted By The NABARD

Another model of rural microfinance that emerged in the decade of the Nineties is the Bank–SHG Linkage promoted by the NABARD. In the mid-1980s, NABARD officers started attending meetings of Asia Pacific Regional Agricultural Association (APRACA) where they learnt about a GTZ sponsored pilot project, under way in Indonesia, to get the banks to lend to the SHGs without collateral, against the strength of their savings, part of which, had to be deposited in the bank.[31] At about the same time, all over the world, large scale and successful experimentations with micro finance was being undertaken by organisations like the *Grameen Bank.* Within India itself, there was the example of SEWA, which was lending to poor self-employed women in Ahmedabad city of Gujarat by adopting a SHG model and reporting high repayment rates. Inspired by such success stories, NABARD launched in 1992, a modest pilot testing of linking around 500 SHGs with branches of half a dozen banks across the country with the help of a few NGOs. On April 1st 1995, A Fund styled as 'Credit and Financial Services Fund' was set up within NABARD in order to fund the initial requirement for promotion, capacity building and NABARD's refinance to banks. In 1996, The RBI decided to include Linkage Banking as a mainstream activity of the banks under their priority sector lending. The Government of India awarded national priority to the programme in its Union Budget for 1999.

This programme, as it is operating today was designed to initiate linkage processes in two main dimensions:

- Institutional linkages between SHGs and Banks by directly or indirectly involving NGOs and other SHG Promoting Institutions (SHPIs)
- Financial linkages between savings and credit in fixed ratios or in dynamic ratios of savings: credit which increases in repeated cycles contingent upon the performance of the SHG. (So far field observations show that the ratios vary between 1:1 to 4:1). Moreover, regular savings for six months is often a necessary condition for gaining 'bankability' recognition.

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[31] P. Ghate (1999) 'Experiences of Lending to Rural Poor', *Economic and Political Weekly,* Vol. XXXIV, December 4, p. 3431.

Three different models of credit linkages are being followed in India:

Model I: SHGs formed and financed directly by banks.

Model II: SHGs formed by NGOs and formal agencies but directly financed by banks.

Model III: SHGs formed and financed by banks by using NGOs and other agencies as financial intermediaries

A normal SHG comprises of around 20 members drawn from a homogeneous community. The members themselves, based on solidarity, reciprocity, common interest and resource pooling, operate it. Bank loans are granted to the SHG who then allocates the loan amount between the different members. They may use these loans for short-term emergency and consumption needs as well as capital requirement for a micro entrepreneurial activity. This is an important point of difference between the SGSY and the Linkage programme since the former can give a loan only for productive purposes. The Linkage programme initiated this concept of consumption loans because it realized that most of the rural indebtedness to informal moneylenders stemmed from consumption needs during periods of unemployment and sudden contingencies like illness, death or marriage. Thus the purpose to which the loan would be put to use was the prerogative of the beneficiary herself, unlike in the IRDP and subsequently in SGSY, where she had to opt for one of the assets earmarked by the authorities. Another point of difference with the self-employment based rural development programmes was the fact that the bank charged market rates of interest, usually about 12 percent with flexibility for local conditions. The rate of interest charged from the beneficiaries by the SHGs at times of internal lending was even higher-a flat rate of 24 to 36percent.[32] Secondly, there was no subsidy component in the loans.

The Linkage model does not directly offer any non-monetary services like training, awareness, market research etc. Neither does it contain any additional social development goals like family planning, scholarships for young girls etc. Hence, it would not be wrong to place the Linkage Model roughly in the category of the financial systems approach discussed in Chapter 2. This is in stark difference with the integrated microfinance and rural/urban development models practiced by organisations like the SEWA in India and the Grameen Bank in Bangladesh. It is also conceptually at the opposite pole of the asset based rural development programmes by the Government of India, which, in spite of their implementational failures, conceived of a major integration of employment, rural development and asset creation programmes at the theoretical level.

The following Table presents the distribution of bank loan across the different states of India over the period 1997-98 to 2002-03. Data for the years previous to that are not available.

Table 3.11 shows that the largest amount of bank loans over the years have gone to the Southern States. This is principally because of the large presence of the NGOs and the SHPIs in that region. On the other hand, the North East Region reports the lowest absolute levels of bank loan for all the years. Secondly,

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[32] E. Kropp, and B .S Suran (2002) *Linking Banks and Financial Self Help Groups in India- An Assessment*, NABARD, Mumbai, pp. 21-22.

TABLE-3.11

BANK LOAN (Rs. Million)

	YEAR	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03
	STATE						
NORTH							
	Himachal Pr.	0.45	1.44	8.72	19.68	48.6	90.23
	Rajasthan	4.03	11.66	25.62	66.17	120.24	230.58
	Haryana	0.06	0.49	5.82	9.01	21.72	32.15
	Punjab		0.04	0.98	1.63	16.37	20.95
	J & K		0.02	0.53	1.27	1.9	20.82
	New Delhi						3.45
	SUB TOTAL	**4.54**	**13.65**	**41.67**	**97.76**	**209.4**	**398.18**
NORTH-EAST							
	Assam	0.14	0.21	0.47	3.32	9.66	31.85
	Meghalaya		0.79	0.78	1.17	1.73	
	Tripura		0.13	0.06	0	0.01	0.65
	Sikkim		0.01	0	0.1	0.33	0.22
	Manipur		0.2	0	0.31	2.1	2.2
	Arunachal Pr.					2	
	Nagaland					0.58	
	SUB TOTAL	**0.14**	**1.34**	**1.3**	**4.9**	**16.41**	**34.92**
EAST							
	Orissa	2.33	9.22	18.09	46.37	125.96	303.68
	Bihar+Jharkhand	1.03	1.8	12.49	32.18	82.24	255.43
	West Bengal	1.52	4.15	18.55	32.65	68.75	177.42
	A & N Islands	0.09	0.28	0.23	0.24	0.4	0.3
	SUB TOTAL	**4.97**	**15.45**	**49.36**	**111.24**	**277.35**	**736.83**
CENTRAL							
	M.P.+Chhattisgarh	5.73	6.08	25.84	60.25	80.16	179.85
	U.P.+Uttaranchal	6.72	11.99	68.72	63.7	231.77	698.5
	SUB TOTAL	**12.45**	**18.07**	**94.55**	**123.95**	**311.93**	**878.35**
WEST							
	Gujarat	4.09	13.46	21.28	21.86	21	75.81
	Maharashtra	7.8	22.41	55.09	86.72	243.31	274
	Goa	0.04	0.09	0.8	1.83	4.43	4.19
	SUB TOTAL	**11.93**	**35.96**	**77.17**	**110.4**	**268.74**	**354**
SOUTH							
	Andhra Pradesh	31.75	127.26	682.56	1675.84	2670.92	4541.3
	Karnataka	23.02	42.99	118.37	144.64	347.54	724.95
	Kerala	8.61	22.47	56.55	96.18	148.3	304.85
	Tamil Nadu	21.79	55.75	227.31	510.65	1199.09	2228.45
	Pondicherry	0.02	0.14	10.27	3.1	4.91	21.55
	SUB TOTAL	**85.2**	**248.61**	**1095.05**	**2430.41**	**4370.76**	**7821.1**
GRAND TOTAL		**119.23**	**333.01**	**1359.11**	**2878.86**	**5454.59**	**10223.38**

Source: Statement II of "NABARD & Microfinance, 1999-2000 & 2000-2001, NABARD. Statement II of "NABARD & Microfinance 2001-2002: Ten Years of SHG Bank Linkage (1992-2002)", NABARD and Statement II of Progress of SHG-Bank Linkage in India, 2002-2003, NABARD.

in absolute terms, bank loans have risen uniformly in all regions over the period under reference.

Table 3.12 shows the percentage growth of bank loan in the different regions of India over the period 1998-99 to 2002-2003.

