



# State of India's Livelihoods Report 2012

An ACCESS Publication

# **State of India's Livelihoods Report 2012**

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# State of India's Livelihoods Report 2012

*Edited by*

**Vipin Sharma**

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# Contents

<i>List of Tables</i>	vii
<i>List of Figures</i>	ix
<i>List of Boxes</i>	xi
<i>List of Abbreviations</i>	xiii
<i>Preface</i>	xix
1. Understanding Livelihoods: A Review of Major Debates <i>Tara Nair</i>	1
2. Livelihoods of People: How the Poor Are Making Both Ends Meet <i>Sankar Datta</i>	13
3. Policy Initiatives on Livelihoods: Emerging Scenario <i>Ashok Sircar</i>	33
4. Flagship Programmes of the Government: Where Do We Stand? <i>Suryamani Roul</i>	61
5. Livelihoods Protection and Promotion: The Changing Role of Civil Society Organizations <i>Smita Premchander</i>	107
6. Role of Corporate Social Responsibility in Livelihoods Promotion of Poor: A Commentary <i>Unmesh Brahme</i>	125
7. Potential and Possibilities for Livelihood of the Poor <i>Biswa Bandhu Mohanty</i>	157
<i>About the Editor and Contributors</i>	197

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# List of Tables

2.1	Distribution of labour force earning their livelihoods from different sectors (2009–2010)	14
2.2	Key labour statistics—India (year)	15
2.3(a)	Percentage of persons employed in principal and subsidiary status taken together: Status by industry division—rural	15
2.3(b)	Percentage of persons employed in principal and subsidiary status taken together: Status by industry division—urban	16
2.3(c)	Percentage distribution of GDP by sector	16
2.4	Revised estimates of GDP at factor cost by economic activity (at 2004–2005 prices) in (₹) billion	17
2.5	Trends in employment from Quarterly Report on changes in employment in selected sectors (January–March 2012)	18
2.6	Change in poverty as per Expert Group 2009 (Tendulkar Committee)	21
2.7	Change in poverty as per Expert Group 1993	21
2.8	Annual average decline from 1993–1994 to 2009–2010	21
2.9	Average MPCE	24
2.10	Trends in per capita consumption of calories	25
2.11	Trends in rural and urban inequality	26
2.12	The level of inequality across states: Gini Coefficient (%)	26
3.1	Budget allocations in key existing programmes	35
3.2	New policies announced in the Union Budget 2012–2013	36
3.3	Factors that distinguish the affected and forward districts	45
3.4	Entitlement of food security as defined by the NFSB	53
3.5	Differences in NAC and the government’s approach to the NFSB	56
4.1	Scale of operations of MGNREGS	63
4.2	Stages of readiness at the level of state governments	77
4.3	Financial allocation under NRLM/SGSY during 2012–2013 (₹ in lakh)	79
4.4	Details of projects sanctioned under MKSP	80
4.5	Share of agriculture in GDP at current prices	88
4.6	RKVY fund utilization system	88
4.7	RKVY allocation criteria	89
4.8	New sub-schemes of RKVY 2011–2012	90
4.9	Budget allocation and release under RKVY	91
4.10	Ministry-wise targets for skill development for 2012–2013	97
4.11	GDP growth rate in backward states	103
6.1	CSR and its components—definitions	129
6.2	Disclosure score follows a sectoral trend	132
6.3	The 10 principles of the UN Global Compact	134



# List of Figures

2.1	Percentage labour force employed in various sectors and their contribution to GDP (2009–2010)	15
2.2	Left-wing affected areas in India	29
4.1	The major ways in which MGNREGS Version 2.0 is expected to differentiate itself from Version 1	64
4.2	Rains and rural job demands	69
4.3	Ensuring jobs	69
4.4	Projection on sectoral requirement	97
5.1	Changing donor focus in enterprise promotion	109
6.1	Disclosure on government parameters	133
6.2	Disclosure on environmental parameters	133
6.3	Trends in corporate responsibility reporting in India	138
6.4	Corporate responsibility strategy and approach	138
6.5	Corporate responsibility—topics and issues	138
6.6	Sector-wise break up of N100 reporters	139
6.7	The venture philanthropy model	144



# List of Boxes

2.1	Climate change adversely affecting agriculture	19
2.2	Drought and its impact on the livelihoods of people	20
2.3	The evolution of thinking about poverty	22
2.4	The English translation of the poem <i>Daridrarekha</i> , Tarapada Ray, 1986	23
2.5	The Punjab situation	27
3.1	Salient features of LARR 2011	51
4.1	What the new version entails	63
4.2	A comparative analysis of the unique features of MGNREGA Version 1 and Version 2	64
4.3	Madhya Pradesh in list of top 10 states in MGNREGA implementation (2 July 2012)	65
4.4	Smart card payment of wages under MGNREGS in Andhra Pradesh	67
4.5	Introduction of online wage payment on MGNREGS work in Ganjam district, Odisha	68
4.6	Letter from Ministry of Rural Development dated 16 April 2012	74
4.7	Bihar: A case in making	78
4.8	A note written by K. S. Gopal upon his participation at the meeting of 1st Advisory Council on the NRLM chaired by the Minister for Rural Development and held on 25 July 2012	85
4.9	Government of Odisha Plan on RKVY	92
4.10	Minting a skilled workforce. Targets to train 1 million youth during Twelfth Plan period	95
4.11	Loan facility by bank for skill training	98
4.12	Vocational courses at the school level in Haryana	100
4.13	Initiative by AICTE on vocational education	100
4.14	Optimism—Convergence of NRLM with market	103
5.1	Business development strategies	109
5.2	Livelihoods missions set up by some Indian states	111
5.3	Seva Mandir: Holistic thinking about rural livelihoods	113
5.4	Livelihoods building: BRAC's strategy	114
5.5	NGOs and agendas	115
5.6	CSOs with policy influence	119
5.7	Restrictions on CSOs under the IT Act	120
7.1	IFAD's seven principles of the Sustainable Livelihood Approach (SLA)	158
7.2	NRLM Bihar: Strategies for harnessing livelihood opportunities	164
7.3	Rural livelihoods—use of value chains: Natural fibre cluster	171
7.4	Pashu Sakhi (livestock nurse) model	173
7.5	The livelihoods 360 technology wins award for innovative ICT in management of project	175

7.6	Steps for potential mapping for livelihoods	180
7.7	Differential livelihood strategies	182
7.8	Nine million SHG members to get mobile feeds on financial transaction in Andhra Pradesh under mobile book-keeping project	189
7.9	Aadhar Enabled Payment System (AEPS)	190

# List of Abbreviations

AAP	Annual Action Plan
ACA	Additional Central Assistance
ADB	Asian Development Bank
ADP	Adivasi Development Programme
AEPS	Aadhar Enabled Payment System
AFDP	Accelerated Fodder Development Programme
AHVY	Ambedkar Hastasilpa Vikas Yojana
AICTE	All India Council for Technical Education
AISECT	All India Society for Electronics and Computer Technology
AKRSP	Aga Khan Rural Support Programme
ANBC	Adjusted Net Bank Credit
AP	Approach Paper
APEDA	Agricultural and Processed Food Products Exports Development Authority
ASSOCHAM	Associated Chambers of Commerce and Industry of India
ATM	Automated Teller Machine
ATMA	Agriculture Technology Management
AYUSH	Ayurveda, Yoga, Naturopathy, Sidh and Homoeopathy
BAIF	Bharatiya Agro Industries Foundation
BC	Business Correspondence
BDS	Business Development Service
BF	Business Facilitator
BGREI	Bringing Green Revolution to Eastern India
BPL	Below Poverty Line
BPO	Business Process Outsourcing
BRGF	Backward Regions Grant Fund
BRLF	Bharat Rural Livelihoods Foundation
BRLPS	Bihar Rural Livelihoods Promotion Society
CAB	College of Agricultural Banking
CAG	Comptroller and Auditor General
CARE	Cooperative for Assistance and Relief Everywhere
CBO	Civic Body Organization
CBS	Core Banking Solution
CBSE	Central Board of Secondary Education
CDP	Community Development Programme
CENET	Concurrent Evaluation Network
CEOBE	Credit Equivalent of Off-Balance Sheet Exposure
CFPR	Challenging Frontiers to Poverty Reduction
CFPR-TUP	Challenging the Frontiers of Poverty Reduction-Targeting Ultra Poor
CII	Confederation of Indian Industry
CIPHET	Central Institute for Post-harvest Engineering Technology

CLP	Chars Livelihoods Programme
CMFR	Centre for Media Freedom and Responsibility
CPI	Consumer Price Index
CPRC	Chronic Poverty Research Centre
CRIDA	Central Research Institute for Dry Land Agriculture
CSC	Common Service Centre
CSIR	Council for Scientific and Industrial Research
CSO	Civil Society Organization
CSP	Customer Service Provider
CSR	Corporate Social Responsibility
CSS	Centrally Sponsored Scheme
DDM	District Development Manager
DFID	Department of International Development
DMI	Delivery Monitoring Unit
DONER	Development of NER
DRDA	District Rural Development Agency
DWACRA	Development of Women and Children in Rural Areas
EAC	Economic Advisory Council
e-BAAT	electronic Bank Awareness and Training
EDP	Entrepreneurship Development Programme
EGoM	Empowered Group of Ministers
FICCI	Federation of Indian Chambers of Commerce and Industry
FIF	Financial Inclusion Fund
FIS	Financial Inclusion Scheme
FITF	Financial Inclusion Technology Fund
FMS	Farm Management Services
FPS	Fair Price Shop
FY	Financial Year
FYP	Five Year Plan
GDP	Gross Domestic Product
GIS	Geographical Information System
GIZ	Gesellschaft für Internationale Zusammenarbeit
GLPC	Gujarat Livelihood Promotion Company
GRI	Global Reporting Initiative
HRD	Human Resource Development
HUL	Hindustan Unilever
IAP	Integrated Action Plan
IAY	Indira Awas Yojana
IBA	Indian Banks' Association
ICAR	Indian Council of Agricultural Research
ICDS	Integrated Child Development Services
ICR	Implementation Completion Report
ICRISAT	International Crop Research Institute for the Semi-Arid Tropics
ICT	Information and Communication Technology
IDBI	Industrial Development Bank of India
IEO	Independent Evaluation Office
IFAD	International Fund for Agriculture Development
IFPRI	International Food Policy Research Institute
IGNOU	Indira Gandhi National Open University

IIM	Indian Institute of Management
IIMPS	Invest India Micro Pension Services
IMPS	Inter-bank Mobile Payment Service
IISc	Indian Institute of Science
ILO	International Labour Organization
IRDP	Integrated Rural Development Programme
ISOPOM	Integrated Schemes of Oilseeds, Pulses, Oil Farm and Maize
IT	Information Technology
ITC	Industrial Training Centre
ITES	IT Enabled Services
ITI	Industrial Training Institute
JLG	Joint Liabilities Group
JRLP	Jharkhand Rural Livelihoods Project
KCC	Kishan Credit Card
KfW	Reditanstalt für Wiederaufbau
KVI	Khadi and Village Industry
KVIC	Khadi and Village Industries Commission
KVK	Krishi Vigyan Kendra
KYC	Know Your Customers
LARR Bill	Land Acquisition, Resettlement and Rehabilitation Bill
LDM	Local Data Manager
LGBT	Lesbian, Gay, Bisexual and Transgender
LIC	Life Insurance Corporation of India
LSI	Livelihood Status Index
LWE	Left-wing Extremism
MDG	Millennium Development Goal
MDM	Midday Meal Scheme
MFDEF	Micro Finance Development and Equity Fund
MFI	Microfinance Institution
mFMS	mobile-based Fertilizer Management System
MFO	Microfinance Organization
MFPI	Ministry of Food Processing Industry
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIS	Management Information System
MKSP	Mahila Kisan Sashaktikaran Pariyojana
MMA	Macro Management of Agriculture
MoU	Memorandum of Understanding
MPCE	Monthly Per Capita Expenditure
MPRLP	Madhya Pradesh Rural Livelihoods Project
MSME	Medium, Small and Micro Enterprise
MSP	Minimum Support Price
MSP	Mahila Sashaktikaran Pariyojana
MTB	Marketing, Technology and Brand
NABARD	National Bank for Agriculture and Rural Development
NABFINS	NABARD Financial Services Limited
NAC	National Advisory Council
NAS	National Accounts Statistics
NASVI	National Alliance of Street Vendors of India

NCAER	National Council of Applied Economic Research
NCOP	National Council of Old Persons
NCW	National Commission for Women
NDC	National Development Council
NDDB	National Dairy Development Board
NDP	National Dairy Plan
NEFT	National Electronic Fund Transfer
NER	North Eastern Region
NERLP	North East Rural Livelihoods Project
NFSB	National Food Security Bill
NFSM	National Food Security Mission
NGO	Non-government Organization
NHM	National Horticulture Mission
NHRC	National Human Rights Commission
NMMU	National Mission Management Unit
NMP	National Manufacturing Policy
NMSA	National Mission for Sustainable Agriculture
NOS	National Occupational Standards
NPA	Non-performing Asset
NPCI	National Payment Corporation of India
NPI	National Programme on Rural Industrialization
NREGA	National Rural Employment Guarantee Act
NREGS	National Rural Employment Guarantee Scheme
NRHM	National Rural Health Mission
NRLM	National Rural Livelihood Mission
NRLP	National Rural Livelihoods Project
NRSC	National Remote Sensing Centre
NSAP	National Social Assistance Programme
NSDC	National Skills Development Council
NSDF	National Skill Development Fund
NSLS	National Scheme of Liberation of Scavengers
NSSO	National Sample Survey Organisation
NTFP	Non-timber Forest Produce
NULM	National Urban Livelihoods Mission
NVEQF	National Vocational Education Qualification Framework
OBCs	Other Backward Classes
OSS	Off-site Surveillance System
PAC	Project Approval Committee
PDS	Public Distribution System
PFRDA	Pension Funds Regulatory and Development Authority
PIA	Project Implementing Agency
PLP	Potential-linked Credit Plans
PMGSY	Pradhan Mantri Gram Sadak Yojana
PMRDF	Prime Minister's Rural Development Fellowship
POS	Point-of-sale
PPP	Public Private Partnership
PPPIAD	Public Private Partnership on Integrated Agriculture Development
PRC	Project Review Committee
PRI	Panchayati Raj Institution

PSC	Project Screening Committee
PSIG	Poorest States for Inclusive Growth
PTGs	Primitive Tribal Groups
PURA	Provision of Urban Amenities in Rural Areas
PwD	Person with Disability
R&D	Research and Development
RADP	Rain-fed Area Development Programme
RAY	Rajiv Awas Yojana
RBI	Reserve Bank of India
RUDSETI	Rural Development and Self-Employment Training Institute
RECS	Regional Electronic Clearing Services
RFD	Results Framework Document
RFIP	Rural Financial Institutions Programme
RGA	Rashtriya Garima Abhiyan
RGB	Rushikulya Gramya Bank
RKVY	Rashtriya Krishi Vikas Yojana
ROI	Return on Investment
RSBY	Rashtriya Swasthya Bima Yojana
RSETI	Rural Self Employment Training Institute
RTF	Right to Food
RTI	Right to Information
RUDA	Rural Non Farm Development Agencies
SBI	State Bank of India
SC	Scheduled Caste
SEBI	Securities and Exchange Board of India
SERP	Society for Eradication of Rural Poverty
SEWA	Self Employed Women's Association
SEZ	Special Economic Zone
SFC	State Financial Corporation
SFP	State Focus Paper
SFURTI	Schemes of Fund for Traditional Industries Regeneration
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self-Help Group
SHGBLP	SHG-Bank Linkage Programme
SHPI	Self-Help Promoting Institution
SIDBI	Small Industries Development Bank of India
SIIC	State Industrial Investment Corporation
SLA	Sustainable Livelihood Approach
SLBC	State Level Bankers' Committee
SOIL	State of India's Livelihoods Report
SOP	Standard Operating Procedure
SPIP	State Perspective Implementation Plan
SRI	System of Rice Intensification
SRLM	State Rural Livelihoods Mission
SRMS	Self Employment Scheme for Rehabilitation of Manual Scavengers
SSA	Sarva Siksha Abhiyan
SSC	Sector Skills Council
ST	Scheduled Tribe
TCO	Technical Consultancy Organization

THP	Targeting Hard Core Poor
TISS	Tata Institute of Social Sciences
TSC	Total Sanitation Campaign
TPDS	Targeted Public Distribution System
UID	Unique Identification
UIDAI	Unique Identification Authority of India
UN	United Nations
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
UT	Union Territory
UTIAMC	Unit Trust of India Asset Management Company
WCED	World Commission on Environment and Development
WTO	World Trade Organization
XIMB	Xavier Institute of Management, Bhubaneswar

# Preface

Four years back, along with a small group of people from the sector, the *State of India's Livelihoods (SOIL) Report* was conceptualized. There wasn't a single composite document to track and trace progress on how aggregate efforts and investments were impacting the lives of the poor. Since 'livelihoods' has such a broad definition, we tried to organize this effort into a framework that would help us track the progress in some kind of a continuing manner around specific parameters. Within ACCESS, we came up with the 4P framework as we thought that if there was a way of tracking impact on the poor under the four broad heads of 'understanding the current plight of the Poor', 'assessing Policy initiatives', 'analysing outcomes from important Programmes and investments being made by Promoters' and 'identifying Potential opportunities for the poor', a good mechanism could be developed to track progress. This effort has been an ongoing initiative of ACCESS, and I can say that the SOIL Report has started to come together well, and is increasingly becoming a good reference document for the sector. Based on the success of the last four Reports and positive feedback from the stakeholders, ACCESS is now encouraged to bring out the fifth edition of the SOIL Report.

Traditionally the Report is brought out each year in time to be released at the Livelihoods India Conference. Given the growing popularity of the Conference which is attended by a large sectoral audience, for this year, it made sense to include one chapter in the Report dealing with the changing role of Civil Society Organizations (CSOs) in livelihoods promotion, in alignment with the theme of the Livelihoods India Conference for the current year. Given the important role, often underestimated by 'development wallahs', this year, one chapter has been included to assess the role of the private sector, which focuses on the emerging role of Corporate Social Responsibility (CSR) in livelihoods promotion. This edition provides evidence-based reporting, references, examples and case studies, which both policymakers and practitioners engaged in livelihoods promotion of the poor will find useful. ACCESS was fortunate to have a group of excellent reviewers for the previous edition whose constructive comments resulted in an improved Report this year. In all, the 2012 SOIL Report has seven chapters authored by some well-known experts from the sector, a few of whom are writing for the SOIL for the first time, like Tara Nair and Unmesh Brahme, and others who have engaged with the SOIL Report in the past like Sankar Datta, Ashok Sircar, Suryamani Roul, Smita Premchander and Biswa Bandhu Mohanty.

Chapter 1 on 'Understanding Livelihoods: A Review of Major Debates' covers a wide sweep of issues reflecting the complexities that have come to characterize the livelihood environment and the vulnerability of the poor and asset-less households. Starting with debates around the conflict between growth and development, the chapter traces the idea of sustainable development and livelihoods from the early debates in 1980s to the new vision of sustainability as emerging from recent discourses on livelihoods. The chapter goes on to capture other major debates around a wide array of themes such as implications of climate change on agriculture, complex interrelations between conflict and livelihoods, small producers and market integration, the role of technology and innovation in supporting sustainable livelihoods for the poor and the synergy of partnerships for livelihoods promotion. In Chapter 2, 'Livelihoods of People: How the Poor Are Making Both Ends Meet,' the author begins by describing how the poor are making both ends meet in pursuing their subsistence livelihoods options, and

the kind of incomes they generate from these occupations. While touching on the fact that the economy is slowing down, he drives home the point that growth is not translating into employment, highlighting the rising consumption gap between the rich and poor and how overall economic growth has not translated into better living conditions for the poor. He also dwells briefly on the challenges to livelihoods of the farmers in the difficult forest terrain of Central India. In Chapter 3, 'Policy Initiatives in Livelihoods: Emerging Scenario,' the author tries to capture what the State is doing in the policy domain to address the livelihoods challenges of the poor. The chapter analyses the union budget and the Approach Paper to the 12th Five Year Plan from a livelihoods perspective, looks at some new policy initiatives that influence the livelihoods of manual scavengers, street vendors, women farmers and Scheduled Castes/Scheduled Tribes of Central India respectively and discusses two forthcoming missions, i.e., National Urban Livelihoods Mission (NULM) and National Dairy Plan (NDP). It also looks at the unfinished policy agenda of Land Acquisition Bill and the debate around the National Food Security Bill. In Chapter 4, 'Flagship Programmes of the Government: Where Do We Stand,' the author provides statistical outlines and brief reviews of the progress on the flagship programmes during the reporting period, and also encompasses elaborate discourse on select representative programmes. The transformational processes of the MGNREGS, transitional approach of National Rural Livelihood Mission (NRLM)/*Aajeevika*, trickling up strategy of Rashtriya Krishi Vikas Yojana (RKVY) in agriculture and triggering efforts under the skill initiative have been reviewed with a view to making the selected programmes representative of the target population, particularly segments such as poor and vulnerable communities, women and the poorest households, small and marginal farmers and youth. Chapter 5, 'Livelihoods Protection and Promotion: The Changing Role of Civil Society Organizations,' tracks the development of CSOs as key actors in the process of development from a historical perspective and highlights the challenges they must face to survive in the current environment. It comes to the conclusion that even as traditional spaces for CSOs are shrinking, new spaces are opening up and, thus, in order to remain relevant, CSOs will have to seriously re-examine their worldviews, strategies and operations and constantly reinvent themselves to retain their critical positioning in the process of shaping social structures and environments. Chapter 6 dwells on the role of CSR in livelihoods promotion of poor. While looking at the manner in which CSR connects with livelihoods, it also provides observations and insights on how to create a best practice mechanism to achieve livelihoods for the poor through the practice of CSR. New opportunities as a result of urbanization and migration cover the potential sectors and sub-sectors, mainly agriculture, services and manufacturing. The final chapter, 'Potential and Possibilities for Livelihoods of the Poor,' looks at livelihoods options for the poor in accordance with their environment covering potential for rain-fed livelihoods, prospects for forest based livelihoods and potentials and perspectives in the North East region. It also analyses livelihoods potential for various sub-sections of the poor, including ultra poor and women. It looks at potential for cluster development initiative and financial inclusion for livelihoods promotion besides discussing potential for livelihoods of the poor from a broader perspective.

Overall, the authors have brought in deep insights into issues that we as a sector need to reflect on. The challenge of addressing the issues of the livelihoods is overwhelming and unless individual institutional efforts and initiatives are looked at an aggregate level and unless strong partnerships are developed, the necessary multipliers will not be achieved and outcomes will be ephemeral.

I extend my gratitude to all those who directly or indirectly helped see this report through to completion. I am thankful to each of the authors who besides writing their own chapters also participated in various consultations and workshops that provided the foundation for this Report and brought great value addition through valuable insights and critical views. I

am also deeply indebted to the Ford Foundation and UNDP India for their continued funding support towards the Report.

The innovative insights and directions given by the Livelihoods India Advisory Group, comprising experts such as Anshu Bhartia, Arindom Datta, Brij Mohan, Madhukar Shukla, Maneesha Chadha, Meera Mishra, Orlanda Ruthven, Prema Gera, Ranu Bhogal, Sankar Datta and Vanita Suneja, have been instrumental in shaping the report, and I express my deep thanks to them.

I also wish to acknowledge Lucid Solutions and its Director, Shreemoyee Patra, for undertaking the language edit of the Report and delivering it at a very short notice. Last but not the least, I would like to thank the Livelihoods India Team at ACCESS comprising Puja and Paankhuri, ably supervised by Suryamani Roul for coordinating the entire SOIL process.

I realize that further value add to the SOIL Report is necessary, and I remain optimistic that improvement will inevitably result as we go forward. In this direction, a round table was recently held to help identify whether developing indicators for tracking livelihoods are feasible and, if so, what specific indicators can be crafted with an aim to carrying them in the SOIL Report 2013. Based on the recommendations of the expert group, work has already been initiated.

It is our constant endeavour at ACCESS to contribute towards building knowledge for the sector, and I hope that with this edition of SOIL we have succeeded in our effort to put together a report that documents in an aggregated manner the various issues and challenges in making the livelihoods of the poor sustainable, which will be seen as a relevant contribution to the sector.

**Vipin Sharma**

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# Understanding Livelihoods: A Review of Major Debates

TARA NAIR

## Chapter 1

In a world that is increasingly challenged by depleting resources, worsening climate variations, increasing economic disparity, unemployment, persistent hunger and poverty and heightening social discord, the conflict between growth and development has become disquietingly glaring. The resource use choices made by nations that progressed at impressive rates have come to be questioned in the light of the stark contradictions between the gains they have made and the social and economic costs incurred in the process. The discourses on development have come to question the economic growth strategies that endorse unsustainable and resource intensive choices made by nations. There is increasing pressure on countries to carry out ‘fundamental economic transformations’ to ‘secure a sustainable future’ with a view to increase productivity, improve resource efficiency and reduce environmental costs (United Nations and Asian Development Bank, 2012: xiii–xiv). It appears that the focus is back on the idea of sustainable development with an added accent on ‘green growth’ and environmental sustainability and, paradoxically, with a greater emphasis on the power of the ‘market’.

### Sustainable development and livelihoods: Early debates

It was in the late 1980s that the World Commission on Environment and

Development (WCED) offered for the first time a definition of sustainable development as that which meets the needs of the present without compromising the ability of future generations to meet their own needs. Beyond meeting the basic needs—like food, clothing, shelter and jobs—of populations across geographies, such development entails making opportunities available to them to fulfil their legitimate aspirations for a better life. The Commission laid out an elaborate agenda for a concerted global action programme to align the growth plans and development goals of individual countries to suit the objectives of sustainable development which include revival of growth, improving the quality of growth, meeting basic needs (jobs, food, energy, water and sanitation), ensuring a sustainable level of population, conserving and enhancing the resource base, reorienting technology and managing risk, and merging environment and economics in decision-making.<sup>1</sup> The WCED Report became a watershed in development thinking in that it, for the first time, made an urgent plea to all the nations

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<sup>1</sup> See Chapter 2: ‘Towards Sustainable Development’, *Our Common Future: Report of the World Commission on Environment and Development*. Available at <http://www.un-documents.net/ocf-02.htm#III.2> (accessed on 20 August 2012). The Commission was chaired by Gro Harlem Brundtland, the then Prime Minister of Norway, and the report of the Commission is popularly known as the Brundtland Report.

in the world to work towards the creation of a new world where investments, technology and institutions change in tandem to ensure a balanced development of resources and equitable distribution of its gains, not only in the present but in future too.

Based on the above conceptual edifice, the Commission evolved a definition of livelihood as 'adequate stocks and flows of food and cash to meet basic needs'.<sup>2</sup> In this conceptualization of livelihood, security and sustainability were built in as integral elements. Livelihood security arises from secure resource ownership and access (through rights) as also access to economic activities that yield adequate income, which would help manage risks, shocks and contingencies. Sustainability of livelihood ensures enhancement and maintenance of resource productivity over the long run.

Taking off from the work of WCED, Chambers and Conway (1991) attempted to explain livelihoods within an interactive framework with capabilities (stores, resources, claims and access) and activities together determining the means of living for individuals. They coined the term 'sustainable livelihood' (Solesbury, 2003) to refer to the ability of livelihoods to help cope with and recover from stress and shocks, maintain or enhance capabilities and assets (both tangible and intangible) and provide livelihood opportunities for future generations. The concept was further extended by Ellis (1998, 1999) who characterized livelihood as comprising assets (natural, physical, human, financial and social capital), activities (on-farm, off-farm and non-farm) and access to assets/activities which together determine the living gained by the individual or household. Importantly Ellis' conceptualization took account of the role of institutions (like land tenure, common

property, market etc.), social relations (caste, ethnicity, gender etc.) and organizations (government and non-government agencies, consumer groups etc.) in mediating households' access to assets and activities. The tendency among rural households to engage in a diverse portfolio of activities and build a diverse asset base mainly to cope with shocks and risks and improve quality of life was also recognized in the scheme of analysis that Ellis had put forth. Livelihood diversification eventually became a powerful analytical tool while appraising the strategies of survival employed by poor households in both rural and urban areas.

With the popularization of the term 'sustainable livelihood' and the conceptual developments in the 1980s and 1990s in the fields of sustainable development and sustainable livelihoods, efforts were also being made to translate the concept in operational terms. One such attempt was made by Scoones (1998) wherein he outlined a framework to analyse sustainable livelihoods in terms of context, resources, strategies and outcomes. Also there were many efforts made to develop policy-oriented sustainable livelihood frameworks by multilateral institutions like the United Nations Development Programme (UNDP) and international aid agencies like Cooperative for Assistance and Relief Everywhere (CARE), Department of International Development (DFID), the UK, and Oxfam (Knutsson, 2006). These different approaches (known as sustainable livelihood approaches or SLAs) came to be known as 'asset-vulnerability frameworks' that conceptualize poverty as a condition wherein secure conditions of life are lacking (Norton and Foster, 2001). There are three insights into poverty which underpin the SLA. The first is the realization that there is no automatic relationship between economic growth and poverty reduction. How the poor takes advantage of expanding economic opportunities depends on their capabilities. Second, the poor conceive poverty not only as low incomes, but also as poor health, illiteracy, lack of access to

<sup>2</sup> World Commission on Environment and Development, Advisory Panel on Food Security, Agriculture, Forestry and Environment, *Food 2000: Global Policies for Sustainable Agriculture* as quoted in Chambers and Conway (1991).

services, vulnerability and general feeling of powerlessness. Third, active participation of the poor is essential while designing policies and projects for them as they are the best judges of their situation and priorities (Krantz, 2001). The SLA has significantly influenced the poverty reduction initiatives of both governments and non-government organizations (NGOs) across the globe since the 1990s.

### New visions of sustainability

It is important to keep the above concepts and frameworks in focus while reviewing the more recent discourses on livelihoods in the context of India shaped as they are by the peculiar macroeconomic conditions the country is faced with like the decelerating growth and manufacturing output, lack of growth in employment, inflationary pressures and increasing social, political and environmental conflicts. Added to these is the concern about the widening of the disparity in the economic capability of the households between and within rural and urban sectors as indicated by the provisional results of the 68th Round National Sample Survey point.<sup>3</sup> Earlier studies have pointed to the acceleration of intra-state rural–urban inequality during the 1990s, a trend that had set in since the late 1960s. All these have significant implications for livelihoods in general, and of the poorer sections, in particular. We present in the following sections the main strands of some of the recent debates that have highlighted the emerging challenges to the overall livelihood environment as also the newer opportunities that have the potential to impact the attainment of sustainable livelihoods for the poor.

There has been an increased urge among scholars who engage with livelihood issues

in specific geographies to press rather for refocusing policy and programmatic attention on the larger agenda of securing livelihoods. An interesting stream of enquiries from the Chronic Poverty Research Programme has contributed significantly to our understanding of the poverty–livelihood interaction.<sup>4</sup> By pursuing themes that span the multifarious aspects of poverty—assets and economic activities to enhancement of human capabilities—this set of studies tried to reappropriate the space for more substantive discourses on sustainability of livelihoods by interrogating the links between poverty, employment, incomes, hunger, food, nutrition and health. Some of the studies under the programme sharply brought out the criticality of the association between capability and livelihood, especially, in the case of marginalized sections like the tribal population. For instance, Padhi and Panigrahi (2011) in their assessment of the impact of policies and programmes on the livelihood resources of tribal people in Odisha critique the tendency to interpret the concept of sustainable livelihood in material terms, that is, in terms of access to and sustainable management of livelihood resources. They argue that sustainable livelihood needs to be broadly defined in terms of enhancement of capabilities, particularly in the context of tribal people. Considering their multiple vulnerabilities and the hostile physical environs of their habitation, securing subsistence incomes alone cannot serve as an appropriate strategy for the promotion of sustainable livelihoods in tribal regions. A critical element of sustainable livelihood promotion in such regions is ‘to ensure access to institutions

<sup>3</sup> See, the press release issued by the National Sample Survey Office, Ministry of Statistics and Programme Implementation, 2 August 2012, ‘Provisional Results of Household Consumer Expenditure Survey of NSS 68th Round’ (July 2011–June 2012).

<sup>4</sup> Funded by the DFID, the Chronic Poverty Research Centre (CPRC) was founded in 2000 as an international partnership of universities, research institutes and NGOs. Among other themes, the research studies within the programme explored critical aspects of livelihoods of the populations and regions trapped in sustained poverty. More than 50 publications have been published on India under the programme. For details, see <http://www.chronicpoverty.org>.

and institutional resources in general and to social and economic services in particular' (p. 52) and insuring against risks that arise from malnutrition, ill health, high morbidity and mortality.

The discourses around livelihood security and employment in the context of the National Rural Employment Guarantee Act (NREGA) have, of late, come to focus more pointedly on the issue of sustainability by examining the synergies between employment generation, asset creation, natural resource management, especially, management of ground water resources, and productivity of agriculture. Creation of sustainable rural livelihoods through rejuvenation of the natural resource base is an important objective of the NREGA, secondary to the objective of provision of supplementary wage employment to the rural poor. Some estimates showed that nearly 70 per cent of the works taken up through the NREGA related to water conservation, water-harvesting, restoration, renovation and desilting of water bodies, drought-proofing, plantation and afforestation.<sup>5</sup> Water conservation and harvesting alone constituted 23 per cent of all the work reported under the Act in 2009–2010. These works have been considered as green jobs in the light of their contribution to environmental services<sup>6</sup> and rejuvenation of the natural resource base.

To what extent have the works under the NREGA contributed to resource conservation and enhancement of environmental services? Though no conclusive answers

have yet emerged, a few isolated studies have tried to quantify the benefits of the NREGA activities. For instance, a study led by the Indian Institute of Science (IISc), Bangalore, and conducted in Chitradurga district of Karnataka, found convincing evidence to conclude that the NREGA works could reduce vulnerability and provide significant environmental services, including groundwater recharge, water percolation, increased water storage, improved soil fertility, reclamation of degraded lands and carbon sequestration (Tiwari et al., 2011). They, in turn, led to increased production of both crops and livestock. In short, the activities helped reduce livelihood vulnerability to water scarcity and poor soil quality. Another study carried out by the Indian Institute of Forest Management, Bhopal, in four districts of Madhya Pradesh—Panna, Chhindwara, Dhar and Ujjain—reported increase in irrigated area as also cropped area under wheat and gram.<sup>7</sup>

Despite the plausibility of generating such positive externalities under the scheme, many point out that the nature and quality of assets created under the water management works have been unsatisfactory. As Narain (2012) laments:

Investment in these assets—coming largely through employment guarantee schemes—is hardly ever productive. The schemes provide jobs and do not care about the quality of the work. Watersheds are planted with trees but protection of trees is not ensured. The tank is desilted, but the channels or the catchments that bring water to the tank are not.

Analysing the data pertaining to the three-year period 2005–2009, Bassi and Kumar (2010) too have noted a decline in works related to water conservation. They also found that up to 2009 only 26 per cent of the works could be completed by spending 65 per cent of the earmarked funds. The under-performance of the scheme has largely been

<sup>5</sup> Keynote address by Rita Sharma, Secretary, Ministry of Rural Development, at the symposium on the NREGA for Water Management organized by Overseas Research Foundation, New Delhi, 30 October 2009. See, Observer Research Foundation (2010).

<sup>6</sup> Environmental services include recharging groundwater, increasing rain water percolation, conserving water, increasing the area irrigated, reducing soil erosion, increasing soil fertility, conserving biodiversity, reclaiming degraded crop and grazing lands, enhancing the supply of leaf manure, fuel wood and non-wood forest produce, and carbon sequestration. See Tiwari et al., 2011.

<sup>7</sup> [www.nrega.nic.in/presentations/MRD%2013july.ppt](http://www.nrega.nic.in/presentations/MRD%2013july.ppt)

attributed to the neglect of local specificities with respect to socio-economic and hydrological factors while deciding on the works. The Mid-term Appraisal of the Eleventh Five Year Plan endorsed this argument when it pointed out the following:

Experience thus far suggests that the quality of work undertaken under MGNREGA has yet to come up to expectations both in terms of PRI involvement and also in terms of the technical soundness of design. Work priorities in many states tend to follow orders from the state or district level rather than reflecting the needs and aspirations of the community. The required technical input is also inadequate. (Planning Commission, 2011: 255)

There is a general consensus, however, that the scheme has the potential to produce significant spillover benefits provided the government invests in developing ways to improve the quality and impact of works under the scheme. Thus, by incorporating scientific inputs in planning of works at the local level (Bassi and Kumar, 2010) or bridging the incentive deficit inherent in common pool resources (Shah, 2009) the scheme can be made to enhance its performance.

### Climate change implications

The relationship between weather and agriculture has emerged as an important area of research in recent years thanks to the heightened concern globally about climate change. Still an evolving area of research, climate change studies, especially, in agriculture, underscores the significance of strengthening the ecological foundations of livelihood activities. Though the many dimensions of climate change vulnerability are not fully uncovered yet in India, the available studies indicate shifts in many critical ecological–environmental phenomena in terms of both space and time. The larger debate has been around the likely impact of climate change on agriculture, the sector that supports livelihoods of majority of the population in the country. The dependence of Indian agriculture on weather is significant in that more than 60 per cent of the cropped area in

the country relies on rainfall. Panda (2009) quotes several studies that have discussed and demonstrated climate change induced shifts in livelihood environments. Ninan and Bedamatta (2012) have provided some insights into the plausible changes that climate change can effect in the agricultural system:

Over the last few years, the Chhattisgarh region received less than its share of pre-monsoon showers in May and June. These showers are important to ensure adequate moisture in fields being prepared for paddy cultivation. Agriculture will be worst affected in the coastal regions of Gujarat and Maharashtra, where agriculturally fertile areas are vulnerable to inundation and salinisation. Standing crops in these regions are also more likely to be damaged due to cyclonic activity. In Rajasthan, a rise in temperature by 2°C was estimated to reduce production of pearl millet by 10–15 per cent. Madhya Pradesh, where soyabean is grown on 77 per cent of all agricultural land, could ironically benefit from an increase in carbon dioxide in the atmosphere.... However, if this increase in carbon dioxide is accompanied by an increase in temperature, as expected, then soyabean yields could actually decrease. (pp. 2–3)

Mitigating the ill-effects of climate changes, however, is riddled with contradictions as the strategies used for mitigation may come into conflict with the livelihoods of people (Dev, 2011). Thus, measures that reduce greenhouse gas emissions may end up destabilizing the agricultural practices followed by small and marginal farmers and livelihoods of poor dairy producers. Similarly, afforestation programmes will result in reclamation of degraded land and control soil erosion which may intensify the competition for cultivable land and eventually threaten food security.

### Conflicts and livelihoods

A renewed vigour is visible in recent years in the debates around complex interrelations between conflicts and livelihoods in India thanks to continuous media attention,

systematic research efforts and the vigilant activism of environment protection groups. Ohlsson (2000) had argued that livelihood conflicts arise from the coexistence of populations facing livelihood loss due to environmental destruction or unsustainable development initiatives around agriculture and industry and the growing scarcity of healthy, productive ecosystems. In the case of India, such conflicts also reflect the peculiar livelihood dilemmas have emerged in regions where human livelihood clashes with industrialization strategies, animal habitats, biodiversity or ecological sensitivity as it has happened in Odisha, Assam, the Western Ghats or the Sundarbans. In the case of Kaziranga National Park, the environmentalists and animal rights activists have been demanding shutting down of quarries that are operating illegally within the eco-sensitive zone in the Park, even as they serve as a major source of livelihoods for the people in the region in the absence of other income earning opportunities in the public and private sectors (Choudhury, 2012). However, the quarries are known to destroy paddy fields and disturb wild animals as well as threaten animal conservation efforts which in turn affects tourism industry adversely. Thus, there are larger long-term implications of such development impasses for access to sustained livelihood opportunities for future generations.

Political conflicts and internecine wars have remained a major source of livelihood crisis in many regions in India. Ethnic conflicts in the North East, the spread of armed political action groups in states like Andhra Pradesh, Chhattisgarh, Odisha, West Bengal and Maharashtra and cross-border disputes states like Jammu and Kashmir have all led to livelihood crises largely affecting the marginalized populations. Newer evidences have emerged in recent years that reinforce the close association between conflicts, violation of basic human rights, degradation of livelihood opportunities and endemic poverty. A study by Kumar et al. (2011) has argued that

ethnic conflicts in Manipur have increased poverty both directly and indirectly:

Directly, since conflict is usually associated with massive destruction, loss of property and mass internal displacement. And indirectly, because of fear or paranoia: people prefer not to go back to their original homes. They stay as underprivileged outsiders in other areas rather than risking their lives. (p. 77)

Though conflicts cannot exhaustively explain poverty, 'the fight over scarce resources and the attempt to maintain a monopoly has in some ways provided the immediate trigger for conflict' (ibid.).

The enquiries into the causes of the spread of activities of the Communist Party of India (Maoist) in the country have unequivocally linked the lack of security and sustainability of livelihoods of the Dalit-*adivasi* populations who have a larger concentration in these regions. The Expert Group (Government of India, 2008) that looked into the development challenges in extremist-affected regions acknowledged that landlessness, lack of access to forests and other common pool resources and limited employment opportunities coupled with illiteracy/low education and political marginalization have created conditions conducive to discontent among the people and spread of extremist political groups. A body of critique also exists which explicitly attributes the 'intensification of uprisings in the forested and indigenous regions' to the exploitation of forest resources by indigenous and multinational businesses eyeing to make profits from mining and aided by the state (Duara, 2011; Jason and Carney, 2010).

The larger issue that still remains is regional concentration of poverty. Studies that have used different conceptual tools have come to broadly similar conclusions with respect to this phenomenon. The 'Report on the Status of Food Insecurity in Rural India 2008', brought out by the World Food Programme and M. S. Swaminathan Research Foundation, has identified Bihar,

Odisha, Madhya Pradesh and Maharashtra as the six most insecure states (M. S. Swaminathan Research Foundation and World Food Programme, 2008). According to the Livelihood Status Index (LSI) developed by Rai, Sharma, Sahoo and Malhotra (2008) for the different agro-climatic regions, most of the tribal regions in Bihar, Madhya Pradesh and Odisha (along with the North East states) fall under the category of low livelihood status. The LSI is worked out in this study as a composite index of six sub-indices pertaining to the status of infrastructure, agriculture, nutrition, economic development, health and sanitation and availability of food. It is to be noted that almost all the states that fall within the agro-climatic region, Eastern Hills and Plateau were found to have low livelihood status. The study also observed that out of the 127 districts that experience low agricultural productivity, 103 fall under the low livelihood status region, reiterating the critical links between degraded agriculture, rural poverty and livelihood insecurity.