TABLE-3.12
Percent AGE GROWTH OF BANK LOAN (Rs. Million)

	1998-99	1999-2000	2000-01	2001-02	2002-03
NORTH	200.66	205.27	134.61	114.20	90.15
NORTH EAST	857.14	-2.99	276.92	234.90	112.80
EAST	210.87	219.48	125.36	149.33	165.67
CENTRAL	45.14	423.24	31.09	151.66	181.59
WEST	201.42	114.60	43.06	143.42	31.73
SOUTH	191.80	340.47	121.95	79.84	78.94
GRAND TOTAL	179.30	308.13	111.82	89.47	87.43

Source: Calculated from Table-3.11

This Table shows that in terms of growth rates of loan, the North East region has performed the best with the exception of only one year namely, 1999-2000. This points to the fact that the Linkage Programme is making a lot of effort in combating regional disparities in the distribution of bank loans. However, a matter of concern is that the rate of growth of bank loan has been declining over the last three years namely, 2000-01, 2001-02 and 2002-03. This may be an indication of the fact that after the initial euphoria of the Linkage Programme when it was initiated in the latter part of the 1990s, the enthusiasm is somewhat ebbing away.

The next Table shows the percentage growth during 2002-2003 in the number of SHGs, Bank Loan and Bank Loan per SHG in the different states of

Table-3.13

Percentage Growth During 2002-2003

STATE	MODEL 1			MODEL 2			MODEL 3		
NORTH	No. of SHGs	Bank Loan	Loan/SHG	No. of SHGs	Bank Loan	Loan/SHG	No.of SHGs	Bank Loan	Loan/SHG
Himachal Pr.	26.32	0.00	-20.83	77.06	114.14	20.94	0.00	0.00	0.00
Rajsthan	26.67	32.96	4.96	117.63	146.86	13.43			
Haryana	23.73	30.05	5.11	78.15	126.34	27.05			
Punjab	197.37	262.50	21.90	71.67	64.16	-4.37			
J & K				189.00	550.81	125.19			
New Delhi				372.73	605.26	49.19			
SUB TOTAL	**30.22**	**41.01**	**8.29**	**102.13**	**137.14**	**17.32**	**0.00**	**0.00**	**0.00**
NORTH-EAST									
Assam	208.41	211.62	1.04	366.43	292.24	-15.91	128.74	171.05	18.50
Meghalaya	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tripura	1385.71	196.97	-80.01						
Sikkim				4.35	50.00	43.75			
Manipur				21.71	104.76	68.24	0.00	0.00	0.00
Arunachal Pr.				0.00	0.00	0.00			
Nagaland	0.00	0.00	0.00						
SUB TOTAL	**216.30**	**197.49**	**-5.95**	**163.93**	**130.63**	**-12.61**	**90.34**	**40.12**	**-26.38**
EAST									
Orissa	153.72	175.23	8.48	65.98	102.09	21.75	77.62	126.60	27.58
Bihar	4.29	2.68	-1.54	125.51	282.47	69.60			
Jharkhand	79.83	253.85	96.76	181.12	546.39	129.94	0.00	0.00	0.00
West Bengal	88.73	144.98	29.81	53.45	65.56	7.89	101.23	119.92	9.29
A & N Islands				14.63	11.54	-2.70			
SUB TOTAL	**110.42**	**154.66**	**21.02**	**101.93**	**275.87**	**86.14**	**69.52**	**67.72**	**-1.06**
CENTRAL									
M.P	33.58	35.86	1.70	141.03	153.77	5.29	301.38	183.64	-29.33
Chhattisgarh	0.85	1.49	0.64	49466.67	55880.00	12.94			
U.P	60.12	207.00	91.74	78.67	326.35	138.62	0.00	57.59	57.59
Uttaranchal				76.14	59.96	-9.18			
SUB TOTAL	**42.91**	**117.09**	**51.91**	**100.17**	**187.35**	**43.55**	**9.86**	**73.31**	**57.76**
WEST									
Gujarat	51.24	67.29	10.61	46.96	97.52	34.40	0.00	0.00	0.00
Maharashtra	18.73	26.43	6.48	66.02	111.14	27.18	515.91	28.41	-79.15
Goa	11.11	59.48	43.53	22.31	58.16	29.31	0.00	0.00	0.00
SUB TOTAL	**20.76**	**28.18**	**6.15**	**56.79**	**106.40**	**31.64**	**81.36**	**12.63**	**-37.90**
SOUTH									
Andhra Pradesh	39.23	67.30	20.16	15.39	88.58	63.43	8.81	7.87	-0.86
Karnataka	121.96	148.29	11.87	53.66	102.73	31.93	24.68	43.27	14.92
Kerala	45.99	124.48	53.76	91.41	143.41	27.17	19.92	43.32	19.51
Tamil Nadu+Pondi	186.49	224.87	13.40	52.27	94.39	27.66	14.62	42.70	24.50
SUB TOTAL	**121.80**	**175.34**	**24.14**	**24.19**	**91.27**	**54.01**	**19.05**	**38.44**	**16.29**
GRAND TOTAL	**80.06**	**129.29**	**27.34**	**36.20**	**99.72**	**46.63**	**31.21**	**44.82**	**10.38**

Source: Calculated from statement VII (SHG Bank Linkage- Model wise Cumulative Position Upto March 2002) Of "NABARD & Microfinance 2001-2002: Ten Years of SHG Bank Linkage (1992-2002)", NABARD and Statement VII of Progress of SHG-Bank Linkage in India, 2002-2003,NABARD.

India under the three different models I, II and III. Similar calculations for the other years could not be done due to lack of availability of data.

Models I and II seem to be the most successful in terms of growth in the number of SHGs formed. Model III comes a distant third in the growth ratings with the exception of the western region where it is found to be the most successful. In terms of total figures for the country, model I is found to have performed the best.

In terms of growth of bank loans model II has performed the best with the exception of the North Eastern and Southern Regions where it is the second most successful model. In these regions, model I has performed the best. The country level growth figures places model I at the top.

As in the previous cases, models I and II have performed the best in terms of growth of Bank Loan per SHG. However, in the Central region, model III has performed the best. In terms of the country level data, model II appears to be the most successful model.

All the three indicators point to the fact that the Linkage model, at present is concentrating more on the models I and II.

3.7 CONCLUSION

To start with, the rural development and poverty alleviation programmes were characterised by strong bureaucratisation, centralised planning which did not take into account the specific local conditions, a supply led approach which did not respond to local demand conditions and a focus on individual beneficiaries.

However, at the conceptual level, at least, it emphasised the need to target the poorest of the poor and therefore, built a structure of credit with subsidy. After the initiation of the new economic reforms, the programmes registered a distinct shift in their thrust. First of all, there was a gradual movement away from an integrated development approach aimed at the poorest to a functional approach aimed at the economically active poor. This is especially true of the Government affiliated programmes that the RMK and Bank Linkage. A positive development, however, that has happened in recent times is the greater emphasis on group approaches, which has the potential of building group power and involving these groups actively in determining the progress of their own welfare and empowerment. Further, there have been several instances of successful partnerships between the Government and voluntary agencies as, for example, in the Bank Linkage case. Thirdly, there has been an increasing recognition of women as a target group, which has led to the formation of organisations like the RMK.

However, one needs to guard against a gradual delegation of responsibility previously with the state, to voluntary and grassroots agencies. It is undoubtedly important that the community participates in development programmes and voluntary agencies have been much more successful in mobilising people than Government bodies. But, this should not become a ready excuse for the retreat of the state when it comes to planning and expending for development. Unfortunately, the post reform policies and programmes have been characterised by a reduction or abolition of subsidies, shooting up of interest rates and a preoccupation with credit as the sole panacea for development maladies.

Obviously, therefore, the poorest cannot and have not been targeted. Moreover, the only measuring stick of success has been whether the programmes fulfilled their targets in terms of loan disbursement, number of individual or group beneficiaries etc. There is little study on whether there have been sustainable gains in income and standard of living, even of the economically active poor.

CHAPTER FOUR

ROLE OF MICROFINANCE IN RURAL DEVELOPMENT: THE CASE OF SELF EMPLOYED WOMEN'S ASSOCIATION, AHMEDABAD

4.1 HISTORY AND BACKGROUND

The Self Employed Women's Association (SEWA) was born in 1972 as a trade union of self employed women. It grew out of the Textile Labour Association (TLA), one of India's oldest and largest union of textile mill workers, established in 1920 by Anasuya Sarabhai. A separate women's wing of the Union was founded in 1954. It comprised mainly of the women members of the households of the textile workers. The women's wing was involved in welfare activities and also imparted training in activities like sewing, embroidery, spinning, press composition, typing and stenography so that these women could generate their own income. In 1971, a small group of migrant women working as cart pullers in Ahmedabad's cloth market approached the TLA with the demand for housing since none of them had a place to stay and were putting up on the roadside. Ela Bhatt, the head of the women's wing went with them to survey the market area where they were working. In the course of her survey, she came across a group of headloaders, carrying loads of clothes between the wholesale and retail markets. After listening to their grievances regarding the low and erratic wages, Ela Bhatt, wrote an article for the local newspaper, outlining the problems of the headloaders. The cloth merchants retaliated by an article of their own in which they denied the charges and testified to their fair treatment of the headloaders. In response to this, the Women's Wing reprinted the merchant's claims on cards and distributed them among the headloaders to use as leverage with the merchants.

The news of this successful ploy spread fast and gradually more and more women workers started approaching TLA for assistance. At this time there arose from among the women workers, a demand for a separate organisation of their own. Thus, in December 1971, the Self Employed Women's Association was founded at the initiative of Ela Bhatt and the President of the TLA, Arvind Buch. Initially there was a lot of difficulty in registering it as a Trade Union as the Labour Ministry opined that since this was an organisation of self employed women, there was no identifiable employer to struggle against. The Association on the other hand, maintained that a Union was essentially meant to organise and unite workers. Accordingly, in April 1972, it got official recognition as a trade union.

Subsequently, the relations between the TLA and the SEWA began to deteriorate since the interests of the unorganised workers represented by the SEWA came into conflict with the interests of the organised workers represented by the TLA. This conflict came to a head in 1981 at the time of the anti reservation riots. SEWA, which had a number of Dalit women as members openly criticised the attack on the Dalits by members, of the upper caste. TLA, however, maintained a silence on this crucial issue although it, too, had many Dalits as its own members. As a result, TLA and SEWA parted ways and from 1981 onwards, the latter started to operate as a completely separate and independent trade union.

Since then, it has grown at a very fast rate, creating a number of cooperatives, spearheading numerous regional, national and international campaigns and establishing innumerable supportive systems, with the objective of achieving full 'emploreliance' (full employment and self reliance) for its members.

The Shri Mahila SEWA Sahakari Bank Ltd., with which the dissertation concerns itself, was formed in 1974, two years after the registration of SEWA as a Trade Union, in order to provide financial services to poor self employed women through their own management and ownership. The Bank came into being at the initiative of 4000 self-employed women each of whom deposited Rs. 10 as their share in the new venture. The objectives of the bank were manifold including:

- Inculcating the habit of saving among its members
- Providing credit facilities and promoting insurance benefits
- Enabling the members to build their own assets and capital and thereby helping them to break the vicious cycle of debt promoted by moneylenders charging exorbitant rates of interest
- Training the members in managerial and technical capabilities
- Making the members economically strong and self reliant

Since most of its cooperatives, campaigns and supportive systems operated mainly from the city, for a long time, the SEWA bank also had a completely urban clientele. However, with the gradual penetration of SEWA into the rural regions of Gujarat, the need for extending financial services to its rural members arose. Many savings group were established in order to encourage thrift and inculcate financial habits among the self employed workers. However, it was only in 1993 that SEWA Bank began its rural banking in the different rural districts of Gujarat, after obtaining the requisite permission from the Reserve Bank of India.

4.2 OUTLOOK, OPERATION AND MODEL OF INTEGRATED DEVELOPMENT

> SEWA is inspired by Gandhian thinking and the principles of satya (truth), ahimsa (non-violence), sarvadharma (integration of all faiths and all people) and khadi (propagation of local employment) that act as the guiding force for social change. It is both an organisation and a movement. It is, in fact, a sangam or confluence of three movements- the labour movement, the cooperative movement and the women's movement. But most significantly, it is a movement of self employed women- their own home grown movement in which they themselves are the leaders, and through which their tremendous economic and social contribution gets recognised, thus making them strong and visible.[1]

Originating as a trade union, SEWA believed in a joint strategy of struggle and development. The struggle was to be directed against exploitation- directly faced by self employed women at home and the work place, indirectly faced at the level of implementation of laws and dealing with officials and also at level of the policy and legislation formulation. Development, on the other hand, was seen as the strategy by which the workers could gain employment opportunities and income through enhancing their productivity, through asset creation or enhancement or by alternative employment opportunities. [2]

Ela Bhatt, The founder of SEWA laid a great deal of stress on organizing the poor into poor people's organisations and building up the asset base of the poor people. She, further, held that the sectoral approach to people organisations had the possibility of greatest success.

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[1] *SEWA Annual Report (*2001) SEWA, Ahmedabad, p. 8.

[2] R. Jhabvala (1996) *A Case Study of Interventions in the Labour Market, SEWA,* Ahmedabad, p. 9.

By organizing and creating their own economic structures, poor people can act together in their common economic interests. They can save together, bargain for better prices on inputs purchased or products sold jointly. They can also create economic visibility with policy-making bodies. Organizing around an economic activity can serve as a vehicle engaging in the other activities later.[3]

She further maintained that:

Poor peoples organisations escape the risk of paternalistic, social welfare, service delivery, beneficiary approaches. Poor people operating their own organisations will charge each other what it costs to provide services. Poor women who operate saving groups have no difficulty charging market interests rates to those who borrow from the groups.[4]

Moreover,

The local women's democratic organisations lead to empowerment. Organisations which are owned and controlled by the producers themselves help the members in removing their marginalisation and bring them into the mainstream. The local groups of crafts women collectively could stand in the open market and bargain firmly for the piece rates of their products with the private traders. So also the DWCRA groups of minor forest produce collectors could collectively negotiate and fight out the decrease in the price of gum with the Gujarat State Forest Development Cooperation.[5]

Thus, SEWA emphasised on creating links with both private and public sector through campaigns and programmes involving joint collaboration between the government, private sector and cooperatives run by SEWA. Thus, SEWA explored avenues of communities' participation to the largest extent, involving poor people not only in implementation of programmes but also the formulation of programmes as well as initiation of new programmes depending on the specific local demands. The organisations created by SEWA were led, managed and owned by the poor people. The *Aagewans* (Union Leaders) trained by SEWA went on to create more *Aagewans* from within the community at their own

[3] E. Bhatt (1995) *Beyond Micro Credit: Structures that Increase the Economic Power of The Poor',* SEWA Academy, Ahmedabad, p. 5.

[4] Ibid., p. 6.

[5] R. Nanavaty (1994) *We Can and We Will,* Working Paper Series III, SEWA Academy, Ahmedabad, P. 6.

initiative. These *Aagewans* initially concentrated on building organisations around specific trades and then went on to create organisations during which supportive services and even initiated new trades based on existing potential incase the traditional trade faced difficulties. Ela Bhatt also believed that it was very important for people's organisations to forge links with the public and private sector.

> They need to develop relationship with insurance companies to establish economic security schemes. They need to negotiate with banks to generate loan fund finance these schemes. They need to communicate with city planner to ensure that markets are developed the needs of petty vendors and hawkers. The need to have a voice in the chambers of commerce and city government to set standard, liberalise licensing requirements and establish fair zoning regulations. Without a voice in the hallways of power, the poor self-employed will not be heard.[6]

SEWA placed great deals of emphasis on asset building.

> The poor need to be alive to build assets if they are to break a circle of subsistence, deprivation and survival. With assets, the poor can build more assets, their control over their enterprises increases, and their lives begin to change. With assets, poor women invest in the health, education and welfare of their families, poor women need to be able to borrow and save, they need bank accounts in their own names, they need to be free of dependence on moneylenders, they need loans to buy better tools and they need loans for housing improvements and repairs. Poor women need assets as individuals, but also as a collective, such as group loans for village fishponds or fodder farm.[7]

However, though asset building through credit was a central focus of SEWA, it combined this approach with an overall conception of integrated development based on campaigns, co-operatives and supportive systems.