Importantly, the debates above have served to extend the horizons of the livelihood discourse by reclaiming the focus on elements like security and sustainability. Also, they have formed the critical intellectual base that informs the action and advocacy around a rights-based approach to livelihoods in India.

### Small producers and market integration

The policy perception about the poor as being located outside the sphere of market transactions and hence requiring consistent state patronage has been modified over the past years. The new development prescriptions increasingly have brought the poor and their livelihood activities closer to the market. This is reflected in the burgeoning literature on themes like smallholder integration in agricultural markets or, at a larger level, on the interaction between local and global production systems, especially

in the context of the poor and developing countries. Many studies have reaffirmed the critical role of small and marginal farmers (who constitute close to 80 per cent of the country's agriculture) in fostering the sector's growth apart from food security and livelihood sustainability (Dev, 2012). The view that market-focused reform measures alone cannot help poor primary producers minimize their risks and maximize returns has gained increasing support from many of these studies. Proactive government intervention is necessary for enabling these producers to tackle production and market risks. Typically, small and marginal farmers face problems that include uneconomic size of land holdings; lack of market power and susceptibility to exploitation by intermediaries; lack of access to formal debt and resultant undercapitalization of farming activity; inadequate extension support, especially, with respect to scientific information, training and technology etc.; lack of access to electricity, irrigation, other communication facilities (Mahajan and Gupta, 2011; NCEUS, 2008). With acceleration in the commercialization of agriculture, definite state programmes and policies would be necessary to provide such farmers with 'a level playing field with large farms in terms of accessing land, water, inputs, credit, technology and markets' (Dev, 2012: 2).

The other set of debates relates to globalization and market integration of manufacturing and service enterprises. The two decades since the reform measures were introduced in India, the country has witnessed a progressive trend towards both an expansion of domestic economic activities and their integration with global production systems and markets. Though such integration was the most visible in technology-intensive production activities, sectors like agriculture too have come under the influence of global economic imperatives thanks to the convergence of regulatory regimes across nations, a process championed by supranational bodies, like the World Trade Organization

(WTO), which oversee the structuring and implementation of international trade and investment agreements.

An important fallout of the strengthening of new global governance arrangements has been the circulation of a set of standards of production and processing as the necessary benchmarks required to access international markets. Without such standards, it is argued, participation in the global economy may not bring any benefits to the poor countries as they would tend to compete on the strengths of 'paying low wages, disregarding labour and environmental standards, cutting corners in the production process and avoiding taxation' (Schmitz, 2004: 1). Such adverse incorporation in the global value chains is most likely in the case of smaller firms and informal enterprises. Also, the vulnerability of the poor workers at the lower rungs of the global networks tends to increase.

Rising formal employment in upgraded firms is complemented by the use of casual, contract and other such forms of irregular employment that is poorly paid, and without social security. Evidence was found of flexible employment practices being introduced even among the regular workforce. Profits for upgraded supplier firms have risen and wages for core workers in these firms have also risen, while those firms continuing in the low value-added segments of product markets, or in lower tiers of global supply chains have more modest profits and pay lower wages to workers with poor working conditions. (Posthuma and Nathan, 2010)

Standards, as per the above argument, are 'essential instruments for blocking the race to the bottom and nudging enterprises from the low to the high road of competitiveness' (ibid.: 12). In other words, they are essential for local enterprises to 'upgrade' economically and socially. Economic upgrading relates to four aspects of production—process upgrading, product upgrading, function upgrading (change in position of firms in the value chain like from assembly to manufacturing to design and to branding) and chain upgrading or moving to a new

chain altogether (Kaplinsky and Farooki, 2010). Social upgrading on

the other hand refers to 'processes which enhance the quality of employment for workers, such as improved working conditions, skills acquisition, or higher earnings. It also involves the enhancement of social protection and workers' rights, particularly the more vulnerable categories of workers including women, children, migrants, and low-skilled workers. (Posthuma and Nathan 2010: 5)

The gap between economic and social upgrading can eventually be bridged only through building firm-level capabilities, designing appropriate sectoral policies and innovation trajectories, labour skill upgradation and introducing standards and benchmarks. These debates around standards and upgrading are converging steadily towards evaluating and enhancing the capabilities of developing nations to capture the gains from global production and market integration.

Even as the advocates of a global market driven development strategy deliberate on the issue of labour standards, the level of employment in the country has remained a cause of serious concern. In his analysis of the employment data published by the National Sample Survey Organisation (NSSO) pertaining to 2009–2010, Chowdhury (2011) showed that there was a near stagnation in the size of workforce in India since the mid 2000s. However, labour productivity grew substantially—more than 34 per cent—during this period. It is worth noting that as per the *Global Employment Trends 2012* published by the International Labour Office, the overall robust growth experienced by south Asia during the 2000s was largely the result of 'a rapid rise in labour productivity rather than an expansion in employment' (p. 68). The other disturbing trend is the decline in female labour force participation across age groups since the mid-2000s from 49.4 per cent to 37.8 per cent in the case of rural women and from 24.4 per cent to 19.4 per cent for urban women.

Such findings have given rise to widespread apprehensions as to whether the flexibilization–informalization paradigm made popular as part of the reform agenda is actually benefiting the labour. Lerche (2012) argues that

in India the conditions of work and pay are not improving for informalized labour. Labour finds itself in a very weak bargaining position, while government and employers push for further informalization. Social floor policies do exist, especially NREGA, but so far their impact on informal workers is patchy. (p. 27)

The army of informal workers has also been differentiated through the process of reform to include not only the classic wage labour but also another distinct class of labour who possess some means of production but have to ‘alternate between being wage workers and small-scale petty commodity producers in the precarious and insecure informal sector seasonally or throughout their lifetimes’ (p. 18).

The continuing discourse on increasing informalization of work have come to highlight some critical questions:

1. Whether and how far do decent work standards ensure better working conditions of informal workers in the absence of collective political action on the part of labour?
2. Do the targeted social policies alone will lead to strengthening of the voices of informal workers?
3. Are the current definitions of informal work and workers good enough to capture the complex dynamics of the emerging production and labour arrangements as also labour market inequalities?

## Technology and innovation

India has a fairly elaborate infrastructure in science and technology and has one of the world’s largest stock of technical manpower

(World Bank, 2000). But only about 6 per cent of this manpower pool is engaged with rural and agricultural activities.<sup>8</sup> The training infrastructure in rural technology mainly involves the advanced training centres attached to State Agricultural Universities, the National Centre for Management of Agriculture Extension, regional rural technology centers and community polytechnics. The Indian Council of Agricultural Research (ICAR) and the Council for Scientific and Industrial Research (CSIR) form the cornerstones of the research and development system, though many other players like central government institutions, universities and colleges, district rural development agencies, district industry centres, state S&T councils and private industries also form part of R&D activities. When it comes to linking this elaborate system with rural development activities, the experience of the country has not been impressive. Also the role of technology and innovation in supporting sustainable livelihoods for the poor has received scant attention in public debates. On the other hand, the efforts of those institutions in the non-state sector that are committed to technology dissemination in the rural sector are constrained by infrastructural bottlenecks in terms of training, investment funds and marketing. The poor and illiterate communities they work with cannot be expected to scout for technological solutions to improve their livelihood situation and enhance incomes from activities like agriculture and animal husbandry. There is critical dearth of intermediary institutions that can match the sources of technologies with rural producers after suitable adaptations.

Notwithstanding the gaps in making the S&T system work for livelihoods, innovation and technology are increasingly seen as part of the debates on sustainable development.

<sup>8</sup> [http://www.tifac.org.in/index.php?option=com\\_content&view=article&id=417&Itemid=205&limitstart=2](http://www.tifac.org.in/index.php?option=com_content&view=article&id=417&Itemid=205&limitstart=2) (accessed on 24 August 2012).

Specifically, inclusive innovation—innovation that helps improve the productivity and livelihoods of people in the informal economy and the excluded populations to claim their share in growth—has become an integral component of the debates and action programmes on sustainable growth globally spearheaded mainly by the World Bank Institute. The agenda of inclusive innovation has received a boost in India with the setting up of the National Innovation Council and the declaration of 2010–2020 as the Decade of Innovation. The other major step in the direction of promoting innovation is the proposed Inclusive Innovation Fund to ‘drive and catalyse the creation of an ecosystem of enterprise, entrepreneurship, and venture capital, targeted at innovative solutions for the bottom of the pyramid’.<sup>9</sup>

The concept grassroots innovation too has received some policy attention as innovation aimed at alleviating poverty based on local and traditional knowledge systems and its application (Gupta, 2012). It is argued that apart from strengthening the capabilities of poor people, the promotion of such innovation would involve development of robust incentives, policies and institutional infrastructure.<sup>10</sup>

### Synergy of partnerships

The various discourses reviewed in the previous sections point towards the urgent need for sensitive strategies and concerted action with a view to create conditions necessary for triggering and sustaining a social and economic order based on the values of equity and distributive justice. The intellectual exercises over the last couple of decades around livelihoods have generated and popularized a

host of concepts and frameworks. The crucial question is which of them would be the most appropriate and efficient to develop strategies to effect actions. One idea that has caught the fancy of all is partnership. As different from the earlier discourses that focused on the role of distinct agents like the state, non-state and private sectors in fostering livelihoods, the new emphasis is on alliances—among government agencies, industry associations, private corporates, civil society organizations and worker/producer organizations. The policy prescriptions both at the national and provincial levels are increasingly being driven by an implicit belief in the potential inherent in such partnerships—especially between the government and the private sector players—in meeting the gaps in the provision of basic services, including social sector services. Public private partnership (PPP) is defined as

an approach under which services are delivered by the private sector (non-profit/for-profit organizations) while the responsibility for providing the service rests with the government. This arrangement requires the government to either enter into a ‘contract’ with the private partner or pay for the services (reimburse) rendered by the private sector. (Government of India, 2004: 1)

While PPPs are incorporated as part of the approach of programmes that are designed to have country-wide footprint like the NRLM and National Agricultural Implementation Programme, several sectoral programmes (health, livelihoods, skill development) are being implemented in the PPP mode at the state level too.<sup>11</sup>

### Conclusion

The recent debates on livelihoods span a diverse array of issues reflecting the

<sup>9</sup> [http://www.innovationcouncil.gov.in/index.php?option=com\\_content&view=article&id=52&Itemid=34](http://www.innovationcouncil.gov.in/index.php?option=com_content&view=article&id=52&Itemid=34) (accessed on 24 August 2012).

<sup>10</sup> Anuja Utz and Carl Dahlman, ‘Promoting Inclusive Innovation’. Available at <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/223546-1181699473021/3876782-1191373775504/indiainnovationchapter4.pdf> (accessed on 26 August 2012).

<sup>11</sup> Such partnerships have been tried in the implementation of midday meal schemes; Sarva Siksha Abhiyan; Integrate Child Development Scheme; national-level programmes to control blindness; and diseases like tuberculosis, cancer and AIDS.

complexities that have come to characterize the livelihood environment and the vulnerability of the poor and assetless households. By no means the debates that we have delineated above can be said to present an exhaustive overview of the existing and emerging perspectives on livelihoods. They only represent some of the dominant themes the understanding of which would help appreciate the magnitude of the challenges before political agents, policymakers, researchers and activists.

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# Livelihoods of People: How the Poor Are Making Both Ends Meet

SANKAR DATTA\*

## Chapter 2

### Introduction

To address the overwhelming livelihood challenge being faced by the densely populated dense nation, i.e., India, the government has allocated large resources for supporting/generating livelihoods of the poor through programmes such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and National Rural Livelihood Mission (NRLM) among others. Large special purpose institutions like Society for Elimination of Rural Poverty (SERP) and Gujarat Livelihood Promotion Company (GLPC) have been created to support the livelihoods of the poor. Non-government organizations (NGOs) like PRADAN, MYRADA, BAIF and multilateral agencies like the World Bank have also started focusing on livelihood promotion and support. Further, except for this current year, the Indian economy has been growing at a fairly high rate of about 8 per cent per annum, and even after this current slowdown, continues to remain one of the fastest growing economies of the world.

However, in spite of these concerted efforts, livelihoods for the poor are faced with major challenges in the form of poor monsoon and its consequent slowing down of the economy, and especially of the manufacturing sector which generated livelihoods in large numbers. The weakening value of the rupee, resulting from this has led to higher

cost of petroleum products and, hence, of transport, in turn leading to higher rate of inflation, especially food inflation. Added to this is the inadequacy of the government to handle the current crisis, aggravated by increasing allegations of corruption and worsening political manoeuvring inherent in coalition politics in the face of the impending 2014 general elections.

The question that comes up here, therefore, is whether the livelihoods of the poor have really improved? This is the question that has been explored in this chapter. The first part of the chapter describes how the poor are making both ends meet while the second part highlights some of the challenges they are faced with.

We are a nation of 1.2 billion people, projected to grow to 1.4 billion by 2026. It is estimated that there will be roughly 300 million (National Commission on Population, 2006) more Indians in the age group 15–59 who would be looking for livelihoods. One school of thought believes that this projected ‘demographic dividend’ wherein 25 per cent of the global labour force (Team Lease and IIJT, 2009) would comprise of Indians, is a tremendous opportunity and a potential source of benefit. However, the question that still remains is how, at that point, would we deploy the additional 300 million Indians? It is a troubling question considering that at current

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rates alone an estimated 40 million<sup>1</sup> people in India will remain unemployed at the end of this year (<http://www.ibef.org/download/IndiaNewOpportunity.pdf>).

This is a question worrying policy-makers, civil society organizations, bankers, academicians and all the stakeholders in the establishment—how do we address the challenge of providing livelihood opportunities for this large populace and alleviate the lot of the millions living in conditions of abject poverty and deprivation which, if not addressed, could have deep social, political and economic consequences.

According to the United Nations Development Programme (UNDP) 2010 data, an estimated 37.2 per cent Indians (or some 450 million people) live below the country's national poverty line. The government uses the poverty line formulated by the Tendulkar Committee—a special committee formed under the Planning Commission to estimate the poverty line—which is close to the World Bank's 'below poverty' benchmark of US\$1.25 per day on a purchasing power parity basis.

## How are people managing their livelihoods?

Data regarding people engaged in different sectors and the kind of income they generate from those sectors as reflected by the percentage of gross domestic product (GDP) contributed by the sector is present in the Employment and Unemployment Survey, National Sample Survey Organisation (NSSO), Ministry of Statistics and Programme Implementation and National Accounts Statistics (NAS). However, though GDP estimates for the years 2010–2011 and 2011–2012 have been worked out, the latest figures of labour engaged were available only for 2009–2010. Thus, Table 2.1 gives engagement of labour and their incomes for 2009–2010.

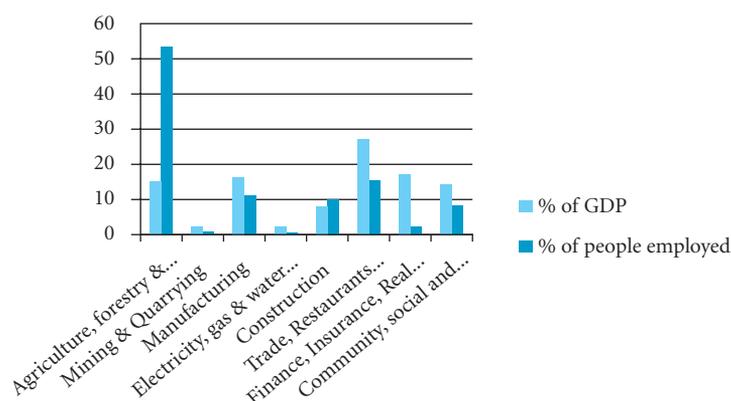
It can be seen from the data in Table 2.1 that more than 50 per cent of the labour force (or 68 per cent of the rural labour force) is still engaged in agriculture and allied activities, which generate some of the lowest incomes per capita (₹29 thousand per annum only). On the other hand,

**Table 2.1:** Distribution of labour force earning their livelihoods from different sectors (2009–2010)

Industry	GDP 2009–2010 in ₹ bn	% of GDP	Labour force participation	% of people employed	Per capita GDP in ₹
Agriculture, forestry and fishing	6,625	15	226	53.2	29,371
Mining and quarrying	1,042	2	3	0.6	409,689
Manufacturing	7,197	16	47	11	154,316
Electricity, gas and water supply	883	2	1	0.3	693,915
Construction	3,557	8	41	9.6	87,391
Trade, restaurants and hotels, transport, storage and communications	11,972	27	64	15.1	186,994
Finance, insurance, real estate and business services	7,699	17	9	2.1	864,648
Community, social and personal services, public admin, defence and other services	6,101	14	35	8.2	175,476
Total	45,076	100	424	100	106,312

Source: Compiled from Employment and Unemployment Survey, NSSO, Ministry of Statistics and Programme Implementation, New Delhi for the period 1999–2010, Government of India, National Accounts Statistics. Available at [www.mospi.nic.in](http://www.mospi.nic.in)

<sup>1</sup> <http://www.onemint.com/2010/11/10/indias-unemployment-rate-stands-at-9-4/>

**Figure 2.1:** Percentage labour force employed in various sectors and their contribution to GDP (2009–2010)


Source: Compiled from Employment and Unemployment Survey, National Sample Survey Organisation, Ministry of Statistics and Programme Implementation, New Delhi, for the period 1999–2010, Government of India, National Accounts Statistics. Available at [www.mospi.nic.in](http://www.mospi.nic.in)

some sectors like financing, insurance, real estate and business services generate ₹865 thousand per annum, but only 2.1 per cent of the labour force depends for their livelihoods on these. The two other sectors providing livelihoods to large numbers, namely Trade, Restaurants and Hotels, Transport, Storage, and Communications (employing 15.1 per cent of the labour force) and Manufacturing (employing 9.6 per cent of the labour force) generate an average annual income of ₹187 thousand and ₹154 thousand only (see Figure 2.1).

The other two large income generating sectors, Electricity, Gas and Water Supply and Mining and Quarrying employ only 0.3 per cent and 0.6 per cent of the labour force respectively. Therefore, the data reflects that there are some sectors which have pushed up the growth rate of India's GDP. However,

**Table 2.2:** Key labour statistics—India (year)

Estimated population	1,182 million
Labour force participation rate	359 persons out of 1,000 persons in the labour force
Estimated labour participation	424 million

Source: Compiled from Employment and Unemployment Survey, NSSO, Ministry of Statistics and Programme Implementation, New Delhi for the period 1999–2010, Government of India, National Accounts Statistics. Available at [www.mospi.nic.in](http://www.mospi.nic.in)

they do not provide the basis of livelihoods for large numbers (see Table 2.2).

The following Tables 2(a), 2(b) and 2(c) suggest that growth in livelihoods has been skewed in sectoral terms.

It can be seen from the above tables that

- The rural economy continues to remain heavily dependent on agriculture and

**Table 2.3(a):** Percentage of persons employed in principal and subsidiary status taken together: Status by industry division—rural

Year	Agri-culture/ fishing	Mining and quarrying	Manu- facturing	Electri- city, water etc.	Const- ruction	Trade, hotel and restau- rant	Tran- sport	Financial and business services	Pub adm, educ., comm. serv- ices etc.
1999–2000	76.3	0.5	7.4	0.2	3.3	5.1	2.1	0.3	4.9
2004–2005	72.7	0.5	8.1	0.2	4.9	6.1	2.5	0.5	4.5
2009–2010	68.0	0.6	7.2	0.2	9.4	6.4	2.9	0.6	4.8

Source: Compiled from Employment and Unemployment Survey, NSSO, Ministry of Statistics and Programme Implementation, New Delhi for the period 1999–2010, Government of India, National Accounts Statistics. Available at [www.mospi.nic.in](http://www.mospi.nic.in)

**Table 2.3(b):** Percentage of persons employed in principal and subsidiary status taken together: Status by industry division—urban

Year	Agri- culture/ fishing	Mining and quarrying	Manu- facturing	Elec., water etc.	Const- ruction	Trade, hotel and restau- rant	Tran- sport	Financial and business services	Pub adm., educ., community services etc.
1999–2000	8.8	0.8	22.7	0.7	8.0	26.9	8.7	4.1	19.5
2004–2005	8.8	0.8	24.6	0.7	8.1	24.6	8.6	5.3	18.7
2009–2010	7.5	0.6	23.0	0.6	10.2	24.3	8.7	6.7	18.5

Sources: Estimated and compiled on the basis of reports of (1) Government of India (1999–20000), Employment and Unemployment Survey, NSSO, Ministry of Statistics and Programme Implementation, New Delhi and (2) Government of India, National Accounts Statistics. Available at [www.mospi.nic.in](http://www.mospi.nic.in)

**Table 2.3(c):** Percentage distribution of GDP by sector

Year	Agri- culture/ fishing	Mining and quarrying	Manu- facturing	Elec., water etc.	Const- ruction	Trade, hotel and res- taurant	Tran- sport	Financial and business services	Pub adm., educ., community services etc.
1999–2000	25.0	2.3	14.8	2.5	5.7	14.22	7.5	13.1	14.9
2004–2005	19.0	2.9	15.3	2.1	7.7	16.1	8.4	14.7	13.8
2009–2010	17.8	2.5	14.8	1.5	8.2	16.3	7.8	16.7	14.4

Sources: Estimated and compiled on the basis of reports of (1) Government of India (1999–20000), Employment and Unemployment Survey, NSSO, Ministry of Statistics and Programme Implementation, New Delhi and (2) Government of India, National Accounts Statistics. Available at [www.mospi.nic.in](http://www.mospi.nic.in)

allied activities, with the role of agriculture and fishing as employment options not having changed much over the last 10 years, declining from 76 to 68 per cent between 1999 and 2010 (see Table 2.3[a]).

- However, agriculture has remained a laggard with respect to the rest of the economy both in terms of providing livelihood opportunities as well as in boosting it. This is a cause for worry considering that agriculture remains the largest employer—in terms of both total people engaged and number of people employed as a percentage of the workforce—with a declining percentage share in the overall GDP from 25 per cent to 17.8 per cent.
- Growth in manufacturing which is important to boost the economy<sup>2</sup> has

been on the decline. In the rural sector, share of manufacturing in employment has declined slightly, while the construction sector has emerged as a major source of employment. In fact, it appears that construction has taken over people from the agricultural sector, both in rural and urban areas. Further, the share of construction in GDP has also increased, albeit slightly. This is, thus, a sector to be watched.

- The pattern of growth has been skewed towards the service sector as well as towards skill-intensive activities (finance, insurance, real estate, transportation and banking) which continue to pull up the economy, but provide livelihood opportunities only for the educated and skilled segments of the workforce. This means the poor, who largely comprise the less skilled and unskilled part of the workforce, continue to remain bereft of benefits accruing from the growth in this sector.
- In the urban sector there is a slight upward trend in availability of livelihoods in financial sector and its share in overall

<sup>2</sup> The Planning Commission in its Eleventh Plan document has stated that to attain an average GDP growth of 9 per cent over the next five years, the manufacturing sector needs to grow by at least 12 per cent per annum.

GDP, though its share in employment in the rural sector remains negligible. The Hotel and Trade sector has a slightly larger share of the GDP pie than it did 10 years ago. However, as can be observed, it does not contribute to increased employment. In fact, employment in this sector in urban areas has actually declined slightly, possibly indicating that it has become more capital intensive.

## Issues and considerations

### Growth not translating into employment

Given the expected addition of 300 million to the working population of the nation by 2026 (National Commission on Population, 2006), the task of keeping these people above the poverty line would require creation of 11 million livelihoods every year.

The ‘Annual Report to the People on Employment’, published by the Ministry of Labour (2011), says that for so many jobs to be added annually, which works out to a 2.5 per cent average growth in employment, there are two conditions that must be met: (a) the GDP must grow at 9 per cent, and (b) the employment elasticity (the proportionate change in employment after a unit proportionate change in economic growth) must be 0.29, as it was in the period during 1993–1994 and 2004–2005.

But where are the jobs or livelihood options? Though there has been an increase in the share of the industry and service sectors and a decline in that of agriculture in the overall employment scenario, they have failed to generate sufficient employment opportunities, in turn putting a pressure on the agriculture sector. The crux of the problem is that though the educated and skilled workers get employment in these sectors, there is very real scarcity of livelihood options for the less skilled and unskilled workers.

Historically India has been an agrarian economy. This is especially true of rural India with its small manufacturing sector, and thus, a high share of agriculture based livelihoods in the overall workforce. The

share of livelihoods has continued to remain more or less stagnant in spite of the fact that there has been a structural change in the share of agriculture in the GDP over the last few decades.

So, in effect, growth in the economy does not seem to be benefitting its largest sector either in terms of output or in terms of employment.

However, agriculture and allied sectors like forestry, logging and fishing accounted for roughly 15 per cent of the GDP in 2009–2010 and employed approximately half of the total workforce. Roughly 70 per cent of the total population is dependent on this segment and despite a steady decline of its share in the GDP, it remains the largest economic sector and a significant part of the overall socio-economic development of India.

### Slowing economic growth

The Indian economy experienced a slowdown in 2011. Though some sectors of the economy kept growing, the growth rates were generally low compared to previous years, as can be seen in Table 2.4.

**Table 2.4:** Revised estimates of GDP at factor cost by economic activity (at 2004–2005 prices) in (₹) billion

Industry	2009–2010 in ₹ mn	2010–2011 (QE)	2011–2012 (RE)	% change over previous year	
				2010–2011	2011–2012
Agriculture, forestry and fishing	6,625	7,091	7,287	7.0	2.8
Mining and quarrying	1,042	1,094	1,085	5.0	–0.9
Manufacturing	7,197	7,742	993	7.6	2.5
Electricity, gas and water supply	883	909	981	3.0	7.9
Construction	3,557	3,842	4,046	8.0	5.3
Trade and restaurants and hotels, transport, storage and communications	11,972	13,305	14,628	11.1	9.9
Financing, insurance, real estate and business services	7,699	8,500	9,317	10.4	9.6
Community, social and personal services, public administration, defence and other services	6,101	6,377	6,747	4.5	5.8
Total	4,508	4,886	5,202	8.4	6.5

Source: Ministry of Finance (2012).

Construction, which employed 8 per cent of the total workforce, grew by only 5.3 per cent as against 8 per cent growth last year. Growth of Trade, Hotel, Transport and Communication, which employed around 25 per cent of the workforce, came down from 11.1 per cent to 9.9 per cent. Agriculture, which employed more than 50 per cent of the workforce, recorded a growth of 2.8 per cent as compared to 7.0 per cent last year. Manufacturing, which employed 11 per cent of the workforce, recorded a dip in growth rate, at 2.5 per cent as compared to 7.6 per cent last year. Mining and quarrying, which employs roughly 0.6 per cent of the total workforce and which grew by 5 per cent in 2010–2011, has recorded a negative growth of 0.9 per cent, thereby, being a major contributing factor in lowering the overall GDP growth rate.

GDP growth slowed down in financial year (FY) 2011 as industrial and investment activity slumped and the current account deficit (current expenditure which could not be financed by current revenue) widened. Data released by the Central Statistical Organisation (CSO) on 31 May 2012 shows that GDP growth has slumped to 6.5 per cent, the lowest since 2002–2003 (a drought

year), when growth rate of GDP fell to 4.1 per cent. With the exception of the electricity, gas and water supply sector, which grew by 7.9 per cent in 2011–2012 compared to 3 per cent in 2010–2011, and community, social and personal services, where growth was marginally higher in 2011–2012 as compared to 2010–2011, all the sectors in the Indian economy grew at a slower pace in 2011–2012.

A paper (Alkire and Santos, 2010) published by the Oxford Poverty and Human Development Initiative (OPHI) in 2010 states that eight Indian states together have a larger population below the poverty line (BPL) than the entire population of the 26 poorest African nations combined—a very disturbing fact that clearly indicates the livelihood challenges of the poor. Thus, if this slowdown in the rate of growth of the economy continues or worsens, the impact is bound to worsen the lot, not only of the millions of Indians already living in poverty, but also of those only marginally above the poverty line, threatening to tip them back into poverty.<sup>3</sup>

This is because the main impact of any economic slowdown on the livelihoods of people derives chiefly from the loss of employment opportunities. If the expected increase in unemployment were to take place, those losing jobs may become the 'new poor' due to the sudden loss of income (Malik, 2001) (see Table 2.5).

As can be seen from Table 2.5, employment at the overall level has increased by 81,000 between December 2011 and March 2012. The increase in employment is, however, lowest when compared with that in the previous three quarters. The maximum increase in employment during this period is observed in the Information Technology (IT)/Business Process Outsourcing (BPO) sector (by 104,000), and even this increase is lower than that recorded in the previous three quarters.

**Table 2.5:** Trends in employment from Quarterly Report on changes in employment in selected sectors (January–March 2012)

Sr	Industry/Group	Changes in employment during				
		June 11 over March 11	September 11 over June 11	December 11 over September 11	March 12 over December 11	March 12 over March 11
1	Textiles including apparels	33,000	42,000	78,000	–	87,000
2	Leather	1,000	2,000	12,000	3,000	16,000
3	Metals	53,000	38,000	–	7,000	84,000
4	Automobiles	18,000	22,000	–6,000	–1,000	33,000
5	Gems and Jewellery	13,000	7,000	10,000	3,000	27,000
6	Transport	2,000	5,000	34,000	16,000	43,000
7	IT/ BPO	164,000	204,000	109,000	104,000	581,000
8	Handloom/ Powerloom	1,000	9,000	13,000	26,000	3,000
	<b>Overall</b>	<b>215,000</b>	<b>315,000</b>	<b>226,000</b>	<b>94,000</b>	<b>836,000</b>

Source: Government of India (2012).

<sup>3</sup> [http://www.albrightstonebridge.com/economic-slowdown\\_india/](http://www.albrightstonebridge.com/economic-slowdown_india/)

**Box 2.1:** *Climate change adversely affecting agriculture*

Climate change, the greatest global challenge, is already a reality for the farmers of Rajasthan. It is increasing the pressure on already scarce resources and if proper measures are not taken, migration towards the cities will soon reach new heights.... Any change in climatic determinants could not only adversely impact food security and nutrition but also affect the well-being of the population that derives its income from the sector. Agriculture and allied sectors, therefore, exhibit high sensitivity to climate fluctuations.... It is projected in a range of studies that climate change will lead to a decrease in crop and animal produce especially in tropical countries like India, aggravating the risk of hunger, malnutrition

and poverty, as the availability of food and opportunities for livelihood across sectors will get affected. On the flip side, it would affect the demand and corresponding changes in crop prices.... Though the vulnerability of farm animals to climate change varies with their genetic composition, type and breed, life stage and nutritional status, studies indicate that the performance of farm animals is affected by climate. Heat stress in dairy animals is likely to impact their productive and reproductive functions, cautions the report.

*Source:* [http://articles.timesofindia.indiatimes.com/2012-06-18/jaipur/32297886\\_1\\_climate-change-milk-production-heat-stress](http://articles.timesofindia.indiatimes.com/2012-06-18/jaipur/32297886_1_climate-change-milk-production-heat-stress)

The survey results indicate that employment figures in the handloom/powerloom and gems and jewellery sectors, which registered increase in employment during the last three quarters, have declined slightly during the period January–March 2012 indicating a mild slowdown. In the leather sector, employment has declined continuously in the latest three quarters after a marginal increase of 1,000 in the quarter ending June 2011.

### Climate change

The dwindling agriculture sector, which is mostly privatized in India and where the risk is borne by millions of farmers, is also facing serious challenges from the changing climatic conditions. Newspaper articles have already started showing that people are shifting to shorter duration crops; farmers in Madhya Pradesh have shifted out of some of the higher revenue generating pulse crops to more stable cereals (see Box 2.1).

This, apart from reducing income from farming—especially for small holders with rain-fed farms—and increasing risk, would also affect the availability of cereals and other nutritious crops.

Given the rapid decline in the capacity of agriculture to offer employment and the limited scope that exists in the services

sector to absorb the relatively unskilled labour displaced from agriculture, there arise expectations from the manufacturing sector to create mass employment for the displaced lot.

The manufacturing sector in India is critical for two main reasons: It has significant potential and will have to gear up to provide employment to a growing labour force, especially that of the less skilled type who are being displaced from the shrinking agriculture sector; second it can help accelerate the GDP<sup>4</sup> growth due to its forward and backward linkages with the other sectors of the economy (see Box 2.2).

### Poverty

Inadequacy of livelihood opportunities for large numbers of the country's populace is also responsible for pushing them to the brink of poverty. With an estimated one-third of the world's poor living in India (DFID, 2012) and 29.8 per cent of India's population living below poverty

<sup>4</sup> The Planning Commission in its Eleventh Plan document has stated that to attain an average GDP growth of 9 per cent over the next five years, the manufacturing sector needs to grow by at least 12 per cent per annum.

**Box 2.2:** *Drought and its impact on the livelihoods of people*

Monsoon rains will not be enough to save the country from its first drought in three years, the weather office said on Thursday as it forecast that the El Nino weather pattern should reduce rains again in the second half of the June to September season. – *Business Standard*, 2 August 2012

As of 26 July, the total area under kharif cultivation stood at 66.824 million hectares, down 9.94 per cent from 74.2 million hectares in the same period last year, with all crops except sugar cane showing varying degrees of decline from last year, government data showed last Friday.

The area under rice, the most important crop, showed an 8.72 per cent decline from last year, while the area under coarse cereals fell 22.65 per cent. The area under pulses was down 17.8 per cent, while that under oilseeds showed a fall of 1.1 per cent from a year ago.

Considering that in India, 68 per cent of the total net sown area comes under dry land cultivation, spread over 177 districts, the spectre of drought which hangs over the country will adversely affect the livelihoods of millions of people who are directly or indirectly engaged in farming and related activities, this is in addition to the losses in crop production. Also severe drought could potentially destroy livestock population in these areas. Considering the poor and vulnerable marginal farmers who in addition to agriculture depend on livestock as means of livelihoods will be put under further pressure.

This coupled with the lack of alternate sources of livelihoods which would have capability to absorb the affected along with the fact that Indian economy is slowing will play havoc with the livelihoods of the poor and especially the vulnerable. On Tuesday, the RBI revised its estimate of economic growth in 2012–2013 to 6.5 per cent from the

earlier 7.3 per cent. It also revised its estimate for year-end inflation to 7 per cent from 6.5 per cent.

A rough estimate of the loss of livelihoods can be calculated from the reduction of coverage in area under various crops. There is a shortfall of 8.2 million hectares under cultivation in the same period last year. The man-days utilized vary from crop to crop, ranging from 70 man-days per hectare for oilseeds to 140 man-days per hectare for rice. Assuming an average of 100 man-days per hectare, the total loss due to a decline in sown area would be 820 million man-days. If the average wage rate for agricultural labour is taken as ₹100, the total loss of rural employment would be around ₹8,200 crores.

This impending drought could lead to migration of people to urban centers in search of alternate livelihoods, putting further pressures on the already stretched urban infrastructure, have adverse effects on health and increase hunger and starvation related deaths. It will also lead to fall in both agricultural and non-agricultural wages.

What we could also see is change in crops being cultivated. Farmers will be start moving from shorter duration and cash crops to rice and wheat farming—which are nowadays anyways heavily mechanized. This would also lead to further fall in farm labour requirement and further cause stress on livelihoods.

*Sources:* <http://www.business-standard.com/india/news/india-confirms-drought-as-el-nino-looms/181309/on> Distress Situation in Dryland Areas Impacts on Livelihood Pattern and the Coping Strategies: A Review- Working Paper- Itishree Patnaik-Working Paper- 91 (RULNR Working Paper No.6) <http://www.livemint.com/2012/08/02223126/It8217s-a-drought.html?atype=tp> Poorest Areas Civil Society (PACS) Programme- DROUGHT IN INDIA: Challenges & Initiatives

line there have been questions about whether the high economic growth due to economic liberalization of the economy in 1991, and especially in the last decade,

has actually contributed to poverty alleviation. It would be interesting to see how the poor have fared. Has their quality of life—defined as an increase in purchasing

power parity—improved as a result of this economic growth.

### Trends in poverty reduction

A widely accepted method of studying growth, estimating poverty, etc., is to look at the change in real per capita income/expenditure of the people.

In India we use the expenditure data as a proxy for income (as a development indicator) as it is more difficult to compute income data, especially for the poor who are engaged in a diversified portfolio of subsistence activities. NSSO provides expenditure data at various periods which is used to study economic development over years, which in turn is also used to calculate the various poverty-related estimates. The poverty line estimates set on the basis of this survey give us a rough idea of the overall picture.

The latest (2009–2010) large sample NSSO Report (66th Round) shows a sizable decline in absolute numbers in poverty, even apart from percentages. This indicates that the poverty rate—the percentage of people whose overall consumption is lower than that which can purchase a basket of goods as measured by the poverty line—in both rural and urban India—has come down.

The Head Count Ratio (HCR) (Planning Commission, 2012a) is obtained using urban and rural poverty lines applied to the Monthly Per Capita Expenditure (MPCE) distribution of the states. The aggregated Below Poverty Line (BPL) population of the states is used to obtain the final all-India HCR and poverty lines in rural and urban areas.

### Some observations

The total number of poor declined from 407.22 mn (2004–2005) to 354.68 mn in 2009–2010 (Planning Commission, 2012d). These estimates are based on the daily per capita consumption of ₹28.65 in urban cities and ₹22.42 in rural areas. In the five-year period the number of poor declined by around 13 per cent with rural poverty (14.6

**Table 2.6:** Change in poverty as per Expert Group 2009 (Tendulkar Committee)

Year	Poverty ratio (%)			Number of poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1993–1994	50.1	31.8	45.3	328.6	74.5	403.7
2004–2005	41.8	25.7	37.2	325.81	81.41	407.22
2009–2010	33.8	20.9	29.8	278.21	76.47	354.68

Source: Planning Commission (2012d).

**Table 2.7:** Change in poverty as per Expert Group 1993

Year	Poverty ratio (%)			Number of poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
1993–1994	37.3	32.4	36	244	76.3	320.4
2004–2005	28.3	25.7	27.5	220.9	80.8	301.7

Source: Expert Group 1993 (Official—Lakdawala Committee).

**Table 2.8:** Annual average decline from 1993–1994 to 2009–2010

	Poverty ratio (% points)			Number of poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
2004–2005 from 1993–1994 by Expert Group 1993	0.81	0.61	0.77	2.1	–0.41	1.7
2004–2005 from 1993–1994 by Expert Group 2009	0.75	0.55	0.74	0.25	–0.63	–0.32
2009–2010 from 2004–2005 by Expert Group 2009	1.6	0.96	1.48	9.52	0.99	10.51

Source: Planning Commission (2012b).

Note: 1 crore = 10 million = 0.01 billion.

per cent) falling at almost double the rate of urban poverty (see Tables 2.6, 2.7 and 2.8).

These figures indicate that the growth in the economy has helped lift millions out of poverty as measured by the poverty line, keeping in mind that poverty line expenditures have been traditionally set at levels just sufficient to allow for above-subsistence existence.

However, other numbers continue to be a cause for worry, especially those regarding nutrition, health and education. Considering the multidimensionality of poverty, it is important to see whether the steady reduction in consumption poverty has translated into improvement in the quality of life of the poor.

**Box 2.3:** *The evolution of thinking about poverty*

THE EVOLUTION OF THINKING ABOUT POVERTY: EXPLORING THE INTERACTIONS RAVI KANBUR AND LYN SQUIRE, SEPTEMBER 1999—considers the evolution of thinking about poverty since Rowntree's classic study of poverty in England at the turn of the last century. It highlights the progressive broadening of the definition and measurement of poverty, from

1. Command over market-purchased goods (income)
2. to other dimensions of living standards such as longevity, literacy and healthiness, and

3. Most recently, to concerns with risk and vulnerability, and powerlessness and lack of voice.

The paper argues that while there is a correlation between these different dimensions,

1. Broadening the definition of poverty does not change significantly who is counted as poor at least not as far as aggregate measures are concerned.
2. Broadening the definition of poverty changes significantly our thinking about strategies to reduce poverty.

Source: Kanbur (1999).

Though the objective behind the poverty line has always been to monitor progress in combating destitution, there have been questions asked about the definition by which poverty has been measured (Planning Commission, 2012d) and the controversy surrounding the discrepancy in NSSO data and National Accounts (the two estimates of average per capita consumption in India) which led to pegging the poverty line at ₹28.65 per capita daily consumption in cities (Panagriya, 2012; *The Indian Express*, 2012). Though the reasons for the discrepancy is beyond the scope of this chapter it is important to note that it could lead to serious errors of interpretation pertaining to growth and its impact on livelihoods.