Since the dissertation deals specifically with rural development, it will be useful to see how SEWA integrates its various activities in the rural regions.

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[6] E. Bhatt (1995) *Moving Towards People Centred Economy*, SEWA Academy, Ahmedabad, pp. 9-10.

[7] Ibid., p. 6.

SEWA's approach to rural organizing is area specific and demand driven. The communities themselves design and implement the community based activities, under the leadership of SEWA's members. District associations are created to take decisions and implement them with continuous guidance from SEWA. In order to facilitate them, SEWA also provides trainings for capacity building of the staff organizers at the association level. Believing in the primacy of local ownership and knowledge, SEWA trains the village women in the skills necessary to competently administer their own organisation and cooperatives. A spearhead team comprising of local organizers is formed to lead each cooperative. The team leaders *Aagewans* are selected on the criteria of long experience of working with SEWA (and not on whether they know how to read or write). Spearhead team members or 'barefoot managers' undergo intensive training in administration, financial management and the technical aspects of their trade.

Given SEWA's emphasis on employment and income most of the organisations and teams formed by the SEWA are trade based. Some of these organisations are registered under the Cooperative's Act and some are DWCRA groups registered with the Ministry of Rural Development. Incidentally, in the longstanding spirit of collaboration between Government and grassroots organisations in Gujarat, the Government of Gujarat allowed the producers groups formed under SEWA to implement the DWCRA programme. All these trade organisations are small primary groups based at the village or Mohalla level. Some such groups include the milk producers cooperatives, artisan's cooperatives, land based cooperatives, stone quarrying cooperatives, salt producer's cooperatives, savings and credit groups etc. The SEWA Bank, which is the largest cooperative under the SEWA, is essentially characterised as an urban cooperative. However, in the decade of 1990s it penetrated into the rural regions through Self Help Groups. Membership of these groups and cooperatives are not mutually exclusive i.e., the same person can and often is member of more than one group.

It was observed that such small cooperatives spread across various districts could not achieve sufficient bargaining power for initiating changes in market conditions as well as policies affecting their trades. Therefore, SEWA merged cooperatives of the same type into 'federations', which could act as united platforms of resistance at the state, national and international level. Some important federations operating at the state level are:

Gujarat State Women's Cooperative Federation: It has been in action since 1992. This association includes members from small organisations like Vanlakshmi Vrush Association to the larger ones like SEWA Bank Cooperative. In 2001, it had about eighty six different associations under its wing. The association conducts training sessions for proper accounting, maintaining records for regular auditing, coordination between groups, need assessment etc and also provides marketing bodies to get export licenses for exporting items produced by organisations like Banascraft (cooperative of craftswomen of Banaskantha) and Kutchcraft (cooperative owned by craftswomen of Kutch).

SEWA Gram Mahila Haat: SEWA, with full cooperation and support of the Rural Development Commissionerate of the Government of Gujarat established the SEWA Gram Mahila Haat in 1999, which works with 1053 local producer groups through eleven district level associations, as an apex marketing organisation to facilitate various forms of interventions that will strengthen rural producers groups. Owing to the SEWA Gram Mahila Haat, it has been largely possible to eliminate middlemen and connect grassroots level producers directly to open market.

SEWA Trade Facilitation Centre (STFC): The STFC was set up in 2000 on a pilot basis in order to expand the marketing base for handicrafts, STFC conducts extensive market survey on design, sample development, optional pitching, marketing and production strategy and train the rural artisans accordingly. It also organizes sales and exhibition of products at both domestic and international levels.

Being essentially a Trade Union, SEWA pushes for policy changes in favour of its members through the medium of campaigns. The teams implementing the various campaigns are run by *Aagewans* who ensure mass mobilisation around relevant issues. Some important campaigns undertaken by SEWA so far are:

Water Campaign: The water campaign, which was started in 1995, demanded that each village should have its own source of clean drinking and therefore, water reservoirs should be handed over to the local women for their organisation and maintenance.

Agriculture Workers Campaign: Recognizing the large dependence of women on agriculture activities like manual labour, crop harvesting, plantation and animal husbandry, SEWA organised the agriculture worker's campaign to make agricultural activities mere productive and profitable for the workers. The campaign has raised issues like severe water shortage, rise in the cost of seedlings, mechanization and labour displacing techniques in agriculture etc.

Feminize Our Forest Campaign: The demand of this campaign is that since women are so dependent on forest for their well being, they should be given full responsibility for forestation including plantation and nurturing of plants after being trained by the forest department. In fact owing to the success of this campaign, forestation has proved to be a steady and satisfactory source of income and employment to several women.

Midwives Campaign: In order to provide cheap and accessible health services to SEWA members, SEWA has organised midwives and health workers cooperative by training the rural women in this basic medical skills. Thus, through training through the 'midwives school' and also training in primary health care and first aid, SEWA has created a whole genre of 'barefoot doctors' from among the poor rural women.

The informal sector workers who are the membership base of SEWA are not covered by any government social security schemes. However, SEWA realized that in order to achieve a true sense of empowerment for its members, social security measures like health care, childcare, insurance etc. have to be introduced. For providing health care, SEWA introduced health care and health awareness training for the members so that the community itself could identify and respond to its health needs. Simultaneously, it collaborated with the World

Health Organisation (WHO), the Government and the Ahmedabad Municipal Corporation in providing DOTS for Tuberculosis and other preventive and curative health care measures.

Secondly, in order to enhance the productivity of the women SEWA decided to reduce their child care responsibilities, which were both tiring and time consuming. Hence, it has started its own childcare centres at sites near the work place of the mothers.

Finally, SEWA has also introduced its own insurance services (Vimo SEWA). SEWA initiated its insurance programme in 1992. By 2001, the Vimo SEWA covered Life Insurance (with additional benefit coverage from National Insurance Corporation and New India Assurance Company), Widowhood (covered by LIC Insurance), Hospitalisation, Maternity Benefits and Flood, Fire and Riots.

Apart from the social security nets SEWA has devised several other development services like provision of education through the SEWA Academy, Jeevanshalas etc. These and many others form a complex and interdependent network of supportive services that interact with campaigns and cooperatives to create an integrated framework of empowerment and emploreliance as conceptualised by the SEWA.

Thus, starting with the sectoral approach (organising around a trade) or the functional approach (forming savings and credit groups), SEWA moves on towards an integrated approach in which people's organisations actively cooperate and participate in charting out a course of struggle and development.

The SEWA Bank, which is at the focus of the dissertation, though dealing exclusively with savings and credit and occasional financial counseling, is a part of this integrated set up. Further, like all cooperatives, it is based on a demand driven approach. Thus, right from the formation of SHGs to the design of savings and credit packages, it responds to the expressed needs of the people. The following section deals with the basic model and structure of SEWA Bank.

4.3 RURAL BANKING OF THE SHRI MAHILA SEWA SAHAKARI BANK LTD.: THE MODEL AND ACHIEVEMENTS

Rural Banking of the SEWA is carried out through the formation of Self Help Groups (SHGs). The formation of SHGs is the culmination of SEWA's efforts to organise agricultural labourers in the rural areas, which started as far back as 1977.

Like all other activities, financial services offered by the SEWA is also based on a demand driven approach instead of a supply led approach. This is to say that the SEWA bank actively engages in the formation of SHGs and initiation of financial habits in a particular district only after the rural women organised by the SEWA under various cooperatives, federations or campaigns, express a desire for that service in order to promote a productive activity being performed by them. Here lies the major difference of the SEWA Bank model with Government led microfinance programmes like the IRDP and the SGSY or other Government affiliated microfinance programmes like the Bank Linkage programme or the RMK. These schemes normally concern themselves with the provision of credit to a target category and target number of people irrespective of whether they need it and how they are going to use it. On the other hand, in the SEWA Bank model, credit and savings step in only when there arises from among the organised members a demand for it.

Once the activities in a certain district gain momentum, SEWA creates a District Association to monitor and coordinate all these activities. This district association chooses a spearhead team comprising of selected group leaders of various groups pursuing different activities in the district. It is important to note that, in accordance with the basic philosophy of SEWA, the group leaders who make up the spearhead team are all part of the target community and themselves poor self-employed women. It is this spearhead team, which performs the task of SHG formation. A typical SHG consists of 15-20 members. First, the group selects a name for itself and then elects its leader. The leader is one who is respected by all and also who can spare some time away from her own income generating activity in order to give time to the day to day organising and administrative tasks of the group. Once the leader is elected, the group then decides its by laws e.g., the required amount of regular savings, the repayment schedule of loans etc. Then the group inculcates among its members the habit of regular savings, which can range between Rs. 5 to Rs. 50 per month. This savings is collected by the spearhead team every month and brought to the District Association office. The Association deposits the collected savings at the SEWA Bank in the separate accounts of the different groups. A year after the group saves regularly (the bank pays an interest rate of 3 percent annually on the savings) SEWA Bank advises the group to start internal lending out of the pooled savings of the group. The interest rate charged by the SHG to its members on internal loans is 24 percent annually (i.e., 2 percent monthly). The groups write their daily transactions in books, which are brought to the Bank by the same process as the savings. The Bank then collects information from the books and maintains an account of all the financial transactions of the SHGs. It deducts, from the account of the group, a service charge of one fourth of the total interest income earned by the group. With the addition of interest income, the volume of the group's savings expands and the group can avail of this accumulating amount from time to time for further lending. A simple example can demonstrate this:

Suppose the initial saving of the group when it starts group lending is Rs. 5000. Suppose further, the group withdraws Rs. 4500 for internal lending. After a month all interest income earned on the loans is deposited with the Bank. Therefore, at the end of one month the amount in the group's account becomes

= (Savings after withdrawal) + (monthly interest rate on internal loan) + (interest rate by SEWA on savings) - (service charge)

= (Rs. 5000 – Rs. 4500) + (2 percent of Rs. 4500) + (3/12 of Rs. 500) – (1/4 of interest income)= Rs. 500 + Rs. 90 + Rs. 125 – Rs. 22.50

= Rs. 692.50

Now out of this, the group can withdraw an amount of Rs. (692.50 - Rs. 500) = Rs. 192.50 in the next month for the purpose of further internal lending. In this way, the accumulated amount can be continuously revolved for lending. In case of repayment failure by any member of the group, the SHG as a whole assumes liability.

After observing the process of internal lending and the repayment performance of the group members for a while, the SEWA Bank declares the group eligible for an Association loan. The SEWA Bank gives a loan equivalent to three times the total savings of the district to the District Association at 17 percent rate of interest per annum. The District Association, in turn loans out this amount to individual SHGs at 21 percent per annum. Finally, the SHG lends this amount to its members at 24 percent annually. During the process, the Bank does not charge any service charge since it gets a flat interest rate of 17 percent from the Association. The liability for loan default at this stage rests with the Association itself.

The group can, after a period of sustained good performance, become eligible for a bank loan directly from the SEWA Bank at the flat rate of 17 percent per annum. The liability of repayment then lies with the group.

At each stage of development of financial facilities, the SHG has full autonomy to decide the by laws, the distribution of loan amount between its members and the purpose for which the loan is to be used so long as it is for a productive purpose. This is one major difference with the Bank Linkage programme where the declared loan use can also be for consumption purposes.

The following table shows the number of SHGs, the total number of members and the total savings in each district from 1993-94 till March 2001. The discrepancy in the time intervals is owing to the fact that the data is still at a raw stage, yet to be published by the SEWA Bank. Thus, the table is computed from the available raw data with the Rural Banking Division of the SEWA Bank. The growth rates of Table 4.2 have been calculated from Table 4.1. The calculations have been done till the year 1998-99, since after that, the one-year time interval data is not available.

TABLE-4.1

No. of Groups	93-94	94-95	95-96	96-97	97-98	98-99	Nov-00	Mar-01
Ahmedabad	98	121	149	170	194	234	345	370
Kheda	119	176	229	267	287	304	327	363
Banaskantha	29	50	123	135	138	138	176	177
Gandhinagar	5	8	16	27	37	64	154	341
Baroda			7	13	21	36	76	89
Kutch				26	56	54	57	108
Mehsana				45	60	77	73	76
Sabarkantha				36	63	59	48	53
Surendranagar				29	43	44	60	60
Total	251	355	524	748	899	1010	1316	1637
No. of Members								
Ahmedabad	4913	6302	7553	6950	6974	7901	8865	9314
Kheda	3451	5115	7167	8226	9337	10040	9911	10423
Banaskantha	1461	1745	2766	2891	2540	2562	3308	3302
Gandhinagar	225	285	565	785	899	1393	3211	7708
Baroda			287	377	533	848	1603	1844
Kutch				426	910	880	1038	1972
Mehsana				1172	2346	2786	1465	1485
Sabarkantha				624	1074	1099	764	834
Surendranagar				570	808	823	1140	1140
Total	10050	13447	18338	22021	25421	28332	31305	38022
Savings								
Ahmedabad	412692	831864	756240	1285000	1766528	2326816	3003978	3394076
Kheda	527775	952977	1351088	1755203	2241886	2658903	3224007	3514985
Banaskantha	255040	367256	627536	75236	798412	884769	1619981	1743518
Gandhinagar	49375	94410	188608	318276	436153	645385	1126040	1384819
Baroda			24896	61464	116148	205969	400885	490369
Kutch				19682	93064	150142	289464	355798
Mehsana				68614	116727	216642	154445	197297
Sabarkantha				105038	180074	138674	117271	146473
Surendranagar				37792	102038	165767	86019	92844
Total	1244882	2246507	2948368	4403605	5851030	7393067	10022090	11320179

Source: Shri Mahila SEWA Sahakari Bank Ltd.

Table 4.1 shows that SHG formation took place at different points of time in the different districts. This disparity is owing to the fact that SHG formation was a process integrated with other activities of the SEWA, which developed at different times in the various districts. Saving and thrift groups had been formed way back in the latter part of 1980s in Ahmedabad, Khera and Banaskantha. Thus, in 1993-94, and these districts show a large presence of SHGs. In 1995-96, 7 SHGs were formed in Baroda. By 1996-97, all the districts were covered in terms of SHGs formation. At the end of March 2001, the maximum numbers of SHGs (370) were located in the Ahmedabad district. In terms of growth rates, (Table 4.2), the year 1996-97 seemed to have experienced a sudden drop in the growth in all the districts. The year 1997-98 witnessed a further sharp drop in the growth rate. However, the districts that were newly covered in the previous year, showed high positive growth rates. Taking all the districts together, the growth rates showed a continuous decline from 1996-97 onwards.

At the end of March 2001, the total number of members in all the SHGs taken together was the highest in the Kheda district although the total number of SHGs was more in Ahmedabad. As in the case of the growth rate of number of groups, the growth rate of total members also showed a sudden drop in the year 1996-97, recording in fact a negative figure in Ahmedabad district (-7.98). In 1997-98 also the growth rate showed a decline with the exception of the Baroda district where it rose from 31.36 to 41.38. In the aggregate (all districts taken together), the growth rate showed a secular and declining trend since 1996-97.