### The changing nature of the poverty line

There has been a controversy surrounding the Planning Commission's estimates of the poverty line, based on the Tendulkar Committee's (Planning Commission, 2012d) methodology that suggested people consuming more than ₹28.65 daily in cities and ₹22.42 in rural areas are not poor. In response to the controversy, an expert group headed by noted economist C. Rangarajan has been set up to revisit the Tendulkar

Committee methodology for estimation of the poverty line and identification of the poor. The panel will suggest a methodology to update the consumption-based poverty line using the new consumer price indices formulated by CSO, review alternative methods of estimating poverty and recommend how it should be linked to eligibility for drawing benefits from the government's public welfare programmes (<http://www.livemint.com/2012/05/24225510/Rangarajan-to-head-new-panel-t.html>). As C. Rangarajan said in an interview with *Business Standard* (26 May 2012):

Poverty can be estimated in different ways. First, the absolute method, in which one considers how the economy has changed over time and the number of people living below a certain income level. The other is the relative method, in which you consider the current level of average income and the income distribution in the country. This has been widely used in India. So far, we have only looked at consumption expenditure. Now, we will also look at alternative ways—how to combine the current method with poverty estimation techniques used in other countries. (*Business Standard*, 2012)

In the context of the controversy over the poverty line definition, this poem captures the changing nature of poverty and the poverty line very succinctly (Box 2.4):

**Box 2.4:** *The English translation of the poem Daridra-rekha, Tarapada Ray, 1986*

I had no food to eat  
 No clothes to hide my shame  
 No roof over my head.  
 You, the very soul of benevolence,  
 You came to me and said:  
 “No, ‘poor’ is an ugly word,  
 It robs people of human dignity,  
 No, you’re actually poverty-stricken.”  
 Stricken by relentless poverty,  
 My days of suffering,  
 My days of pain,  
 Ran on day after day,  
 I wasted away.  
 Suddenly, you appeared again, and said:  
 “Look, I’ve been thinking about it,  
 ‘Poverty-stricken’ isn’t a good word either;  
 You’re impoverished.”  
 My days and nights in chronic  
 impoverishment,  
 Panting in the furnace of summer,  
 Shivering in the chill of winter nights,  
 Soaking in the monsoon rain  
 I became more and more impoverished.  
 But you are tireless,  
 You came to me again, and said:  
 “Impoverishment makes no sense.  
 Why must you be impoverished?  
 You have always been deprived,  
 You’re deprived, historically deprived.”  
 There was no end to my deprivation,  
 To bed half-fed year after year,  
 To bed in the street, under the naked sky,  
 I had a skeletal existence.  
 But you did not forget me,  
 This time, your clenched fist raised high,  
 You called out:

“Awake, arise, ye dispossessed!”  
 By then, I had not the strength to rise,  
 Hunger had almost finished me,  
 My rib cage rose and fell like bellows,  
 I could not keep up with  
 Your enthusiasm and excitement.  
 Long days have passed in the meantime,  
 You are now wiser,  
 And smarter.  
 This time, you have brought a blackboard  
 with you,  
 On it, with great care, and with some  
 chalk,  
 You have drawn a perfectly straight line;  
 This time you’ve had to work hard,  
 You wipe the sweat from your brow and  
 tell me:  
 “See this line? Below it,  
 Way below it, is where you are.”  
 Wonderful!  
 Thank you, thank you so much!  
 Thank you for my poorness,  
 Thank you for my poverty,  
 Thank you for my impoverishment,  
 Thank you for my deprivation,  
 Thank you for my dispossession,  
 And finally, thank you for that long and  
 perfect line,  
 Thank you for this bright and shining  
 gift.”

*Source:* Translated by Antara Dev Sen in ‘Below the Sarkari Line’. Available at <http://www.asi-anage.com/columnists/below-sarkari-line-231> and <http://icrindia.wordpress.com/2012/03/21/daaridra-rekha-poverty-line/>

### Rising consumption gap between the rich and poor

A study conducted by ASSOCHAM (2012) shows how distribution of income/expenditure changes in the course of development across states by looking into real monthly consumption expenditure of households in rural areas. It analyses the pace of development in rural India at the state level by analysing changes in real monthly per capita

expenditure<sup>5</sup> in the two NSSO quinquennial rounds viz., the 61st round conducted in 2004–2005 and the 66th round conducted

<sup>5</sup> It has used average household MPCE to indicate the development that has taken place in rural areas. MPCE at current prices is deflated by Consumer Price Index (CPI) to arrive at a realistic measure of change in real economic well-being of people across regions and classes. It has, thus, taken into account both price rise and population change.

**Table 2.9:** Average MPCE

	Poorest 20%	Second 20%	Third 20%	Fourth 20%	Richest 20%	Overall
Average monthly real per capita consumption expenditure in 2004–2005 (₹)	83	112	138	173	297	161
Average monthly real per capita consumption expenditure 2009–2010 (₹)	83	117	145	183	320	169
Change in Average Consumption (%)	0	4.5	5.1	5.8	7.7	5.0

Source: ASSOCHAM (2012).

in 2009–2010 to provide an insight into improvements taking place in the economic well-being of rural people across states during the five-year period between 2004–2005 and 2009–2010 (see Table 2.9).

A comparison of changes in MPCE at constant prices across various rounds shows how well-being has changed across MPCE classes (ASSOCHAM, 2012):

- The findings of the study confirmed that at the all-India level, growth rate of both average per capita expenditure and the resultant demand increased during the study period.
- While the average per capita consumption expenditure of the poorest 20 per cent remained unchanged, the average household income of the richest 20 per cent increased by 7.7 per cent during the five year period. This has broadly led to increased inequalities.
- On an average, a rural household in the richest 20 per cent category spent more than 258 per cent of what a household of similar size falling in the poorest 20 per cent category spent in 2004–2005. This difference has further increased to 286 per cent in 2009–2010.

However there is also an argument that with an increasingly effective Public Distribution System (PDS) making subsidized food available to the poor households, they would actually be able to buy better nutrition with the same MPCE.

Reetika Khera (2011), who has been extensively researching the PDS and MGNREGA observes:

First, access to PDS has been rising steadily. ‘Access’ depends on the proportion of households (i.e., proportion of BPL, households) that the government is willing to subsidize and on whether the PDS delivers to BPL households. Between 2004–05 and 2007–08, the proportion of households receiving grain from the PDS has progressively risen, from about a quarter of rural households (27 per cent) to just over one-third (35 per cent). In several states this proportion increased by more than 10 percentage points (e.g., from six per cent to 18 per cent in Uttar Pradesh (UP), from 22 per cent to 36 per cent in Orissa, from 25 per cent to 47 per cent in Chhattisgarh and from 40 per cent to 59 per cent in Kerala). In addition, in states such as Andhra Pradesh (AP), Himachal Pradesh (HP) and Tamil Nadu (TN), access was high to start<sup>6</sup> with—81, 69 and 88 per cent respectively.

Second, per capita purchase of grain from the PDS has also been increasing. Even apart from the four southern states, where per capita grain purchase has traditionally been relatively high (between 2.2 kg per month in Karnataka and 4.98 kg per month in TN in 2007–08), there are some surprises among the Hindi-speaking states too. In Chhattisgarh, per capita purchase witnessed a five-fold increase between 2004–05 and 2007–08, from a measly 600 grams to 3.2 kg per month. Uttarakhand’s performance is similar—up from 640 grams to 2.15 kg. Another fact

<sup>6</sup> As a standard, the National Institute of Nutrition set the requirement for members of a reference group consisting of Indian males of age 18–29 years with normal body mass index and weight of 60 kg engaged in sedentary work at 2,320 calories per day. Thus, the 2,300 to 2,400 calories per day range provides the benchmark for required calorie intake for a representative Indian.

that has gone unnoticed is the performance of Himachal Pradesh (HP) and Jammu and Kashmir, where per capita purchases are higher than even in some of the southern states. These two indicators suggest that in 2007–08, on an average, more people were getting more grain per capita from the PDS than before.

However other studies show that while consumption poverty may have fallen, it has been noticed that calorific poverty continues to remain a challenge. Here, ‘NSS Report No. 540: Nutritional intake in India’ (Ministry of Statistics and Programme Implementation, 2012), throws up some interesting facts.

For instance, the Planning Commission while defining the poverty line has estimated that the required subsistence calorie intake is 2,400 calories per person per day in rural areas and 2,100 calories per person per day in urban areas (see Table 2.10)!

**Table 2.10:** Trends in per capita consumption of calories

Year	Calories (kcal)	
	Rural	Urban
1993–1994	2,153	2,073
1999–2000	2,148	2,155
2004–2005	2,047	2,021
2009–2010	2,020	1,946

Source: Ministry of Statistics and Programme Implementation (2012).

Nutritional intake in terms of calorific value of food has been continuously declining, as is evident from Table 2.10. Figures indicate that two-thirds of the country’s population has lower nutritional intake than required.<sup>7</sup> It is also being argued that there exists widespread hunger and malnutrition driven by a significantly higher incidence of poverty in the country than

reflected in the estimates of the proportion of the population below the official ‘poverty line. However, there is another view which suggests that the Indian economy has experienced a shift in food preferences and reduced calorie requirements (Deaton and Drèze, 2009).

Lack of information with respect to hunger and malnutrition has also been a constraint for policy makers and civil society help groups. The HUNGaMA (Hunger and Malnutrition) Survey conducted across 112 rural districts of India in 2011 is the most recent set of data on child nutrition in India (Naandi Foundation, 2012). However, the country has no data since 2006 (NFHS-3) to understand the current situation (IIPS and Macro International, 2007).

#### Some key findings of the HUNGaMA survey:

- The incidence of child malnutrition is widespread across states and districts: In the 100 focus districts of the survey, 42 per cent children under five are underweight and 59 per cent are stunted.
- A reduction in the prevalence of child malnutrition has been observed: In the 100 focus districts; the incidence of underweight children has declined from 53 per cent (Ministry of Health and Family Welfare, 2004) to 42 per cent (Nandi Foundation, 2012); this represents a 20.3 per cent decline over a 7-year period with an average annual rate of reduction of 2.9 per cent.
- By the age of 24 months, 42 per cent children are underweight and 58 per cent are stunted.

This indicates that though there has been an overall growth in the economy, it has not been able to improve the living conditions for the poorer sections of the society significantly. The increase in the income or per capita consumption levels has not always translated into better living conditions for the poorer sections of the society.

<sup>7</sup> Chronic famishment - <http://www.thehindu.com/opinion/columns/Chandrasekhar/article2910006.ece>

**Table 2.11:** Trends in rural and urban inequality

Measures of relative inequality	Rural			Urban			Total		
	1983	1993–1994	2004–2005	1983	1993–1994	2004–2005	1983	1993–1994	2004–2005
Gini Coefficient (%)	31.7	28.54	29.7	34.2	34.3	37.8	32.37	30.35	32.54

Source: Chaudhuri and Ravallion (2006).

### Increasing inequality in consumption

Inequality in consumption, expressed by the Gini Coefficient,<sup>8</sup> has fallen over the long term in India, but is now on the increase.

The last five decades show a long-term trend of declining inequality in rural areas as well as in urban areas (see Table 2.11) until the 1980s, and since then, a rise and a long-term upward trend in the urban–rural gap (Chaudhuri and Ravallion, 2006).

### Increasing regional inequality

Over the decades there has been observed greater regional concentration of poverty. The percentage of poor has increased in the eastern states except West Bengal and Sikkim, while in the western states it has remained more or less stagnant (Planning Commission, 2012c).

- Poverty ratio in Himachal Pradesh, Madhya Pradesh, Maharashtra, Odisha, Sikkim, Tamil Nadu, Karnataka and Uttarakhand has declined by about 10 percentage points and more.
- Some of the bigger states such as Bihar, Chhattisgarh and Uttar Pradesh have shown only marginal decline in the poverty ratio.
- In Assam, Meghalaya, Manipur, Mizoram and Nagaland poverty has experienced increasing inequality.

The level of inequality differs widely across states as can be seen in Table 2.12:

<sup>8</sup> Gini Coefficient measures quantifies the inequality in income distribution. A Gini coefficient of 0 indicates perfect consumption or income equality, while a 100 would imply that a single person incurs all consumption expenditure or possesses all income.

**Table 2.12:** The level of inequality across states: Gini Coefficient (%)

State	2004–2005	2009–2010	Change
Jammu and Kashmir	15.02	22.38	7.37
MP (including Chhattisgarh)	29.71	34.66	4.96
Bihar (including Jharkhand)	24.31	29.20	4.90
Assam	18.66	21.97	3.31
Tamil Nadu	24.37	26.47	2.10
Punjab	19.05	20.88	1.83
Gujarat	22.12	23.92	1.80
Himachal Pradesh	20.06	21.49	1.43
Kerala	21.19	22.38	1.19
Uttar Pradesh (including Uttarakhand)	24.64	25.26	0.62
Karnataka	26.42	26.13	–0.29
North East	19.10	18.76	–0.34
Andhra Pradesh	25.81	25.22	–0.59
Rajasthan	20.73	19.11	–1.61
Union Territories (UTs)	21.57	19.71	–1.86
West Bengal	24.84	22.50	–2.34
Haryana	22.54	20.18	–2.36
Maharashtra	27.5	23.65	–3.85
Odisha	36.88	31.13	–5.75
All India	26.40	27.40	1.00

Source: ASSOCHAM (2012).

The Gini-Coefficients (ASSOCHAM, 2012) for states indicate that income inequalities have increased in Jammu and Kashmir (by 7.37 percentage points), Madhya Pradesh (including Chhattisgarh) (by 4.96 percentage points) and Bihar (including Jharkhand) (by 4.9 percentage points). These are followed by Assam, Tamil Nadu, Punjab, Gujarat, Himachal Pradesh, Kerala and Uttar Pradesh (including Uttarakhand). At the same time, Gini-coefficient values indicate falling inequalities in Odisha (by 5.75 percentage points), Maharashtra (by 3.85 percentage points), Haryana (by 2.36 percentage points) and West Bengal (by 2.34 percentage points). UTs, Rajasthan, Andhra Pradesh, the North East states and

Karnataka too have experienced a decline in income inequality to some degree.

## MGNREGA—controversy versus reality

‘MGNREGA affecting agricultural wage rates and availability of labor. Returns on agriculture declining, leading to further marginalisation of small and marginal farmers’ (Sinha and Mukherjee, 2010).

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)<sup>9</sup> is a job guarantee scheme, enacted by legislation on 25 August 2005.<sup>10</sup> It is one amongst a myriad of other government interventions to provide livelihood opportunities to the poor and such schemes have played their part in reducing poverty. Despite its best

intentions, MGNREGA is being held to task for some unintended destructive effects that it is having on poverty.

MGNREGA has also been playing a significant role in increase of wages for unskilled labourer. In 2008, the maximum rise in real wages for an unskilled labourer was not more than 6.5 per cent. The next year too, wages increased by another 4 per cent. In 2009–2010, the wages for an unskilled labourer reached ₹101.86, almost equal to the wage guaranteed by the MGNREGA.<sup>11</sup> The same survey showed that causal wages in agriculture during the same period remained stagnant. This had an impact on rural agriculture to the extent that higher wages would push up costs of cultivation (see Box 2.5).

Now, with land becoming increasingly unable to support the family’s requirements

### Box 2.5: The Punjab situation

*Worried over the acute shortage of farm labour to work their fields, farmers in Punjab are offering incentives such as mobiles, liquor and toiletries to attract migrant workers from Bihar and Uttar Pradesh.*

Harried farm owners are flocking railway stations in a bid to ‘win over’ migrants arriving from the Hindi-speaking states.

Labour shortage in Punjab’s farms has assumed chronic proportions in recent years. Migrant farmhands from the poorer states of North India who had spurred the the agricultural prosperity in Punjab are coming in fewer numbers and as the paddy cultivation gets under way in India’s bread bowl state.

For, it’s a double whammy. Labour costs per acre have skyrocketed, and yet fewer farmhands are coming in. Free food, lodging, soap, oil and ration—at times even country-made liquor and mobile phones—to woo labourers

are not enough to lure, but they are certainly doing the trick, at least for now. According to Ajit Rangnekar, the Dean of the Indian School of Business (ISB), the silver lining behind the ‘labour crisis’ in Punjab is hard to ignore.

‘This perennial crisis could well result in a new mechanised revolution of sorts in Punjab involving farmers with both medium and large land holdings. The progressive Punjab farmer is already looking at options that could bring down his dependence on migrant labourers for farm cultivation as a durable choice’, he said in a chat with *Deccan Herald*. But for now, the picture is grim. Farmers say they are paying through the nose to keep the farm labourers in good cheer.

‘This year, the migrant labor is charging anywhere between ₹1,600 and ₹1,800 per acre for sowing paddy, up ₹400 over the last season. Free add-ons of lodging et al add up

<sup>9</sup> [http://en.wikipedia.org/wiki/Mahatma\\_Gandhi\\_National\\_Rural\\_Employment\\_Guarantee\\_Act](http://en.wikipedia.org/wiki/Mahatma_Gandhi_National_Rural_Employment_Guarantee_Act)

<sup>10</sup> This act, MGNREGA was introduced with an aim of improving the purchasing power of the rural people, primarily semi- or un-skilled work to people living in rural India, whether or not they are below the poverty line. Around one-third of the stipulated workforce is women.

<sup>11</sup> <http://www.business-standard.com/india/news/the-truth-behind-rural-wages-in-india/452453/>

to more cost. Even at these rates, there aren't many migrants who could help matters', Jagtar Singh, a farmer said.

Farmers, even officials and experts, attribute the ongoing recurrent labour crisis to a 'usual suspect'—Bihar's growth trajectory that's increasingly being instrumental to hold back sons of soil from migrating to bread bowl states of Punjab and Haryana. Bihar has recorded a 13 per cent growth rate, the highest in the country. The Centre sponsored job guarantee scheme in the state has provided work options at the doorstep

at competitive rates. Bihar's advantage is Punjab's bane, at least when it comes to farm labourer.

Conclusion: If this kind of mechanization takes place it is also affecting the livelihood opportunities for the migrant farm labour in Eastern Parts of the country, in a few years to come.

Source: Punjab farmers undergo 'labour pains'. Available at <http://www.deccanherald.com/content/258009/punjab-farmers-undergo-labour-pains.html>

of food and the cattle's requirements for fodder, land based livelihoods of small and marginal farmers are fast becoming unsustainable. 'Land' in this context means not just land with the capacity for producing crops, but also the natural fauna, the rich water, timber and mineral resources. Added to this burden has been an unintended effect of MGNREGA—that of pushing up the wages of rural workers in a manner that is raising costs of cultivation for farmers and making it hard for them to compete (Chandrasekhar and Ghosh, 2011).<sup>12,13</sup> This, in turn, is leading to greater farm mechanization, which the small and marginal farmer is not able to afford, thus, rendering them even more non-competitive and leading to further marginalization.

Another of the unintended consequences of the MGNREGA has been the shortage of labour in core sectors like infrastructure and construction which depend on migrant labour. This is happening because many labourers prefer to work in the MGNREGA programmes. Skills are also being lost as artisans and handloom weavers are losing skilled labour to the programme. A review pointed out that there has been little, if any, growth of skill at sites where MGNREGA is being implemented. This is because workers

aren't allowed to use machines; they have to dig—using pick axes and shovels.<sup>14</sup> The idea of the scheme is to create as many jobs as possible for unskilled workers. But in practice, say critics, it means no one learns new skills, only basic projects get completed and the poor stay poor.<sup>15</sup>

This could have long term consequences on the livelihoods of the poor. However, further analysis of the MGNREGA is beyond the scope of this chapter which has been dealt with in detail in other chapters.

### Challenges of peasants in undulating terrain

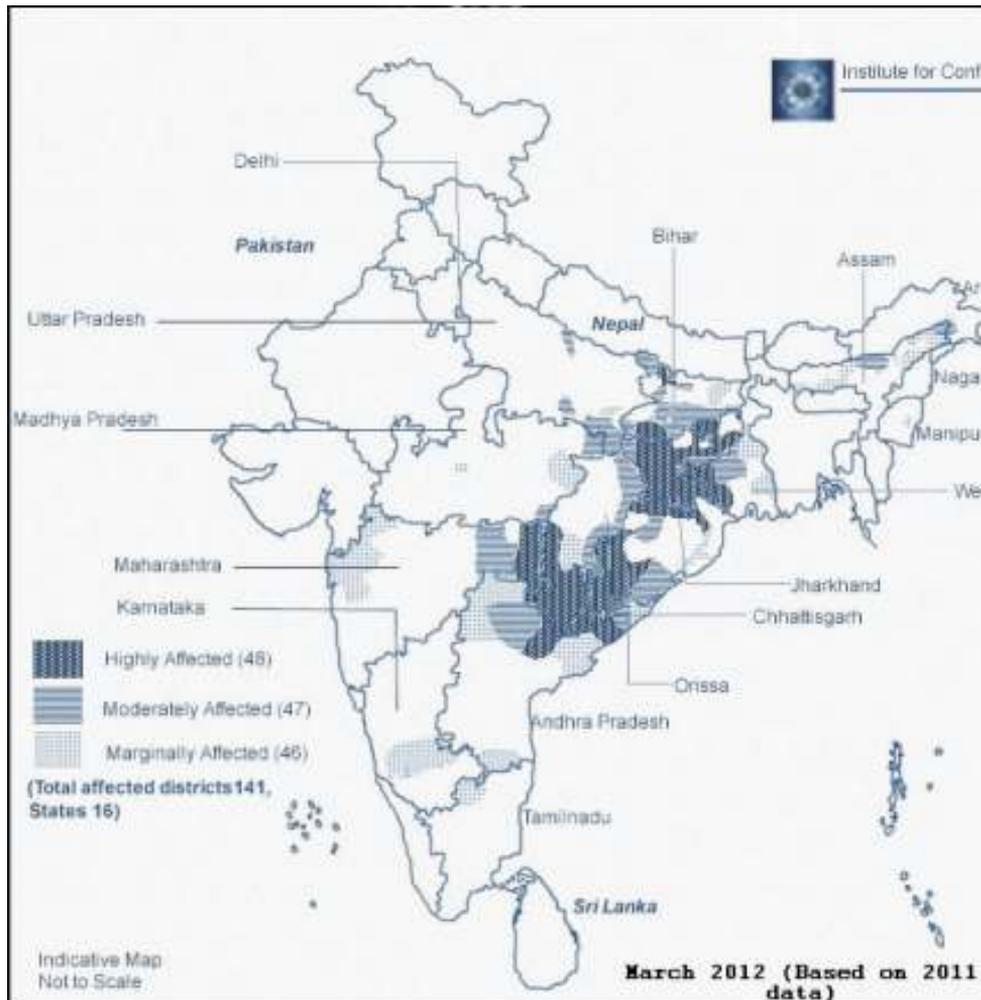
As we have seen, the majority of India's population is dependent on agriculture, especially in rural India. So, land becomes very important as a livelihood resource. However, at the same time, assessments have shown that forty per cent of rural households have no land or less than half an acre of land and that there are an estimated 1.3 to 1.8 crore landless rural families in the country (Ministry of Rural Development, 2012). Landlessness is an important feature of poverty. The number of small and marginal operational holdings has been increasing steadily over the years. In this context, we would like to highlight the challenges to livelihoods that people in the undulating forest terrains of central India have faced

<sup>12</sup> [http://articles.economictimes.indiatimes.com/2011-01-19/news/28430232\\_1\\_infrastructure-projects-infrastructure-space-core-sector](http://articles.economictimes.indiatimes.com/2011-01-19/news/28430232_1_infrastructure-projects-infrastructure-space-core-sector)

<sup>13</sup> <http://www.firstpost.com/business/nrega-and-the-law-of-unintended-consequences-26073.html>

<sup>14</sup> <http://www.economist.com/node/21536642>

<sup>15</sup> <http://online.wsj.com/article/SB10001424052748704081604576143671902043578.html>

**Figure 2.2:** Left-wing affected areas in India

Source: Institute for Conflict Management, South Asia Terrorism Portal. Available at <http://www.satp.org/satporgtp/countries/india/database/conflictmap.htm>

(see Figure 2.2). This area is characterized by undulating terrain, hilly topography and a large concentration of landless *adivasis* (tribal: original inhabitants) who have lived here for thousands of years. The hilly and forested terrains have shaped the lives of these people.

The *adivasis* live off the forest, just as their ancestors have, for thousands of years, and depended on the forests for their livelihood. Their livelihoods have revolved around non-timber forest produce, hunting, fishing and using a sustainable farming method called shifting cultivation.

When the British came to India they had differences amongst themselves about the appropriate approach to forest conservation.

The British thought that the indigenous system of shift farming was harmful and banned it. Another reason for banning it was that shifting cultivation made it difficult for the government to calculate taxes. Another course of action implemented was replacing of natural mixed vegetation with commercially exploitable systemic plantation.

Post Independence too, little has changed. Once rich deposits of minerals were discovered in these regions, mining was begun on a large scale which in turn led to displacement of the traditional forest dwellers. Earlier, lack of roads prevented most outsiders from exploiting these natural resources. However, now, roads and better infrastructure have

opened up vast areas for external interests to control, grab, and exploit millions of acres of forested terrain.

For thousands of years common property resources was a traditional right for all, be it farmers, grazers, fisher folk, etc. This meant that though the forest dwellers and inhabitants of these regions had lived here for generations they 'never owned the land'. Consequently, the government was not able to recognize their ownership or rights to these lands because they did not have the requisite titles.

This state of affairs caused a peculiar situation. With the inhabitants being forcefully displaced from their original homes due to the advent of modern times, and with them, vested interests who wanted to exploit these regions full of natural resources like timber and minerals. Mining and irrigation projects, which have led to development in other areas, have had unintended consequences on the livelihoods of the original inhabitants.

The implications have been that the *adivasis* have been displaced and forced to move to other, unfamiliar locales, and sometimes even to large cities. This has added to their troubles and further impinged on their livelihoods. Poverty has increased as the displaced have no skills useful for life in a city and little knowledge about urban culture.

## Concluding remarks

Recognizing the challenges to livelihoods being faced by a large majority of the people of India, huge investments have been made in livelihood promotion in recent years. And although there are several indicators suggesting an improvement in the economy of the nation, livelihoods of a large number of the population continue to remain challenged.

- Employment opportunities have not increased; but rather, have declined since the economic slowdown.

- Earnings of the people, as reflected by MPCE for the poorest 20 per cent, have not increased in last decade.
- Inequality between the bottom and the top 20 per cent of the population and its diversity between states continues to grow and worsen.

There has been drastic increase in prices as well as production risks, induced by global climate change as well as market changes. This is a serious cause for concern since it affects the vulnerable and the poor in a big way.

Further, there is huge uncertainty with regard to the livelihoods of the masses caused by:

- instability of the rupee,
- crisis in the European economy which also affects our export markets as well as investor sentiment,
- fluctuation in oil prices,
- increase in food grain prices, and
- an impending drought brought about by the unanticipated poor monsoon.

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# Policy Initiatives on Livelihoods: Emerging Scenario

ASHOK SIRCAR

## Chapter 3

### Introduction

Policy in the context of a discourse on livelihoods in India could be an Act, a mission statement, a national- or state-level programme, a scheme or a mix of these that has been implemented, is being implemented or is on its way, irrespective of the way it is presented in the public domain. For instance, National Rural Development Mission and Women Farmers' Entitlement Bill are both treated as policies in this chapter, though one is a new mission while the other is a bill recently placed in the Rajya Sabha. Needless to say, livelihood policies ought to be seen as a sub-set of macroeconomic policies aimed at improving policy environment that include supply side issues and often demand side issues too.

However, livelihoods of the poor get affected by major macroeconomic interventions, not all of which may be attributed to specific policy interventions. Instead, many are rooted in the vagaries of market dynamics; for instance, food inflation directly affecting the poor negatively in the current scenario, industrial employment showing no signs of improvement or microfinance being in limbo adversely affecting credit supply to the poor. Many of these realities impacting livelihoods of the poor can be traced back to macroeconomic policies or are decisions related to the political economy, which are outside the scope of this chapter.

On the other hand, certain policy interventions like those related to land acquisition do not directly impact livelihood issues but promise to improve macroeconomic parameters like gross domestic product (GDP), growth, trade balance, etc., which in turn may develop livelihood opportunities for the poor. Such policies have been included in this chapter to put in perspective their immediate impact on the lives of the poor who often need to survive in the short term in order to gain from opportunities in the long term.

Often discussions around livelihood and other factors of socio-economic equity tend to revolve around three categories of people—the Below Poverty Line (BPL), the Scheduled Castes (SCs) and the Scheduled Tribes (STs). Through the years, research offered new insights on the need of other such groups like women, landless and disabled to be supported through affirmative action. Supply side issues encouraged the inclusion of more categories like the financially excluded, the insurance excluded and the development refugee. The constituency for the present discussion includes all these groups—the poor, the disabled, the minorities, absolutely landless, financially excluded, insurance excluded, SCs, STs, etc. (Datta, Sharma and Ruthven, 2011). This year we add three new groups in the constituency over and above last year (p. 57):

1. 10–12 million street vendors (Bhowmick, 2005)
2. 1.2 million manual scavengers (Report of Sub Group on Safai Karmacharis, 2007)
3. 92.71 million rural women producers (National Commission for Women [NCW], 2005: 13)

Social research has shown that driven by deprivation these three groups, cutting across rural and urban poor, are awaiting affirmative action.

There is another category of people that we are including in the discussion on policy initiatives on livelihoods—SCs and STs of Central India. While they belong to the large rain-fed areas of Central India and the Deccan and as such deserve fuller attention, they have been brought into focus because they are victims of State failure on the one hand and extremist violence on the other. Caught in a pincer, they are not at par with SCs and STs of other regions in the country. We attempt to capture what the State is doing in the policy domain to address their livelihood challenges.

This chapter is divided into five sections. The next section discusses the Union Budget through the livelihoods lens. The section thereafter discusses the approach paper to Twelfth Five Year Plan (FYP) from a livelihoods perspective. Next four sections deal with policy initiatives that influence the livelihoods of manual scavengers, street vendors, women farmers and SCs/STs of central India respectively. Thereafter, we discuss two forthcoming missions—the National Urban Livelihoods Mission (NULM) and National Dairy Plan (NDP)—in two following sections. This is followed by a section dealing with the unfinished policy agenda of land acquisition. And then we capture the debate on the National Food Security Bill 2011 in one section. We conclude our narrative on the section called Conclusion, which is followed by a postscript that briefly describes the new pathways in two of the existing policies, Mahatma Gandhi Rural Employment Guarantee Scheme

(MGNREGS) and Rashtriya Krishi Vikas Yojana (RKVY).

## Livelihoods in the Union Budget 2012–2013

It should be recognized at the outset that neither does the Union Budget have any dedicated section or allocation on livelihoods nor is addressing livelihood issues a key concern of the budget exercise. The annual budget exercise is an opportunity for the union government to manipulate fund allocations to reflect the government's priorities. Using the budget as a tool, the government can affect three things:

1. increase allocations to existing programmes,
2. promise to initiate new programmes and
3. promise to initiate (and or adapt) new policies and allocate funds for that.

These three types of interventions are done for all the sectors that get budget support. Therefore, a relevant prism to view through in the context of the present discussion is to see what the budget does for initiatives on livelihoods across various sectors and ministries that get budgetary support.

For the discussion in this chapter, we may consider initiatives in agriculture, agricultural credit, social-sector investments, employment generation initiatives, welfare measures for specific categories of people, food security-related initiatives, initiatives for micro and small enterprises, skill building and the like. By introducing a filter to make these choices, we recognize that there are a few shortcomings that may introduce or hide aberrations in analysing outcomes. At least three such prominent weaknesses of introducing this filter are listed here:

1. Budget allocation or investment does not always mean that it is benefiting the existing or new category of poor in any significant way in every case.

2. There are other initiatives that do influence peoples' livelihoods but may get excluded from our consideration set due to the above filter. It is probably more difficult to measure the influence of these inadvertent exclusions than the ones included.
3. Budget being essentially an input exercise does not always indicate outcomes that the initiative may lead to. Thus, the analysis of the Union Budget to understand policy impetus to livelihoods requires a more robust theoretical framework for which more research is necessary and presently not available.

Notwithstanding these drawbacks, this chapter would still be useful in presenting a practical way to look at budget allocations to read the government's mind. This forms the bedrock of our motivation to look at the Union Budget 2012–2013.

Table 3.1 captures the enhancement of allocations in Union Budget 2012–2013 compared to the previous year in the most critical existing programmes. It shows significant enhancements in outlays in Integrated Child Development Services (ICDS),

agricultural credit, drinking water and sanitation and National Social Assistance Programme (NSAP). Of these the 150 per cent enhancement in allocation for Bringing Green Revolution to Eastern India (BGREI) stands out, even though on a small base of ₹400 crore in the previous budget.

Table 3.2 lists new policies that were announced in the budget. The biggest thrust of new policy initiatives seems to be in manufacturing, creating Bharat Rural Livelihoods Foundation and National Urban Health Mission. Similarly, the share of manufacturing in GDP has been steadily declining in recent years, which the National Manufacturing Policy (NMP) may arrest and provide new impetus to. In case of Dalits and tribals of Central India—commonly known as people of LWE districts—who await solutions that would help them out of poverty, reduce the negative impact of forest department's apathy and antipathy as well as protect them from the clutches of extremism. Known solutions that have worked in other parts of India may not work in LWE districts and, therefore, the need for an innovative solutions platform was urgent. Hence, the proposal to set Bharat

**Table 3.1:** Budget allocations in key existing programmes

Key areas	(in ₹ crore)		Change (in percentage)
	2012–2013	2011–2012	
Agricultural credit	575,000	475,000	21.05
Drinking water and sanitation	14,000	11,000	27.27
RKVY	9,217	7,860	17.26
BGREI	1,000	400	150.00
ICDS	15,850	10,032	57.99
NRLM	3,914	2,921	34.00
NSAP	8,447	6,165	37.02
Right to Education/Sarva Siksha Abhiyan (SSA)	25,555	20,998	21.70
National Rural Health Mission (NRHM)	20,822	18,115	14.94
MGNREGS	33,000	31,000	6.45
Food security subsidy	75,000	72,823	2.99

Source: Table compiled by author from 'Key Features of Budget 2012–2013', pp. 7–11. Available online at <http://indiabudget.nic.in/index.asp> (accessed on 16 June 2012).

Rural Livelihoods Foundation is a welcome step. The same can be said for urban health, which has been long neglected. It is good to see that concrete steps are finally being taken to address this need of the urban poor.

**Table 3.2:** New policies announced in the Union Budget 2012–2013

1. National Manufacturing Policy to make sure manufacturing contributes 25 per cent of GDP and create 100 million additional jobs in five years.
2. Proposal to establish Bharat Rural Livelihoods Foundation, as a public private partnership (PPP) initiative to work in LWE districts.
3. National Urban Health Mission being announced.
4. National Urban Livelihoods Mission to be initiated in the Twelfth FYP.
5. Six thousand model schools to be set up covering almost every block, under the Twelfth FYP.
6. A national mission on food processing will be set up with state governments.
7. Kissan Credit Card to be converted to ATM Card.
8. Pension amount under National Old Age Pension Scheme increased from ₹200 to ₹300 per month.
9. National Mission for Protein Supplement to enhance productivity in dairy and fishing sector with ₹2,242 crores allocated.

Source: Table compiled by author from 'Key Features of Budget 2012–2013', pp. 7–11. Available online at <http://indiabudget.nic.in/index.asp?> (accessed on 16 June 2012).

However, a closer look at the budget declarations reveals a few disquieting omissions and inclusions. For example, last year's budget announced setting up of a commission for sustainable agriculture. This year, instead of any substantive allocation to support the commission the budget limited its commitment to it, only bringing under its umbrella a few existing programmes. This means there is no substantive commitment to move towards more sustainable agriculture. This is in sharp contrast to the new mission on protein supplements that has received immediate budgetary support.

Another example of lack of focus where it is needed is storage of foodgrain. It is well established that storage capacity for foodgrain and other agricultural produce is abysmally low in the country and immediate concrete steps are necessary to enhance the storage capacity. However, the budget glosses over this reality with only a passing remark on attempts to increase food grain storage capacity. Similarly, the NFSB has not

evolved beyond policymaking even after a whole year has elapsed. No significant allocation change is seen in areas concerning food security.

Probably the greatest mismatch between policy and budget support is in the area of sustainable development where the budget has offered only a cursory attention. Chapter 12 of the *Economic Survey 2011–2012* mentions eight missions to anchor sustainable development in the mainstream economic and social development agenda. These are National Solar Mission, National Mission for Enhanced Energy Efficiency, National Mission on Sustainable Habitat, National Water Mission, National Mission of Sustaining Himalayan Ecosystem, National Mission for Green India, National Commission on Sustainable Agriculture and National Mission for Sustainable Agriculture. While almost all of these missions carry implications for livelihood, the ones related to sustainable agriculture, Himalayan ecosystem, solar mission and water mission have very high significance in livelihoods of a vast number of people. The survey mentions that all these missions are established and fund requirement computed and projected (Government of India, 2012). On the other hand, the Union Budget 2012–2013 while making significant allocation for water and sanitation under the National Water Mission included cursory mentions about National Commission on Sustainable Agriculture while almost ignoring all the rest. It may, therefore, be concluded that the Union Budget 2012–2013 has not done justice to the policy commitments made earlier or elsewhere towards sustainable development.

## Livelihoods in the Twelfth FYP

Though the Twelfth FYP officially started on 1 April 2012, there is no plan document in place as yet. What we have instead is the Approach Paper (AP) which consequently forms the focus our discussion.

Both the Eleventh Five Year Plan document and the AP to the Twelfth Plan have been drafted to serve the stated overarching agenda of inclusive growth, which effectively boils down to boosting investment in education, health, social security, food security and rural employment, with a view to improving outreach to under-served populations. During Eleventh Plan, a few massive programmes in the social sector were launched, namely the National Rural Employment Guarantee Scheme of NREGS (under the Act by the same name), the mid-day meal scheme (MDM) and the NRHM, and outlay of funds in some of the ongoing programmes like ICDS and SSA were enhanced. The Twelfth Plan is expected to continue in the same vein.

As a pertinent aside, though both documents purportedly farther the cause of social inclusion through improvements in social infrastructure and provision of basic services to people, it is indeed striking that neither document attempts to study 'social exclusion' in its real sense. They choose to further the cause of inclusion without studying the dimensions of exclusion as it exists in India even though social exclusion literature world wide is replete with analyses and examples drawn from the Indian context.

To return to the context of livelihoods, while the AP does carry a section in the overview entitled 'Employment and Livelihoods' (Planning Commission, 2011, section 1.23: 11), the said section only discusses employment issues and does not really touch upon concerns related to livelihoods and is, therefore, of limited help. So again, in the absence of a robust framework, initiatives in agriculture, agricultural credit, social sector investments, employment generation initiatives, welfare measures for specific categories of people, food security-related initiatives, initiatives for micro and small enterprises, skill building and the like have been treated as livelihoods initiatives, and the approach paper has been evaluated within this restricted context.

The AP reflects on important parameters of State interventions in terms of efficacy, relevance, cost effectiveness and outreach and, thereby, indicates need for path corrections or even taking paradigmatically different routes. It has made candid observations on what has worked and why and, equally, what has not worked and why not. So rather than looking at sub-sectors, outlays, increase–decrease type quantitative data, we have chosen to review the AP from this limited perspective, capturing these core observations in order to then identify the challenges of livelihoods planning in India.

### Agriculture

First, like the Eleventh Plan document, the AP to the Twelfth Plan also recognizes the criticality of agriculture in alleviation of poverty. Although the proportion of population dependent on agriculture has come down over last decade, poverty and hunger are largely rural phenomena. The AP recognizes in no uncertain terms that a 1 per cent incremental growth in agriculture would actually reduce poverty in India more significantly than larger growth in other sectors (Planning Commission, 2011, section 1.23: 12). It also recognizes that agriculture is a state subject, so the Centre has to work very closely with states to reform agriculture.

The second critical observation is that the real challenge of agriculture lies in the fact that rain-fed agriculture constitutes 56 per cent of total cropped area, 48 per cent of food crop area and 68 per cent of non-food crop area (Planning Commission, 2011, sections 7.24–7.25: 77–78). The AP recognizes that to meet future demand for food, 40 per cent additional supply of food grains will have to come from this area. Moreover, the traditional green revolution approach will be of little use unless locally sustainable natural resource management techniques are adopted under a comprehensive package covering food nutrition, agriculture and livelihoods. Therefore, the Twelfth

Plan must envisage convergence of livelihoods, food, ecosystem and human health (Planning Commission, 2011, section 7.27: 78). This cannot happen without national policy support.

The third area of significant policy relevance is land and tenancy reforms. The AP recognizes the extremely limited success of re-distributive land reforms and supports the cause of liberalization of tenancies for the benefit of small and marginal farmers. While the AP suggests the route of legal reform for liberalization of tenancies, it is silent on how redistributive land reform can be made more successful.

The AP goes on to highlight the dire need to link the small producers to the market. It recognizes that the marketing cooperative as an aggregation of small produce at a fair price and as a vehicle for capturing the benefits of bulk sale, works only in a few specific cases. The AP recommends policy support for the new emerging approaches in creating market access through small producer companies and self-help group (SHG) federations.

Finally, while 26 per cent of total area of the country is estimated to be under commons, the AP is not able to deliver an official policy and programme architecture at the district level to build a community-led process of managing the commons.

### Food security

The AP devotes only a small paragraph to food security, in which it raises a slight concern about reduction in net sown area by 2 million hectares. Even in this casual expression of passing interest in the matter, food security is merely viewed as a production challenge and very erroneously connected with land acquisition issues. While an unintended consequence of this error manifests in sane advice that highly productive land should not be considered for diversion to non-agricultural uses, the paper is quick to qualify this with the plea that 'this may not always be possible'. Compounding its errors of omission, the AP goes on to

studiously ignore household food security issues which have engaged public opinion for a decade now.

### Manufacturing

The AP is fairly critical of the fact that the contribution of manufacturing to both GDP as well as employment generation in India is far below its true potential. It has recommended the formulation of a National Manufacturing Policy, to create 100 million jobs in the next 10 years in textiles and garments, leather and footwear, gem and jewellery, food processing, handloom and handicrafts. Surprisingly, all of these are the so-called traditional industries which, some years ago, were thought to be 'sunset' sectors. So in that sense, the planning wisdom in India has perhaps come full circle.

It is nevertheless astonishing that the AP in its 146 pages has not found the space to discuss the informal sector that employs by far the largest number of people in India and has been the greatest source of jobs created in the last decade. While the AP does note that a vast majority of jobs created during 2004–2005 and 2009–2010 were casual in nature, a significant proportion of which were in the construction sector, it makes no attempt to discuss the predicament of such insecure livelihoods and the significance of this trend as a marker of the huge exclusion of job seekers from the market.

### Skill development

While the paper places on record its appreciation of the efforts made by the National Skills Development Council (NSDC), it recognizes that at present only 12.5 per cent of the workforce in India has participated in any kind of formal skill development programme. The paper sets a target of 25 per cent by the end of the Twelfth Plan, which implies that an additional 70 million persons would have to be skilled in the next five years.

The measures outlined in the paper to this end include:

1. overhauling of the Industrial Training Institutes (ITIs) and the Industrial Training Centres (ITCs) in the country,
2. aligning the nature of skill formation with the nature of emerging demand for skills,
3. establishment of a robust national certification and accreditation system and, in particular,
4. ensuring that the poor have access to funds for pursuing skill development programmes.

From a livelihoods perspective, it is not clear how 70 million persons can expect to be skilled in the next five years. Would industrial and agricultural growth be healthy enough to demand so many skilled resources? Can NSDC cater to such a wide diversity of needs? Does India have the institutional architecture to deliver skills programmes of the desired scale and quality, for all categories of job seekers?