In terms of total savings, Kheda district recorded the maximum savings followed by Ahmedabad district in all the years. At the end of March 2001, total savings in Kheda was Rs 3514985 and that in Ahmedabad Rs. 3394076. The growth rates of savings do not show a uniform trend for all the districts. In

Ahmedabad district, growth rate of savings shot up from an all time low of –9.09 in 1995-96 to 69.92 in 1996-97. The fact that growth rate of savings increased in a

TABLE- 4.2

GROWTH RATES					
No. of Groups	94-95	95-96	96-97	97-98	98-99
Ahmedabad	23.47	23.14	14.09	14.12	20.62
Kheda	47.90	30.11	16.59	7.49	5.92
Banaskantha	72.41	146.00	9.76	2.22	0.00
Gandhinagar	60.00	100.00	68.75	37.04	72.97
Baroda			85.71	61.54	71.43
Kutch				115.38	-3.57
Mehsana				33.33	28.33
Sabarkantha				75.00	-6.35
Surendranagar				48.28	2.33
Total	41.43	47.61	42.75	20.19	12.35
No.of Members					
Ahmedabad	28.27	19.85	-7.98	0.35	13.29
Kheda	48.22	40.12	14.78	13.51	7.53
Banaskantha	19.44	58.51	4.52	-12.14	0.87
Gandhinagar	26.67	98.25	38.94	14.52	54.95
Baroda			31.36	41.38	59.10
Kutch				113.62	-3.30
Mehsana				100.17	18.76
Sabarkantha				72.12	2.33
Surendranagar				41.75	1.86
Total	33.80	36.37	20.08	15.44	11.45
Savings					
Ahmedabad	101.57	-9.09	69.92	37.47	31.72
Kheda	80.57	41.78	29.91	27.73	18.60
Banaskantha	44.00	70.87	-88.01	961.21	10.82
Gandhinagar	91.21	99.78	68.75	37.04	47.97
Baroda			146.88	88.97	77.33
Kutch				372.84	61.33
Mehsana				70.12	85.60
Sabarkantha				71.44	-22.99
Surendranagar				170.00	62.46
Total	80.46	31.24	49.36	32.87	26.35

Source: Shri Mahila SEWA Sahakari Bank Ltd.

period when number of groups and members declined implies that a greater emphasis was being placed on mobilizing more savings from the same people rather than netting in more people. After the recovery of savings growth rate in

1996-97, however, it declined over the following two years. In Kheda, the savings growth rate declined progressively over the years.

Table 4.3 shows the distribution of loans in all the districts across the years and their growth rates. The year wise data is available only till 1997-98. The internal lending figures are available only for the year 1997-98 and that too for a few districts. This table reveals that most of the Bank loans were received by the Ahmedabad district (85.44 percent). The highest percentage share of the Association loans was, however, bagged by the Kheda district (69.85 percent) followed by Banaskantha (22.02 percent). Ahmedabad district received an Association loan only once in 1997-98. The growth rate of total loan (all districts taken together), showed a lot of fluctuation. In 1996-97, the growth rate was negative for both the Bank loan as well as the Association loan.

TABLE-4.3

LOAN (IN Rs.)

BANK LOAN	Ahmedabad	Kheda	Banaskantha	Gandhinagar	Sabarkantha	Total	percentage Growth in Total Loan
1989-90	158430(9,88)					158430(9,88)	
1990-91	153180(14,168)					153180(14,168)	-3.31
1991-92	742500(46,387)					742500(46,387)	384.72
1992-93	856000(31,419)					856000(31,419)	15.29
1993-94	1286154(23,317)					1286154(23,317)	50.25
1994-95	2366804(47,448)	640450(40,285)				3007254(87,733)	133.82
1995-96	2679706(37,412)	874092(39,217)				3553798(76,629)	18.17
1996-97	908862(20,143)	42426(11,22)				951288(31,165)	-73.23
1997-98	810867(21,122)			141000(9,25)		951867(30,147)	0.06
Total	9962503	1556968		141000		11660471	
percent share of total	85.44	13.35		1.21			

Cont...

	Ahmedabad	Kheda	Banaskantha	Gandhinagar	Sabarkantha	Total	percentage Growth in Total Loan
ASSOC.LOAN							
1994-95			200000(14,142)			200000(14,142)	
1995-96		556408(42,123)	300000(20,119)			856408(62,242)	328.20
1996-97		741997(61,188)	50000(7,9)			791997(68,197)	-7.52
1997-98	224830(13,109)	633752(52,129)	59000(3,7)			917582(68,245)	15.86
Total	224830	1932157	609000			2765987	
percent share of total	8.13	69.85	22.02				
INT.LENDING							
1997-98	57500(4,34)		36000(6,12)		5000(1,4)	98500(11,50)	

Figures in parentheses are no. of groups and no. of members respectively.
Source: Shri Mahila SEWA Sahakari Bank Ltd.

From Table 4.3, it can be seen that for the comparable years (1993-94 to 1997-98), total loan (bank loan + association loan + internal loan) as a percentage of savings was high during the initial years (sometime more than the savings) but during the last two years i.e., 1996-97 and 1997-98, it fell to a level much below that of savings. For example in the Ahmedabad district, loan as a percentage of savings was as high as 354.35 percent in 1995-96 and then fell sharply to 70.73 percent in 1996-97 and to 61.88 percent in 1997-98. In the Kheda district, the loan as a percentage of savings was always less than 100 with the exception of the year 1995-96. However, it reached much lower levels than before during 1996-97 (44.69 percent) and 1997-98 (28.27 percent). Similar trends can be observed in the Sabarkantha and Gandhinagar districts. Taking all the districts together, it can be seen that the percentage share of total loan was higher than 100 between the years 1993-94 and 1995-96, peaking at 149.58 percent in 1995-96. Subsequently it dropped as low as 39.59 percent in 1996-97 and 33.63 percent 1997-98. Moreover, comparing the growth rates in Tables 4.2 and 4.3, it can be observed that the growth rate of loan was much higher than the growth rate of savings in 1994-95 and 1995-96. In the following years, however, the trend reversed and the growth rate of savings became much more than the growth rate of loans.

TABLE-4.4

YEAR	Ahmedabad	Kheda	Banaskantha	Gandhinagar	Total
	LOAN				
1993-94	1286154				1286154
1994-95	2366804	640450	200000		3207254
1995-96	2679706	1430500	300000		4410206
1996-97	908862	784423	50000		1743285
1997-98	1093197	633752	95000	141000	1967949
	SAVINGS				
1993-94	412692	527775	255040		1244882
1994-95	831864	952977	367256		2246507
1995-96	756240	1351088	627536		2948368
1996-97	1285000	1755203	75236		4403605
1997-98	1766528	2241886	798412	436153	5851030
YEAR	**Ahmedabad LOAN AS percent OF SAVINGS**	**Kheda**	**Banaskantha**	**Gandhinagar**	**Total**
1993-94	311.65				103.32
1994-95	284.52	67.21	54.46		142.77
1995-96	354.35	105.88	47.81		149.58
1996-97	70.73	44.69	66.46		39.59
1997-98	61.88	28.27	11.9	32.33	33.63

Source: Computed from Table 4.2 and 4.3

It is difficult to generalise any trend from the above observations since most of districts did not receive any Bank or Association loans in this period and Internal lending data was not available. However, considering only the Ahmedabad and Kheda districts in which there was maximum saving and credit activities, it can be observed that both these districts showed a declining and less than 100 percentage share of loans towards the end of the decade. This points to the fact that emphasis was shifting from the disbursement of credit to the mobilisation of savings. This also means that the level of risk undertaken by the SEWA Bank in loan provision was minimal and even zero, since it kept in its accounts more savings in proportion to what it loaned out.

Tables 4.5 and 4.6 give the outstanding figures (as on April, 2003) of the purpose wise distribution of loans in all the districts in absolute and percentage terms respectively.

TABLE-4.5

SHREE MAHILA SEWA SAHAKARI BANK LTD.							
	PURPOSEWISE LOAN						
AS ON APRIL2003	Agriculture	Housing	Business	Debt Payment	Cattle Purchase	Others	Total
Ahmedabad	2082434	219900	221110	146500	219900	217200	3107044
Gandhinagar	204000	174371	309000	100000	190000	70000	1047371
Kheda	1125564	4202239	2733509	2190909	1415954	496890	12165065
Banaskantha							
Sabarkantha							
Baroda	306550	56000	53500	16000	11500	24500	468050
Surendranagar	19000	35800	121700	20500		48800	245800
Mehsana	11500	14000	63000				88500
Kutch							
Total	3749048	4702310	3501819	2473909	1837354	857390	17121830

Source: Shri Mahila SEWA Sahakari Bank Ltd.