### Social and regional equity

Finally, the AP in its chapter of social and regional equity has identified excluded groups as SCs, STs, Other Backward Classes (OBCs), Primitive Tribal Groups (PTGs), semi-nomadic and nomadic tribes, minorities, differently abled persons, widows, lesbian, gay, bisexual and transgender (LGBT) groups, senior citizens, internally displaced people, people living with AIDS, victims of substance abuse, manual scavengers, street vendors, etc. It is a welcome sign that specific groups of people have been clearly identified to address their needs of social inclusion and livelihoods. However, apart from a pure schematic approach that the governments can take, prescriptions on what must exactly be done for them are unclear.

### Manual scavengers bill

Approximately 1.2 million manual scavengers exist and operate in India today. Called by different names in different parts of India,

they perform the same job of removing human excreta from dry toilets of private homes, public toilets, Indian railways and the Indian Army. Their practice is centuries old and refuses to go away. Almost all the manual scavengers are Dalit Hindus and Muslims (*Hella* and *Halalkhor*), subject to several deprivations associated with caste, basic human dignity and health, education and nutrition. While the discourse on manual scavengers has been strongly vocal on the abolition of this age-old practice, discussion on policy interventions to develop alternate livelihoods has been fairly tepid.

Manual scavenging was abolished by an Act of 1993 to be adopted and implemented by state governments. However, on ground, even after 19 years, Rajasthan and Uttar Pradesh have not adopted it while Kerala, Nagaland and Puducherry have reported that they do not need to adopt it. However, official statistics of Union Ministry of Social Justice and Empowerment reveals that number of dry toilets in Kerala is 1,339, Nagaland is 1,800 and Puducherry is 476.<sup>1</sup>

Even in states where the law has been adopted in principle, it is yet to be fully implemented in either spirit or practice. The National Scheme of Liberation of Scavengers (NSLS) came into being in 1993 along with the Act and was later renamed as Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS). State governments claimed that 7.70 lakh manual scavengers were identified in 1993, of which 4.28 lakh had already benefited from the NSLS, thereby, leaving 3.42 lakh to be reached under SRMS. As on 31 December 2009, SRMS claims to have benefited about 1.17 lakh manual scavengers.<sup>2</sup>

The above data may be contrasted with the Census 2011 figures, as quoted by the National Campaign on Dignity and Abolition of Manual Scavenging, the

<sup>1</sup> Appendix I to the scheme as published in <http://socialjustice.nic.in/srmsanne.php>

<sup>2</sup> <http://socialjustice.nic.in/srmsanne.php>

Rashtriya Garima Abhiyan (RGA). As per the Census, there are 7.94 lakh dry toilets in India being cleaned by humans with another 4.97 lakh being left to the services of animals that ingest human faeces. These figures do not include the dry latrines of the Indian Railways (letter dated 2 April 2012 by Garima Abhiyan to Mr Mukul Wasnik, Minister on Social Justice and Empowerment).

Clearly, had the rehabilitation of manual scavengers been as successful as is being claimed by official figures, the need for a more comprehensive, wider and deeper law would not arise. However, the need and demand both exist. The answer lies in the observations made by the National Advisory Council (NAC) on 23 October 2010.<sup>3</sup> In section 5.2 of page 7 it writes:

1. The large majority of persons benefited under the programme were not actually engaged as manual scavengers.
2. An estimated 95% of manual scavengers are women, whereas majority of the schemes and beneficiaries are men.
3. Many of the scavengers are older women with little education, skill and experience; a loan and subsidized enterprise programme is mostly useless for them.
4. There is also evidence of large scale corruption, lack of transparency, delay, uncertainty and harassment.

The central message remains that the rehabilitation scheme was ill designed, suffering from large-scale corruption and lack of commitment on the part of state governments.

The need for the new law emanates from multiple considerations. First, manual scavenging is not a sanitation issue which falls under the state list, but part of the mission to remove untouchability, a constitutional obligation. The law needs to define scavengers more widely to include not just those who remove the waste by hand but also those who use brooms, pans and barrows.

The existence of such latrines must be a punishable offence, and time-bound demolition of such structures must be part and parcel of the law. Further, the law should make it explicit that the manual scavenger is the victim and not the agent of the unlawful action and, hence, cannot be punished under the Act.

Second, the new law should be based on a credible survey that can dispel the lies of the state governments that summarily deny the existence of the practice in their geographies in order to avoid doing anything about it. The survey the NAC proposes should be designed with active representation of both the manual scavengers as well as the administration. The survey design should ensure the inclusion of individuals who have been engaged in manual scavenging for the last 10 years and are still unable to find alternate employment.

The new law also must have new ways of rehabilitating erstwhile scavengers. Socio-economic history has demonstrated in no uncertain terms that leaving it to the 'rescued' scavenger to find enterprise-based self-employment is no solution. The RGA 2012 as well as the NAC (2011) recommend that

1. All manual scavengers be identified and provided multi-dimensional support under a single scheme rather than a variety of separate schemes that are difficult to administer and track and lead to duplication of benefits to one household while another remains entirely unreached
2. Loans under the scheme be replaced by grants
3. All manual scavenger households receive BPL cards
4. Housing support be extended to these families under the Rajiv Awas Yojana (RAY)
5. Manual scavengers employed in public authorities be employed on secure terms as regular staff and not under some separate discriminatory head of manual scavengers

<sup>3</sup> [http://nac.nic.in/pdf/manual\\_scavenging.pdf](http://nac.nic.in/pdf/manual_scavenging.pdf)

6. The NAC, in particular, has also recommended a monthly pension on ₹2,000 pension to all elderly women who have been employed in manual scavenging
7. The RGA has demanded that land be given to these families in their villages, as part of their rehabilitation

The Prohibition of Employment as Manual Scavengers and Their Rehabilitation Bill 2012 was expected to be introduced in the Parliament in the monsoon session but it was not. While the new bill does address some concerns of the NAC and the RGA, in its present form it just does not seem to be adequate to eradicate the evil has remained so pervasive in India's history. However, a new beginning is indeed being made, and this time the primary stakeholders, the scavengers themselves, are a national force to reckon with; so hopefully a better solution will emerge.

### Street vendors bill

The exact number of street vendors India is not clearly known. One estimate puts it at 2.5 per cent of our urban population (Bhowmick, 2005). If we assumed that about 40 per cent of the Indian population is urban, that would give us a number of 12 million street vendors. The definition of a street vendor can itself be a matter of debate. The Model Bill of 2009 defines street vendor as a person who sells merchandise of everyday use or offering services to general public, from any temporary built-up structure or by moving from place to place. By this definition, several thousand temporary tea stalls run from the campuses of government offices all over India, offering services primarily to government staff may be excluded from being termed as street vendor.

Definitions notwithstanding, the real challenge for street vendors is gaining legitimacy from the State. Street vending is a wholly justifiable pursuit of livelihood from a market and societal perspective; everyone agrees that street vendors provide relevant,

reasonably priced and often valuable services to homes and the public at large. In the eyes of the general citizenry, street vending is perfectly legitimate. The struggle lies with establishing legitimacy in the eyes of the State. A corollary of that legitimacy is access to land and scope of improving their livelihoods. The instrumentalities of the State, the police and the civil authorities harass them and arbitrarily confiscate their merchandise. Individuals from police and civic authorities regularly extract bribes from them. Often, when a section of the organized market faces competition from street vendors, it uses the police and civic authorities to try to throw them out of business.

Our interest in street vendors stems from the fact that they form an important component of the urban informal sector that provides employment and livelihoods to millions, no matter what the exact head count may be. Therefore, we will, in this section, make an attempt to capture their journey to legitimacy through a piece of legislation long awaited.

The evolution of their journey to legitimacy is about 22 years old. The Supreme Court in its judgement in 1989 (Bhowmick, 2010: 12) declared that street vending needs regulation, but street vending as a right to carry out business as per fundamental right enshrined in Article 19(1)(g) of the Constitution cannot be denied on the ground that streets, pavements and walkways are only for passing. This ruling, of course, did not make any difference to their lives on the streets of India. In 1989, the National Alliance of Street Vendors of India (NASVI) was born in Ahmedabad, as an initiative of Self Employed Women's Association (SEWA), and they conducted a pan-India survey from 1999 to 2000, which was shared in a national workshop hosted by Urban Development Ministry of Government of India. A national task force was constituted by the Ministry to formulate a national policy, which came into existence in 2004. The new government accepted it, and the task of formulating a law was given

to National Commission on Enterprises in the Un-organized Sector. A new version of the policy came into existence in 2007, after which a model law was written in 2009 by the Ministry of Housing and Urban Poverty Alleviation, which has so far not been placed before the Parliament. However, a few states like Odisha, Madhya Pradesh, Rajasthan and Uttar Pradesh have adopted the model bill and enacted their own law. But the two states that probably have the largest number of street vendors, Maharashtra and Delhi, have not enacted it yet. In Mumbai alone, there are about 2.5 lakh vendors and in Delhi around 3 lakhs, earning their living through street vending.

We will report the major shortcomings of the model law as pointed out by experts and by civil society, after which we will also report a good practice that emanated from a good policy. Major shortcomings of the model law are as follows:

1. Regularization of natural markets that get created adjacent to railway stations, hospitals, big office buildings and the like was recognized as a need and recommended by the national policy but the model law is silent on the matter.
2. The model law does not lay down that in the registration for allotment of new space, existing vendors will receive priority. Consequently, it is widely expected that this will be auctioned on partisan lines and or on bribes.
3. The national policy opined that eviction should be the last resort and, if evicted, the vendors should be given alternate space to sell their wares in a way that there is no adverse impact on their incomes. The model law overlooks this aspect completely, implying that civic authorities can evict as they wish.
4. Many rural agglomerations have street vending as well and the model law offers no protection to them.
5. The model law is silent on the protection of vending space in railway stations which is one of the major demands of NASVI.
6. Another key demand of the NASVI is for a *Panchnama* procedure to be followed in the event of confiscation of goods such that all goods confiscated are first officially listed and then an official receipt issued. The Andhra Pradesh Ordinance on Street Vendors actually has such a clause. The model law, however, does not mandate such procedure.

After the model law was drafted in 2009, two subsequent developments are worth mentioning. One is the landmark judgement by the Supreme Court on 8 October 2010 to appoint Town Vending Committees to regulate street vending and in the process of regulation, allocate public spaces dedicated to it.<sup>4</sup> In the same judgement, the Supreme Court has asked the Union Government to pass the law by 30 June 2011. This judgement is even more clear about vending as a fundamental right under Article 19(1)(g).

The second is a good practice that emerged in Odisha that enacted the law for street vendors only for Bhubaneswar city and implemented it in due earnest. As a result, substantial positive changes have been observed. This is also a case where public authorities (in allocating land, giving registration, bank finance), private enterprises (in providing billboard support, parking support and microfinance) and community organizations (in conducting joint survey, land measurement and space planning) worked together to make it happen. Fifty two vending zones have been created in the city wherein 2,198 shops

<sup>4</sup> Urban space for street vending must be allocated on some basis. Since it is widely accepted that about 2–2.5 per cent of the urban population is engaged in street vending, two options exist (Bhowmick, 2010: 14):

- (a) One-third of the pavement area could be allocated to vending while two-thirds was left for general public use.
- (b) Two per cent of urban space could be reserved for the street vendors.

have been regularized. A study done by Bhubaneswar Municipal Corporation and NASVI surveyed the street vendor conditions in late 2009 and observed a marked difference in the experiences of the vendors as they went about their daily business. In allocating urban space, existing vendors had been given priority, one-third of the pavement space was clearly demarcated for them, harassments have come down drastically, sales have increased and so have stocks.<sup>5</sup> As all the stakeholders have a sense of ownership of both the process as well as the goals of a piece of legislation, legitimacy by the State has been established not only in regulation but also in the genuine promotion of livelihoods.

## Women farmers' bill 2012

Before we embark on a discussion of the bill, we would like to make the case for inclusion of women farmers in this chapter.

First, let us consider why women farmers are a relevant category in a discussion on livelihoods for the poor. Several studies have shown women's engagement in livelihoods activities of household is undergoing a transformative change that has been underway over the last two decades. As men are moving to the cities and towns for jobs, women's works have enlarged from households, animal-rearing to a deep and wide involvement in agriculture, producing food and other crops for consumption and sale. As many as 80 per cent of rural women workers are engaged in agriculture compared to 70 per cent men (NCW, 2005: 12). Women are now primarily responsible for crop production, from sowing to harvesting. Agricultural work is adding to their daily routine in a massive way throughout the year with implications on health, stamina, stress and overall well-being. Is the policy domain conducive for this transformative change? What are the policy issues that affect

women when they are farming? This is the context in which we are discussing the case of women farmers.

Though 80 per cent of rural women workers are in agriculture, only 12.37 per cent of women (Ministry of Agriculture, 2005–2006) own the land they till. The land she works on either belongs to her husband or to her in-laws. She neither owns it by marriage nor by inheritance. Moreover, since the land does not belong to her, she is not considered a farmer; she is not eligible for agricultural credit, crop insurance or any state support that goes to rural households, leave alone the dignity that is traditionally associated with farming.

There are three areas of policy that confront women as farmers. One is her right in marriage to the agricultural land her husband has; second, is her right of inheritance under Hindu or Muslim succession laws<sup>7</sup> and third, is her recognition as a farmer and her right to be supported by agricultural policies of the state and the market.

Presently, women do not have any property rights in their marriage; the extent of her right to her husband's property either acquired in marriage or in succession is decided by the courts on a case-to-case basis. In terms of inheritance from her paternal home, The Hindu Succession Act 1956 has two streams called *Mitakshara* and *Dayabhaga*. To begin with, only in the *Dayabhaga* system (prevalent in West Bengal and Andhra Pradesh), the woman had equal inheritance rights on her parental property. With the 2005 amendment to the Hindu Succession Act, the right has now been extended to the *Mitakshara* tradition as well. However, both fail miserably when it comes to implementation. Without property rights, women farmers simply cannot claim any support from agricultural policy initiatives. The Women Farmers' Entitlement Bill 2012 seeks to address these three gaps together in one go.

This Bill was introduced in the Rajya Sabha as a private member's Bill in May 2012 by Professor M. S. Swaminathan, regarded

<sup>5</sup> For details, see <http://www.nasvinet.org/userfiles/file/case%20study%20-empowering.pdf>

as the architect of Indian Green Revolution and a member of the Rajya Sabha. Clause 5 of the Act has the most sweeping provision: a woman will have equal right to all properties, including all land, which belong to her husband no matter how the land is acquired, and concurrence of both the husband and wife is mandatory for any land transaction. The explanation is even more radical: it gives the woman an automatic ownership right to all property of her husband, irrespective of her name appearing on any ownership document. The mere fact that she is someone's wife is enough in this matter. This is a controversial clause as it contradicts some of the existing laws of the land like marriage laws, succession laws, property laws, registration laws, etc. So this would necessitate good legal analysis.

Further, the Bill defines agriculture to include an array of activities associated with agriculture and is not limited to cultivation only. Also it is heartening to see water rights specifically dealt with as a section in the Bill.

The Bill, however, is seriously flawed in its conceptualization of the implementation, monitoring and enforcement aspects. It tends to create exclusive new authorities for women, thus, giving the signal that mainstream existing authorities will continue to work for men, and new exclusive authorities will work for women. Some core criticisms that may be levelled against the Bill are (see RDI, 2007, 2012 for more details):

1. Certification process: While relying on the Gram Sabha and the Gram Panchayat to recommend and certify a woman farmer is a good idea, we have to be aware of the acute problems of class-caste capture of the Gram Sabha and Gram Panchayats; so second-tier alternate process involving the Block Development Officer should be in place.
2. Land rights section only deals with married women. This is a very limited approach; unmarried women over 30,

widows and abandoned women should also get the same right. So the land rights section needs to be amended.

3. Several separate initiatives are suggested in the Bill, like a separate fund for women farmers, separate body, separate social security schemes for women farmers, separate authority to acquire land for women farmers, etc. This form of segregation may reinforce existing dogmas and patriarchy and one set of institutions meant for men and the other for women may work at cross-purposes which would be fruitless.

However, the Women Farmers' Entitlement Bill is a much-needed policy of pervasive significance. It should be subject to healthy debate and a comprehensive and sound policy document should be drafted to bring in the social and economic path correction that is long-awaited.

### Policy challenges on livelihoods in central India

Central India has a very high proportion of ST and SC population, locked in a terrain of forests and completely rain-fed agriculture, interspersed with vast stretches of barren land. In terms of political geography, bits of Bihar, Odisha, West Bengal, Jharkhand, Chhattisgarh and Andhra Pradesh along with parts of Maharashtra coalesce to form this large pocket of extreme deprivation and exclusion that is in the grips of left wing extremism. Comparison of relevant data from these 78 districts with other parts of the same states throws up many contrasts (see Table 3.3).

Table 3.3 undoubtedly establishes the fact that these areas are backward relative to other regions of the same states, both in terms of human as well as economic development parameters. ST/SC population is significantly more, illiteracy is high, landlessness is high, urbanization is less, forest cover is very high and per-capita production is low.

**Table 3.3:** Factors that distinguish the affected and forward districts

		Odisha		Jharkhand		Chhattisgarh		Bihar		Andhra Pradesh	
		This area	Other area	This area	Other area	This area	Other area	This area	Other area	This area	Other area
SC/ST	%	65	23	45	30	69	36	19	18	26	22
Literacy	%	44	76	40	51	50	68	46	48	56	68
Infant mortality	%	123	73	NA	NA	76	57	NA	NA	34	27
Urbanization	%	17	23	10	37	7	29	12	8.6	24	28
Forest cover	%	39	15	38	16	53	28	8	1	17	14
Agri-labour	%	35	25	29	20	26	34	52	46	40	51
Per capita foodgrain production		95	151	NA	NA	NA	NA	NA	NA	121	293
Rural households without any bank account	%	81	80	77	74	83	82	83	80	69	72
Rural households without specified asset	%	63	37	46	36	47	31	53	50	56	41

Source: Planning Commission (2008: 21).

Note: NA: Not applicable.

There is now a clear recognition of governance deficit in these zones in official literature (Planning Commission, 2008, Section 1.17.4). The Planning Commission document clearly recognizes the failure and links it with the nature of caste, class, landed composition of the political class and bureaucracy. The report proposes a set of measures to (a) strengthen Panchayats' Extension to Scheduled Areas Act (PESA) governance in the region, (b) improve land governance, (c) widen scope of tribal livelihoods interventions, (d) empower oversight bodies like NCW, National Commission for SC–ST and National Human Rights Commission (NHRC). This provides us with the context in which we will look at the State's intervention thus far, particularly three development policy interventions of the State.

### Integrated Action Plan (IAP)

Eighty-two districts of nine states were selected in 2010–2011 to prepare and implement an integrated action plan under the Backward Regions Grant Fund programme for which a sum of ₹25 crore per district was earmarked for financial year (FY) 2011 and ₹30 crore per district was allocated in 2012.

The IAP is meant for improving the physical infrastructure of the districts towards human development, economic development and from the security perspective. The district collector, the superintendent of police and the district forest officer are entrusted with the task of jointly monitoring the preparation and implementation of the plan. The committee is expected to draw up schemes for developing school buildings, *anganwadi* centres, primary health centres, drinking water supply, village roads, electric lights in public places, etc. The scheme so selected is expected to show results in the short term. The development commissioner/equivalent officer in charge of development in the state is accountable for scrutiny of expenditure and monitoring of the IAP. Macro-level monitoring of the IAP will be carried out by the committee headed by the member-secretary, Planning Commission.<sup>6</sup>

<sup>6</sup> An area of concern, however, is that planning is the most important responsibility of the three-tiered local government established by our Constitution, but in the IAP, the responsibility for planning lies with the three top bureaucrats of the districts. Thus, it actually denies the constitutional right of the elected local governments and in the process forecloses the opportunity to involve the larger citizenry in the planning process.

It is heartening to note that efforts have been made to adapt some of the existing schemes to the local context. For example, while the Indira Awas Yojana (IAY) guidelines for the rest of the country do not permit construction of houses by any civic authority; in IAP areas, involvement of civic authorities in construction is permitted. Further, ₹48,000 are allocated as cost per dwelling unit under IAY in areas under IAP as opposed to ₹45,000 as is the norm elsewhere. Even the Pradhan Mantri Gram Sadak Yojana (PMGSY) which is envisaged to provide to provide all-weather rural road connectivity to all habitations with a population of 500 persons and above in the plain areas extends itself to habitations of 250 persons and above in hill states, the tribal and the desert areas. MGNREGA and Backward Regions Grant Fund (BRGF) are allowed to recruit a panchayat development officer appointed in each Gram Panchayat of areas under IAP.

Integration in the context should manifest in

1. geographical integration of various schemes adapted to specific context of the districts;
2. integration of people's aspirations into the planning process and priorities;
3. vertical integration of plans from below; and
4. going beyond existing schemes and formulating new ones to address emerging needs of the people and the area.

However, no innovative local schemes have emerged thus far from the IAP. Further, there is no discernible trend on geographical, vertical or schematic integration. For example, one would have expected that the various rural housing schemes would be integrated under the IAY and their conditionality streamlined and adapted to local conditions; this has not happened. Most importantly, none of the recommendations of the expert group report on extremist areas (Planning Commission, 2008: 62–82) was

incorporated in the integrated planning process.

### Prime Minister's Rural Development Fellowships (PMRDFs)

PMRDF is in a way designed to address what we may call the integration deficit in planning. Young bright minds are invited to join the cadre for 2–3 years to assist the district collector and his/her colleagues to do the following:

1. Strengthen the district resource base for programming by finding ways of resourcing all the planned activities and rational budgeting.
2. Establish or strengthen systems by exploring alternative ways of delivering services to reach the most deprived communities.
3. Trigger processes which would support the changes that have been envisioned in this approach (e.g., village planning).

The expectation from the fellowship is twofold: (a) the young minds will have the courage to take this as a challenge and (b) they would not be bound by stereotypically crammed bureaucratic ways of thinking and would bring in fresh perspectives.

A reasonably high pay of ₹65,000 per month and ₹75,000 per month respectively for the first two years has been fixed to keep it attractive enough to invite bright candidates. When recruited, the fellows undergo basic training on public administration and rural development issues and, thereafter, are placed with the district collector in 78 IAP districts. They are expected to assist the district collector in the three above areas so that improved integration can take place. So far, 156 candidates have been selected, and they are undergoing training in two batches. Their placement has been completed by August 2012. Selected fellows are all well qualified with MBAs, M.Coms and other postgraduate degrees, including a few PhDs.

Since the scheme has not matured enough for us to comment on its effectiveness,

only a few preliminary conjectures can be made based on the experiences of public administration:

1. Success of the fellows in delivering results will depend crucially on their being given the requisite freedom to think and work innovatively, keeping in mind that they do not get bogged down by the usual rigmarole of district administration.
2. Success is also dependent on the availability of reliable data not only on inputs but on outputs and outcomes, which often is a limitation within the government system, thanks to the various compulsions of the departments.
3. Knowing that physical capital does not often lead to any development without commensurate development of human and social capital, their success will depend on how much they can influence the district administration to provide adequate emphasis on formation of human and social capital along with improving physical infrastructure of the district.
4. Much will depend on the level of commitment the fellows can demonstrate to work in such districts that are far more backward than their homes and erstwhile workplaces. They will need to adjust to the difficulties associated with such districts and yet work towards improving lives here. This is not an easy expectation to meet.

However, the two years they spend will hopefully produce in their work an external perspective on understanding the ethnography of in these districts and create impactful and innovative solutions.

### **Bharat Rural Livelihoods Foundation (BRLF)**

The BRLF has been envisaged by the Government of India as a corporate entity with a corpus of ₹1,000 crore of which the government commits ₹500 crore and

corporate India pitches in with the rest. Big industrial houses have been approached to contribute to the corpus. The Foundation will not be structured as a government body but as a corporate entity with a chairperson and CEO. The government is expected to be a minority in the BRLF Board. It is not only about garnering private sector funding for development of this region, but to get the private sector involved in the development of the region, through investments into the economy and human development.

The Foundation will take up research, pilots, implementation and innovative projects in 170 districts of India of which 78 are LWE-affected districts. Since the government is present in the Foundation, it is expected that the BRLF will work in close synergy with state and local governments.

On 27 April 2012, a national workshop did bring in a large cross section of development players, including the corporate sector representatives and civil society representatives to deliberate on the Foundation. The initial buzz is very exciting, and we will have to wait and see how it unfolds.

### **NULM**

Urbanization in India is a rapidly expanding phenomenon; 377 million persons now live in cities which contribute to 60 per cent of India's GDP. Of the urban population, 26 per cent of them are poor, but the Gini Index for urbanity in India has increased from 0.34 to 0.38 over the years (NULM, 2012: 33–44).

Urban poverty is multi-dimensional. The urban poor face multiple deprivations— inadequate access to affordable housing, basic civic services like water, sanitation, drainage, solid waste management, roads, street lighting, health care, education and social security, and livelihoods opportunities. The dimensions of urban poverty can be divided into three categories: (a) residential vulnerability (access to land, shelter, basic services, etc.); (b) social vulnerability (deprivations related gender,

age and social stratification, lack of social protection, inadequate voice and participation in governance structures, etc.) and (c) occupational vulnerability (precarious livelihoods, dependence on informal sector for employment and earnings, lack of job security, poor working conditions, etc.). These vulnerabilities are interrelated.

Amongst the urban poor, there are sections subject to greater vulnerability in terms of the above classification; these include women, children, the elderly, SCs, STs, minorities and differently abled persons who deserve attention on a priority basis.

Urban poverty and challenges of livelihoods is closely associated with the informal sector. The sector comprises of people in self-employment, manufacturing, distribution, services including domestic services. The challenge is that of the vicious cycle created by low skill, low capital, low clientele base, low productivity, low income and low investment. If this is the challenge in the economic domain, in the human development domain the challenges relate to land, shelter, water, sanitation and other basic services that make a decent living.

Attempts to address urban livelihoods have always been on the basis of skill development and to a lesser extent in improving supply of credit to self-employed persons. Microfinance has contributed its bit to provide easy credit to the self-employed in the informal sector. The working group set up by the Planning Commission in the context of Twelfth Plan recommended three key areas of interventions—continued focus on micro-enterprise and skill development, mandatory creation and allocation of space for urban poor's livelihoods and appropriate legislative action to guarantee decent livelihoods of the urban poor. These three foci form the basis of NULM.

The guiding principles of NULM (2012: 47–48) are:

1. The urban poor have a strong desire to improve their quality of life and come out of the clutches of poverty. They have

the innate capacity to do so. However, key enablers empowering them to take positive action in this direction are missing.

2. Social mobilization and building strong institutions of the poor in urban areas are critical for unleashing their innate capabilities. For this, an external, dedicated and sensitive support structure is essential so as to catalyze social mobilization, institution-building and empowerment process of the poor.
3. Access to livelihoods enhancement opportunities though information, knowledge, skills training, tools, infrastructure, credit, marketing, collective effort, etc., security of tenure, shelter and basic services enable the urban poor to gain access to improved living conditions, sustainable livelihoods and come out of poverty.
4. NULM would aim at universalization of coverage of the urban poor in access to skills development and credit facilities. It will strive on demand for skills training of the urban poor for market-based jobs and self-employment, facilitating easy access to credit through measures such as a credit guarantee scheme/credit cards etc.
5. NULM believes that convergence with policies, programmes and schemes of other ministries/state governments/urban local bodies dealing with skills, livelihoods, entrepreneurship development, social assistance, etc., is crucial to the success of the Mission. It will strive to enable the urban poor, including slum-dwellers, street vendors and others to access the opportunities made available through different schemes in a convergent manner.

The four prongs of intervention under NULM are: social mobilization to build institutions of the poor, capacity building at all levels, skill development and micro-enterprise support. While these in themselves look appropriate, there are several concerns that may be highlighted:

1. Social mobilization can take place on the basis of affinity related to ethnic proximity as well as occupational affinity. In urban areas, occupation affinities have traditionally worked better in terms of trade unions, associations or cooperatives rather than proximity affinities of a village or ethnic affinities of a caste. Therefore, strategies of social mobilization, in our view, should be more on occupation lines rather than on SHG type institutions. Experiences of SEWA, NASVI, Safai Karmachari Union, traders' associations, market associations, dabbawallahs of Mumbai, railway vendors associations will bear this out.
2. However, one lacuna that has plagued these associations is the inter-play of classcaste–gender dynamic that needs to be specifically addressed within social mobilization strategies.
3. The institutional arrangement for skill building has to be linked with market need. The work of NSDC in skill building is a good pointer in this regard in which an intermediary institution providing multiple services of skill building, linking with market and assessing the market need of present and future, upgrading skill training courses is an important intervention. The present institutions of ITIs and skill building organizations are following an archaic model that needs a thorough overhaul.
4. The protection aspect, particularly in providing protected land and market space for the informal sector enterprises and services, is a vital intervention that needs to be focused upon. That needs a different kind of urban space planning, including planning of public spaces and private housing spaces.
5. Institutional arrangement for skill development has to specifically address the need for continuous skill up gradation and skill expansion for upward social mobility.
6. Micro-enterprise development for the poor is an extremely challenging task as they do not carry any micro-enterprise experience from their ancestry. The crux of this is that facilitation and handholding have to be for a longer period of time, until the micro-entrepreneur has more or less stabilized in her business.
7. Engaging with occupation-based association for expansion of livelihoods potential has never been a core intervention strategy, and the potential of this engagement has never been explored enough. NULM must rectify this mistake.
8. Since the service sector is a major provider of livelihoods of the urban poor, closing the gap between user and provider through a dynamic information system can play an important role. The NULM has recognized this and plans for kiosks at every ward, which is a welcome step.
9. Similarly, it is heartening to note that financial inclusion, a core component of livelihoods promotion, is recognized by the NULM as a core intervention strategy.
10. Finally, it is important to critically evaluate whether 'women and community institutions led and managed by women' can comprise the most appropriate vehicle for the task ahead compared to other vehicles, and that evaluation is still awaited.

As such, NULM will unfold under the Twelfth Plan period and, therefore, we have to wait to see what it delivers on the ground towards improvement in livelihoods of the urban poor.

## NDP

India is the largest milk producing country in the world today, and according to the NDP published by National Dairy Development Board, 70–75 million households in India produced nearly 121.8 million tons of milk

in 2010–2011. However, demand for milk is projected to increase to 155 million tons at the end of 2016–2017 and 200 million ton by 2021–2022 (NDP, 2012) implying that the production capacity of milk has to be almost doubled in next 10 years. NDP has been conceived as a national initiative by the Ministry of Agriculture, Government of India, to double the production capacity of milch animals in the country through an array of technological and institutional measures.

The total outlay of the NDP over a 15-year period is ₹17,300 crore of which NDP-I with a six years' outlay of ₹2,242 crore is going to be implemented in Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. These states contribute 90 per cent of the milk production in India, 87 per cent of the breedable cattle and 98 per cent of the fodder resources.

The NDP aims to breed 2,500 disease free buffalo bulls with high genetic merit to produce 100 million semen doses by the terminal year and hire and train 3,000 artificial insemination professionals to deliver artificial insemination services to the milk producers at their doorstep. The project also proposes to create 40,000 local resource persons, who will train the producers on ration balancing so that the milch cows and buffalos are fed in a scientific way. The project expects to produce 7,500 tons of fodder seeds so that the producers can meet their fodder needs.

The project will help strengthen the capacities of existing milk cooperatives and cooperative federations, and may be expected to encourage producers to form producer companies. The project will be rolled out through an array of implementing agencies, the most important of them being the milk cooperatives and milk federations. At present milk collection covers 40,000 villages which the project expects to expand to 61,000.

Since the basic production model is based on enhancing production capacity of individual milk producers through artificial insemination, it is expected that the higher milk production at home will give rise to higher household income. Though this is not an explicit objective of the project, it is indeed a highly desirable, if unintended, consequence that has a significant bearing on livelihoods augmentation of the individual milk producers who are largely women, among the 70–75 million small and marginal farming or landless households of rural India.

At the time writing this chapter, the NDP has just commenced, so the time has not come to report its progress.

### **Land Acquisition, Resettlement and Rehabilitation (LARR) Bill 2011**

The LARR Bill was discussed in last year's State of India's Livelihoods Report (SOIL) 2011 report. The major development that took place in the intervening period is that both the resettlement and rehabilitation bill and the land acquisition bill were put under one comprehensive bill, called the Land Acquisition, Resettlement and Rehabilitation Bill 2011 and placed again in the Parliament. Some other significant changes were also brought in as a result of wide discussions on the earlier drafts among various sections of the society. At the time of the writing this section, the parliamentary standing committee has also given its report on the present draft placed in the Parliament. Political parties, civil society, academia and industry have commented upon it, and their concerns have been incorporated in the present draft. Therefore, at least it may be said that the Bill tabled in the Parliament now is the latest and improved version, although it may not be the best possible version yet.

It is important to clarify why the LARR Bill has been taken up for discussion in the chapter on policy on livelihoods. It is well

known that land acquisition, irrespective of its purpose, has destroyed livelihoods on one hand and created new livelihoods on the other. In its wake, farmers, pastoralists, horticulturists, agricultural labourers and share-croppers have lost their livelihoods, while blue and white colour jobs, as well as jobs in the informal sector such as shopkeepers, transporters, hawkers, hoteliers, contractors, construction labourers and the like have been created. In most cases, land acquired by government from the farmers has been given to industries, railways, highways, defence establishments, housing projects or private companies and never the other way round.

The doctrine of eminent domain has been applied to serve a 'public purpose' where a few are compelled to sacrifice in order to serve the interests of many

(although it has not always been demonstrated that this condition is being met). So far, farmers, tenants, landless labourers and post-harvest processors who are essentially Dalits, tribals and poor women have been made to sacrifice.

Is the new LARR Bill able to minimize that sacrifice while providing for new/productive/alternate livelihoods for the project affected persons, so that land acquisition generates a win-win outcome for all rather than a lose-win trade-off that plays out adversely for peoples who already have so little to lose? Let's take stock of the major features of the Bill before we take up discussions of the various concerns expressed from many quarters. Box 3.1 captures the salient features.

While the LARR Bill 2011 makes significant provisions for reducing the loss to

**Box 3.1:** *Salient features of LARR 2011*

1. Land acquisition can take place for private companies and PPP ventures only if 80 per cent of the affected households give their consent.
2. For railways, special economic zones (SEZs), highways, petroleum pipeline, mines, etc., the LARR Bill would not apply.
3. While in case of private companies, the public purpose once stated cannot change; for government establishments it can.
4. Project affected persons will include both land losers and livelihoods losers such as landless workers, tenants, dependents, forest right holders and fisher folk.
5. When private companies are in need of land they must purchase 70 per cent of the land that they need directly from the landowners. Only then will the government acquire the pending 30 per cent by invoking the LARR Act.
6. Resettlement and rehabilitation provisions would apply when private companies purchase more than 100 acres of land and government acquires any land. Multi-crop irrigated land would not be acquired unless absolutely unavoidable, and will not exceed 5 per cent of multi-crop irrigated area in a district.
7. When multi-crop area is acquired, an equivalent amount of waste land has to be developed.
8. Compensation is calculated to be the sum of (double the market price plus solatium). In case of the body for whom the land is being acquired wants to offer shares to the affected families, the value of shares cannot exceed 25 per cent of the sum mentioned.
9. The resettlement and rehabilitation package includes the option of a job and/or annuity of ₹2000 per month for 20 years or ₹30,000 for a year. One house is allocated under the Indira Awas Yojana, one acre of land if land is taken for irrigation project.
10. Also a onetime transportation allowance of ₹50,000 and a resettlement allowance of ₹500,000 per household are mandated under the Act.
11. Provisions for Infrastructural facilities at resettlement and rehabilitation area.

*Source:* Compiled by author from the LARR Bill 2011.

the affected families, critical concerns still remain.

1. The provisions of this Act do not apply when land is being acquired for certain uses such as railways, highways, petroleum pipelines and SEZs among others. These lands are acquired under the relevant act as mentioned earlier. Such exclusion creates clear inequities among the affected families for whom the 'loftiness' of the purpose for which they are being displaced does nothing to ameliorate the distress of the displacement of an already precarious existence. Which Act is applied for acquisition is irrelevant for them. What matters is that all the Acts must treat them as equal. Not addressing this violates the principles of natural justice (ASHA, 2011).
2. Although several examples of public purpose have been given in the Bill, the definition of public purpose remains unclear: What is public about the purpose? Who constitute the public and who do not? These are questions that have not been answered (SCRD, 2012: 20).
3. It has been emphasized that public purpose should be only limited to physical infrastructure, irrigation and electricity generation and should not include land acquisition for private companies in any circumstance (Ibid.: 26).
4. The doctrine of eminent domain has been repeatedly questioned. All stakeholders must be partners in development. Eminent domain, a vestige of the British Raj, is a purely utilitarian doctrine that goes against principles of human rights, participation, equal stake holding (Ghatak, 2011).
5. Several clauses of the Bill have been criticized: for example, a clause states that if land allocated for a purpose lies unutilized for 10 years, it will go back to the government, but not to the original landowners.
6. Compensation on the basis of market value is an arbitrary concept, as market value is determined on past use of land and not on future use of land. As soon as the land classification changes, from agriculture to homestead or others, the market value goes up, the benefit of which goes to the government and industry and not to the farmer.
7. While the role of the central and state government in acquisition is clear, the role of local self-governments is not at all clear with regard to acquisition, resettlement and rehabilitation.
8. Sale and purchase of land is a state subject, so the R&R provisions should be done by respective state governments (SCRD, 2012: 35).

Substantive change to anchor the role and centrality of local self-governments in acquisition, resettlement and rehabilitation in the form of changing the preamble of the Bill itself suggested by Standing Committee is worth mentioning. 'A Bill to ensure, in concert with local institutions of self-government and Gram Sabhas established under the Constitution, a humane, participative, informed, consultative and transparent process for land acquisition' (SCRD, 2012). The standing committee also recommends that restriction on acquisitions up to 5 per cent and 10 per cent of land in a district should be applicable to all land under cultivation.

The discourse on land acquisition has three dimensions: adequate compensation to both land and livelihood losers, restrictions on acquisition of fertile land as well as acquisition of land for use by private companies, and integration of the land acquisition process with resettlement and rehabilitation of project-affected persons. R&R does not merely entail relocation and housing with monetary and social welfare support from the government. Rehabilitation must be aimed as rebuilding the lives and livelihoods of the project-affected families in the longer term much in the same way that the project

expects to benefit blue and white collar workers, engineers, contractors, architects, businesspersons and traders. The LARR Bill falls seriously short on this count.

## Debate on Food Security Bill

No explanation is perhaps needed on why the food security bill is being considered for discussion in this chapter. Food is perhaps the first requirement of a decent livelihood. Hundreds of millions of Indians are still food insecure for reasons that are well documented in literature. We will focus here only on the Food Security Bill as it holds a promise to those Indians.

### The bill's current version

The NFSB 2011 has in Section 2(7) defined food security as the supply of the entitled quantity of foodgrains and meals to households under the targeted public distribution system (TPDS), pregnant women, lactating

mothers, children, special groups, emergency and disaster-affected persons, and persons living in starvation. The Bill has brought all the food programmes running under ICDS, TPDS and MDM schemes for BPL families, primary and upper primary school-going children, pre-school children going to *angwanwadis* and pregnant and lactating mothers going to *angwanwadis* under a single umbrella. The NFSB aims to bring in 75 per cent of the rural and 50 per cent of the urban population into its fold; 46 per cent rural population and 28 per cent of the urban population are to be identified as priority households, the criteria for which will be decided by the central government. Table 3.4 describes provisions of food security as defined by the National Food Security Bill 2011.

One radical departure of the bill is that it holds the eldest woman as the head of the household. However, so far the delivery mechanism is concerned the Bill does not

**Table 3.4:** Entitlement of food security as defined by the NFSB

For whom	Item	Amount	Price
Priority persons	Rice or wheat or coarse grains	7 kg per person per month	₹3 per kg for wheat, ₹2 per kg for rice, ₹1 per kg for coarse grains
General households	Rice or wheat or coarse grains	3 kg per person per month	@ 50% of Minimum Support Price (MSP)
Pregnant women and lactating mothers	Take home ration in the form of meal during pregnancy and 6 months thereafter and ₹1,000 for 6 months	600 kcal per day, 18–20 gram protein	No price, packed cooked meal given
Children 6 months to 3 years	Take home ration	500 kcal per day, 12–15 gram protein	No price for children
Children 3 to 6 years	Cooked meal	500 kcal per day, 12–15 gram protein	No price children
Malnourished children of 6 months to 6 years	Take home ration	800 kcal per day, 20–25 gram protein	No price
All students of lower primary classes, attending school	Cooked meal	450 kcal per day, 12 gram protein	No price
All students of upper primary classes attending school	Cooked meal	700 kcal per day, 20 gram protein	No price
All above	Food security allowance	To be decided	

Source: Compiled by author using NFSB Bill 2011.

propose any new institutional architecture. It depends entirely on existing institutions of ration shops/fair price shops (FPSs), primary and upper schools and *anganwadis* as delivery outlets; the distribution mechanism reaching food up to these outlets also remains the same. The only new institutional architecture proposed in the Bill is related to oversight; it assumes that ensuring delivery of food grains and other promised items require close oversight bodies. So the Bill proposes constitution of a State and Central Food Security Commission, district grievance redressal officers at the district level and vigilance committees at the state, district, block and FPS levels. Moreover, the local authorities are empowered under this Bill to conduct social audit and provide local oversight to effective distribution.

The state governments have the responsibility under the Bill to make arrangements for improving the capacity of storage facilities, improving capacity of its civil supplies department and institutionalizing FPSs.

### Critiques of the NFSB 2011

The first critique we would like to take up is from the Right to Food campaign (RTF, 2011). The RTF campaign has been the pioneer in anchoring the agenda of hunger and state responsibility. It appealed to the Supreme Court and obtained a landmark judgement in 2001 that called for universalization of the institutional framework of foodgrain delivery system in India and asked the central and state governments to commit to ensuring foodgrain delivery to the poor.