TABLE- 4.6

	Percent SHARES OF PURPOSEWISE LOANS						
AS ON APRIL 2003	Agriculture	Housing	Business	Debt Payment	Cattle Purchase	Others	Total
Ahmedabad	67.02	7.08	7.12	4.72	7.08	6.99	100.00
Gandhinagar	19.48	16.65		9.55	18.14	6.68	100.00
Kheda	9.25	34.54	22.47	18.01	11.64	4.08	100.00
Banaskantha							
Sabarkantha							
Baroda	65.50	11.96	11.43	3.42	2.46	5.23	100.00
Surendranagar	7.73	14.56	49.51	8.34		19.85	100.00
Mehsana	12.99	15.82	71.19				100.00
Kutch		-					
Total	21.90	27.46	20.45	14.45	10.73	5.01	100.00

Source: Computed from Table 4.5

It can be seen from Table 4.6 that, loans were taken most commonly for Agriculture, Housing and Business. In Ahmedabad and Baroda, maximum loans were taken for Agricultural purpose, in Gandhinagar, Surendranagar and Mehsana, maximum loan demand was for Business purpose and in Kheda, Housing was the primary purpose behind loan demand. Taking all the districts together, at was found that maximum loans were taken for Housing followed by Agriculture and then Business. This implies that the economically active poor people in the rural regions expressed a great need for Housing and upgradation of existing housing structures and SEWA responded to this need.

4.4 SUSTAINABILITY: WHERE TO LOCATE SEWA IN THE INTERANTIONAL MICROFINANCE DEBATE

The issue of sustainability or economic viability of the microfinance provider is a core theme, which distinguishes the financial systems approach from the poverty lending approach as has been discussed in Chapter Two. It has often been claimed that the SEWA Bank is a forerunner of the financial systems approach. This assertion is based on certain characteristics:

a) SEWA Bank does not take recourse to grants or subsidies in order to remain profitable/economically viable

b) SEWA Bank charges market rates of interest from its clientele

c) SEWA places great emphasis on savings mobilisation and provides facilities for depositing the savings of its clientele

d) SEWA Bank does not engage in any development activity apart from saving mobilisation and credit disbursement i.e., it does not directly engage in education, health, sanitation etc. activities of its clientele.

A survey of the Balance Sheets of the SEWA Bank for the decade of the1990s till 2002, reveal that there is no mention of subsidized loans. However, the Profit and Loss Accounts show a 'grant income' on the Income side in most of the years. Table 4.7 is a typical Profit and Loss Account of the SEWA Bank.

The Table shows that as on 31.03.01, there was a grant income equal to Rs 16,298,49 and on 31March 2002; the grant income was Rs 13,84,186. Hence, it would be wrong to say that SEWA Bank does not receive any grant income. However, since the net profit in both the years exceeded the grant income, it could be said that even without the grant income, the Bank would have been profitable. Nevertheless, the point to be noted is that even if the grant income received by the SEWA Bank is zero or negligible, its sister organisations (which operate under the main SEWA umbrella) that provide the development services often run on grants and subsidized loans. In fact, its sister organisations take on from where the SEWA Bank leaves.

TABLE-4.7
SHREE MAHILA SEWA SAHAKARI BANK LTD.

	PROFIT AND LOSS A/C FOR THE YEAR ENDED ON 31-3-2002					
In Rs.	**As On**	**As On**		**In Rs.**	**As On**	**As On**
EXPENDITURE	**31-3-01**	**31-3-02**		**INCOME**	**31-3-01**	**31-3-02**
Interest on Deposits	23568060.7	28369441.95		Interest and Discounts	34737461.31	47468739.14
Salaries, Allowances etc.	7397597	8746277		Commission and Brokerages	3455.2	20181
Rent,Rates,Taxes,Elect.,Insurance	785065.5	971621		Other Income	4224742.19	
Stationary, Printing, Advertisement	1198627	1254705		A. Dividend	750	755
Postages, Telephones	340507.35	342611.44		B.Service Charges	59473.5	0
Directors' Fees	32200	29600		C.Incidental Charges	868694.74	869027.85
Audit Fees	10500	12600		D.Guarantee Fees	9900	9900
Legal and Professional Fees	414094	361950		E.Other Income	1656074.95	10690688.77
Other Expenses	2191501.87	11208921.26		F.Grant Income	1629849	1384186
Depreciation and Repairs	1854919	2175890.25		A+B+C+D+E+F	4224742.19	12954557.62
Bad Debt Reserve	1376396	3400000				
Special Bad Debt Reserve				Excess Reserves Brought Forward	2026000	0
Silver Jubilee Reserve						
Net Profit	1822190.28	3569859				
	40991658.7	60443477.76			40991658.7	60443477.76

Source: Shri Mahila SEWA Sahakari Bank Ltd.

The provision of development services like education, skill upgradation, health care provision etc. which are emphasized by the poverty lending approach, are costly and necessitate external funding of the microfinance organizations since the target group of poor people cannot pay for these services. By avoiding direct responsibility for such services, the SEWA Bank can survive at lower costs and without subsidy or excessive grants. But this does not mean that such development services are not provided at all to its clientele. In fact, the huge network of cooperatives, campaigns and supportive services provide the flow of necessary development services while SEWA Bank can concentrate solely on sustainable microfinance provision.

The analyses in the previous sections certainly point to the fact that SEWA gives a lot of importance to savings generation and also charges market rates of interest. Moreover, its Balance Sheet shows net profits without subsidy. Thus, apparently, it may seem that it lies closer to the financial systems approach rather than the poverty lending approach. However, a deeper analysis reveals that a process of capacity building of the target group accompanies the emphasis on savings and market rates of interest. Whether the capacity built is sufficient for the target group to bear the cost of market rates of interest or engage in regular compulsory savings is a separate issue, which can be resolved only through a comprehensive field study. For the purpose of policy level analysis, it can be said that by adopting an integrated approach, SEWA places itself far away from both the poverty lending and financial systems approach to microfinance. Thus the issue of SEWA's sustainability has to be regarded in the light of this integrated model.

4.5 CONCLUSION

SEWA's model of integrated rural development rests upon the convergence of sector focused, function focused and area focused strategies emanating out of people's organizations. The main difference of the SEWA approach to microfinance from the Government sponsored and Government affiliated rural development programmes is that the former is demand driven while the latter is supply driven. Secondly, it has succeeded in mobilizing people's participation not only at the level of the financial product delivery but also at the level of financial product design. However, the insistence on high market rates of interest and economic viability raises certain important questions. First of all, the entire approach of SEWA clearly indicates that they aim to reach the economically active poor. The poorest of the poor, who had been the core of the Antyodaya approach of the IRDP, are completely eliminated from any participation in such development programmes. Secondly, although SEWA claims that it builds capacities before it charges for its service, it is still doubtful whether sufficient capacities are built to justify high market rates of interest. Thirdly, even in terms of economic viability, it is uncertain whether a profitable SEWA Bank *alone*, could have had the potential to empower. Without its integrated structure, SEWA, too might have been successful only to the extent of savings generation and credit delivery with no sustainable impact on asset creation, employment and income generation or cultural and social empowerment. The overall process of empowerment is finally dependent on the integrated model which of course cannot be conceived as running on a profitable basis. Giving training and education, providing marketing facilities, conducting research for alternative employment channels and evolving social security nets are costly processes, which, cannot be implemented without some level of funding be it by the Government or other agencies. Thus, it would be erroneous to cite SEWA Bank as an example of a sustainable model, which, in spite of abstaining from a range of development services, has been able to achieve a significant level of impact on the livelihood and incomes of its members. SEWA Bank can avoid providing the development services since its sister organisations are performing that task.

However, a remarkable achievement of the SEWA is its ability to mobilise poor self employed women and imbibe in them a sense of belonging. Thus, SEWA Bank becomes 'our Bank'. Whether or not SEWA has been able to achieve in actual terms any large measure of success in raising the livings standards of these women, may be debated and researched. However, it is undoubtedly true, that, by organising and mobilising people to take decisions for themselves and actively participate in their own development, SEWA, has been able to build up a great deal of confidence and self esteem in these women. This surely is an important component of empowerment.