The RTF campaign's critique is at three levels—moral, political and operational. It attacks the moral aspects of the Bill by saying that the Bill accepts a very narrow definition of food security as availability of foodgrains; it cleverly tries to reduce the central government's responsibilities; it does not accept Supreme Court's order to universalize ICDS, and only considers the supplementary nutrition aspect of it. All these entail tokenism on the part of the

national government, and that stems from a moral failure to commit itself to secure household-level food security. Closely connected with the moral critique is the political critique that the Bill gives sweeping powers to the central government, while failing to raise political commitment in ensuring delivery of food security to the poor, by actually passing some important responsibilities to the state governments, diluting the oversight mechanisms, building shortcuts to shift to cash transfers and the like. RTF campaign's operational critiques are less in number: it says that the Act is not time bound, the priority households are not clarified. Overall, the Bill falls short of being effective in oversight and grievance redressal mechanism. Overall the Bill falls short in effective in oversight and grievance redressal mechanism (RTF, 2011).

Ashok Gulati (2009), the director of International Food Policy Research Institute (IFPRI) in Asia, makes an economic and managerial critique. He argues that ensuring food security has three components in it: food availability, access to food at household level which is a function of purchasing power and foodgrain supply to the households from the state, and absorption of food which is a function of clean drinking water, primary health care and environmental hygiene. He comments that while food availability is not in question, more than 300 million households still have limited access to food, thanks to 58 per cent of leakage in PDS, large exclusion errors in BPL identification and lack of purchasing power of the poor to buy food in the market. His solution is to work towards agricultural growth, invest in rural education, rural infrastructure and agricultural R&D, water harvesting, rationalize incentives in agriculture and institutional reform in agricultural markets, land leasing and reform in water sector. It is not clear though how agricultural growth can automatically transform the ability of the poor to ensure the food basket they need in a sustainable way. It is also not clear how the vast impoverished swathes

under rain-fed agriculture can benefit from the proposed agricultural growth.

Professor Jean Dreze (2011), a former member of the NAC and a champion of a strong food security bill, actually deplored the latest version of it, only on one count: the conceptual principles behind creating two categories namely 'priority' and 'general' and differential allocation of food grains to these categories. Drawing from experiences of Tamil Nadu, Andhra Pradesh and some other states, he argues that inclusive PDS have worked better whereas exclusive targeted PDS have not worked well. His argument against the two categories is that exclusive targeting would always have substantial errors and would defeat the purpose.

### The economic advisory council

In debating on the earlier drafts of Food Security Bill, the Economic Advisory Council (EAC) of the prime minister, headed by C. Rangarajan had a different point of view. It pointed to three likely disturbing trends as a consequence of the NFSB considered in conjunction with other food schemes like MDM and Supplementary Nutrition Programme (SNP). The first one is about food supply matching food demand. It computed and compared a number of scenarios in which the foodgrain requirement will have to be met either by increased foodgrain production or by increased procurement. The first requires substantive overhaul of foodgrain agriculture which has remained stagnant. The second has two impacts; when government procures more grains from the market (a) the overall foodgrain price will go up and (b) this will inflate the government's food subsidy bill from the present level of about ₹6,3000 crore to nearly ₹90,000 crore, thus, disturbing government's fiscal prudence. The third argument which is linked with the second relates to food inflation. As it stands today, it is already very high and is likely to go up further due increased pressure on the national food basket. Therefore, the EAC's argument is to restrict the number of

beneficiaries to a much lower level than that proposed by NAC or even the government, and simultaneously revive Indian agriculture to make more food grain available in the market.

### The national advisory council versus the government

The NAC has been championing the cause of food security for the last 3–4 years. Its members, Aruna Roy, Jean Dreze, Harsh Mander and Naresh Saxena have been involved in the cause of food rights in the country for over a decade now. Under their influence, the NAC have drafted a full version of the Bill and submitted it to the government. The government's version that was introduced in Lok Sabha has included a number of suggestions from the NAC's version, but serious differences do remain.

The most important similarity in NAC and the government's version is in the approach. Both have considered food security as reaching food grains to the poor households, in which supplementary nutrition for pregnant mothers, lactating mothers, infants, kids, midday meal for school-going children, grains for all the members of family, special provision for food for people in distress including starvation are part of one package. And both agree on a substantive oversight mechanism. So the differences are in details and, to be specific, in degrees. Table 3.5 captures the differences in a nutshell. The only substantial difference is that the NAC has taken a life cycle approach, coupled with a human rights approach which makes it more inclusive in terms of entitlements, enforcements and citizen claims.

As can be seen from the table, the government's version tried to reduce its commitment to a minimum level, while in contrast, the NAC tried to be more inclusive.

Looking at all the points and counterpoints, we may mention a few overall remarks on the debate. First, the present version of the NFSB is a much improved one from the past, where it has considered

**Table 3.5:** Differences in NAC and the government's approach to the NFSB

Subject	NAC	Government
Rationale and preamble	To provide all citizens with adequate nutrition and an enforceable right to food	References to constitutional guarantees, judicial precedents, international references dropped
Definitions	Clearly defined several terms, including adults, children; excluded households, food, general households, malnutrition, severe malnutrition, starvation, household, health centre	At least 25 definitions dropped, many others modified
Prices for priority households	Not to be revised upwards for a minimum of 10 years from date of notification	Union government can modify or amend essential entitlements by notification
Life-cycle approach	A cornerstone, 'shall be based on access to adequate and appropriate food throughout the life cycle of a human being from pregnancy to old age so as to ensure a healthy body and mind'	Dropped
Population covered	Coverage of 90% of rural population	Coverage of 75% of rural population
Entitlements for women	14 kg grain for single-women priority households, 8 kg for general	14 kg for single woman dropped, 8 kg for general households dropped
Emergency relief	Rations at priority-household rates for 'emergency' and 'disaster-affected' persons for a period of one year after the disaster	Two meals free of charge for three months
People living in starvation	Double the grain specified for priority households, free for six months; 'proactive identification' of such people, investigation of starvation deaths, starvation protocol to prevent such deaths	Free cooked meals twice a day; all provisions for identification and investigation of deaths dropped
National food commission	To be created by independent public nomination process to monitor public servants and starvation conditions, will have powers to impose penalties, will have powers of civil court	No public nomination, union government will make rules, no penalties, no judicial powers
Child malnutrition	Free, 'appropriate therapeutic foods', special care at nutrition rehabilitation centre	Dropped

Source: Compiled by the author from NAC documents and NFSB Bill, 2011.

all the food programmes in one umbrella legislation. Thus, the programmes of ICDS, MDM and the like will now have a legal basis. Further, it also provides for food support for people with special needs (the starving and the disabled) and also for ordinary people in special circumstances (disaster). This must be good news for the citizenry. That there is provision of a tiered oversight mechanism from the centre to village level through commissions, grievance redressal officers, vigilance committees and social audits is also good news.

The Bill does not address four key concerns:

1. It does not ensure that all those who need food support are included in the priority and general list. Targeting has always been full of errors and corruption, and there is no way that this Bill can address it in its present form.
2. The Bill does not address the issue of institutional reform necessary to enhance the capacity of the State to reach food to the deserved. ICDS is one good example, the other being the PDS. Recent examples of institutional reform in PDS in Chhattisgarh and ICDS in Tamil Nadu bring some hope (Khera, 2011). It is yet to be seen if other states are able to replicate what Chhattisgarh or Tamil Nadu have done.
3. Without strong revival of foodgrain agriculture and rural infrastructure, particularly scientific storage and rural roads, this programme will surely create an unmanageable strain in rural society, affecting the poor adversely. This will happen in two ways: food inflation will increase while the off-take of the state governments will decrease making less food available at the FPSs. In particular, very little attention is built into the Bill

on how to reach out to special categories of people and people in special circumstances.

4. The Bill does not at all address the food absorption issue that is linked with drinking water, primary health care and environmental measures. These are serious limitations to say the least.

In sum, we would like to say that the NFSB 2011 is indeed a major landmark in the history of independent India, like the MGNREGA, the RTI and Forest Rights Act 2006 and should be enacted without further delay. The concerns of delivery, transparency and accountability are more about implementation and can be constantly worked upon towards improvement.

## Conclusion

Policies do influence lives of the poor both in positive and negative ways. India has been witnessing a new surge in policy legislation through the last two decades. Almost all of these legislation are rights-based that are justifiable and intend to make the State more accountable to its citizen. While the intent and enshrinement of rights within these legislation are generally commendable, two major weaknesses remain. One is that most legislation depend on the same institutions that hitherto have not delivered and secondly, costs of enforcement and implementation (depending on the nature of the legislation) are not built in as necessary conditions within the legislation itself. As a result the State continues to do much less than is possible to do. As a consequence, the success of these legislation depend on the voice of civil society and social capital of community institutions of social movements, and not on reformed institutions of the State—bureaucratic or political, supported by adequate budgetary commitments.

What is not changing in both these approaches is the nature of the State and market institutions. The State institutions

remain bureaucratic, inert, often anti-poor, corrupt, opaque and inefficient. Market institutions by their very nature are anti-poor, barring the radical experiments of microfinance or fair trade and in the context of India, the market institutions remain imprisoned within the caste–class–gender–ethnic inequality framework. The interconnectedness of livelihoods with this framework has never been seriously discussed in the policy domain in terms of interventions needed to break the prison walls of multiple economic and social deprivations that prevent the poor from having decent livelihoods and wellbeing. The hope probably lies in greater constituency action, claiming rightful place in the domain of the state and market.

## Postscript

A new policy is not always a new beginning; often tweaking existing policies have substantive implications and consequences that may significantly contribute to improvement in results. We would take up two examples of what we may call new pathways in the existing policy stream: NREGS-2.0 and RKVY. Since Chapter 4 of this report authored by Suryamani Roul is discussing these two programmes in detail, we will only stick to the policy relevance and content of the two.

### MGNREGA 2.0

MGNREGA has crossed six years since its promulgation. It had two objectives: create and provide paid jobs for any one who wants it for a maximum of 100 days in a year and, thereby, create public assets that can be productively used to provide more income for the poor. Last six years have drawn attention towards building a delivery mechanism that can honour the legal commitment; as a result on an average, 42 days of work could be given to those wanted it covering entire rural India. Several challenges have restricted the progress: (a) institutional capacity of

the panchayats, (b) cash flow mechanism to reach out to millions in rural India, (c) massive corruption, (d) lack of effective asset creation, and the like.

A committee headed by Dr Mihir Shah reviewed the progress and challenges through widely held consultative processes and suggested a number of measures to improve overall performance. The policy aspect of it is about four core issues: (a) including 30 more new works in the existing list—this would generate more projects to provide more work, (b) providing a panchayat development officer in every Gram Panchayats to look at MGNREGA works—expectedly this would enhance capacity of the Gram Panchayats, (c) a number of possible ways to expedite payment of wages in time, and reducing bureaucratic procedures—this would enthuse the people to demand more work and (d) allowing and encouraging SC/ST households to work in their own plots of land/water body and get paid under NREGA—hopefully, this will ensure increased participation.

Since these are unfolding almost as this piece is written, we have to wait and see the results.

### RKVY

RKVY was launched in 2007 as a scheme of the Ministry of Agriculture to foster 4 per cent agricultural growth as committed in the Eleventh Plan. This was a supplementary scheme to fill in gaps that existed in various agricultural schemes that the Ministry ran. However, as its implementation was generally good, the Ministry felt it can absorb more: so now five more schemes are added to RKVY as sub-schemes. These are Extending Green Revolution to Eastern Regions, Integrated Development of 60,000 Pulses Villages in Rain-fed Areas, Promotion of Oil Pal, Initiative on Vegetable Clusters, Nutri-cereals, National Mission for Protein Supplements, Accelerated Fodder Development Programme, Rain-fed Area Development Programme and Saffron Mission. All these programmes

were announced in the annual budget of 2011–2012. It appears that more programmes would now gradually be included in RKVY which will gradually take the shape of an umbrella programme and others will become its sub-programmes. We will have to wait and see whether it delivers on the fundamental promise: 4 per cent growth in agriculture in the Twelfth Plan period.

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# Flagship Programmes of the Government: Where Do We Stand?

SURYAMANI ROUL

## Chapter 4

### Introduction

Having ridden a wave of economic growth for a few years, India is now experiencing challenges of a new order. Thanks to an entire spectrum of populist policies and programmes, the government seems to have frittered away the opportunity of carrying out second generation economic reforms that would have helped sustain the previous decade's growth. The economic review reports and trends for 2012 speak of declining growth rate, inflation and the pressures as well as the pains that the country is facing at present. On one hand, the Indian story informs of creation of enormous wealth while on the other there is a major debate on the growing poverty and disparity. The government has recently instituted a panel led by Dr C. Rangarajan to re-examine and review the Tendulkar methodology for determining the poverty line and redo poverty mathematics. At the same time, the Planning Commission is yet to gain approval from the National Development Council (NDC) on the Twelfth Five Year Plan which has technically started rolling on completion of the Eleventh Five Year Plan in March 2012. It is said that due to delay in submission of reports by the task forces, the process is likely to be completed in the last quarter of 2012. Anticipating continuation of the flagship programmes, the Annual Budget 2012–2013 has made a tall order commitment and allocation on most of the

programmes. This will be explained in the subsequent analysis of the progress made as per the Annual Economic Review 2012.

### Government programme on livelihoods promotion

Over the past five decades, the government has introduced a plethora of schemes that focus on the rural poor. It makes huge investments through various programmes, even though several reports have been known to indict their implementation quality and delivery systems, as well as rampant practices of targeting and corruption. The Planning Commission set up a sub-committee in April 2011 led by Dr B. K. Chaturvedi, Member Planning Commission, to take a look at the efficacy of centrally sponsored schemes (CSSs) and recommend measures for restructuring of the 147 schemes (as per last count in 2011–2012) so as to enable them to perform optimally and meet the expectations of the state governments as well as the other stakeholders. The sub-committee has made several recommendations (report submitted in September 2011) observing that a number of CSSs with small outlays fail to achieve their objectives (about 44 per cent of the CSSs have annual outlays less than ₹100 crore). The sub-committee has clubbed the 147 schemes broadly into three categories: (a) flagship programmes which make national-level interventions on

education, health, irrigation, urban development infrastructure, rural infrastructure, skill development, employment, and other as identified sectors; (b) major sub-sectoral schemes to address development problems of sub-sectors of major sectors like agriculture, education and health; and (c) sector umbrella schemes to address sectoral gaps and improve programme expenditures and quality of delivery. It recommended reducing the number of schemes to a total of 59 with continuation of nine existing flagship CSSs, compressing 99 sub-sectoral/umbrella schemes to 39 and restructuring another 39 CSSs to 11 under Additional Central Assistance (ACA).

While this chapter will primarily focus on providing a statistical outline and a brief review of the progresses on the flagship programmes during the reporting period, it also encompasses elaborate discourse on select representative programmes. An attempt has been made to select the programmes with a view to making it representative of the target population, particularly segments such as:

- Poor and vulnerable communities
- Women and the poorest households
- Small and marginal farmers
- Youth

Four high investment-led government initiatives have been identified for a detailed appraisal of performance during the reporting period on the basis of the nature of their objectives and the target population. On the basis of a critical examination of the stages of programme implementation and delivery system, a broad approach has been developed to cover the four illustrative flagship programmes, which have been captioned with **4Ts**:

- T1:** Transformational processes of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
- T2:** Transitional approach of National Rural Livelihood Mission (NRLM)/*Aajeevika*

**T3:** Trickle up strategy of Rashtriya Krishi Vikas Yojana (RKVY) in agriculture

**T4:** Triggering efforts under the skill initiative

The analysis in this chapter is restricted to these four programmes.

## Transformational processes of MGNREGS

Ever since its inception seven years ago, MGNREGS has had a number of supporters as well as critics. While the supporters have strongly been of the view that it would transform rural areas, the critics have been more concerned with the negative aspects like rampant corruption and the uneven spread of the scheme across states. Considered to be India's landmark right-to-work programme, the original National Rural Employment Guarantee Act (NREGA) was amended in 2011 and relaunched as Version 2. The Act continues to guarantee 100 days of paid employment to every rural household in India regardless of eligibility criteria and establishes the government's flagship welfare programme with huge resources allocated by the Government of India under the Ministry of Rural Development. Given the fact that MGNREGS has a strong reach in all rural districts in India, which it established over a much shorter span of time than any other rural development programme, there is no parameter against which its outcomes can be measured. With changing circumstances and the radical people-centric approach that has been adopted by the current minister for Rural Development at the helm of affairs, the reporting period is marked with significant shifts in its approach at the level of policy-making, execution and convergence system with other programmes, and most importantly, its outcome orientation. Table 4.1 details the scale of operation of MGNREGS.

In the subsequent sections, an attempt is made to capture the major highlights of MGNREGS with an emphasis on the

**Table 4.1:** Scale of operations of MGNREGS

Indicators	2008–2009	2009–2010	2010–2011	2011–2012
Number of households (in crores)	4.5	5.3	5.5	5.0
Average person days per employed households	48	54	47	42
Expenditures (in crores)	27,250	37,905	39,377	37,303
Wages as % of total expenditure	67	70	68	70
Average wage per day (in ₹)	84	90	100	101

Source: Ministry of Rural Development (2012a).

transformational processes during the reporting year.

In its seventh year of implementation now, MGNREGS continues to polarize opinions about its efficiency and effectiveness. Claims about its inadequacy and of its being a waste of time and resources are substantiated by a government report released on 14 July 2012 titled ‘MGNREGA Sameeksha’ (Ministry of Rural Development, 2012b), a compendium of independent studies on the scheme. At the time of release of this report, both the Prime Minister and the Minister of Rural Development admitted that MGNREGS has failed to make the expected impact because of misappropriation of funds and resources and patchy implementation systems in several states. However, in places where the scheme has worked, rural households—particularly farmers—have managed to tide over the deficit monsoon as a result of adequate water storage. However, even here the full potential of the scheme has not been exploited since more than 50 per cent of the work has either not been completed or has been abandoned. There are cases where the structures created have not been given

proper attention and human resources for maintenance and further usage.

## MGNREGS 2.0

Unveiled in February 2012 and brought into effect from April 2012, MGNREGS Version 2 has expanded its scope by including 30 new works related to agriculture, watershed, livestock, fisheries, flood management and irrigation, besides aligning with a national sanitation campaign (please refer to Box 4.1). The new norms also provide for ₹4,500 to be contributed as labour component from MGNREGA towards construction of toilets under the Total Sanitation Campaign. Under the expanded nature of works, the focus of MGNREGA would be in blocks with sizeable population of Scheduled Castes (SCs) and Scheduled Tribes (STs) and those which had been getting funds of ₹12 crore a year under the scheme.

Version 2 envisages in making MGNREGA a productivity-enhancing instrument with a view to increasing agricultural output. Panchayats are to decide the priority of works in Gram Sabha meetings with a stipulation of an overall labour to material

### Box 4.1: What the new version entails

- It encompasses works related to agriculture, animal husbandry, poultry, drinking water and sanitation.
- It was earlier limited to land development and afforestation.
- It now includes construction of cattle sheds, poultry shelters, fish drying yards, etc.

- Small, marginal and SC–ST farmers will be able to employ NREGA workers for farm work.

Source: Ministry of Rural Development, 2012a.

**Box 4.2:** A comparative analysis of the unique features of MGNREGA Version 1 and Version 2

**Version 1**

No method to record demand  
 Labour budgets are replica of last year  
 Assets planned arbitrarily  
  
 No technical body to assist panchayats  
 Social audit functional only in Andhra Pradesh  
 Banking correspondence model stuck at conception stage  
 Spectrum of eligible projects too rigid

**Version 2**

Receipt system to register demand for work  
 Survey-based labour budgets every year  
 A two-year rolling shelf of projects to be created  
 A technical asset planning body at each year  
 Mandatory social audits twice a year  
  
 Provisions of funds for implementation of banking correspondents  
 State specific works allowed to make scheme relevant

Source: Ministry of Rural Development, 2012b.

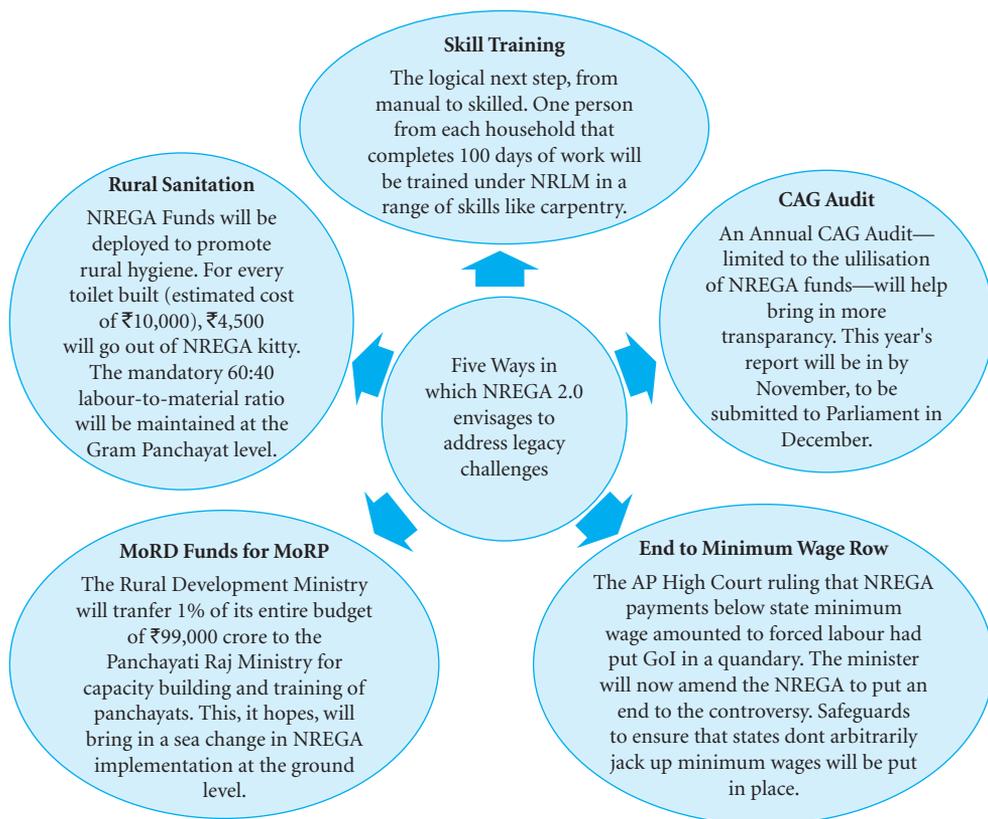
ratio of 60:40. A comparative analysis of the unique features of the two versions is presented in Box 4.2.

The five major ways in which MGNREGS Version 2.0 will differentiate itself is depicted pictorially in Figure 4.1.

**Sanitation works covered under MGNREGS**

A communique published in early August 2012 by the Ministry of Rural Development has made it permissible to include Total

**Figure 4.1:** The major ways in which MGNREGS Version 2.0 is expected to differentiate itself from Version 1



Source: Thampi. (2012).

Sanitation Campaign (TSC) activities under MGNREGS. The Ministry has also issued revised guidelines to the state governments indicating the process to be followed while including sanitation projects under the MGNREGS labour budget. The objective of including access to sanitation facilities under MGNREGS is to improve the quality of life of the rural people and strengthen the base of rural livelihood. The other objective is to expedite sanitation coverage in rural areas as TSC has failed to achieve the desired results. This will cover construction of latrines in individual households, schools and *anganwadi* centres that have not been covered under TSC administered by the Rural Development Department. As a part of the execution process, the names of the beneficiaries will have to be duly approved by the Gram Sabha and then by the respective Gram Panchayats. The construction of sanitation facilities will be subject to social audit. As per the guideline, only job card holders will be employed for the unskilled works, and the total amount to be utilized

should not exceed 4,500 per individual household.

### UIDAI and MGNREGS—a convergence move

In order to weed out ghost cards and assess the coverage of the programme with reasonable accuracy, there has been a massive move at both the central and state government levels to update registration data, including Aadhaar numbers of the beneficiaries under MGNREGS. This move, aimed at testing the coverage of Unique Identification Authority of India (UIDAI) among the beneficiaries of MGNREGS, will also help create a database for convergence with insurance schemes such as the Rashtriya Swasthya Bima Yojana (RSBY) and Aam Admi Bima Yojana. It will thus be a starting point for convergence of important social schemes and UIDAI as a verification system that includes Below Poverty Level (BPL) status, RSBY status, backward class status and Aadhar number. The UIDAI project has already collected

#### **Box 4.3:** *Madhya Pradesh in list of top 10 states in MGNREGA implementation (2 July 2012)*

As per the Government of India's quarterly Delivery Monitoring Unit (DMU) Report (prepared on the basis of quarterly review of the Planning Commission of India), Madhya Pradesh is performing well in MGNREGA implementation and is in the list of top 10 states in five categories. Besides providing maximum employment to villagers with implementation of the MGNREGA, Madhya Pradesh has also created permanent sources of livelihood. Payment of ₹120 per day is being made to labourers while wages are being paid depending on the quantum of work.

As per the report for January–March 2012, Madhya Pradesh has retained its place in top 10 states in five of seven categories. It stands 3rd in total expenditure under MGNREGA, 5th in generating man-days and number of families completing 100-day labour, 6th in making employment available to families and 10th in generation of scheduled caste man-days. According to monthly information system report of the union government,

employment has been made available under MGNREGA by generating 94.31 lakh man-days. As many as 4.89 lakh families were benefited, including 27 per cent STs, 20 per cent SCs and 42 per cent women. It has been mentioned in the survey, conducted by the Indian Institute of Management (IIM), Indore, that the implementation of the scheme has curtailed migration of people from villages. According to the survey, 65 per cent villagers have admitted that their income has increased due to MGNREGA and life has become prosperous. .

They informed that their income has gone up to 24 per cent while 88 per cent villagers lauded MGNREGA's role in creation of permanent assets in villages. MGNREGA has also increased agriculture production and villagers have been able to change crop pattern.

*Source:* Department of Public Relation (2012) and Ankur (2012).

biometric data for 20 crore Indian residents and about another 40 crore people will be covered in the project's second phase. The Income Tax Department, too, has decided to record Aadhaar numbers of those applying for a fresh PAN card. This is just beginning to happen, even though there were many reservations and apprehensions expressed by several ministries and government departments expressing doubts of the success of UIDAI and angling to have their own verification systems, particularly in case of MGNREGS which might have led to deserving beneficiaries being left out of the scheme. However, activity under UIDAI has picked up from this year, with the authority launching online authentication pilots in Jharkhand and ministries agreeing to cooperate to help lay the foundation of Aadhaar on a larger scale. It is being said that if MGNREGS can succeed, so can UIDAI.

The Ministry of Rural Development has a very ambitious plan to achieve e-disbursement of wages to workers across the country under MGNREGS. It is evident that banking correspondents equipped with Aadhaar-enabled micro-automated teller machines (ATMs) will visit the doorsteps of MGNREGS wage earners to distribute their payments. A joint decision by the Ministry along with the Ministry of Finance and UIDAI is to seed in the Aadhaar numbers of MGNREGS workers in NREGA Soft (software) and to achieve complete e-disbursement for MGNREGS workers, initially in 46 districts and then extended it to all other districts in two years time.

However, there are glitches which have been reported in experiments with the UID method for payment of wages under MGNREGS. With regard to the experimentation process in Jharkhand, the main role for Aadhaar is to facilitate the implementation of the Business Correspondence model in which accredited agents provide doorstep banking services to MGNREGS workers using a micro-ATM. They act as extension counters to the local bank (Bank of India in this case), disbursing wages near their home through Aadhaar-enabled accounts

opened at the time of enrolment. However, biometric authentication, which is meant to prevent identity fraud, requires Internet connectivity to electronically match workers' fingerprints and Aadhaar numbers with their records in the UIDAI's Central Identity Data Repository. Thus, predictable, the Jharkhand experiment has come up against a number of problems including system level flaws and implantation issues including problems such as distance from the village, fingerprint recognition, some people not having UID numbers and/or Aadhaar-enabled accounts resulting in non-issuance of bank passbooks and a general reluctance to participate in the scheme due to perceived non-payment of wages to the MGNREGS workers. It seems worthwhile to consider solutions that involve providing alternatives such as issuing passbooks to withdraw money that the workers have earned, providing Internet connectivity and introducing flexibility into the 'One (Bank) Branch-One Block' model for such experiments. These experiments have thrown up extremely diverse issue in the five states in which they have been carried out so far which, in the absence of suitable solutions, constitute insurmountable obstacles.

There are, however, significant synergies to be realized between the MGNREGS and UID which would allow improved implementation of the programme with increased transparency. Renowned development economist Jean Dreze (2012), in an exchange of notes with the Minister for Rural Development in a recent article, has called NREGA 'a rural mass hope'. According to Dreze, in a survey of 1,000 NREGA workers conducted in May-June 2008 in six states of North India (including Jharkhand), it was found that 68 per cent people considered the programme 'very important' for them. He is of the strong opinion that even though there are many flaws in the programme, there is need to get into a serious debate and discussion on how to make it work and that application of Aadhaar is a way forward in this direction in spite of the several operational flaws experienced in its pilot in Jharkhand.

**Box 4.4:** *Smart card payment of wages under MGNREGS in Andhra Pradesh*

Six years ago, the Government of Andhra Pradesh started a pilot smart card project as a means to extend mainstream banking and financial services to the poor by using technology-based solutions to ensure efficient and timely transfer of government benefits and minimize leakages. The concept was new to the banks, finding the right technology service provider was a challenge, and there were doubts about the execution and the viability of the project. But today, the smart card project is helping nearly 12.7 million poor people across Andhra Pradesh in 69,000 habitations and 22,000 Gram Panchayats to get timely and full payment of their social security pensions and wages under the MGNREGS. The project has five key stakeholders—the state government, banks, technology service providers, business correspondents and beneficiaries. The state government releases the funds meant for the payment of wages under MGNREGS and pensions to the banks and provides details of the eligible beneficiaries. In turn, the banks open no-frills savings accounts and issue smart cards within three weeks to the beneficiaries.

A smart card contains a magnetic strip to enable identification, authentication, data storage and application processing. It holds data like fingerprints, photographs and other details of the beneficiaries in an encrypted form. For enrolling the beneficiaries for smart cards and no-frills accounts, banks appoint business correspondents or BCs. Banks transfer the funds to a BC's account online. The BC, in turn, appoints a customer service provider (CSP) at the village level, to whom the cash is transferred for payments. To qualify as a CSP, a person needs to be a resident of the village, be a member of a women's self-help group (SHG) and should have passed Class X. The CSP is trained in using point-of-sale (POS) machines and making payments. The system creates a banking outpost in each village, eliminating wastage of time and the money and effort the beneficiaries had to invest on travel, waiting in queues and losing valuable work days just to get their wages. The only thing a beneficiary needs to do is to bring his or her smart card to the CSP. The CSP has to swipe the smart card

on a POS machine, which works similar to an ATM. The POS machine, after authentication, generates a printout of the pay receipt and instantaneously updates the payment systems of the bank, MGNREGS and social security pension servers.

The CSP pays the cash to the beneficiary as per the receipt. The government doesn't charge anything from the beneficiary. For providing the service, the government pays a 2 per cent commission to the bank. Technology is critical to the success of the smart card project. Banks have tied up with technology service providers to build solutions for enrolment, authentication, data storage and processing. While some service providers use POS machines, others use mobile phones, contactless radio-frequency identification smart cards and integrated biometrics.

The smart card project has been extended to 1,098 Mandals and 21,812 Gram Panchayats across 22 districts in Andhra Pradesh, with 14.5 million beneficiaries enrolled and 13.7 million receiving payments. The government has made payments worth ₹4,000 crores in the fiscal year ended March 2012, of which 2 per cent was paid to the banks as commission. The smart card project's major contribution is helping the government reduce leakages and frauds. Moreover, the project has helped banks find an alternative solution to deliver services to the unbanked poor. Twelve banks and postal departments have been working on this programme. With the smart card project becoming successful, banks have started offering products and services such as fixed deposits, insurance and loans to customers. Though the state government was able to reach the beneficiaries to a large extent through the smart card project, there is still an unfinished agenda. People living in the remote corners of the state are yet to be touched by the technological developments. The state government is now working closely with banks and service providers to devise an offline payment system for paying wages and pensions to people in remote tribal hamlets cut-off from facilities such as mobile and telecommunications.

*Source:* Author compilation.

**Box 4.5:** *Introduction of online wage payment on MGNREGS work in Ganjam district, Odisha*

Starting the facility from Shergada Block in Ganjam district in Odisha, electronic transfer of wages to bank accounts of the beneficiaries of MGNREGS is extended to all 22 blocks from July 2012. Recently the Government of Odisha has tied up with the Reserve Bank of India (RBI) to disburse the MGNREGS wages through the online facility. Under this scheme, the wages of the beneficiaries will be credited to their bank account directly within a short period of time through the Regional Electronic Clearing Services (RECS), provided by the RBI, without intimating the

district authorities. The block authorities are only to intimate the amount to be given to the beneficiary. The beneficiaries can withdraw the money from the banks even in non-banking areas as some of the banks, including the Rushikulya Gramya Bank (RGB) have appointed BC to provide banking facilities to villagers under the Financial Inclusion Scheme (FIS).

*Sources:* Press Trust of India (2012) and Government of Odisha—ganjam.nin.in on MGNREGA.

### Projection of higher demand on MGNREGS due to monsoon failure and response to drought situations

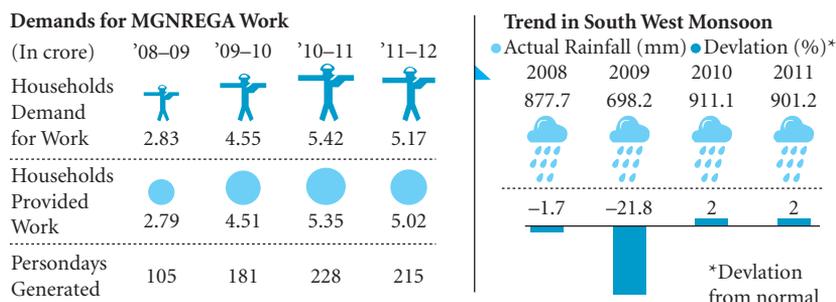
Speculation has been rife about significant expected increase in demand for work under MGNREGS due to the weak performance of monsoon resulting in a drought situation this year. In anticipation of this, the Ministry of Rural Development has asked all states to prepare contingency plans and review their estimates of work demand under MGNREGS. It intends to expedite the implementation of new projects under the scheme to generate enough jobs to cater to the expected increase in demand for employment, which would mainly come from agricultural workers. The Ministry is of the view that there may not be a need for additional fund allocation in view of the fact that states have surplus funds left over from the previous year, even though allocation for MGNREGS was curtailed to ₹33,000 crores in the current year's budget, as compared to ₹40,000 crores in 2011–2012.

However, the views being mooted by the Ministry of Finance and those of Rural Development which implements MGNREGS differ from each other. The Ministry of Finance primarily seeks convergence with other departments and managed

to reach an agreement with the Ministry of Rural Development in this respect in 2009, the plan could not go beyond some pilot districts due to the unwillingness of any ministry or department to work under MGNREGS guidelines. Thus, in MGNREGS Version-2, Ministry of Rural Development has abandoned the convergence plan. In fact, one school of thought maintains that convergence is nothing more than a ploy by the government to divert MGNREGS funds. In the past, convergence of MGNREGS with other departments has invited criticism from the civil society, as it has been perceived as a back-door effort to dilute the very purpose of the Act. However, the Ministry of Rural Development is considering—consequent upon a nod from the Empowered Group of Ministers (EGoM)—enhancement in the number of days of employment provided under MGNREGS from 100 to 150 days in all drought-affected blocks which have more than 50 per cent rainfall deficit. The new guidelines for MGNREGS 2, which are yet to be notified, might be expected to result in an expansion in the number of works, whereby some measure of convergence might be achieved (see Figure 4.2).

As can be seen from Figure 4.2, there has historically been increased demand for work under MGNREGS in years of monsoon failure or drought. This, along with the below

**Figure 4.2:** Rains and rural job demands



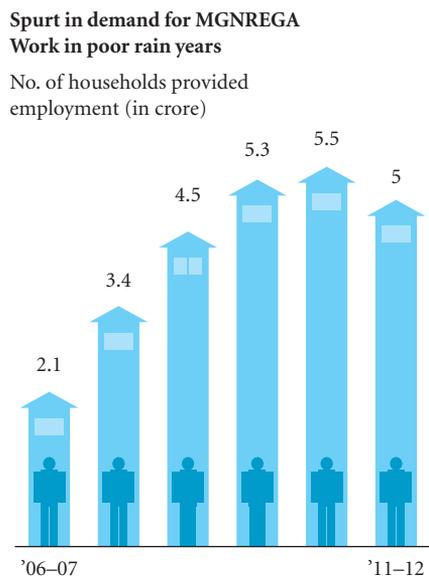
Source: Banerji (2012).

average rainfall being reported this year and the low monsoon forecasts by the meteorological department have given rise to concerns about agricultural output in the current year, in view of which the government has also formed contingency plans. Further, going by previous trends, demand for work under MGNREGS is expected to increase. Figure 4.2 shows the scheme’s effectiveness during the drought year of 2009–2010 when demand for employment under the scheme surged by a record 61 per cent. Conversely, demand for employment under the scheme decelerated sharply by 19 per cent in the following year 2010–2011, which was characterized by surplus rainfall (see Figure 4.3).

In the recession hit year 2009–2010, the scheme was further credited with increasing consumption capacity of rural areas despite the drought and economic downturn. During 2011–2012, employment demand under the scheme contracted by 6.4 per cent primarily due to normal rainfall and good reservoir levels. However, some analysts are of the view that administrative issues from the previous year such as delayed wage payments might also have subdued work demand.

### Proposal for introducing foodgrains as part payment of wages

**Figure 4.3:** Ensuring jobs



Source: Sen (2012).

There is a major ongoing debate on the proposal to introduce foodgrains as part payment of wages under MGNREGS. The three ministries involved in this process have divergent views. The Ministry of Rural Development has strong views on the Food Ministry’s proposal for providing grain as part-payment of wages under MGNREGS. Further, following the Parliament’s permission for at least 30 new works under the scheme, Member of Parliament Jairam Ramesh declared, ‘The work carried out under the food-for-work programme was really of bad quality and we do not want to repeat the same mistake’ (*Indian Express*, 2012). And even though the Ministry of Food has been supporting the idea, the decision is still on hold, pending a consensus. While some parties involved in the design

of MGNREGS have welcomed the move on the basis of the rationale that foodgrains may not be as easy to divert as cash, besides providing some much needed food security to those below the poverty line. As envisaged, the work under MGNREGS is self-selecting in nature to ensure that cash transfers and purchasing power reach families that are unable to find regular work. It was not meant to replace the rural job market, which is why linking it to minimum-wage legislation is still not a convincing idea. K. S. Gopal, Scholar in Residence at Tata Institute of Social Sciences (TISS) and a former member of the Central Employment Guarantee Council is of the opinion that payment of wages in foodgrains can be effective and will result in six outcomes, dubbed as the 6Cs:

1. Confidence of the people
2. Customer
3. Calories
4. Community impact
5. Cost to the government
6. Some cash with timely food supply

Counter to this, Professor Ashwini Kumar from TISS opines that a sudden shift to payment of wages in kind would lead to inequality of the worst kind, since it has the potential to depress the marginal propensity of the poor to absorb additional income (Gopal and Kumar, 2012).

### **Restrictive measures and regulation due to fear**

One of the modifications under MGNREGS makes provision for small, marginal, and SC/ST farmers to employ workers on their farms for transplantation, weeding, etc., with the provision that they grow the System of Rice Intensification (SRI) variety of rice which provides high yields with low water consumption. However, the central government has suspended a decision to allow rice cultivation under MGNREGS, fearing that it would lead to demands for including other crops under the Act.

Further, there are fears across the board about the higher MGNREGS wage payouts stoking inflation, not least by making farming more expensive. Early in 2010–2011, the government had benchmarked wages under MGNREGS to retail inflation to ensure a real wage of ₹100 a day for workers seeking employment under the scheme. Under the first revision, minimum wages have risen between 0.8 per cent in Odisha and 24 per cent in Karnataka. In several states, the wages under the scheme set a floor for labour rate in agriculture, suggesting that a rise in MGNREGS wages is likely to result in increasing farm labour costs. In all but 7 of the 28 states, including predominantly agricultural states like Uttar Pradesh, Haryana, Punjab and Bihar, the revised MGNREGS wages are higher than the prevailing minimum wages. It has also been observed that over the past three years, agricultural farm wages have increased by nearly 70 per cent, along with the rapid increase in food inflation.

### **Introduction of Comptroller and Auditor General (CAG) audit system**

After the enactment of the social Audit Rules in 2011, the central government, in reaction to the criticism that crores of rupees are squandered in lining the pockets of corrupt functionaries involved in MGNREGS, has started a new initiative in July 2012 to usher in financial prudence, transparency and accountability by engaging CAG-empanelled chartered accountants in each district who would visit the villages to audit the NREGS work taking into account minute details such as job cards, projects being taken up, bank pass books, and payment of wages made to workers. In this process, the auditors will assess the performance of the Gram Panchayats and award certification on fund utilization. Action taken reports submitted by the state government on discrepancies observed in the audit would be necessary for the states

(and in turn, the Panchayats) to further avail MGNREGS funds. To begin with, in 2012–2013, it is slated to audit 10 per cent of the gram panchayats in every state.

### Capacitating panchayats

Under the MGNREGS, the Panchayati Raj Institutions (PRIs) are given huge financial resources for which they were neither prepared nor trained to handle. There was hardly any governance system at the local level when the scheme was introduced in 200 districts, and later scaled up to the level of the whole country. This resulted in all kinds of corruption, embezzlement and misappropriation of these financial resources. Now under MGNREGS 2, there is a provision for certification of panchayat funds which will be done through a district panel of chartered accountants as the first step of the audit. A CAG audit of the entire programme will be made in November, and the report will be placed in Parliament by December 2012. As a preparatory, it is envisaged that through a unique transfer of funds, in this fiscal year, the Ministry of Rural Development will transfer 1 per cent of its entire budget of ₹99,000 crores to the Ministry of Panchayati Raj to impart capacity building and training to the panchayat functionaries.