CHAPTER FIVE

CONCLUSION

The dissertation has brought to light the overall location of microfinance in development strategies in general and rural developmental strategies in particular. Microfinance as a functional strategy for development and poverty alleviation, has emerged in the decades of liberalisation and the structural adjustment, as the most popular policy prescription by both Government as well as non Governmental bodies. While the debate in the post Second World War phase was *between* the various area focused, function focused, and sector focused strategies, the debate now is mostly *within* the function focused strategy viz., microcredit vs. microcredit plus.

There is a movement all over the world for exploiting development initiatives from within the people's sector. As such, Community Participation has a great deal to recommend itself. The problem arises when the community is left to take care of itself in face of receding state responsibility. For example, in rural development policies of the Government of India, there has been a progressive shift away from subsidised loans for asset creation to loans at market rates of interest. There has been, further, a shift away from an integrated approach to one that considers credit delivery to a target population as an end by itself. Such an approach can be clearly seen in the Bank Linkage programme promoted by the NABARD. However, the question that arises, is, which target group of population can make adequate use of the loan without any associated development services that assist them in their trade and overall well being. Surely, even the economically active poor who have some control over assets and some level of human capital to make effective use of the assets, need certain services in the form of marketing facilities, training in trade and production and social security nets. Bereft of these services, their loans may be of little use since the assets bought with these loans may yield temporary or no incremental income. Instead, the loans may also become additional burdens owing to repayment demands at market rates of interest. Instances are common of poor people going back to the informal moneylender for repaying the loan taken from a microfinance provider. In such cases the whole objective of the microfinance programme fails, however good the repayment rates may be. Unfortunately, at present times, the most important issues being discussed by organisations like the World Bank and International Monetary Fund are sustainability and repayment rates rather than impact on livelihood and income. Obviously, if large scale credit provision is to be profitable, microfinance organisations cannot possibly consider providing development services, which will escalate costs and jeopardize their sustainability.

The initial conception of IRDP, which was subsequently abandoned, visualised a truly integrated programme of rural development in which asset generation strategies were to be combined with training, education and other measures of overall rural development. However, the narrow version of the IRDP, which was finally implemented, hardly took into account local specificities and demand situations and came under total bureaucratic control. It completely bypassed grassroots organisations and failed to mobilise people in the developmental processes. However, that is no reason, perhaps, to reject it outright in favour of less ambitious projects that aim only at savings and credit mobilisation. The experiences of organisations like the SEWA, especially their success in involving the community and decentralised planning, are important lessons that could be incorporated into Government led integrated rural development programmes. In fact, a large deal of the influence, actually felt, manifests itself in the gradual shift towards group approaches that enhance the level of participation and the level of bargaining power of the poor through their collectivisation and organisation.

However, the point of worry is the tendency to rely more and more on market forces even within the realm of poverty alleviation programmes. The liberalisation of interest rates and the rising credit subsidy ratio of Government led programmes like the SGSY, bear testimony to this fact. This is not to argue that there should be more subsidy, rather, the issue is whether the development and anti poverty programmes are creating sufficient capacities for the poor to bear the increased costs. Failure of integrated development programmes and the narrowing of focus to microfinance programmes seem to point to the other direction. It has been argued in the dissertation, that microfinance alone cannot raise capacities. Thus, if increased costs to the people are to be justified, then, the development programmes must be able to address their multiple deprivations.

The SEWA model, at the policy level, seems to incorporate a large measure of such an integrated approach. The microfinance model, propagated by the SEWA, is integrated with a wide range of developmental activities and organised struggles for systemic change. However, it is impossible to think that a Trade Union or a non Governmental body can replicate a local success story at the national level. Apart from the immense difficulties at the organisational and coordination level, there is also the question of large scale funding. The Government can be, by far, the most effective institution, given the will, to implement such a kind of integrated development programme. It can forge vital links with grassroots organisations not only in the process of implementation, but also, in the process of design of such strategies.

However, in an atmosphere of structural adjustment and gradual regression of the state, Governments appear to be more comfortable with creating certain specialised institutions like the RMK and the Bank Linkage, which cater to a specific clientele hitherto being served by the Nationalised Commercial Banks. This is not to deny the positive contributions of such specialised institutions especially in the context of bank liberalisation. In fact, it appears that there has been a transfer of the component of social responsibility, so long entrusted with commercial banks, to such poverty focused institutions. Nevertheless, the point of concern is the excessive emphasis on savings and credit, to the total disregard of the role of integrated rural development in enhancing people's capacities.

In conclusion, it may be said that the Government needs to take on a proactive role in strengthening existing integrated rural development programmes and in introducing a framework of development services within the function focused strategies. It definitely cannot afford to be a bystander in development programmes where poor people are concerned. Further, since most of the targeted programmes are oriented towards the economically active poor, measures have to be evolved to ensure the inclusion of the poorest of the poor not only in wage employment programmes, but in self employment programmes as well.

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ANNEXURE I

FINANCIAL PROGRESS UNDER IRDP

	(Rs. Crores)				(In Rs.)			
	Credit	Subsidy	Credit	Total	**Per**	**Family**	**Investment**	Subsidy Credit
YEAR	Target	Disbursed	Disbursed	Investment	Subsidy	Credit	Total	Ratio
1980-81	400.88	158.64	289.05	447.69	582	1060	1642	1.82
1981-82	481.06	264.65	467.59	732.24	975	1724	2699	1.77
1982-83	641.41	359.59	713.98	1073.57	1041	2067	3107	1.99
1983-84	651.78	406.09	773.51	1179.6	1102	2099	3201	1.9
1984-85	651.78	472.2	857.48	1329.68	1186	2153	3339	1.82
Total	2826.91	1661.17	3101.61	4762.78	1003	1873	2876	1.87
1985-86	651.78	355.02	730.15	1085.17	1172	2403	3575	2.06
1986-87	870.12	510.73	1014.88	1525.61	1478	3033	4511	1.99
1987-88	981.41	603.78	1175.35	1779.13	1526	2944	4470	1.95
1988-89	1076.72	623.65	1231.62	1855.27	1718	3350	5068	1.97
1989-90	1164.4	614.85	1220.53	1835.38	1845	3663	5508	1.99
Total	4744.43	2708.03	5372.53	8080.56	1590	2979	4569	1.98
1990-91	1195.7	668.15	1190.03	1858.18	2289	4133	6422	1.78
1991-92	1125.78	657.73	1147.34	1805.07	2613	4528	7141	1.74
1992-93	1059.5	579.68	1036.8	1616.48	2808	5081	7889	1.79
1993-94	1530.8	800.82	1408.44	2209.26	3171	5575	8746	1.76
1994-95	1757.15	818.3	1450.58	2268.88	3719	6594	10313	1.77
1995-96	1930	870.2	1701.33	2571.53	4166	8144	12310	1.96
1996-97	2142.2	905.94	1969.16	2875.1	4709	10235	14943	2.17
Total	8419.65	3974.94	7566.31	11541.25	3668	6983	10651	1.9
1997-98	2700	863.11	1996.64	2859.75	5056	11697	16753	2.31
1998-99	3200	881.63	2174.06	3055.69	5257	12964	18221	2.47
Total(80-99)	24212.5	11414.76	22548.52	33963.28				

Source: Annexure V of the Report of the Working Group
on Rural Poverty Alleviation Programmes for the Tenth Five Year Plan, pp 92
GOI, Planning Commission December 2001.

ANNEXURE-II

ALL INDIA YEAR-WISE ACHIEVEMENTS (TOTAL OF ALL SCHEMES EXCEPT SHG DEVELOPMENT)

YEAR	LOAN SANCTIONED	No. of NGOs/ No. of Others	No. of SHGs	No. of Women Beneficiaries	Recovery %
1993-94	439.33	24	1853	37066	N.A.
1994-95	512.45	28	1253	25059	90
1995-96	852.2	38	1875	37502	92
1996-97	1674.55	55	4553	91064	94
1997-98	1235.3	51	2981	59621	94
1998-99	1411.2	60	2599	51982	93
1999-2000	908	58	1615	32295	93
(upto 30.11.99)					
Total	7033.03	314	16729	334589	

Source:http/: www.rmk.nic.in