### Standard operating procedure—a major step

Aiming to address concerns regarding the implementation of MGNREGS and to stop leakages of funds, the Ministry of Rural Development has formulated a set of standard operating procedures (SOPs) in September 2012, which have been implemented with immediate effect. These aim to streamline the redressal process and include timelines for both the Centre and states to dispose of complaints. As per the SOPs, the complaints received at the Ministry will be categorized into four major types: (a) petitions, (b) grievances and complaints regarding procedural violation

of guidelines, (c) complaints relating to effective implementation of the Act and (d) complaints involving financial irregularities, so that the states can take appropriate action accordingly. The SOPs set out timelines for both the Centre and states for disposal of complaints. In this system, the complaints will be registered online and a complaint number generated, allowing for proper monitoring. State governments are now required to establish a complaint cell, under the direct charge of Secretary, Rural Development of their respective states. Under the Act, the Centre will exercise the power to investigate complaints and hold back funds to a state if remedial action is not taken within a specified time. With the new system in place, state governments will no longer be able to drag their feet on taking action on complaints, particularly those relating to financial irregularities. The SOP is considered as the second major step in the direction of enhancing transparency and accountability of MGNREGS.

### Evidence says it has worked

Given the multitude of claims and accusations with regard to implementation of MGNREGS, the government has woken to the need for an honest debate on the scheme. Recently both the Prime Minister and the National Advisory Council (NAC) have talked about the flaws in programme implementation. There are arguments and counter arguments on the scheme, primarily centred around the point that it provides wage employment at the rural level, thus curbing outmigration. On the other side, it is claimed that MGNREGS has pushed up agricultural wages, which, some claim has uplifted the living standards of the rural poor, and others claim, has contributed to agricultural crisis and food inflation. These views are increasingly questioned by the available evidence, which shed doubt on some common beliefs about the scheme and its impact. A recent report compiled by the Ministry of Rural Development suggests that ‘trends of

reduced labour force in agriculture precede MGNREGA'. Further, implementation-related problems continue to prevail where, although the scheme offers guaranteed employment of 100 days per year and timely payment of wages, the ground reality tends to be very different. For example, in Bihar, the state with the highest incidence of outmigration, only 9 per cent of households actually got 100 days' employment under MGNREGS in 2011–2012, which effectively averages out to about 38 days of employment across the board. Thus, the total earnings of an MGNREGS worker may not exceed ₹2,000 to ₹3,000 in a whole year, while if he were to migrate, he could easily make around ₹8,000 in the short paddy transplanting season that lasts less than a month. The MGNREGS, therefore, can hardly dissuade workers from migrating.

A study on MGNREGS undertaken by Oxford University (Berg et al., 2012) involving researchers from the Institute for Social and Economic Change, Bengaluru, states that the programme has increased rates of real agricultural wages by 5.3 per cent yearly since its introduction in 2006. This suggests the MGNREGS public works programme benefits not only those directly employed by the scheme but all wage earners in the agricultural sector. The researchers have used monthly wage data from the Ministry of Agriculture from 2000 to 2011 for 249 districts across 19 states. As per the study estimates, in the period 2008–2010, MGNREGS generated 3.3 days of employment per year for each rural inhabitant in the average district. The analysis shows that each extra day of employment per capita per year raises wages by 1.6 per cent, implying the programme boosted real daily wage rates by 5.3 per cent in the average district in the period. The researchers have argued that there are two possible ways in which a large-scale public employment programme like NREGA can influence market wages. The first is that the extra competition for workers drives up the price of their services. The second is that the roads, dams and other

infrastructure built under the scheme may increase rural productivity and, therefore, wages across the board. The study does not present direct evidence in favour of either mechanism; however, anecdotal evidence suggests that increasing competition for labour is likely to be the more important factor (see Annexure 1).

## Transitional approach under SGSY/NRLM

### A good beginning and a big dream

Commissioned as a game changing initiative of the Ministry of Rural Development, the NRLM (the restructured version of the erstwhile Swarnajayanti Gram Swarozgar Yojana (SGSY), now re-named *Aajeevika*, aims at reaching around 7 crore poor rural households across 600 districts, 6,000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in India through aggregation and self-managed SHGs and federated institutions, and support them for livelihoods enhancement and income augmentation. The programme is planned to be implemented in a phased manner, starting with 150 districts and 600 blocks. For financial year (FY) 2012–2013, NRLM has an outlay of ₹3,915 crore. While SGSY, which commenced in 1999, faced several implementation-level shortcomings, it did promote and experience successful models in some states like Andhra Pradesh and Kerala in terms of mobilizing the community and building social capital, financial inclusion, women's empowerment and economic strengthening of poor households. Building further on the good practices, while simultaneously trying to overcome its shortcomings, the Ministry has started some fresh initiatives under *Aajeevika*, which were not part of the original SGSY. Provision of sensitive support structures from national to block levels, setting up of institutions for the poor at various levels, provision of interest subsidy, routing of capital subsidy through federations of SHGs, etc., are some of the unique features of *Aajeevika*.

*Aajeevika* has been designed to function on three levels:

1. Enhancing and expanding the existing livelihoods options of the poor
2. Building skills for external job market
3. Nurturing the self-employed and entrepreneurs

Livelihood services include both financial and capital services, as well as production and productivity enhancement services such as technology, knowledge, skills and inputs, market linkages, etc. The interested rural BPL youth would be offered skill development after counselling and matching their aptitude with the job requirements, and placed in adequately remunerative jobs. The self-employed and entrepreneurially oriented poor would be provided skills and financial linkages and nurtured to establish and grow with micro-enterprises for products and services in demand. These platforms also offer space for convergence and partnerships with a variety of stakeholders across multiple sectors in the public, private, civil society and community domain by building an enabling environment for the poor to access their rights and entitlements, public services and innovations. To achieve results, *Aajeevika* also strives to be the incubator of innovations in the rural space and support social enterprises for scaling up.

*Aajeevika* follows a mission mode approach for implementation which enables:

1. a shift from the earlier, allocation-based strategy to a demand-driven strategy, enabling the states to formulate their own livelihoods-based poverty reduction action plans;
2. focus on targets, outcomes and time-bound delivery;
3. continuous capacity building, imparting requisite skills and creating linkages with livelihoods opportunities for the poor, including those emerging in the organized sector; and

4. monitoring against targets of poverty outcomes.

As *Aajeevika* follows a demand-driven strategy, the states have the flexibility to develop their livelihoods-based perspective plans and annual action plans for poverty reduction. The overall plans would be within the allocation for the state, based on inter se poverty ratios. It is envisaged that high quality technical assistance and knowledge transfer to the state missions would be required to attain the mission's outcome.

As FY 2011–2012 marked the end of the Eleventh Five Year Plan, April 2012 witnessed a formal transition from SGSY and the commencement of *Aajeevika*, at the very start of the Twelfth Five Year Plan (expected to be approved by government towards end of 2012). The following section is a synoptic analysis on the performance of SGSY during 2011–12, followed by that of *Aajeevika*, highlighting the progress made in its initial phase and the plans for 2012–2013. This section also includes the initiatives under the Mahila Kisan Sashaktikaran Pariyojana (MKSP) with special focus on empowering women farmers and skill initiatives.

#### Performance of SGSY during 2011–2012

With regard to transitioning of the programme to NRLM/*Aajeevika*, there is a reported fund utilization of 72 per cent at the national level against the total available funds. The states who were unable to meet the national average with regard to utilization of funds include Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal. Bihar, considered as one of the best performing states in rolling out the Jeevika Project under the World Bank supported Bihar Rural Livelihoods Project (now under the NRLM) has reported fund utilization below the national average under *Aajeevika*. In

terms of coverage of 'Swarozgaris' (SHG + individuals), the percentage achievement of Swarozgaris assisted against the target is 80 per cent at the national level. Some states like Chhattisgarh (80 per cent), Gujarat (104 per cent), Haryana (109 per cent), Karnataka (101 per cent), Kerala (109 per cent), Maharashtra (96 per cent), Odisha (106 per cent), Punjab (90 per cent), Rajasthan (125 per cent), Uttar Pradesh (94 per cent) and Uttarakhand (92 per cent) have reported achievement above the national average of the target. While coverage of SC/ST under the programme at the national level was 49.59 per cent, states like Bihar, Goa, Gujarat, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Maharashtra, Uttar Pradesh, Uttarakhand and West Bengal performed below the norm. The coverage of women at the national level was 69 per cent. However, the performance of the states in achieving targets of minority Swarozgaris has not been satisfactory. As per the norm, 15 per cent of the total Swarozgaris to be assisted should have been from amongst the minorities, which was actually the case only in a few states, namely Jammu and Kashmir, Kerala, Punjab, Tamil Nadu and West Bengal. During 2011–2012 states/union territories (UTs) have only been able to disburse credit worth ₹4,399 crores which comes to only 73 per cent of the credit target of ₹6,020

crores. The states which have exceeded the national average include Chhattisgarh (98 per cent), Haryana (123 per cent), Himachal Pradesh (193 per cent), Karnataka (105 per cent), Kerala (98 per cent), Madhya Pradesh (76 per cent), Maharashtra (78 per cent), Odisha (83 per cent), Punjab (102 per cent), Rajasthan (149 per cent), Tamil Nadu (77 per cent), Uttar Pradesh (105 per cent) and Uttarakhand (97 per cent). (The state-wise progress under SGSY during 2011–2012 is shown in Annexure 1.)

### Unfinished preparatory tasks for rolling out *Aajeevika*

Since 2010, the Ministry of Rural Development had been engaged in a concurrent process to develop the mission mode approach, framework and rollout strategy for the transition of NRLM to *Aajeevika*, which was supported in various ways by the World Bank, United Nations Development Programme (UNDP), Ford Foundation, various academic institutions and other large development initiatives. A communication from the Ministry to states/UTs on 16 April 2012 (see Box 4.6) is self-explanatory, detailing out the processes of approval of the state perspective implementation plan (SPIP), annual action plan (AAP), fund release, submission of audit reports and utilization certificates under NRLM.

#### Box 4.6: Letter from Ministry of Rural Development dated 16 April 2012

As per the 'Framework of Implementation' for NRLM (*Aajeevika*), the following are the triggers for a state to receive funding support under NRLM:

1. States should have set up a new society or designated an existing society as the State Rural Livelihoods Mission (SRLM).
2. A CEO and a State Project Management Unit (SPMU) must be positioned in the SRLM along with an approval for placing an implementation structure in the first phase districts and blocks.
3. The State's poverty reduction action plan (State Perspective Implementation

Plan – SPIP) should be prepared and submitted to MoRD.

#### A. Process of Approval of SPIP under NRLM (*Aajeevika*)

- The Ministry, on receipt of SPIP, would screen it initially through a desk-appraisal. For the purpose, the Ministry will put in place screening teams, consisting of officials and professionals from NMMU, constituted specifically for this purpose.
- After the desk appraisal, the comments will be communicated to the states/UTs.

- A multidisciplinary Joint Appraisal Mission will visit the state to assess on ground the state of readiness of the State to implement the SPIP. The Mission would undertake field visits also and hold extensive discussions with SPMU with phasing strategies and results; staffing, implementation capacity of units at various levels and timeline; partnership arrangements with government departments, banks, NGOs, people's institutions etc.; and administrative and fiduciary arrangements.
- Based on the feedback from the Appraisal Mission and comments from the desk appraisal of SPIP, SRLM would submit its revised SPIP.
- The state anchor within NMMU will review the revised SPIP to see whether the suggestions made have been incorporated and will also prepare a note summarizing the main features of the SPIP for the consideration of the Empowerment Committee.
- State Mission Director/ Chief Executive Officer of SRLM would make the presentation on SPIP in the meeting of the Empowered Committee.
- Considering all aspects, including allocation available to the state as per the allocation formula, the Empowered Committee will approve the SPIP, with appropriate modifications and recommend release of funds to the State based on the approved SPIP.

#### **B. Process for Approval of AAP under NRLM (*Aajeevika*)**

- The Ministry, on receipt of AAP, would screen it initially through a desk-appraisal by various thematic experts in NMMU. A checklist for such appraisal has been developed in the division.
- After the desk appraisal, the comments will be communicated to the state/UTs in a meeting with the state officials.
- Based on the feedback from the desk appraisal of AAP, SRLM would submit its revised AAP.
- The state anchor within NMMU will review the revised AAP to see whether the suggestions made have been incorporated and will also prepare a

note summarizing the main feature of the AAP for the consideration of the Empowered Committee.

- State Mission Director/ Chief Executive Officer of SRLM would make the presentation on AAP in the meeting of the Empowered Committee.
- Considering all aspects, including allocation available to the state as per the allocation formula, the Empowered Committee will approve the AAP, with appropriate modifications and recommend release of funds to the State based on the approved AAP.

#### **C. Process of fund release under NRLM (*Aajeevika*)**

##### **i. Process of Fund release**

- During the year 2011–12 the first instalment had been released to all the DRDAs under the SGSY who have claimed their second instalment during the year 2010–11 or have submitted the proposal for the release of 1st instalment.
- The 2nd instalment had been released to the DRDAs who had submitted their proposals for the release of funds.
- Some states had submitted their SPIPs and were *Aajeevika* compliant in all respects during 2011–12 and had informed that the funds to under SGSY should be released to the SRLM. In case of such state, the remaining amount available during the year 2011–12, out of the total state allocation for the year, had been released to State Society as per the SPIP/AAP submitted by them and approval given by the Empowered Committee. Similar procedure will be followed for the subsequent years also.
- Starting from the financial year 2012–13, no funds would be released by the Ministry directly to the DRDAs to the states who have become NRLM compliant. All the funds will be released to the SRLMs should have opened a separate bank account for the State Society and notified the same to the Ministry.
- SRLMs would devolve funds to the districts in accordance with district-wise

allocations indicated in the AAP/ SPIP. There should be an enabling order issued by the state to enable fund flow from the SRLM to the DRDAs in the non-intensive districts also.

- The *first instalment* will be released after the approval of AAP/SPIP by the Empowered Committee during the months of April–May.
- The *second instalment* will be in the months of October–December on the request of SRLM in prescribed pro-forma and on fulfilment of the following conditions:
  - Utilization of at least 60% of the available funds including the opening balance;
  - State Government's contribution during the previous year released (*in case of deficiency therein, Central share would be reduced proportionately*);
  - The opening balance of SRLM should not exceed 10% of the allocation of the previous year (*in case, the opening balance exceeds this limit, the Central share would be proportionately reduced*);
  - Audit Reports, Utilization Certificates for the previous year furnished;
  - Achievement with reference to Annual Action Plan; and
  - Other terms and conditions stipulated at the time of the previous release should have been met.
- As per AAE/SPIP implementation processes, subsequent tranches would be subject to the half-yearly reviews, annual reviews and plans, and utilization of the previous tranche(s) released and the balance funds available.
- Half Yearly Review Missions would review implementation against the plan (AAP and SPIP) outcomes and the minimum quantitative/qualitative performance criteria laid down by *Aajeevika*, from time-to-time.
- Up to 10 per cent of the allocation under NRLM will be retained at the Ministry level for providing it to better performing states as additional instalment. This

additional instalment will be provided on the following criteria:

- Expenditure is more than 75 per cent of the total available funds by 31 December
- Request for additional funds over and above the allocation for the year; and
- Performance on key NRLM indicators.
- However, the additional amount would not exceed one installment (i.e., 50 per cent) of the State allocation, care would be taken to ensure that poverty states get their due allocation and better performing States get incentive for reaching their poverty reduction targets quickly.

#### **D. Submission of Audit Reports and Utilisation Certificate from the financial year 2012–13**

- The State Government Society which fulfils the requirement to receive funds under NRLM will take a stock of all the unspent balance lying each DRDA under the scheme.
- The state government/state society may take the decision that (i) these unspent balance will be deposited by each DRDA to the State Society under the intimation to the Ministry or (ii) the State may also take a decision that unspent balances lying with the DRDAs may be the part of available funds under *Aajeevika* for that district and while releasing the funds to the Districts, the state society will take into account these unspent balance.
- Audit reports/Utilization certificates of all the funds released to the district/state will be furnished by the State Society to the Ministry at the time of submitting the proposal for the release of 2nd instalment under *Aajeevika* for the year 2012–13.

*Source:* Ministry of Rural Development, Government of India, <http://rural.nic.in/sites/downloads/latest/Plan%20and%20Process%20of%20fund%20release,%20Submission%20of%20Audit%20Reports%20Utilization.pdf>

As part of the implementation strategy as well as in order to leverage political mileage from such enormous programme outlays, some states have come up with catchy names for *Aajeevika*, such as *Anandadhara* in West Bengal, *TRIPTI* in Odisha, *Jeevika* in Bihar, *Sanjeevini* in Karnataka and *Himayat* in Jammu and Kashmir, to name a few. However, a committee of Members of Parliament on NRLM has recently raised concerns on the design and poor structuring of the programme right at the beginning of its transition. Some committee members are of the view that in designing such a large-scale poverty reduction programme, the NRLM framework has not taken ground realities into account.

### Progress under *Aajeevika* (NRLM)

In view of the letter issued by the Ministry of Rural Development to state governments and the information from the agenda notes of the Project Review Committee (PRC) on various activities and the initial progress (see Table 4.2), it is evident that *Aajeevika* will require more time and effort for its full roll-out. Table 4.2 sets out the stages of readiness at the level of state governments, even though NRLM is fully functional with the National Mission Management Unit (NMMU) in place.

Table 4.2 brings out key parameters like the status of institutional structures and capacity building, as well as programme requirements like preparation of SPIP/AAP. The state-wise progress describing the status of the *Aajeevika* is given in Annexure 2.

The AAP 2012–2013 has been approved for 10 states (Andhra Pradesh, Bihar, Kerala, Jharkhand, Chhattisgarh, Madhya Pradesh, Maharashtra, Assam, Odisha and Tamil Nadu). Even though NRLM allows for flexibility of design for state-specific plans, it has been delayed by many states like Rajasthan where the programme was flagged off in 2011 itself, since it is still in the process of finalizing the SPIP and AAP for approval by the Ministry of Rural Development.

### Financial allocation for 2012–2013

Table 4.3 provides details of state wise allocation under NRLM/SGSY for the current year.

Migrating from the earlier, allocation-based model under SGSY to the present, demand-driven strategy under *Aajeevika*, some states, going by the flexibility given to develop livelihood-based plans to reduce

**Table 4.2:** Stages of readiness at the level of state governments

Serial number	Activity	Number of states/ UTs completed	Number of states/ UTs not completed
1	Approval for setting up of State Society	21	12
2	Appointment of full-time mission director/CEO	12	21
3	State Project Management Units (SPMU) in position	12	21
4	Identification of intensive districts/blocks completed	13	20
5	Preparation and submission of Annual Action Plan	13	20
6	Approval for recruitment of staff for SPMUs and District Project Management Units (DPMUs) and Block Project Management Units (BPMUs) for intensive districts and blocks	12	21
7	Preparation and submission of SPIP	3	30
8	Approval of AAP/SPIP and release of fund	10	23
9	Identification of Resource Blocks completed	10	23

Source: Extracted from the Agenda Notes of the PRC dated 29 May 2012. Available at [http://rural.nic.in/sites/downloads/general/SGSY\\_NRLM\\_Agnd\\_PRC\\_F\\_May2012\\_29052012.pdf](http://rural.nic.in/sites/downloads/general/SGSY_NRLM_Agnd_PRC_F_May2012_29052012.pdf) (last date of access 14/4/2012).

**Box 4.7: Bihar: A case in making**

Rural Development Department of Government of Bihar has formulated Perspective Implementation Plan under the NRLM and has planned for manifold expansion of Self-Help Groups network by increasing their number to 10 lakhs involving 1.2 crores women in the next five years. Currently there were only 57,000 SHGs with a membership of 7 lakh women in Bihar. However, the Rural Development Department reports that the existing number of SHGs is about 2.50 lakh, and 70 per cent of them have been formed under the Swarnajayanti Gram Swarozgar Yojana (SGSY). While Bihar under the BRLP has made good progress in promoting SHGs, there is a discrepancy in the number of SHGs in the state given by the Centre and the State government. These SHGs need bank linkage for ensuring access to credit to members. But it is a fact that in Bihar there is no bank branch in several block headquarters. As of now, Bihar accounts for only 4 per cent of the SHGs with bank linkage in the country. In 2010–11, an amount of ₹293.64 crore was given to 16,365 SHGs in Bihar under the SHG-bank linkage programme. In order to improve the quality of delivery of banking service for the poor, the State Government has made efforts to introduce the concept of 'Bank Mitra-Help Desks' and there is further plan to scale up the concept. As a part of the livelihood enhancement programme under the SRLP, it is planned to make interventions in some livelihood sectors that cover a majority of the poor. In case of promising sub sectors like dairy and poultry intervention, the focus would be on organizing the SHG households into cooperative societies to ensure better price for their produce.

NRLM is planned to be implemented in a phased manner in Bihar initially in 55 blocks of the state in the first year followed with coverage of other blocks in successive years covering all 534 blocks by end of 2014–15. NRLM entails expenditure of a little over ₹9,200 crore over the next 10 years for improving the economic condition of 1.25 crore rural families in the State.

***Young Professionals from B-Schools to serve under NRLM in Bihar***

In May 2012, under the NRLM, the Government of Bihar, has recruited 85 professionals from various reputed Management institutes like IRMA, IITs, London School of Economics to implement projects in the state in a professional manner. These professionals have been recruited through campus recruitment process as well as through an open application system following a rigorous selection process. Initially, they are hired on contractual basis for three years, after which their jobs will be regularized in the districts. The professionals are offered a monthly salary in the range of ₹25,000–₹50,000 depending on their qualification and work experience. In addition, they are also entitled to annual performance incentive up to ₹50,000 and annual increment of ₹5,000. As a part of the induction process, these professionals would receive orientation programme on NRLM followed by a three month intensive programme comprising of month field placement in blocks and villages and two months on specific projects.

Source: www.telegraphindia.com, 3 May 2012.

poverty, see this as an opportunity to claim a bigger share of the ₹5,000 crore to be spent over a five-year period. While some states like Bihar, Andhra Pradesh and Odisha have put in major efforts to claim a sizeable share of the ₹5,000 crore, others like Rajasthan are yet to be fully prepared to even for the take off. SPIP and AAP are the two main programme planning documents based on which funds are released to

the respective states. By end of May 2012, only 10 states were able to obtain approval on their SPIPs and AAPs by the Ministry of Rural Development.

At the mission level NMMU has launched a new website <http://aajeevika.in/> and has planned several new measures as part of its 2012–2013 activities. These include design and development of electronically enabled systems, building capacity of State Rural

**Table 4.3:** Financial allocation under NRLM/SGSY during 2012–2013 (₹ in lakh)

Sl. no.	Name of state/UT	Number of district rural development authority (DRDA) in the state/UT	Allocation		
			Central	State	Total
1	2	3	6	7	8
1	Andhra Pradesh	22	11623.00	3874.33	15497.33
2	Bihar	38	27649.00	9216.33	36865.33
3	Chhattisgarh	16	6141.00	2047.00	8188.00
4	Goa	2	175.00	58.33	233.33
5	Gujarat	25	4375.00	1458.33	5833.33
6	Haryana	21	2574.00	858.00	3432.00
7	Himachal Pradesh	12	1084.00	361.33	1445.33
8	Jammu & Kashmir	22	1342.00	447.33	1789.33
9	Jharkhand	24	10425.00	3475.00	13900.00
10	Karnataka	30	8777.00	2925.67	11702.67
11	Kerala	14	3938.00	1312.67	5250.67
12	Madhya Pradesh	48	13156.00	4385.33	17541.33
13	Maharashtra	33	17349.00	5783.00	23132.00
14	Odisha	30	13294.00	4431.33	17725.33
15	Punjab	20	1251.00	417.00	1668.00
16	Rajasthan	32	6664.00	2221.33	8885.33
17	Tamil Nadu	30	10277.00	3425.67	13702.67
18	Uttar Pradesh	71	39827.00	13275.67	53102.67
19	Uttarakhand	13	2096.00	698.67	2794.67
20	West Bengal	19	14773.00	4924.33	19697.33
21	Andaman and Nicobar Islands	3	25.00		25.00
22	Daman & Diu	1	25.00		25.00
23	Dadra and Nagar Haveli	1	25.00		25.00
24	Lakshadweep	1	25.00		25.00
25	Puducherry	1	275.00		275.00
<b>TOTAL</b>		<b>529</b>	<b>197165.00</b>	<b>65596.67</b>	<b>262761.67</b>
<b>NORTH EASTERN STATES</b>					
1	Arunachal Pradesh	13	623.00	69.22	692.22
2	Assam	27	16194.00	1799.33	17993.33
3	Manipur	9	1086.00	120.67	1206.67
4	Meghalaya	7	1216.00	135.11	1351.11
5	Mizoram	8	281.00	31.22	312.22
6	Nagaland	11	834.00	92.67	926.67
7	Sikkim	1	313.00	34.78	347.78
8	Tripura	4	1960.00	217.78	2177.78
<b>TOTAL</b>		<b>80</b>	<b>22507.00</b>	<b>2500.78</b>	<b>25007.78</b>
<b>GRAND TOTAL</b>		<b>609</b>	<b>219672.00</b>	<b>68097.44</b>	<b>287769.44</b>

Source: Extracted from the Agenda Notes of the PRC dated May 29, 2012. Ref: [http://rural.nic.in/sites/downloads/general/SGSY\\_NRLM\\_Agnd\\_PRC\\_F\\_May2012\\_29052012.pdf](http://rural.nic.in/sites/downloads/general/SGSY_NRLM_Agnd_PRC_F_May2012_29052012.pdf) (last date of access 15/10/2012).

Livelihoods Missions under the World Bank supported National Rural Livelihoods Project (NRLP), building institutional and human capacity through technical assistance, support on community investment, undertaking special programmes, fostering innovation forums (one has already been announced in Bihar), initiating action pilots, social entrepreneurship development and public-private-community-partnership models.

### Mahila Kishan Sashaktikaran Pariyojana (MKSP)

MKSP was introduced as a sub-component of NRLM in Budget 2010–2011, with an allocation of ₹100 crore for that year and provision for the Ministry of Rural Development to provide funding support up to 75 per cent (90 per cent in case of North East and hill states) to projects submitted by state governments under the scheme, with the balance to be contributed by the respective states or any other national/international donor agency. The

programme also allowed monetization of contributions by the project implementing agency (PIA) in the form of manpower, infrastructure, etc. The Pariyojana aims at meeting the specific needs of women farmers and achieving socio-economic and technical empowerment of rural women farmers—predominantly small and marginal farmers. The expected outcomes of the programme include net increase in income of women farmers on a sustainable basis, increased visibility of women as an interest group in agriculture, increased access to productive land, inputs, credit, technology, information, markets and land management. In January 2011, the Ministry issued the programme guideline developed in consultation with various stakeholders, requesting states to submit projects under MKSP. NRLM has narrowed down its focus on themes such as sustainable agriculture and non-timber forest produce (NTFP) to work with partners in the MKSP programme. Details of the projects sanctioned under MKSP are presented in Table 4.4.

**Table 4.4:** Details of projects sanctioned under MKSP

Sl. no.	State	Details of the PIA	Title of the project	Total project cost (in crores)
1	Andhra Pradesh	22 Zilla Samakhya (Community Based Organization)	Consolidation and deepening Community Managed Sustainable Agriculture (CMSA) programme	251.58
2	Kerala	Kudumbshree	Collective farming through women farming groups (Joint Liability Groups)	79.9
3	Kerala	Consortium of panchayats in Palakkad, Thrissur and Malappuram districts of Kerala	Reviving the paddy cultivation through Women Labour Banks in Palakkad, Thrissur and Malappuram districts of Kerala	60.62
4	Madhya Pradesh	Action for social advancement (ASA) for Chhatarpur and Tikamgarh, Madhya Pradesh	Enhancing agricultural based livelihoods of small women farmers and improving their strategic role in agriculture through building multi level collectives, increasing agriculture productivity and establishing market linkages in tribal districts of Chhatarpur and Tikamgarh of Madhya Pradesh	9.16
5	Madhya Pradesh	Action for social advancement (ASA) for Jhabua, Barwani and Mandla, Madhya Pradesh	Enhancing agricultural based livelihoods of small women farmers and improving their strategic role in agriculture through building multi level collectives, increasing agriculture productivity and establishing market linkages in tribal districts of Jhabua, Barwani and Mandla districts of Madhya Pradesh	13.35
6	Madhya Pradesh	Centre for Advancement and Research Development (CARD)	Tribal Women Agriculture Transformation (TWAT) in Maikal Hills Region- Mandla and Dindori district of Eastern Madhya Pradesh	2.56

(Table continued)

(Table continued)

Sl. no.	State	Details of the PIA	Title of the project	Total project cost (in crores)
7	Madhya Pradesh	Professional Assistance for Development Action (PRADAN)	Enhancing farm livelihoods of women SHGs in Mahakaushal Region of Madhya Pradesh	19.97
8	Maharashtra	MS Swaminathan Research Foundation (MSSRF)	Empowerment of women farmers in Vidarbha, Maharashtra	5.82
9	Bihar	Professional Assistance for Development Action (PRADAN), Bihar	Enhancing food security of poor and marginalized communities through SRI method of paddy and wheat cultivation in a sustainable manner in Gaya and Nalanda districts of Bihar	14.3
10	Bihar	Bihar Rural Livelihood Promotion Society (BRLPS)	Enhance the income and agriculture productivity of women farmer through comprehensive agriculture intervention in Khagaria, Purnea, Madhubani, Muzaffarpur, Gaya, Nalanda, Madhepura, Saharsa & Supaul districts of Bihar	97.6
11	Bihar	Action for Social Advancement (ASA)	Enhancing status of small women farmers by improving their strategic role in agriculture through building two tier women led collectives, increased agriculture productivity and ensuring efficient backward and forward market linkage systems, in Purnea, Khagaria, and Jamui districts of Bihar	13.17
12	Karnataka	Genetic Resource Ecology and Nutrition Foundation (Green Foundation)	Empowering women, powering agriculture strengthening women farmers through sustainable agriculture practices and participatory development strategies covering Chitradurga and Ramanagaram Districts of Karnataka	6.25
<b>Total</b>				<b>574.28</b>

Source: <http://aajeevika.in/>

The office memorandum of the Project Approval Committee (PAC) meeting held on 27 July 2012 notes that the role of the Ministry of Rural Development in livelihoods promotion would be to propagate successful models which are otherwise unable to be replicated due to technical reasons. The focus of MKSP should be on value-added human resource development and, therefore, material investments should not be encouraged. The objectives of MKSP supported projects would, thus, address at least one of the following objectives:

1. Creation and incentivization of community institutions and producers' organizations
2. Sensitization of women farmers to enable them to avail the services provided by state governments and, thus, increase the absorption capacity of the community as a whole
3. Sensitization of the state governments towards the need to fine-tune their agricultural policies

The Project Screening Committee (PSC) considered categorizing the proposals under two heads: demand side interventions and supply side interventions, in the interests of a balanced approach. The Ministry of Rural Development was expected to integrate MKSP with the broader NRLM roll-out plan, capacitate SRLMs and provide technical support to the SRLMs to implement MKSP, thus, eventually integrating the MKSP under the SPIP and AAPs. After examining the preparedness of the state governments, the PSC felt that SRLMs of Andhra Pradesh, Bihar, Tamil Nadu and Kerala had reached the organizational readiness required to steer the MKSP in their respective states since they had dedicated and trained resources to promote livelihoods that would enable them to integrate the MKSP plans in line with their SPIP and AAPs. In order to ensure uniform and systematic implementation, the PSC has decided to discontinue the concept of multi-state projects and has directed the concerned

state governments and PIAs in such cases to submit fresh proposals.

Under the NTFP segment of MKSP, the PSC in its July 2012 meeting examined the large-scale *tasar*-based livelihoods proposals submitted by various agencies with a total budget of ₹7,160.96 lakhs and in view of their levels of readiness, allowed their integration by the SRLMs of Andhra Pradesh and Bihar into their AAPs, while simultaneously advising the Central Silk Board, Professional Assistance for Development Action (PRADAN) and Bharatiya Agro Industries Foundation (BAIF) to recast their proposals since they were multi-state in nature. The NTFP-related proposals submitted by Kovel Foundation, Jattu Trust, CCN (all in the tribal districts of Andhra Pradesh), have been approved for three years with a total budget of ₹29.65 crores. A few other proposals from Maharashtra, Karnataka, Rajasthan and West Bengal have been approved/advised for resubmission.

MKSP is currently in the process of evolving and is making a good beginning in terms of creating awareness on the rights and entitlements of women farmers and promoting gender sensitivity within the implementing agencies towards women farmers to ensure their effective empowerment. UN organizations like United Nations Entity for Gender Equality and the Empowerment of Women (UNWOMEN) have come forward to support PIAs under MKSP in terms of developing modules for gender equality in agriculture and in undertaking capacity building trainings in Bihar and Madhya Pradesh as well as documenting the best practices from the experiences under Kudumbashree and Indira Kranthi Patham (in Kerala and Andhra Pradesh respectively).

In its report submitted in January 2012, the Steering Committee constituted by the Planning Commission under the Chairmanship of Dr Mihir Shah for providing a critical review of the programme's physical and financial performance during the Eleventh Five Year Plan and to suggest

priorities, strategies and allocation for the Twelfth Five Year Plan has endorsed the rationale for MKSP in quickly generating large scale proofs of workable value chain-based livelihoods interventions in agriculture and allied projects across the country. The Steering Committee strongly recommended that MKSP also produce multiple tested solutions, materials, manuals, costing and processes that can be replicated across the country with suitable adaptations according to local needs at an early stage, thus, enabling the states to scale up well in time. The Committee has also given recommendations on other Mahila Sashaktikaran Pariyojanas (MSPs) in non-farm products including Khadi, handloom, handicrafts and services in clusters comprising at least 5,000–10,000 households. The figures for the final outlays will be released only after the Twelfth Five Year Plan is approved, but the Committee has recommended a budget of ₹300 crores per year for MKSP and ₹200s crore per year for other MSPs.

Although MKSP, in its original form, has no formal linkages with the programmes and schemes of the Ministry of Agriculture, it would be of interest and benefit to all stakeholders if a mechanism could be established to leverage, integrate and learn from the various programmes being implemented by the Ministry of Agriculture, particularly the RKVY and Women in Agriculture programmes.

### Skill development and placement programme

Special Projects under *Aajeevika* provides job placements through training in placement linked, market-driven skills to the rural poor youth. During 2005–2006 and 2011–2012, more than 4 lakh youth have benefited from this programme under SGSY. The key features of the programme include

1. short-term (6 to 12 weeks) placement-linked, market-driven training for the

- rural poor youth in the age group 18–35 years;
2. programme implemented through private companies or NGOs covering sector specific skills, basic computer literacy and soft skills;
  3. training agencies responsible for placement of youth after successful completion of training; and
  4. post-placement tracking for one year.

### Functioning of Rural Self-Employment Training Institutes (RSETIs)

The concept of RSETIs is based on RUDSETI, a society established by jointly by three agencies—Syndicate Bank, Canara Bank and Sri Manjunatheswara Trust at Ujire, Karnataka. In a similar vein, on 7 January 2009, the Ministry of Rural Development issued a guideline for creation of such institutes in each district to impart skill and employment training to the rural youth. A total of 526 RSETIs started functioning by May 2012. A grading analysis has been undertaken by the Ministry for 427 RSETIs, based on which the concerned RSETI, the sponsoring bank and the State would be recognized as well performing agencies. As per the analysis, 8 per cent of the of the RSETIs were graded A+, another 8 per cent were graded A and 30 per cent were graded ‘B’. However, a majority of 41 per cent were graded in the lowest category, ‘D’.

The Ministry of Rural Development is looking at ways and means for improving the quality of training being imparted by RSETIs, for which it has signed a memorandum of understanding (MoU) with National Academy of RUDSETI, Bangalore, and organized training programmes for the management functionaries of RSETIs. However, there are several issues relating to functioning of RSETIs which broadly include lack of commitment of sponsoring banks, posting of suitable director, adequate staffing, uniform course curriculum, effective systems with regard to preparation of

training manuals, operational manuals, facilitation manuals, quality audit, financial audit, etc., and post training handholding support to the trainees. There are also issues relating to allotment of land and requisite infrastructure that hinder the functioning of RSETIs, as well as those relating to prompt reimbursement of claims by District Rural Development Agencies (DRDAs) to RSETIs, and the functioning of Local Advisory Committees and State Level Bankers’ Committees (SLBCs) and sub-committees on RSETIs.

Amongst the many challenges for the training of rural youth, there are a number of critical issues regarding the available database of unemployed youth, mobilization, beneficiary selection for placement-linked skill development projects, district-level monitoring of placement projects and training centers, setting up of facilitation centers by the service provider, post placement tracking/verification of placed beneficiaries, monthly/quarterly review of special projects at the state government level and setting up of state missions for implementation/monitoring of special projects. The RSETI model is much debated for serving a good cause but with questionable basic premises. Also it is not very clear to what extent this part of the programme under *Aajeevika* is connected and linked with the National Skill Development Corporation (NSDC) and the new authority being envisaged under the chairmanship of the prime minister for skilling India on a large scale.

The creation of 50 lakh formal sector jobs for the rural poor youth through skilling is envisaged under NRLM over the next five years which is expected to facilitate integration of the rural youth into the growing economy. The major areas of intervention include launching multi-state projects through the scaling-up approach, strengthening systems by way of analysing and addressing current constraints in the entire value chain and providing end-to-end solutions for placement of the rural poor youth. Some of the strategies include building

partnerships and knowledge management, special Interventions in vulnerable and less developed areas, undertaking Himayat and Integrated Action Plan projects, developing block resource centre strategy (with the block as a unit), building capacities of focus states and state-level skills and jobs missions.

### **Aajeevika cell in NABARD to facilitate convergence**

In April 2012 the National Bank for Agriculture and Rural Development (NABARD) has launched a dedicated *Aajeevika* cell to help alleviate poverty in rural hinterlands. This cell, with a dedicated team of officials from NABARD, will work in close coordination with the Ministry of Rural Development for furthering the goals of *Aajeevika*. The cell aims at enabling women get better access to financial resources at affordable rates and facilitating establishment of sustainable livelihoods. To start with, the unit will focus on about 600 backward and extremism-affected blocks in 150 districts of the country to be identified by MoRD. The *Aajeevika* cell will facilitate convergence of a wide variety of approaches and best practices to mobilize poor households into SHGs as well as propagating livelihood development approaches such as *Wadi* in *adivasi* communities to ensure establishment of sustainable livelihoods. The cell will also attempt to address supply and demand side constraints, besides bridging capacity gaps of the poor communities and strengthening existing livelihood sectors such as agriculture and allied activities and establishing micro-enterprise.

### **Support from World Bank, UNDP and Ford Foundation to strengthen Aajeevika**

In 2000, World Bank started its initial engagement in select districts of Andhra Pradesh, Madhya Pradesh and Rajasthan

and learned systematically from these experiences. The Implementation Completion Report (ICR) of these three initial World Bank-supported state projects have shown that these projects have resulted in mobilizing household savings worth more than US\$1,000 million, leveraged US\$6 billion in credit from commercial banks, achieved US\$1,000 million turnover in collective marketing of farm and non-farm produce. World Bank supports the project components under (a) institution and human capacity development, (b) state livelihoods support for setting up institutional architecture, (c) innovation and partnership support and (d) project implementation.

During the Twelfth Five Year Plan the World Bank with its NRLP of US\$1,000 million and technical and financial assistance is slated to play a vital role in eradication of poverty at different levels in all panchayats, districts and states. In order to expand the programme under the Bihar Rural Livelihoods Project, additional financing is being sought from the World Bank to support the geographical expansion of the project to cover all the blocks in the existing six districts of Bihar under the parent project as well as support consolidation of the activities undertaken while promoting greater impact of last mile service delivery.

Similarly, UNDP has a strategic partnership with NRLM to support improved planning and delivery of the poverty reduction and livelihoods promotion programme in various states. The work-plan of UNDP–NRLM partnership for two years (2011–2012) supports a combination of initiatives, namely, strengthening and speeding up the programme implementation by providing technical advisory services to overcome the challenges of inclusion with respect to disadvantaged regions and social groups, convening multiple stakeholders representing persistently excluded groups such as particularly vulnerable tribal groups for a dialogue with policy-makers and implementers on issues of inclusion,

and facilitating knowledge generation and management for effective sharing of good practices on varied issues including financial inclusion and women led value chain development. It also links field-level practitioners and community representatives with the highest policy-making structures, both at the state and national level. UNDP is currently working to further support NRLM in developing a strategic partnership framework with non-government organizations (NGOs) and civil society organizations (CSOs) at various implementation levels. This is aimed at creating a resource pool of NGOs and civic body organizations (CBOs) having relevant experience to help in the training and induction of new teams, as well as at learning from best practices of established NGOs in social mobilization, livelihoods promotion—particularly in tribal areas, partnerships and replication models and creating a strong learning platform for regular and continuous knowledge sharing among NGOs and SRLMs on one hand, and with NRLM on the other.

In addition, Ford Foundation supports academic consortia led by the Xavier Institute of Management, Bhubaneswar (XIMB) to help, support, strengthen and act as a think tank in shaping up NRLM and in giving it direction.

## A critical analysis

In view of the fact that there has been a preparatory time of almost two years for the roll-out of NRLM, the progress is, at best, tardy, despite a general understanding on the government's full support and approval with regard to its implementation in mission mode across the country. Past experiences and learnings from Integrated Rural Development Programme (IRDP) and SGSY with regard to planning, implementation and monitoring do not seem to have been leveraged to the best advantage to build and strengthen the roll-out of NRLM. An approach of piloting/initiating NRLM intensively in each state to understand and develop the modalities of planning, implementation and monitoring could, perhaps, have been carried out before launching it throughout the country.

Given the current status and stages in which the states have prepared or are yet to prepare for NRLM, there are whole lot of questions being raised on the newness and uniqueness of the programme. K. S. Gopal, Scholar in Residence at TISS, Mumbai, circulated the note (see Box 4.8) on his views after attending the first meeting of the NRLM advisory council held on 25 July 2012.

**Box 4.8:** *A note written by K. S. Gopal upon his participation at the meeting of 1st Advisory Council on the NRLM chaired by the Minister for Rural Development and held on 25 July 2012*

1. Convergence needs a greater emphasis. Its scope to widen and deepen opportunities to succeed on livelihoods must be fully explored. There is little idea, knowledge and experience on how to drive the convergence juggernaut. Coordination meetings and reviews by higher echelons finds low reflection at delivery end. It is often whimsical and dependent on the individual whereas what is needed is a systematic and accountable approach. Your Ministry is bestowed with a budget of one hundred thousand crores. Effective convergence within the Ministry, as a first step, can leap frog NRLM outcomes and serve an ambitious agenda on poverty alleviation and social development.
2. Civil society pilot initiatives embedded in convergence are forced to withdraw and there is rising frustration. There is urgency for convergence to succeed in the Ministry mandated activities. You must provide a systematic and reliable convergence process of NRLM with MGNREGS and the Total Sanitation Plan. It must cover a transparent plan,

sequencing in implementation and joint oversight to optimize impact. The single first will help to improve the productive assets base, as assisting the individual farmers is now included in the shelf of permissible works, while the other will impact the health of households in terms of reduced expenses and to improve the self image of women.

3. To crack the convergence juggernaut, we need to have validated 'approaches' and 'know how'. We must understand its building blocks, modus-operandi, objectives, sequencing, egos, hierarchies, reporting and monitoring etc. For this we need to have studies and case illustrations on the dynamics and the process of convergence leading to developing of its frameworks, models, protocols, procedures and practices.
4. On PRI and SHG the matter is not one of convergence or dovetailing. The aim must be to promote joint leadership and staff symbiosis in select tasks such as of planning, review and impact measurement. We must note that on implementation issues and responsibilities, there are genuine differences and conflicts in their respective mandate. Also fostering the autonomy of both in management and accountability to activities will make them healthy.
5. Deepening existing livelihood options through value change enhancement is the key strategy of NRLM. Of equal importance is to widen the supply side; the scope and opportunities for livelihoods. Otherwise NRLM will harvest a few low hanging fruits and produce cases of 'best practices' while the task is to help millions move from eek to enhancing livelihoods.
6. You must give fillip to new ideas and experiments by promoting 'Next Practices'. You must identify and harness game changing ideas, policies and management frameworks, especially those that are centered on the capacity and the competitive and comparative advantage of the poor.
7. While moving on the 'value chain' one ensure must safeguard both the negotiating ability and autonomy of the poor. While markets can improve the lives of the poor, its power is also complex and mysterious and not understood by reiterating the commonplaces of contemporary development literature.
8. One must recognize that there are many kinds of markets, each associated with particular social conditions and relations as well as particular economic circumstances. Intellectual work on negotiating the markets rather than merely serving them must be a part of NRLM.
9. Risk management is important. But the thinking to address it is by developing and offering an insurance product. Aspects of risk sharing, knocking down the insurance product into bits that address the fears and the pockets of the poor, risk minimization etc are key instruments that must actually have first charge in handling risk.
10. NRLM lays stress on 'processes' as key value for effective outcomes. I would like one aspect built into this and of immense value for those in the recipient side—predictability. Its lack and denial leads to uncertainty and vulnerability, shirking of responsibility by officials, black box, corruption, etc leading to frustrating people and outcomes. For instance, in MGNREGS there must be detailed written agreement of the district officer with the farmer whenever development of say horticulture or any other activity (especially those where delivering on time is crucial) is taken up on private lands of poor households. What actions, investments and when they can be expected can safeguard the poor against bureaucratic intransigence.
11. Measuring outcomes and performance monitoring is focused on the financial, especially on the leveraging of bank funds. This is an important indicator of investment and the attendant confidence in NRLM. But focusing only on it fails to recognize the potential and the purpose of the Mission. I request that non-financial aspects be monitored with equal emphasis. This is because what the boss monitors is what the system tries to work and deliver upon.

Source: Varma (2012).

Looking at the current readiness on *Aajeevika*, 2012–2013 is expected to bring mixed results on both fund utilization and physical target achievement, and the impact thereof.

### Trickling up of an agriculture initiative: RKVY

The Ministry of Agriculture has, for the first time, published a report titled ‘The State of Indian Agriculture’ 2011–12 recommending wide-ranging reforms in the agriculture sector to enable it to meet the growing demands and challenges of both human and environmental factors (Ministry of Agriculture and Co-operation, 2012). As per the report, the thrust areas for the agriculture sector include enhancing public sector investment and effective transfer of technology along with institutional reforms in research set-up to make it more accountable and geared towards delivery; conservation of land, water and biological resources; development of rain-fed agriculture and minor irrigation; timely and adequate availability of inputs; support for marketing infrastructure; and increasing flow of credit, particularly to small and marginal farmers. The report highlights the fall in contribution of agriculture to the overall Gross Domestic Product (GDP) to 13.9 per cent. Noting that this trend is only to be expected in the development process of any economy, the report underlines the importance of Indian agriculture as forming the backbone of development, since 52 per cent of India’s workforce is still engaged in agriculture for its livelihoods, besides its criticality with regard to food security and inclusive growth.

The report further highlights the records achieved in the production of foodgrains and many other crops. Among the major steps taken in the recent years for improving crop production and productivity, the report lays special emphasis on the contribution made by RKVY towards increasing public investment in agriculture and allied sectors. The National Food Security Mission

(NFSM) and National Horticulture Mission (NHM) have also emerged as path-breaking interventions which have helped in achieving record production of cereals, pulses, oilseeds, fruits, vegetables and spices during the last two years. Bringing Green Revolution in Eastern India (BGREI) (Government of India, 2011–2012) is another initiative that has been started to increase the productivity of the cropping system, mainly rice, wheat, maize and pulses through promotion of innovative production technologies and agronomical practices, thus, effectively addressing the underlying key constraints of different agro-climatic sub-regions.

The report emphasizes the need to bridge the yield gap in low productivity regions by means of technology, inputs and other interventions. Highlighting the structural changes in the composition of Indian agriculture, and leading on to diversification into horticulture, livestock and fisheries since the 1990s, the report states that the shares of fruits and vegetables and livestock have shown an increasing trend in recent years, growing at much faster rates than the traditional crops sector. The report further observes that the private sector responds much better and faster to incentive structures. Hence, along with greater public investment in agriculture, there is also need for reforms in the incentive structures in agriculture.

On the subject of farm credit, the report has advocated innovative models to reach out to the bottom 40 per cent of farmers who are still out of the umbrella of institutional credit. The report says that while the overall credit to agriculture has been growing phenomenally during the last few years, and the interest rates for farmers have also been reduced to 7 per cent (4 per cent after taking into account the 3 per cent interest subvention for timely repayment of crop loans), the biggest challenge remains in terms of increasing access to credit, particularly for the bottom 40 per cent.

The report has called for wide-ranging reforms in agricultural marketing in

acknowledgement of the fact that imperfect market conditions and restrictions on the movement of agricultural commodities are not letting the farmers realize the true value of their produce. The report has also portrayed the advantages of public private partnerships (PPPs) being adopted by the government in addressing the issues of the agrarian sector and overcoming its shortcomings, besides attracting larger private sector investments and techno-managerial efficiencies in infrastructure development through 'viability gap funding' support.

### Changing profile: Agriculture to have larger share in GDP

With a change and update in national accounts scheduled for the coming year, the agriculture sector is expected to show a surge from 14 per cent of GDP (at 2004–2005) prices to over 17 per cent at current prices. This is mostly an outcome of changes in the terms of trade and price of agricultural produce compared to industrial output since 2007–2008. Further, the wholesale price inflation of food articles has risen at a compounded average rate of 10.7 per cent in the six years up to 2011 against 5.1 per cent for manufactured goods, indicating a huge shift in terms of trade in favour of agriculture. Because of the relative change in prices, there has been a massive shift in incomes away from the urban to rural areas, thus explaining the increase in purchase of consumer goods. The price effect has been magnified by the rapid increase in rural wages. The MGNREGS has also set the floor for rural wages, apart from guaranteeing 100 days of employment. Although some experts opine that this kind of resurgence based on higher prices, including some set by the government, does not capture the full picture, it should be worthwhile to see to what extent the farmer has benefited from the rise in input costs and shift in terms of trade (see Table 4.5).

### Genesis of RKVY in 2007–2008

RKVY is primarily a project-oriented scheme which provides additional outlays

**Table 4.5:** Share of agriculture in GDP at current prices

Share of GDP in percentage	2004–2005 prices	Current prices
Agriculture, forestry and fishing	14	17.2
Mining and quarrying	2.1	2.7
Manufacturing	15.3	13.9
Electricity, gas and water supply	1.9	1.7
Construction	7.8	8.1
Trade, hotels, transportation and communication	28.1	25.2
Financing, insurance, real estate and business	17.9	17
Community, social and personal services	13	14.3

Source: Pandey (2012).

**Table 4.6:** RKVY fund utilization system

Stream	Fund utilization
Stream-I	A minimum of 75% of the RKVY fund is to be used for specific projects/schemes/programmes which have been approved as part of the state and district plans
Stream-II	A maximum of 25% of the total RKVY funds can be used in a year for strengthening the existing state sector schemes

Source: RKVY Scheme Guideline, Ministry of Agriculture and Cooperation, Government of India.

on existing state and central schemes in non-project mode, which means that funds can be utilized by the states in two streams (see Table 4.6).

RKVY incentivizes the states to increase public investment in agriculture and allied sectors, taking into account agro-climatic conditions, natural resource issues and technology and integrating livestock poultry, and fisheries more fully, while providing more flexibility and autonomy in planning and execution of the schemes. RKVY funds allocation criteria that build in incentives for increased expenditure on agriculture and allied sectors. It also directs allocations to the rain-fed states and states with higher growth potential in agriculture. The allocation criteria are reproduced in Table 4.7.

**Table 4.7:** RKVY allocation criteria

Parameter	Weight in percentage
The percentage share of net un-irrigated area in a state to the net un-irrigated area of the eligible states. Eligible states are those states that become eligible to avail of the RKVY scheme based on their baseline level of expenditure under the State Plan and preparation of District and State Agricultural Plans.	20
The projected growth rates to a base year Gross State Domestic Product (GSDP) for agriculture and allied sectors (say, 2005–2006) will be applied to the GSDPs to be attained by the end of the Eleventh Plan by the states. The parameter will be set in terms of inter-state proportion of these GSDPs projected to be reached by the state by the end of the Eleventh Plan.	30
Increase in the total Plan expenditure in agriculture and allied sectors in the previous year over the year prior to that year.	50

Source: State of India's Agriculture, 2011.

At the beginning, in its first year (2007–2008), RKVY was started with a relatively small allocation of ₹1,489.70 crores only. However, allocation for the RKVY has been increasing every year, and for the year 2011–2012, an allocation of ₹7,860 crores was made. States have taken up over 4,000 projects under RKVY all across the country in agriculture and allied sectors including horticulture, organic farming, farm mechanization, micro and minor irrigation, watershed development, agriculture marketing and storage, seed farms, soil and fertilizer testing laboratories, animal husbandry, dairy development, fisheries, extension and agricultural research, etc. Critical infrastructures, such as state seed farms, soil and fertilizer testing laboratories, etc., have also received assistance under the programme across the states. Since RKVY does not prescribe any specific sector or intervention to be taken up, states have the flexibility to choose those projects which, in their judgement, are likely to generate growth in agriculture and allied sectors and will contribute to the objectives of RKVY. The RKVY programme guidelines contain only an indicative list of components/activities which states can take up.

The areas of focus under RKVY are:

1. Integrated development of major food crops such as wheat, paddy, coarse cereals, minor millets, pulses and oilseeds
2. Agriculture mechanization
3. Activities related to enhancement of soil health
4. Development of rain-fed farming systems in and outside watershed areas, as also integrated development of watershed areas, wastelands and river valleys
5. Support to state seed farms
6. Integrated pest management
7. Encouraging non-farm activities
8. Strengthening of market infrastructure and marketing development
9. Strengthening of infrastructure to promote extension services
10. Activities relating to enhancement of horticultural production and popularization of micro irrigation systems
11. Animal husbandry and fisheries development activities
12. Special schemes for beneficiaries of land reforms
13. Undertaking 'concept to completion' projects
14. Grant support to the state government institutions that promote agriculture/horticulture
15. Study tour for farmers
16. Organic and bio-fertilizers
17. Innovative schemes

The functioning of RKVY programme format has enabled the launch of new schemes and programmes that keep the states' flexibility and authority intact.

During Budget Speech in March 2012, the Finance Minister had announced five special initiatives as part of the RKVY, with a continued sub-scheme of BGREI and a modified integrated development scheme for 60,000 villages to limit it to pulses. Additionally, the Rain-fed Area Development Programme (RADP) and Saffron Mission were also implemented under RKVY during 2011–2012. Five new sub-schemes taken up during 2011–2012 include Vegetable Initiative for Urban Clusters, Initiative for Nutritional Security through Intensive Millets Promotion, National Mission for Protein Supplements and the Accelerated Fodder Development Programme. In all, nine special programmes and schemes were implemented as sub-schemes of RKVY with a total allocation of ₹2,500 crores as indicated in Table 4.8.

The nine sub-schemes have very specific objectives.

1. *BGREI*: Rupees 400 crores were allocated for extending technologies to improve the productivity of the rice-based cropping system in the eastern region of the country. The programme is being implemented in seven eastern states of Assam, West Bengal, Odisha,

Bihar, Jharkhand, Eastern Uttar Pradesh and Chhattisgarh.

2. *Integrated development of 60,000 pulses villages in rain-fed areas*: To attain self-sufficiency in the production of pulses within the next three years, an annual allocation of ₹300 crores was made to promote 60,000 pulses villages in rain-fed areas for the purpose of increasing crop productivity and strengthening market linkages.
3. *Promotion of oil palm*: In order to achieve a major breakthrough, special attention is being paid to oil palm as it is one of the most efficient oil crops. This component, which had an allocation of ₹300 crores is now allocated to bring 60,000 hectares under oil palm plantation and for integrating the farmers with the markets.
4. *Vegetable initiative for urban clusters*: In order to meet the growing demand for vegetables by the creation of vegetable production clusters around major cities and establishing effective market linkage and supply chain, an outlay of ₹300 crores has been made.
5. *Nutri-cereals*: To promote balanced nutrition, a higher production of bajra, jowar, ragi and other millets is to be taken up in 1,000 compact blocks covering about 25,000 villages, with an outlay of ₹300 crores made for it in 2011–2012.
6. *National mission for protein supplements*: This mission was launched with an allocation of ₹300 crores to take up activities to promote animal based protein production through livestock development, dairy farming, piggery, goat rearing and fisheries in selected blocks.
7. *Accelerated fodder development programme*: Rupees 300 crores was provided for the fodder development programme, targeting farmers in 25,000 villages.
8. *Rain-fed area development programme*: An allocation of ₹250 crores was made to exploit the potential of different farming systems based upon the natural resource and endowments created either

**Table 4.8:** New sub-schemes of RKVY 2011–2012

Sub-scheme	Allocation in ₹ crore
BGREI	400
Integrated Development of 60,000 pulses villages in rain-fed areas (60,000 pulses villages)	300
Special programme on oil palm area expansion (oil palm)	300
Vegetable initiative for urban clusters (vegetable clusters)	300
Initiative for nutritional security through intensive millet promotion (nutri-cereals)	300
National Mission for Protein Supplements (protein supplements)	300
Accelerated Fodder Development Programme (AFDP)	300
Rainfed Area Development Programme (RADP)	250
Saffron Mission-Economic Revival of J&K Saffron	50
Total	2,500

Source: Mail circulated by K. S. Gopal on livelilearning@googlegroups.com

by the farmers or through schemes like MGNREGS, RKVY, NHM and watershed projects.

9. *Saffron mission*: This mission has been launched to boost the production of saffron in Jammu and Kashmir with an allocation of ₹50 crores in 2011–2012.

Over last five years, RKVY has emerged as a popular programme supporting national priorities as sub-schemes while keeping the states' flexibility of project selection and implementation intact. In all, nine special programmes with focused objectives are being implemented as sub-schemes of RKVY. States have taken up over 5,290 projects in the last five years across all segments of agriculture and allied sectors. In aggregate, the states allocated 6.04 per cent of the State Plan allocations to agriculture in 2010–2011 as compared to 4.88 per cent in 2006–2007. In absolute terms, the contribution of State Plans to agriculture and allied sectors has gone up from ₹8,770.16 crores in 2006–2007 to ₹22,158.46 crores in 2010–2011. RKVY has, thus, succeeded in incentivizing states to allocate more funds to agriculture and allied sectors, consequently emerging as the principal instrument for development and revival of agriculture.

The RKVY has now witnessed a quantum jump in evolution from the variegated schematic approach to a completely new approach which emphasizes decentralized agricultural planning. It envisages that states would prepare comprehensive district and State Agriculture Plans for projects which are best suited to local conditions, to catalyse the existing production scenario for achieving higher production in agriculture and the allied sector, thereby giving them the required flexibility. RKVY has, thus, emerged as the principal instrument for development of the agriculture and the allied sector in states and has, indeed, accelerated the revival of agriculture.

Till February 2012, ₹6,992.44 crore was released to various states under RKVY for

**Table 4.9:** Budget allocation and release under RKVY

Year	Allocation	Release
2007–2008	1498.7	1246.8
2008–2009	3165.67	2876.34
2009–2010	3806.74	3756.53
2010–2011	6755.00	6719.05
2011–2012	7729.24	6992.44 (as on 29 February 2012)

Source: Press Information Bureau (2012), dated 29 March 2012. Available at <http://pib.nic.in/newsite/erelease.aspx?relid=81921>

2011–2012. Table 4.9 gives a break up of release and allocation of funds over the last five years.

Further, the Budget of 2012–2013 has made provision of ₹9,217 crores for RKVY. The scheme, which was launched in 2007 with the objective of achieving four per cent annual growth in the agricultural sector during the Eleventh Plan, is now being revamped for the Twelfth Five Year Plan and will be rolled out fully from April 2013, delaying the process by a year. For this year, the Ministry of Agriculture will continue all its existing schemes under RKVY. The Ministry of Agriculture had already started working towards consolidating its 50 odd schemes into about a dozen following recommendations by the Planning Commission. However, owing to official huddles, particularly for sharing of changes in the scheme with various stakeholders like state governments or coordinating agencies and banks, and the onset of the *kharif* season, the revamped schemes will be implemented in their new form by next financial year, adopting a focused approach towards each sector and avoiding overlaps inherent in the multiplicity of schemes (see Box 4.9). The revamped scheme envisages supporting a new objective of asset creation along with its current job of funding projects and schemes, including long term allocation spread across four to five years, doing away with the current practice of yearly allocation. Funding to states under RKVY will be made

in proportion to the growth of agriculture in that particular state.

### PPP: The new mantra in agriculture under RKVY

The Ministry of Agriculture has announced a new framework on 16 August 2012 to

encourage PPPs in the farm sector. It is envisaged to support such PPP projects through government funds provided to states under RKVY with an average investment of ₹1 lakh per farmer, half of which will have to be put up by the private partner. At the national level, the Small Farmers'

#### Box 4.9: Government of Odisha Plan on RKVY

In this July 2012, Government of Odisha has taken a decision to align the projects under RKVY as per the farmers need. It recognizes the three major requirements of farmers like scientific storage facility to arrest post harvest loss, marketing linkages to get remunerative price, adequate supply of farming machines to win over the issue of labour supply for timely agricultural operations. The Government has planned for setting up of argi-entrepreneur centres in rural areas through co-operative banks and Primary Cooperative Societies for availability of mechanized agricultural equipments and popularization of modern agricultural techniques. In the first phase, government has approved farm mechanization schemes for five districts namely Kendrapara, Kandhamal, Mayurbhanj and Jajpur and OUAT's technical support is sought to guide and organize implementation of the programme through KVKs in these districts. Against budget allocation of ₹904 crores for different RKVY programmes over last five years from 2007–08 to 2011–12, the programmes expenditure is reported to be around ₹826 cr. The utilization from 2007–08 to 2010–11 has been 100% with expenditure of ₹36 cr, ₹115 cr, ₹120 cr, and ₹274 cr respectively. The major programmes undertaken during 2011–12 included normal RKVY, bringing Green Revolution to Eastern Region of India (BGREI), developing of 60,000 Seed Villages, developing of Nutri cereals, Oil Palm, Vegetable Initiative for Urban Clustres, Rain-fed Area Development programme (RADP) and National Mission for protein Supplements. The total expenditure has been more than ₹279 cr. The allocation so far under normal RKVY for 2012–13 has been around ₹226 cr. Apart from this ₹217 cr has been allocated under different sub-schemes of BGREI and ₹12 cr has been allocated for Vegetable initiative for urban

cluster, ₹18 cr allocated for Diary/Fishery/Goatery schemes and ₹2 cr allocated for Nutri Cereals.

During Eleventh Plan period, 235 projects were taken up, out of which 120 projects have been completed and rest 115 projects are ongoing which are expected to be completed having allocation of ₹139 cr during 2012–13. Nine new projects has been approved under BGREI with a total cost of ₹267 cr. These projects include Block demonstration of Paddy under BGREI, Technology Mission on Cotton, Popularization of hybrid maize under PPP, popularization of hybrid paddy, seed treatment campaign, incentivising line-showing and line-transplanting, e-paste surveillance and pest management and distribution of leaf colour chart. The Government has also approved projects of worth ₹110 cr to be phased out in three different years. In all districts, it is planned to set up Soil Testing Centres involving Primary Agricultural Cooperative Societies.

Odisha has a successful model on the intervention through Mobile Veterinary Units (MVU) under Animal Resources Centres. The MVU is now running in 41 blocks of 10 districts namely Mayurbhnaj, Kalahandi, Nuapada, Bolangir, Keonjhar, Nawarangpur, Malkangiri, Koraput, Rayagada and Sonepur. It is planned to extend the programme to 165 blocks of these districts along with Gajpati and Kandhamal as new districts. The Vegetable clusters programme is being implemented in and around Bhubnaeswar urban clusters and the Government has planned to extend the initiative to Sambalpur and Rourkela urban clusters during current year.

*Source:* 'Odisha: RKVY projects should be aligned to farmer's needs says Chief Secretary, Jyoti Prakash', 18 July 2012. Available at <http://www.orissadiary.com/>

Agribusiness Consortium, an arm of the Ministry of Agriculture, has been nominated to provide technical support and facilitation to the states and public sector players. However, the state governments are vested with the power to take decisions on the type and number of projects to be supported under the Public Private Partnership on Integrated Agriculture Development (PPPIAD). Each project is expected to run between three years and five years and cover a minimum of 10,000 farmers. To keep tabs on performance, a results framework document (RFD) will be signed between the private sector partner and the concerned state government. Overall, PPPIAD appears well-intentioned and could serve as a boost to new and existing private players, particularly rural sector-focused start-ups. If private players could be incentivized enough by this means to get into the sector and build an ecosystem, the PPPIAD could help alleviate such problems for future entrepreneurs.

Through this scheme under RKVY, it is envisaged to leverage 50 per cent investment by the private sector over the next five years, with the balance share to be borne by the Union Government, the government is expecting to rope in a minimum of five lakh farmers through various supply chains. Such a network will offer farmers an assured channel for their produce and its competitive pricing.

### Changing profile of the agrarian society

In a recent study report titled 'The Great Indian Equalisation' (Mishra and Shankar, 2012) said that 'Rural India ... is no longer an agrarian economy exposed to the vicissitudes of an erratic monsoon'. The study says that manufacturing GDP in rural India has grown at a compounded annual growth rate of 18 per cent between 1999 and 2009 and today accounts for 55 per cent of the manufacturing GDP. The study says that almost 75 per cent of all new factories in the last decade have come up in rural India. While one of the reasons for this development

could be that there is little physical space available in cities, it has been also found that rural factories deploy more capital and employ more people. This change is showing up in the nature of employment in rural India. There has been a sharp drop in male employment in agriculture in the past five years, which the authors say, 'is equal to the shift away over the previous 27 years'. The study's findings state that the ratio of rural to urban per capita GDP has narrowed down from 3 times to 2.5 times over the past decade, with the transition from agriculture to industry and services being very rapid in rural India over the past decade. According to the authors, this runs contrary to the trend seen in other emerging economies. Further, according to the report, because of these changes, much of the incremental job creation in manufacturing was accounted for by construction, apart from such services as trade at the individual level. The report further adds that as rural India becomes less dependent on the vagaries of the monsoon, it also gets linked to the national economic cycle against which it was immune so far.

### Triggers in skills development initiative

The year 2011–2012 has witnessed a major trigger in the skill development arena. There are four major developments in skills-related areas in India, marking the beginning of exciting times in building human capital, with its focus on leveraging India's demographic dividend and reaching the goal of 500 million people.

1. *Private sector participation in skills development:* With the constitution of National Council on Skills Development in 2008 (chaired by the prime minister) and formation of the NSDC 2011–2012 has been a landmark year for skill development in India, particularly in the context of PPPs. The NSDC has forged new partnerships to train people, including joint ventures with big players like the

Bharti Group (11.5 million), Everonn (15 million), Future Group (7 million), and NIIT (7 million). As per the annual report of NSDC, the organization has covered 365 districts in 30 states and UTs with 639 centres having rolled out 346 courses in both organized and unorganized sectors as on March 2012. Against a target of training 1.62 lakhs people, it could train 1.81 lakhs candidates and have placed 1.44 lakhs with 79 per cent record. NSDC has funded 32 projects with 22 active partners so far and other corporate players have shown keen interest in partnering with the organization. For instance, Fiat India Automobiles has launched 'Diksha' to provide educational avenues and technical training for youth. In West Bengal, Axis Bank and Bandhan have jointly launched a ₹100 crore initiative in the area of providing skills training and assets to poor households. In Jammu and Kashmir, under a special scheme, the industry sector has showed interest in joining hands with NSDC to induct youth to train them in special skills at their facilities across India. All India Society for Electronics and Computer Technology (AISECT) has established partnerships with NSDC with a mission to empower around 1.3 million youth across semi-urban and rural India over the next 10 years. Under this alliance, AISECT will work as a national partner of NSDC to propagate quality skill development training across the country and undertake placement of students through a network of over 10,000 centres spread across 27 states and three union territories. AISECT's skill development initiative intends to cater to seven (of the 21 priority) sectors identified by NSDC which include Information Technology (IT) and IT Enabled Services (ITES), electronics and hardware, banking and financial services, teacher and assessor training, textiles, organized retail and agri

skills. Commencing operations in the backward regions of states like Madhya Pradesh, Chhattisgarh, Jharkhand, Bihar, Rajasthan, Uttar Pradesh, Odisha and Maharashtra, it plans to gradually expand and implement the programme across the country. Besides primary training, AISECT also plans to undertake a 'training of trainers' programme to improve the quality of skill training and technology utilization by trainers. Innovatively, AISECT endeavours to optimally utilize 6,000 Common Service Centres (CSCs) that it has set up at the panchayat level across Madhya Pradesh, Chhattisgarh and Punjab, by setting up of vocational/skill resource centres, providing placement and post-training support and counselling (both online and offline) and developing quality e-learning materials in the vernacular.

2. *Reform in Higher secondary education:* The Ministry of Human Resource Development has launched the revised centrally-sponsored scheme of vocationalization of higher secondary education. In order to promote vocational training in schools the government has established a vocational education cell within the Central Board of Secondary Education (CBSE). The scheme intends to help create a bridge between the academia and industry. The National Occupational Standards (NOS) developed by the Sector Skills Councils formed by NSDC will govern the activities in vocational education.
3. *Job creation remains the key challenge:* The government was able to create only one million jobs against the target of 50 million jobs during the Eleventh Plan period. It has now set an ambitious target of creating 60 million jobs during the Twelfth Five Year Plan. As a step towards this, the government has unveiled a new Manufacturing Policy that promises 100 million new jobs.
4. *Changing the social perception of skills:* For the first time, World Skills Competition

has received significant coverage by Indian media. A 16-member delegation from India has participated in the competition in London. This is a step forward that demonstrates India's determination to become the skills reservoir of the

world. On the other hand, there are reports from remote villages in under-developed states like Odisha and Bihar highlighting how innovative approaches to skill development are making a big difference (see Box 4.10).

**Box 4.10:** *Minting a skilled workforce. Targets to train 1 million youth during Twelfth Plan period*

*On 11 May 2012; Mr B. K. Patnaik, Chief Secretary Government of Odisha said that the state targets to train one million youth during the Twelfth Plan period. Currently, there are 800 technical institutions and training centers in the state with an yearly intake capacity of 134,000 students. Around 70,000 youth are to be trained outside these institutions each year in association with private training partners.*

BHUBANESWAR: Class IX student Manjulata Sahu was forced to quit school last year to help her family in domestic chores until it was time for her to get married. That would have been the end of the Nimapada girl's education. But the teenager was soon lured by the promise of campus placement with ₹5,000 monthly salary after a month's training by a Bhubaneswar-based institution.

With a large number of agencies giving funds to support skill development these days, top notch institutions have changed their focus from distributing fancy degrees to impart employable expertise to those with almost no educational qualifications to boast of. Bar bending and steel fixing, masonry, driving and motor mechanic, sewing are some of the skills in high demand zeroed in on by organizations to reduce the demand-supply gap.

After one month of sewing machine operator's training at Centurion University of Technology and Management (CUTM), Manjulata would be able to take a three-month on-job training with a monthly pay of ₹3,500. 'After that I will get a garment industry job of around ₹5,000 with accommodation facility in an Indian city. What an exciting change,' beamed Manjulata. CUTM has already trained 3,000 students as sewing machine operators.

'There is a huge demand for this kind of training. We are unable to produce sufficient manpower for industries approaching us for people with such soft skills,' said

Mukti Mishra chairman of Gram Tarang Employability Training Services, an initiative of CUTM.

Around 15 million youth need initial vocational training every year in India and the existing private and public institutional capacity is only three million. 'To meet the huge demand, we wanted to partner in this sector as a major thrust area,' said Mishra. Gram Tarang offers training in desktop publishing (DTP), tailoring, motor repair, welding, among others. It has training centres in Paralakhemundi, Bhubaneswar, Rayagada, Balangir, Balasore and Koraput in the state besides four centres in Andhra Pradesh.

'While government departments such as ministry of rural development and ministry of SC/ST development support different kinds of training, we have also collaborated with industry to churn out skilled manpower needed for them,' said Abhinav Madan, managing director of Gram Tarang. Though most of the training is mainly for school dropouts or for those with low educational qualification, several graduates too are joining the courses because of guaranteed jobs, he added.

If someone visits the fast progressing construction work at the All India Institute of Medical Sciences in Bhubaneswar, chances are high that one would come across semi-skilled construction workers trained at Sri Sri University (SSU) here, promoted by spiritual guru Sri Sri Ravi Shankar. 'Vocational training is an important aspect of our university. All our trainees on bar bending and steel fixing are getting campus placements. Larsen and Toubro is our largest recruiter,' said Vijaya Lakshmi Mohanty, associate director (public relation) of the university. SSU vice-chancellor Kailash Chandra Mishra said the varsity will expand its vocational training base to cover several other skill-oriented training soon.

All the 15,000 tribal students taking admission in Kalinga Institute of Social Sciences (KISS) get vocational training as an integral part of the curriculum. Every student undergoes vocational education in one of the 50 trades offered as per his or her talent, the institute claims. KISS offers computer

training, painting, composite farming, photo framing, food processing, incense stick making, animal husbandry, food processing and preservation, tailoring, applique, bakery, soft toy making and driving, among others.

*Source: Pradhan (2012).*

### A few trends recognizing skills as the future

Addressing the nation on 15 August 2012, the Prime Minister announced the setting up of a specialized authority to implement skill development schemes in a coordinated manner to enhance job prospects of the youth. Terming it as an ambitious scheme, he talked about the National Skill Development Council and the training package including the duration of the training courses, ranging between six weeks and six months, and participation of the private sector and NGOs which will help achieve a target of 8 crore people in the next five years. Initially about ₹40,000 crore is proposed to be pumped into this body, to be set up by the end of the year. There is likelihood of the Prime Minister's NSDC being subsumed into this authority. The authority will aim at Sector Skill Councils in various sectors like automobile, retail, security services, food processing, etc., to bring together all stakeholders on one platform. As an advisory body, NSDC was set up in 2008 by the Prime Minister with some cabinet ministers, field experts, and representatives from the Planning Commission, the National Manufacturing Competitiveness Council and NSDC. The NSDC has the mandate of imparting skills to 150 million people in 10 years. The NSDC has identified over 21 key sectors (including the unorganized sector) that will be of particular importance. Of these, manufacturing, textile, construction, automotive, retail and health care are the key sectors. The NSDC, as part of its mandate, is also facilitating the setting up of sector approaches in the form of

31 Sector Skills Councils (SSCs). Ten SSCs in the automotive, retail, security, health care, IT/ITES, and gems and jewellery verticals, among others, have already been approved. However, the functioning of NSDC has come under serious criticisms on account of its approach and strategies to achieve the targets in view of its current progress and partnerships.

In retrospect, in order to address the skill gap in the country the government's National Skill Development Plan aims to create 500 million skilled manpower by 2022. Besides NSDC's target of skilling 150 million people, the Ministry of Labour and Employment has a target of 100 million, the Ministry of Human Resource development 50 million and the remaining 200 million from 17 other ministries. The current status of ministry-wise targets for skill development for 2012–2013 is presented in Table 4.10.

### Policy push: Budget announcements 2012–2013

In the Union Budget 2012–2013, the government has doubled its allocation of funds for skills development under the National Skill Development Fund (NSDF) to ₹1,000 crores, raising the corpus of the fund to ₹2,500 crores. The launch of the credit guarantees fund and exemption of vocational training institutions from service tax are some of the steps taken to help make skills training affordable.

### Visible Gap

The Indian economy has grown by leaps and bounds and the choices have become

**Table 4.10:** Ministry-wise targets for skill development for 2012–2013

Ministry/Department/Organization	Target 2012–2013*
Labour and Employment	2,500,000
Micro, Small and Medium Enterprises	600,000
Agriculture	1,000,000
Rural Development	500,000
Higher Education	220,000
Women and Child Development	150,000
Housing and Urban Poverty Alleviation	1,000,000
Tourism	54,000
Social Justice and Empowerment	40,000
Textiles	250,000
Heavy Industries	20,000
Department of IT	440,000
National Skill Development Corporation	400,000
Ministry of Chemicals and Fertilizers	30,000
Ministry of Development of North Eastern Region	3,000
Ministry of Food Processing Industries	11,000
Ministry of Road Transport and Highways	100,000
Ministry of Tribal Affairs	5,000
<b>Total</b>	<b>7,323,000</b>

Source: NSDC. Available at <http://www.skilldevelopment.gov.in/node/128>

Note: \*Number of people the Government aims to cover.

diversified. However, the formal education system in India has not changed much and remains divorced from any sort of vocational education or training. This has created a paradoxical problem, with big numbers in terms of manpower, lacking in skill and training.

India's expectation of high GDP growth, which corresponds with respective sectoral growth, is expected to generate 98 million incremental jobs between 2010 and 2015. This will mean that on an average approximately 20 million workers will require some form of vocational training every year. With a current capacity of about 5.5 million, the existing capacity for vocational training is

inadequate to meet the demand. Figure 4.4 shows the projections therein for some of the sectors and explains the situation.

There are other related issues on quality of training, micro-level requirements, mobility of candidates, inspirational factors which have limited industry linkages which

**Figure 4.4:** Projection on sectoral requirement

THE KEY SECTORS IN TERMS OF REQUIREMENTS ARE:

Sector	Incremental required till 2020	Share of mid-high skill jobs*
Infrastructure	3.9 mn yearly	–20%
BFSI	0.3 mn yearly	>70%
Organized retail	1.4 mn yearly	40–45%
Tourism/hospitality	1.4 mn yearly	45–50%
Media	0.2 mn yearly	50–55%
Health care	1.0 mn yearly	>70%
Education	0.7 mn yearly	>70%
<b>Total</b>	<b>8.9 mn</b>	<b>–40%</b>

#### SUPPLY AND DEMAND

The existing supply of vocational training is inadequate to meet the demand

	Supply	Demand
Courses with limited industry linkage	2,050	NA
Agriculture	226	NA
Auto and components	179	800
BFSI	3	300
Computers and electronic hardware	107	300
Construction and real estate	459	3,900
Food processing	61	700
Health care	350	1,000
IT/ITeS	67	400
Media, entertainment and creative arts	45	200
Textiles	471	1,900
Tourism and hospitality	61	1,400
Transport and logistics	3	1,500

Source: NSDC, KPMG Analysis, Kotak Institutional Equities: The Great Unskilled. Can We Fix It, Secondary Research.

constitute constraints in terms of meeting industry standards.

### Paying the cost of training: In search of solutions

There are many private players who have joined the skill development field as training organizations under the PPP approach. While some have prepared business models relying on fees from trainees, others are trying to make the industry pay the placement fees. However, industry players tend to resist placement fees since usually those who employ entry-level skilled workers operate in the unorganized sector and do not necessarily distinguish between skills obtained over a three-month training and an unskilled worker. There is neither a premium in the wages nor a desire to pay any placement fees in return for such skills. Thus, the market model of skill training mainly hinges on students paying for themselves. Since the majority of trainees come from economically backward strata, they find it difficult to pay the ₹5,000 upwards usually charged for such entry-level skill-training programmes. While a policy for bank lending for skill training has now been put in place, its efficacy, both in terms of loan disbursement and that of subsequent repayment, will have to be time tested.

There, thus, exists a paradoxical situation with regard to who will and bear the cost of training. Articulating the situation, Manish Sabharwal, Chairman, Team Lease, in his article published in People Matters.in on 4 June 2012 speaks about the market failure in skills. Paying for the cost of skill training remains one of the biggest challenges. The candidates either do not have the capacity or are unwilling to pay for the training. On the other hand, companies looking for hiring the right kind of skills and competence are willing to pay for trained candidates but not for training. Training organizations/service providers are thus unable to garner enough candidates to impart training in a cost effective manner. On an average depending on the duration and nature of skill training, an investment between ₹2,000 and ₹10,000 per month is required to impart skill training. On the candidate's part, the return on such investment largely depends on the job market situation. Citing the views of Nobel laureate economist Peter Diamond, Manish Sabharwal talks about the need for 'a few months of repair' (Sabharwal, 2012). The experience of community colleges that offers associate degrees is an endeavour to help prepare and repair candidates and make them employable. Skill vouchers, advocated by many, are perhaps another mechanism (see Box 4.11).

#### Box 4.11: Loan facility by bank for skill training

In order to support and help develop skilled workforce, the Indian Banks' Association (IBA) has approved a vocational education loan scheme recently. This scheme aims at benefiting around 25 lakh people in the country, who can avail loans in the next three years for pursuing vocational courses offered by industrial training institutes and polytechnics and other technical and professional courses from recognized colleges and universities. The interest rate charged will be linked to the base rate of banks as decided by the individual banks or at reduced rates, if an interest subsidy is provided by the central or

state governments to all or a class of beneficiaries proposed to be targeted.

Banks will charge a simple interest rate during the study period and up to the commencement of repayment. The note on model loan scheme for vocational education and training also mentions that servicing of interest during the study period and the moratorium period till commencement of repayment is optional for students. Also an interest concession of 1 per cent will be provided if the interest is serviced during the study period and the subsequent moratorium period prior to the commencement of

repayment. The bank will not charge any processing fee for the loan. The loan will be provided by all member banks of IBA and banks and financial institutions as advised by the RBI. Banks will not take any collateral or third-party guarantee. However, the parent will execute the loan document along with the student borrower as joint borrower. Insurance for the loan is optional, and the borrower can repay the loan any time after commencement of repayment without having to pay any prepayment charges. Banks will have to implement the scheme from July 1 after taking the approval of their board. There are obvious challenges in rolling out the scheme by the Banks at such a short notice.

Any student of Indian nationality can avail the loan. The student will have to secure admission in a course run or supported by a ministry/department of the government or a company/society/organization supported by the NSDC or the State Skill Missions/State Skill Corporations, preferably leading to a certificate/diploma/degree issued by a government organization or an organization recognized/authorized by the government to do so. To avail the loan, the vocational/skill

development course must be for anywhere between two months and three years. There is no age bar for the student to avail the loan. However, if the student is a minor, while the parent will execute the documents for the loan, the bank will obtain a letter of ratification from the borrower after he becomes a major. Banks will give a loan of ₹20,000 for courses of up to three months and ₹1.5 lakh for courses above one year. Banks will consider sanction of higher limits for courses of duration above one year for specific courses offered by reputed institutions with and for courses with high employability. The loan will include expenses for tuition course fee, examination, library and laboratory fee, caution deposit, purchase of books, equipment and instruments. It will also cover any other reasonable expenditure found necessary for completion of the course. Analysts say the new loan scheme for vocational courses will help a large number of people and will make them employable with skills.

Sources: [www.iba.org.in](http://www.iba.org.in); [www.edevelopment.gov.in](http://www.edevelopment.gov.in)

### Informal sector: Blending the idea of apprenticeship and soft skills

While formal training and apprenticeships may be better equipped to serve the formal system, there is hardly any system and model in India that caters to micro and small enterprises and supports people to become self-employed. Apprenticeship schemes can be looked at as a viable alternative for small employers as they have the effect of making skilled labour productive more quickly and bringing down the cost for employers. The challenge is to reduce the duration of training while raising the quality so that the return on investment for employers is better guaranteed. Further, learning technical skills is not enough; soft skills that make people employable are just as critical. Experiences from other countries show that the apprenticeship model is particularly effective at developing these skills alongside technical skills.

### How to overcome the bottlenecks: Some ideas

In the skill training value chain there is a need to retain the following aspects:

1. *Popularizing vocational education and training:* A campaign by the proposed skill development authority and/or NSDC can help educate both parents and candidates on the importance of skill training and vocational education. Professional agencies can be roped in to popularize vocational education, thereby helping to reduce the shortfall in the number of skilled workers available in the country (see Box 4.12).
2. *Retaining interest of the concerned parties:* The individual candidate, training provider, certification authority, potential employer and suitable (dis)incentive system can be devised like Voucher System for the trainee candidates, seed

**Box 4.12:** *Vocational courses at the school level in Haryana*

The Government of Haryana has planned to introduce vocation courses at school level under which students would be trained in vocational courses. Launched in September 2012, this programme will be governed under the National Vocational Education and Qualification Framework. The Government of Haryana has identified and selected eight districts (Jhajjar, Gurgaon, Faridabad, Rohtak, Ambala, Palwal, Mewat and Yamunanagar)

for the project and will begin with five schools in each of the above districts. Four vocational courses like IT, retail, security and automobile along with basic education are included under this programme. The students could avail of the employment opportunities to their maximum after doing these courses at school level.

*Source: Times of India, 2 September 2012.*

capital grant and equity participation by the government through respective departments, bilateral projects like NRLM/SAMRIDHI and potential employers.

3. *Social standing:* The growing interest in vocational education has enormous potential to change mindsets and create an enabling environment for skilled workers. The policy decision by All India Council for Technical Education (AICTE) is considered as a positive move to introduce vocational undergraduate degrees (see Box 4.13).
4. *Skilling and employability solutions:* Another important perspective is related to the acceptance of the vocationally skilled workforce by corporate houses, government, policymakers, and society in

general. A social ecosystem that respects those skilled in vocational education, a support system that addresses some of the basic necessities of life, a network to share and live with and a decent working atmosphere will certainly go a long way in changing the mindset of people towards skilling and, thereby, empowering the youth.

### Strict policy measures to make things work: IGNOU's decision on community colleges

In 2009, the concept of community colleges was introduced by the Indira Gandhi National Open University (IGNOU). There are about 465 community colleges running

**Box 4.13:** *Initiative by AICTE on vocational education*

Talking about introduction of vocational education in undergraduate level, recently in June 2012, S. S. Mantha, Chairman AICTE, has made an announcement to approve 4–5 such colleges in each state. AICTE has received applications from 300 colleges to introduce vocational education. For now, 10 sectors have been chosen which include tourism, construction, printing, telecom, information technology, mobile and communication. To begin with, AICTE has proposed five sectors for each college. Each sector can have a maximum of 100 students limiting initially to admit 500 students under the programme

in a college. The purpose of having this programme is to bolster employment opportunities for college graduates. Students who did not opt for vocational education at the school level can simultaneously do extra hours to make up for lessons they have missed under a specific trainer. Ministry of Human Resource Development has already launched the National Vocational Education Qualification Framework (NVEQF) for implementation in polytechnic as well as engineering colleges, besides other colleges in the university system, from 2012 to 2013.

*Source: Srivastava (2012b).*

1,615 programmes enrolling nearly 43,000 students under this programme. These colleges offer and empower the underprivileged with job-oriented and skill-based education programmes in the form of an associate degrees, diplomas or certificates. After completion of the associate degree, a student can take admission to an undergraduate college. However, IGNOU found that many colleges were being run as commercial establishments, operating franchises and charging arbitrary fees from students. In view of this, the IGNOU Board of Management decided on 31 May 2012 that the community college scheme would be subjected to a time-bound review which has put the career prospect of thousands of students at stake (Srivastava, 2012a).

### The way ahead

Although the Budget for 2012–2013 included increased support for NSDC, the appointment of the skill councils in retail, security and automobile sectors, the allocation of ₹1,000 crore to the NSDF and a separate credit guarantee fund that will benefit the youth in acquiring market-oriented skills, it is clearly not enough for India to effectively train its burgeoning young workforce. Over last two or three years there has been unending public debate on developing concrete action plans but the key to it is a clearly defined unambiguous standards framework for training and certification in vocational education, strengthening of PPP models to encourage private investment and participation in defining standards such as NOS and SSC, as well as and seamless integration of vocational education with mainstream university education. In sum, the situation calls for coordinated action among various ministries such as Human Resource Development and Labour as well as the Planning Commission on skill development policies and programmes to reach, target, empower and capacitate the vast majority of the workforce in the unorganized sector.

According to a recent McKinsey Global Institute report (McKinsey Global Institute, 2012), because industry has not expanded as quickly as the capacity of the higher education system, India is going to be one of the few countries in the world with a surplus of high-skill workers in the coming decade. India will have around 6 million more skilled workers than its domestic industries can employ. While this doesn't bode too well for domestic industrial growth, it provides a great opportunity for India's skilled workers. The report talks about India's surplus of high-skill workers but the medium-skill workers (those who have completed secondary education) would face major problems unless concerted action is taken soon to increase secondary school penetration and improve the reach of vocational training across this subset of the labour force. According to the report, due to India's low secondary school graduation rate, there will be a shortfall of 13 million medium-skill workers by 2020. This corroborates the issues being highlighted by several reports, including those by International Labour Organization (ILO), Federation of Indian Chambers of Commerce and Industry (FICCI) and Team Lease. The report also makes recommendations including achieving 100 per cent secondary school enrolment by 2020, providing job-relevant vocational skills to the 285 million Indians with no secondary education and improving the performance of labour-intensive sectors.

Hopefully, the Twelfth Five year Plan will provide some answers and concrete avenues to consolidate these efforts while the National Skill Development Authority will successfully function as an umbrella mechanism to coordinate and achieve this gigantic number.

### Good investment must result in good returns

All the four programmes described above are well meaning and have made good inroads even though each of them is in different

stages of their respective programme cycles. However, the investment figures indicate only the supply side of the picture: how much has been allocated and spent, and there is hardly any measure to determine how much of the money spent on livelihoods promotion and opportunities have actually reached the poor. There exist occasional field studies and evaluations such as some National Sample Survey Organisation (NSSO) surveys which provide information on the extent of leakages in the public distribution system (PDS) and the MGNREGS. While these statistics show a much lower extent of leakages (40 per cent in 2009–2010 for PDS and 42 per cent for MGNREGS) than what is normally believed, this is no substitute for an institutional mechanism for evaluating government programmes, especially on livelihoods promotion. At the same time, there is hardly any information on other flagship programmes and the extent of subsidies for which independent evaluation using secondary data is not even possible. However, there is some progress on this front. The Planning Commission is already in the process of establishing an independent evaluation office (IEO) to undertake evaluation programmes. The Ministry of Rural Development has also proposed setting up of a concurrent evaluation network (CENET) for evaluating its programmes. All these efforts are yet to come out with evidences and statistical analysis. The social audit system and the recent move for introducing the CAG audit system on MGNREGS is one of the paradigm shifts in the direction towards institutionalization of mechanisms on providing information on outcomes and visible returns.

At the cusp of the Twelfth Five year Plan it was expected that the Budget 2012–2013 would give signals on policy directions and enhanced focus on critical areas on livelihoods promotion. In view of the disappointing growth rate of the economy, coupled with high inflationary pressures, the allocation made on the

flagship programmes, as explained above, has been relatively pragmatic. However, the Budget 2012–2013 has not given clear directions on the programme front except a few corrective measures such as that on MGNREGS, promises about consolidation of RKVY (while remaining silent on the Women Farmers' Entitlement Bill, 2011)<sup>2</sup>, populist announcements on NRLM and setting ambitious targets on skills initiatives (see Box 4.14).

Twenty one years ago, in one its issues, the *Economist* noted that India was like a tiger that had been caged for so long in a crouched position that it would be unable to leap even if it were uncaged. Two decades later, the same journal speculated about the possibility that it would speed ahead of China. However, in May 2012, it took a very different stance by means of a sobering assessment that an India 'bereft of leaders' is destined for a period of lower growth. Despite all the debate about where to draw the poverty line, poverty levels have declined at a higher rate during 1995 to 2010. In many ways, given the prevalent global economic situations, a growth of 5 per cent plus still looks good for India. However, there is a contradiction inherent in this eulogy, which has serious implications on the opportunity cost that the poor would be burdened with. The backward states like Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan, Odisha, Chhattisgarh and Jharkhand which account for more than half of India's population,

<sup>2</sup> The Women's Farmers Entitlement Bill, 2011, acknowledges the increasing feminization of India's agricultural labour force, with women constituting over 50 per cent of Indian farmers and about 60 per cent of the farming sector workforce. The Bill intends to provide gender specific needs of women farmers, protect their legitimate needs and entitlements and empower them with rights over agricultural land, water resources and other related right and for other functions relating thereto and for matters connected therewith. Once passed by the Parliament and enacted, this Bill would eliminate the handicaps faced by women farmers, such as title to land, and access to credit, inputs, insurance, technology and market.

**Box 4.14:** *Optimism—Convergence of NRLM with market*

NRLM will facilitate creation of favourable investment climate for investment in lagging regions and poor households. Firstly, it will help build people's own private sector (people sector). Second, it will invest in making poor partners in growth process as market participants rather than relying on social safety nets alone. The SHG and federations promoted by WB assisted rural livelihood projects have own equity funds of more than US\$1 billion which helped them make accumulated investment of US\$9 billion over last ten years in micro, small and community enterprises. This resulted in expansion of rural markets and attracting several private sector and multinational firms to partner with these projects. Following types of investments have been catalyzed over last ten years and will be scaled up through NRLM:

- Investments in workforce development and skilling rural poor in high growth sectors like construction, IT, manufacturing, textiles and apparel, retail, security and services help them participate in benefits in formal labour markets, value added migration and urbanization. About 500,000 youth from poor households have trained and placed in leading companies like Nokia, Hyundai, Samsung, HSBC, Group 4, More, Future Group, etc.
- Organizing producer companies, improving productivity and production

quality of rural producers and attracts private and cooperative sector to do business with them and procure commodities, goods and services. Large private firms like ITC, Olam International, Suguna, Himalaya Drugs, etc., large cooperatives like Sudha, Vijaya, NDDDB and social enterprises like Asian Heritage Foundation and EDA Rural Systems source their requirements from the producer collectives. The estimated turnover of these procurement operations is around US\$500 million.

- The peoples sector also creates organized demand for FMCG, consumer durables, and range of services like food, health, education, communication, travel and transport, etc., in rural India. Business models have emerged where institutions of the poor partner with private sector to co-produce and deliver services in the last mile. Large multinationals like Hindustan Unilever leveraged SHG networks to increase their rural footprint to 100,000 villages in India. Private and public sector banks together use these networks as banking agents in 6000 villages in Andhra Pradesh for delivering financial services to the poor. Social enterprise Janani entered into partnership for providing health services to the poor in Bihar.

Source: Machiraju (2012).

have grown exceptionally fast in recent years (see Table 4.11).

In other words, statistically and anecdotally, the poorest in India have gained the most from the reform processes, public investments and flagship programmes.

During this period, the government has introduced many new programmes such as Prime Minister's Rural Development Fellow, policy on Bharat Rural Livelihood Fund, Integrated Action Plan for Naxal-hit districts, etc., as special strategies to arrest poverty and enhance livelihoods

**Table 4.11:** GDP growth rate in backward states

State	2009–2010	2010–2011	2011–2012
Uttar Pradesh	6.1	7.9	6.2
Bihar	10.4	14.8	13.1
Madhya Pradesh	10.5	8.2	–
Rajasthan	5.5	10.9	–
Odisha	6.7	8.6	7.2
Chhattisgarh	3.35	11.6	10.8
Jharkhand	5.0	6.0	6.6
All India	8.4	8.4	6.5

Source: Central Statistical Organisation (2012).

opportunities for the people in affected areas. Similarly, on the agriculture front and in addition to the restructuring of RKVY, there are new policy guidelines on priority sector lending, PPPs through Small Farmer's Agribusiness Consortium and NABARD, and now a proposal for setting up of an Agriculture Credit Guarantee Risk Fund in view of increasing incidence of bad farm sector loans and drought situations in many states. In its recent Economic Outlook Report (Economic Advisory Council to the Prime Minister, 2012) the Prime Minister's Economic Advisory Council (PMEAC) has stressed on the need for agricultural reforms and cutting down subsidies on power and water. The report is strongly of the view that agricultural growth in India has lagged behind as compared to that of other fast-developing countries because reforms have not been

introduced. The PMEAC has also indicated that the factors that deterred bold policy initiatives in the farm sector in the past have lost much of their relevance today. The two key ones among them were the perception that the majority of farmers, being small and marginal, lacked the ability to absorb shocks and that carrying out reforms in this sector was difficult since agriculture was a state subject. Various ways and means are now evolving and emerging for both the Centre and the states to work on the reforms agenda and arrange for its speedy implementation. Both the Twelfth Five Year Plan and a restructured RKVY, it is expected, will bring about a lot of changes in agriculture investment related decisions by the government.

The State, thus, still remains as the largest investor in livelihoods promotion for the poor and their empowerment.

## ANNEXURE 1

### Statewise SGSY status and progress in 2011–12

States /U.T.	Total credit target	Total credit disbursed (₹ in lacs)	Credit disbursed (in % age)	Total available funds	Utilization	% age utilization	Credit subsidy ratio
Andhra Pradesh	32,130	15,256.89	47.48	15,966.21	8,928.52	55.92	2.89
Bihar	76,420	17,845.3	23.35	54,945.14	14,639.25	26.64	1.74
Chhattisgarh	16,980	16,715.27	98.44	8,335.71	7,001.18	83.99	1.87
Goa	500	115.03	23.01	451.37	61.59	13.65	2.23
Gujarat	12,090	8,199.97	67.82	5,991.39	5,316.7	88.74	2.57
Haryana	7,130	8,769.64	123	3,531.7	3,531.7	98.95	3.67
Himachal Pradesh	3,010	5,821.39	193.4	1,676.08	1,419.78	84.71	6.78
Jammu & Kashmir	3,710	1,166.05	31.43	1,160.82	525.25	45.25	3.67
Jharkhand	28,820	9,686.44	33.61	13,940.08	9,041.79	64.86	1.64
Karnataka	24,260	25,598.77	105.52	12,440.72	11,798.34	94.84	3.47
Kerala	10,890	10,696	98.22	5,419.99	5,232.6	96.54	2.77
Madhya Pradesh	36,370	27,647.3	76.02	18,258.76	14,810.33	81.11	2.71
Maharashtra	47,950	37,466.78	78.14	24,210.2	23,080.34	95.33	2.53
Odisha	36,750	30,572.07	83.19	17,292.83	17,134.89	99.09	2.58
Punjab	3,470	3,571.77	102.93	1,428.72	1,200.86	84.05	3.76
Rajasthan	18,430	27,525.07	149.35	12,045.28	10,108.88	83.92	4.02
Tamil Nadu	28,410	21,923.04	77.17	12,995.19	9,366.49	72.08	3.16
Uttar Pradesh	110,020	116,115.27	105.54	59,875.64	42,832.96	71.54	2.65
Uttarakhand	5,800	5,681.4	97.96	2,972.15	2,646.01	89.03	3.2
West Bengal	40,840	18,788.83	46.01	21,110.3	17,000.05	80.53	2.75

Source: [http://rural.nic.in/sites/downloads/general/SGSY\\_NRLM\\_Agnd\\_PRC\\_F\\_May2012\\_29052012.pdf](http://rural.nic.in/sites/downloads/general/SGSY_NRLM_Agnd_PRC_F_May2012_29052012.pdf)

**ANNEXURE 2**  
**Status on progress of NRLM/Aajeevika roll-out as in May 2012**

States	Institutional structure						Capacity building						Programme requirements						
	Cabinet approval for roll-out of NRLM	Setting up of state society-society registered	Appointment of fulltime mission director/CEO	Recruitment of SMMU core team-full time	Identification of intensive districts/blocks completed	Approval from competent authority for HR structure, salary, recruitment policy, financial and administrative delegation	Recruitment of staff for intensive blocks and districts	Exposure visit of key persons	Identification of resource blocks completed	Resource block strategy finalization and MoU signed with resource organization	Resource block strategy rolled out	Developing induction strategy for project staff at various levels	Implementation of staff induction strategy	Preparation and submission of annual action plan	Approval for interim HR policy, admn and financial rules for the initial period	Preparation and submission of SPIP	Approval of AAP/ SPIP and release of fund	Implementation of other pilots—livelihoods pilots, financial inclusion pilots, etc.	Preparation of systems and policies
AP	Done	Done	Done	Done	All districts are intensive	Done	Already in place	Not required	Not required	Not required	Not required	Already done	Already done	Submitted	Submitted	Done	SPIP/AAP approved and funds released	Not required	NA
Bihar	Done	Done	Done	Done	Done	Done	Under progress	Not required	Not required	Not required	Not required	Done	To be done (after all staff are recruited)	Submitted	Done	Submitted	Approved and funds released	To be done	Done
Gujarat	Done	Done (A for-profit company has been set and designated as SRLM)	Done	Done	Done	HR structure and salary approved. Rest in progress	Done	To be done	To be done	To be done	To be done	To be done	To be done	1st draft submitted but needs extensive revision	To be done	In progress	AAP likely to be approved in first quarter of 2012–2013	To be done	In progress
Haryana	Done	Done	To be done (Addl. Charge has been given to Director RD)	Recruitment process in on	Done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	1st draft submitted. Revisions	To be done	To be done	To be done	To be done	To be done
HP	Done	Done	To be done (Addl. Charge has been given to Director RD)	Recruitment process in on	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be submitted	To be done	To be done	To be done	To be done	To be done
J&K	To be done	Done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done
Jharkhand	Done	Done	Done	Done	Done	Done	Partially done	Done	Done	To be done	To be done	To be done	To be done	Submitted	Done	To be done	To be done	To be done	To be done
Karnataka	Done	Done	Done	To be done	Done	HR structure and recruitment policy is approved and the rest is under process	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be submitted	To be done	To be done	To be done	To be done	To be done
Odisha	Done	Done	Done	Partially done	Done	HR structures and salaries approved	Under progress	Done for existing staff .	Done	To be done	To be done	Already exists	To be done for the newly appointed staff	To be submitted	To be done	Under preparation—1st draft done	Expected to be done by April	To be done	Exists for the TRIPTI project
Chhattisgarh	Done	Done	Done	Recruitment process is on	Done	HR structure approved. Rest in progress	To be done	Done for existing staff	Done	Under progress	To be done	To be done	To be done	Done	Done	Partially done	Expected to be done by mid-April	To be done	Initial financial delegation done. Rest to be done
Kerala	Done	Done	Done	Done	Done	Done	Done	NA	NA	NA	NA	NA	NA	Done	Done	Done	Done and funds released in February 2012	NA	Done
MP	Done	Done	Done	Done	Done	Done	Partially done	Done	Done	To be done	To be done	To be done	To be done	Submitted	Draft prepared	1st draft submitted	To be done	To be done	Draft prepared
Maharashtra	Done	Done	Done	Recruitment process is on	Done	HR structure approved. Rest in progress	Under progress	Done for existing staff of first	Phase districts	Done	Under progress	To be done (within April)	To be done	1st draft submitted	Done	Under preparation—poverty diagnostics done	Expected to be done by mid-April	To be done	To be done
Punjab	Done	Done	Not done	In process	Done	In process	In process	Done	Done	In process	In process	In process+G12	In process	Done	In process	In process	Not done	Not done	In process
Rajasthan	Done	Done	Done	Partially Done	Done	Being done	In process	Done	Done	In process	In process	In process	In process	In process	In process	In process	Not done	In process	In process
TN	Done	Done (WDC designated as SRLM)	Done	In progress	Done	Being done	In progress	Not required as the state has its own successful model	Not required	Not required	Not required	World Bank supported PVP project has already developed these	To be done	1st draft submitted	To be done	In progress	Expected to be done in April 2012	Not required	To be done
UP	Done	Done	Yet to be done (A nodal person for the mission nominated)	Recruitment process yet to be initiated	Done (approved by GB)	HR structure, salaries approved by GB	Yet to be initiated	To be undertaken	To be done	Under progress	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done
Uttanchal	Done	Done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be submitted	To be done	To be done	To be done	To be done	To be done
West Bengal								To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done	To be done

Source: [http://rural.nic.in/sites/downloads/general/SGSY\\_NRLM\\_Agnd\\_PRC\\_F\\_May2012\\_29052012.pdf](http://rural.nic.in/sites/downloads/general/SGSY_NRLM_Agnd_PRC_F_May2012_29052012.pdf)

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# Livelihoods Protection and Promotion: The Changing Role of Civil Society Organizations

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## Chapter 5

### Introduction

Civil society organizations (CSOs) have played an important role in poverty alleviation, social mobilization, increasing empowerment and improving livelihoods of people over the past five decades. They have been in the forefront of development initiatives and have attained national and international recognition as legitimate actors in the shaping of society.

The development paradigms in the fields of growth, poverty reduction and social inclusion have changed significantly over the past six decades since Independence. CSOs have, thus, operated in and shaped a development space that is being continuously configured and reconfigured.

This chapter tracks the development of CSOs as key actors in the process of development from a historical perspective and highlights the challenges they must face to survive in the current environment. The chapter shows that even as traditional spaces for CSOs are shrinking, new spaces are opening up. Thus, in order to remain relevant, CSOs will have to seriously re-examine their worldviews, strategies and operations, and constantly reinvent themselves. Only then can they retain their critical positioning in the process of shaping social structures and environments.

### Definitions and typology

Since all organizations contribute to the development process in some way or the

other, it may be argued that all organizations headed by citizens—other than government—are civil society organizations. While some of these work purely for profit and, even in doing so, generate employment, incomes and social benefits, others deliberately position themselves as non-profit organizations/voluntary organizations/non-governmental organizations (NGOs) etc. The discussion on CSOs in this chapter shall focus on the latter category, i.e., organizations contributing to the development process without aiming for profit.

Going beyond the basic classification by profit objective, CSOs may further be classified into the types of services they provide. This kind of classification is useful in evaluating these organizations in terms of the value they deliver to society. For instance:

1. *Service provision*: This category includes CSOs that focus on provision of operational services, such as schools and hospitals, in areas where the government has been unable to deliver.<sup>1</sup>
2. *Advocacy*: The second category encompasses CSOs that focus on building awareness and mobilizing people towards common political goals. They often create platforms for setting as well

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<sup>1</sup> Some of these services include poverty alleviation programmes, protection of human rights, environmental concerns, etc. This has been explored in this article by Ramakrishnan (2011).

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\* With research support from Svetha Venkatram.

as implementation and monitoring of political, social and economic agenda (Varshney, 2011). Trade unions and NGOs engaged in social mobilization fall into this category (Ibid.).

3. *Consultancy*: Yet another type of CSO may be offering research, publications and/or consultancy in its area of expertise.

While some CSOs are primarily targeted towards the community, others may be mainly engaged in providing services to the State and, yet, others may be oriented towards working with donors who fund their activities. There are inherent challenges in each field as well as with each partner, which are elaborated upon subsequently in the chapter.

An organization is perceived as a CSO or a profit-making organization depending on the nature of the work it does. Further, the type of CSO it is perceived as is also dictated by the agenda it propagates and the motivations that drive its work. As the nature of work performed by CSOs continues to change over time, it is important to acknowledge an entire spectrum of new types of CSOs that have emerged and be cognizant of their potential effects on the socio-political landscape of development. (Glasius, 2010)<sup>2</sup>

### CSOs in livelihoods promotion

This section tracks the various types of activities that CSOs have historically undertaken to promote livelihoods for the poor. The broad scenario is a complex one, with different paradigms existing concurrently, even as there have been paradigm shifts across decades.

<sup>2</sup> This article by Glasius stems from a talk given by Marlies Glasius at the Knowledge and Change conference in the Hague, 29 September–1 October 2010.

### CSOs: From welfare to self-reliance and rights-based approaches

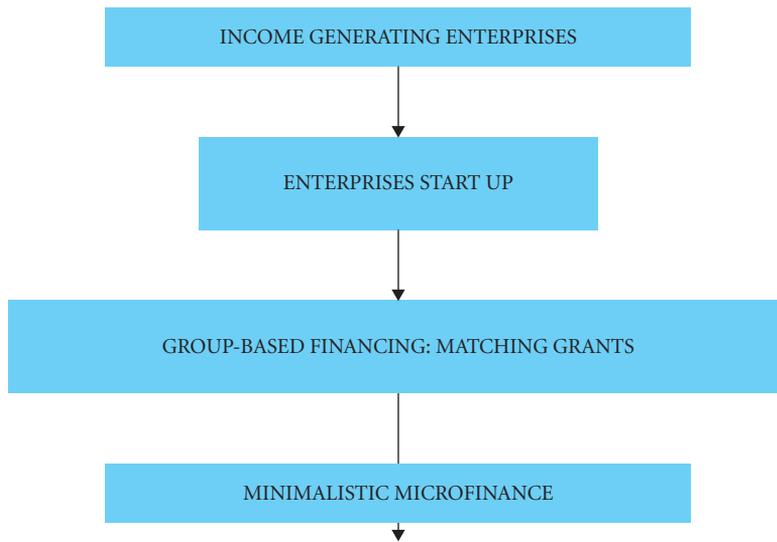
Earlier on CSOs worked in the welfare paradigm, with social welfare programmes for those who needed assistance. Social welfare programmes typically cover those who cannot earn their livelihoods and need to be supported to do so.

Over time, the approach of giving doles to the poor has come under severe criticism, with emphasis on self-reliance, giving rise to programmes that augment and emphasize development of human assets (e.g., skill development) and provision of inputs that will help generate incomes (credit, market linkages, etc.). Within this field of enterprise development and support, too, the focus of NGOs and donors has been changing, as depicted in Figure 5.1.

Enterprise promotion efforts tapered down to minimalist microfinance by the early 1990s. However, with the realization, soon after, that women who save and take loans continue to need support for enterprise start-ups and growth, these reappeared in the form of what is currently termed 'business development services' (BDS). Entrepreneur development programmes and BDS continue to exist in India, with the former mainstreamed primarily in government organizations, such as technical consultancy organizations and BDS provided largely by private consultancy organizations.

A subset of the poor and extremely poor, such as those chronically ill, people with severe disabilities and the aged, are unlikely to attain self-dependence. This latter group, thus, needs long-term social protection measures. Social protection measures are, however, largely perceived as being out of the livelihoods domain, and despite being considered a right, are typically less resourced. Very few NGOs concern themselves with linking these really needy groups to the protection grants and services to which they are officially entitled.

While some CSOs have moved from welfare approaches to rights-based

**Figure 5.1:** Changing donor focus in enterprise promotion

Source: Author.

approaches, others have evolved into microfinance organizations (MFOs) and yet others have emerged in the BDS space with the intention of supporting livelihoods promotion, albeit as private consulting organizations. Box 5.1 describes business development models used by PRADAN and DHAN in their livelihoods building programmes.

### The state approach to livelihoods

After the two World Wars, the idea that the State must provide for the welfare of its people began to gain popularity. Government

efforts were also social welfare oriented. However, this is not to say that there were no credit avenues available to the poor. Government loans for agriculture have existed in pre-Independent India since 1793 and short-term cooperative credit institutions since 1904. After 1929, cooperative land mortgage banks were started to help farmers redeem lands mortgaged to private moneylenders, and from 1954, the All India Debt and Investment Surveys began documenting the extent and nature of debt and investment in farm and non-farm sectors (Premchander, 2003).

#### Box 5.1: Business development strategies

##### PRADAN

PRADAN assists rural women from similar social and economic contexts to form self-help groups (SHGs). These start off as thrift associations and then go on to form clusters and federations. They are able to collaborate with banks to provide for the members' needs for large funds. PRADAN assists members and their families to develop medium-term financial goals and plans for themselves. Technical and financial assistance is provided to implement the livelihood plan. The long-term goal is to create self-sustaining enterprises.

##### DHAN

DHAN focuses on scaling up enterprises so that their benefits reach the maximum number of people. Thematic organizations are promoted. The guiding philosophy is to empower the poor, and not on provision of services. Collaborations with the government and mainstream organizations are actively pursued.

Sources: PRADAN's official website <http://www.pradan.net>; DHAN's official website [www.dhan.org/aboutus.php](http://www.dhan.org/aboutus.php)

Anchoring the Independence struggle was the Gandhian approach to sustainable rural livelihoods, which prioritized the concept of self-reliance at the village and national levels. Production was a critical activity in each household, with women and men engaged in home-based production of food and textile products, and only additional needs being met through inter-village or rural–urban trade. The Gandhian approach extended the concept of self-dependence from the village to the national level, resulting in the demand for self-rule and independence from the colonial rulers of the country.

It is this approach and a concern for balanced regional development that led to the adoption of the Community Development Programme (CDP) by the Indian government. The country was divided into administrative blocks, which then integrated upwards as districts and states and after an initial phase of piloting, the CDP approach spread across the country. There was little partnership envisaged between the government and NGOs in that period, though Gandhian organizations which engaged with production of Khadi and Village Industry (KVI) products were supported officially through grants-in-aid.

The Indian government's enterprise promotion strategies, which included targeting the poor, encompassed provision of vocational training in a selected trade as well as some equipment as enterprise start-up support. The equipment could be a full grant or a combination of grant and loan, the latter to be taken from and repaid to the bank. These efforts were routed through various government schemes, the major one being the Integrated Rural Development Programme (IRDP). The IRDP was launched in 1978 with special focus on the poor through the concept of 'below a poverty line' (BPL). This was defined on the basis of the monetary value of a basket of goods needed to obtain a pre-determined level of 'sufficient number of' calories per day. Several schemes were launched to promote rural development, which encompassed training, asset

purchase and subsidized loans for asset creation for poor families. The programme was known for corrupt practices in the context of selection of beneficiaries, vocational training organizations, purchase of equipment and loan sanctions. There were large-scale defaults on bank loans under the programme. Further, intermittent efforts in late 1990s, towards start of collective businesses through women's groups, such as Development of Women and Children in Rural Areas (DWACRA), were also unsuccessful.

During the early 1980s, the SHG approach was piloted in India, and by the early 1990s, such groups were recognized as an alternate means of reaching out to the poor. The group approach was based on social collateral, which replaced financial collateral and enabled banks to lend to the poor, thus, significantly reducing the risk of default.

In 1999, recognizing the success of the group approach in reaching out to and empowering large numbers of the poor, the government merged the IRDP programmes into the Swarnajayanti Gram Swarozgar Yojana (SGSY), which directed official support through SHGs. In its new incarnation, the programme offered subsidized credit to SHGs while the vocational training component was scaled down. To date, over 600,000 SHGs have been given subsidized or unsubsidized credit under the SHG–bank linkage scheme, of which 90 per cent are women's groups. However, while these have been effective in offering small savings and credit facilities to women, their record in terms of repayment of bank loans has been extremely poor, reflecting continued failure in enterprise creation (Premchander and Premchander, 2010).

Thus SGSY continued to carry the inefficiencies and corruption of the earlier IRDP programmes and so was unable to effectively deliver the poor out of poverty. It was then that linking the poor to non-subsidized credit came up as a possible avenue to sustainable income generation and enterprise creation, but failed to expand to the

required scale.<sup>3</sup> It was realized that the poor needed bank linkages for the facilitation of savings, credit and other financial services, both through SHGs and directly. In 2005, financial inclusion was recognized as the first step towards mainstreaming the poor, and both the government and the Reserve Bank of India (RBI) have since prioritized it at the policy level.

The subsidies under SGSY were widely recognized as creating distortion in the implementation of the scheme. However, in some states, such as Andhra Pradesh, owing to strong state support and supervision, the group approach achieved significant success in building community-based institutions at an unprecedented scale. By 2011, SGSY was replaced by the National Rural Livelihoods Mission (NRLM). The latter is a demand driven 'mission' that does not provide targeted support, but seeks to provide support for creation of high quality people's organizations with technical support in the livelihoods field. The states have set up state level-missions to implement NRLM, some of which are given in Box 5.2.

### CSOs in livelihoods

The notion of what qualifies as development has itself undergone several changes over the decades. As early as the 1920s, the idea that perhaps development interventions should aim to move beyond simple charity from an external organization towards involving

people's participation in decisions on utilization of local resources began to take shape. Rabindranath Tagore's Sriniketan experiment (1921) is an example of this idea. Other similar non-government programmes that were organized at around the same time were Dr Spencer Hatch's Marthadam, the Gurgaon Project of F. L. Brayne and Raja Sir T. Madhavarao's work in Baroda (Datta, 1994)

In the pre-Independence era, CSOs also focused on providing Gandhian-style aid to the poor, modeling themselves along Gandhi's ideas on *swaraj* or self-rule. This essentially involved developing villages into self-contained micro-units. The thrust was on enabling communities to take their own decisions regarding development at the local level and to develop their own village micro-level, self-sustaining economies. Panchayats were seen as local-level decision-making bodies directly representing the views of the village community. As per the Gandhian philosophy, property rights remained with individuals who would use the land for developing the interests of the community as a whole. Based in Wardha, Gandhi's Sevagram project (1936) was a model of his philosophy. The focus was on boosting cottage industries (especially Khadi) and creating opportunities for non-farm employment. This, in effect, was intended as an opportunity to reconstruct village resources and benefit the underprivileged and the landless. After Independence,

#### Box 5.2: Livelihoods missions set up by some Indian states

- Society for Elimination of Rural Poverty, Andhra Pradesh
- Madhya Pradesh Rural Livelihoods Programme
- Western Orissa Rural Livelihoods Project (*Jeevika*)
- Bihar Rural Livelihoods Promotion Society (*Aajeevika*)
- Jharkhand State Livelihood Promotion Society (JSLPS)
- Integrated Basin and Livelihood Development Programme Meghalaya

Source: Author.

<sup>3</sup> For a detailed analysis, see Premchander, Chidambaranathan and Jeyaseelan (2009).

Gandhi encouraged people to join the *Rachanatmak Karyakrama* (a movement of constructive work). Many CSOs took up the cause and styled their functioning along the lines of Sevagram (Datta, 1994).

In the decades between 1950s and 1980s, there was plenty of donor funding available for NGOs supporting livelihood building projects. It is important to note that while this was the case, NGOs still viewed their work as 'intervention', with little effort put into making the business units self-sustainable and profitable and ultimately gearing them for scaling-up. Donors too began questioning the viability of such programmes.

In mid-1960s, an experiment was carried out in Gujarat to develop the spirit of entrepreneurship through training. Leading entrepreneurs and politicians in Gujarat believed that if they could kindle the entrepreneurial spirit in the people, they could foster economic development in the area. The programmes were scaled up with academic inputs, and Gujarat became the first state to start entrepreneurship development programmes. Soon after, a survey by David McClelland conducted in Kakinada district of Andhra Pradesh found that entrepreneurship was the key differentiator between well developed and less developed areas. A logical extrapolation of this finding emerged with the theory that poor economies owed their poverty to lack of entrepreneurship. At this time, state agencies also held the belief that the entrepreneurial trait is one that can be developed. This led to the conclusion that state investment in entrepreneurship and enterprise development would foster economic development as well.

All of this taken together spurred the Government of India to start technical consultancy organizations (TCOs) in collaboration with development-oriented financial institutions, such as Industrial Development Bank of India (IDBI), National Bank for Agriculture and Rural Development (NABARD), the state financial corporations (SFCs) and the state industrial invest-

ment corporations (SIICs). TCOs were set up in 16 states and provided technical expertise for starting up business units as well as business training in areas such as loan application procedures, principles of administration, recruitment practices, etc. Initially targeted at men, the TCOs gradually shifted their focus to youth and women. However, although Entrepreneurship Development Programmes (EDPs) initiated by TCOs were systematically oriented towards the poor, women, youth and other disadvantaged groups, those who joined them were typically from the middle and lower middle classes—there was still little support available for the poorest of the poor, who continued to remain out of the net of mainstream credit facilities.

Banks, for their part, have been wary of extending loans to the poor since provision of low interest rural credit has historically led to problems. The reasons for these problems have been internal (inadequate loan policies and appraisal procedures, inadequate supervision and monitoring of loans, etc.) as well as external (natural calamities, absence of backward and forward linkages, lack of government support and legal framework for effecting recoveries, and political interference in banking as well as cooperative credit institutions) (Premchander, 2003).

## Livelihoods strategies promoted by CSOs

The traditional approach to enterprise promotion is focused on the entrepreneur. External intervention programmes generally make use of the criteria of poverty to target participants, extending programme assistance to those who fall below a defined poverty line. Some programmes support all the selected people in expanding existing income generating activities or undertaking new ones, while in some programmes, a filter is used to select potential entrepreneurs even from amongst those who fall below the defined poverty line.

Value chains are formed when a set of businesses perform a linked sequence of value-added activities. In this process, a number of participants play an important economic role along the value chain and each participant has unique financial flows (Premchander and Premchander, 2010).

Promotion of enterprises across a value chain is expected to increase the chances of success of individual enterprises at the various levels and create synergies across the chain to achieve a much more significant scale and incremental income than would be possible through a scattered approach. It also allows organizations providing BDS to specialize and achieve greater efficiency and scale than would be possible if a wide range of enterprises across different sectors were to be supported.

Taking into account experiences of livelihoods promoting organizations in India, and more broadly in Asia, a set of livelihoods promotion processes stand out.

The key to building enterprises across value chains is a good understanding of the

opportunities for business development and selection of the sector/sub-sector and products for which enterprises will be supported across value chains. The next step is to plan the number of levels and the number of enterprises at each level for a given location. The technical needs, scale, economics and linkages required at each level need to be set out clearly, so that enterprises can be planned and promoted accordingly. Once the BDS and other service provision needs are planned, then the question arises about who should deliver these services. Large programmes like BRAC, CLP and MEDEP offer core BDS through their own staff. On the other hand, while smaller NGOs such as Udyogini and Sampark also do this, they tend to pass on some BDS or outsource them over time.

BRAC's enterprise promotion activities started in the early 1990s as part of donor programmes, but there was always an intention to make them independent of donor support so that they could be scaled up significantly. In 1999, 60 per cent

### **Box 5.3:** *Seva Mandir: Holistic thinking about rural livelihoods*

The civil society organization Seva Mandir, established in the 1920s by Dr Mohan Sinha Mehta, was based on ideas of Mahatma Gandhi.

In the late 1960s, Seva Mandir ran adult education programmes as well as programmes geared towards building infrastructure. The concept worked to improve the lives of villagers and empower them by creating awareness on rights and entitlements. 1978 onwards, it encouraged youth to take part in village council elections. However, these strategies of Seva Mandir only saw limited success. Villagers still had limited autonomy over issues of governance, control of resources and development. In 1985, the National Wasteland Development Board was created by the government as a means to support voluntary organizations working on development projects in remote areas. Seva Mandir engaged itself with this initiative in order to give local communities

the opportunity to involve themselves in development efforts rather than wait for state interventions.

Eventually, Seva Mandir developed the capacity to run its programmes independent of the government. Seva Mandir has recognized the coming together across the boundaries of class, caste, etc., helps the cause of self-governance and sustaining development programmes in its work area. For instance, under the Forest Rights Act, villagers can get individual titles on their forest lands. However, in Seva Mandir's area of work, 73 communities united and applied for collective ownership of the forests.

Seva Mandir may be considered as an example of achieving economic, political and social transformation in a non-violent manner through constructive work and self-governance.

*Source:* Mehta and Singh (2012).

of the costs were being covered, with an expectation of 80 per cent coverage of costs by 2000, and full cost recovery by 2002. BRAC not only met these targets, but also separated its enterprise division from donor programmes and has always had separate cost calculations for services provided to the latter. By 2010, BRAC had a highly profitable enterprise development programme where each BRAC enterprise was a cost centre and all technical support provided to other BRAC programmes was on the basis of full cost recovery. The programmes included several thousand micro-entrepreneurs and were meticulously planned at each level. The income generating activity, or micro-enterprise, for the individual entrepreneur is planned to yield full or subsidiary employment. Usually sale of cows and milk provides subsidiary income, while activities like poultry and fishery are more often taken up at a scale where they provide full employment for the entrepreneur. Often each activity can be taken up at different scales, with BRAC's intention being to provide support up to a level where the activity generates sufficient income for a household to come out of the poverty trap.

In BRAC's programme of enterprise promotion all those who are part of a SHG have the option of taking up the enterprises they select from a given wide range. The training is then focused on the selected enterprise. BRAC does have training plans in place at its various offices, for enterprise types that the organization perceives to be feasible in those particular districts

or sub-districts. All participants who select these enterprises receive trainings and are willing to accept loans are considered capable of entrepreneurship.

When a programme focuses on the entrepreneur, the latter selects an enterprise that he or she feels is best suited to her abilities. A programme may, therefore, support a wide range of enterprises. For instance, BRAC has supported enterprises ranging from agriculture to poultry, fishery and livestock (see Box 5.4).

By contrast, in the value chain approach, enterprises are selected at one or more levels in a given product chain, and entrepreneurs are promoted at each of these levels to achieve synergies from backward, forward and horizontal linkages. The BRAC programme has refined and perfected this approach over the past two decades.

In India, ACCESS has emerged as one of the largest livelihoods promotion CSOs, with over 17 offices in different states implementing projects in partnerships with the government, private sector and donors. ACCESS projects span community-based microfinance, building producer organizations and creating market linkages.

Most enterprise development programmes have shown that individual household-based enterprises have a greater chance of success compared to group enterprises. The latter are more difficult to sustain due to stringent requirements with regard to group coherence, leadership, management and administration. Some form of organization building, however, helps to involve those

**Box 5.4:** *Livelihoods building: BRAC's strategy*

The strategy followed by BRAC is unique in that it plans enterprises along the whole value chain of an industry, right from the first input to the market. BRAC plans the number of enterprises at each level, the scale and profitability of an enterprise, inputs and capital needed, technical training and support and market linkages. It then goes on to provide all these inputs and support through its own

technical experts and units, and also creates service providers right down the value chain. This planning has resulted in BRAC contributing significantly to the growth of enterprises in at least five sectors: agriculture, fishery, poultry, livestock and sericulture.

*Source:* Author.

hitherto excluded in decision-making and helps them gain voice and representation, as also bargaining power. Thus, organization building enables the empowerment processes to unfold in addition to building in long-term sustainability of the impact of external interventions.

## Challenges faced by CSOs

According to a survey by the Union Home Ministry, there are 33 lakh CSOs in India, which comes to approximately one CSO for every 400 persons. A majority of these provide operational or charity-based services. However, several CSOs have emerged in the field of advocacy, with a focus on monitoring governance and building support for various social and political agenda (Ramakrishnan, 2011).

However, all CSOs do not necessarily function in a transparent manner. There are several that exist only on letterheads and are able to garner funds without providing clear statements of expenditure (Ghose, 2010). Box 5.5 provides the outline of an internationally known terminology that has developed to describe NGOs with different motivations and orientations.

BINGOs are allegedly motivated by the wish to prove that the private sector is the most efficient, even in delivering social benefits. In India, the service area of BINGOs usually lies around the production units of companies, who use their Corporate Social Responsibility (CSR) funds to work with their own workers' families and in villages that are the catchment areas of these units. Many CSR projects help the companies to

source or appease labour or expand their sales. There are also many whose community development interventions have won acclaim by virtue of being able to devote time and money from company profits on a long-term basis, unlike donors who engage in shorter term interventions on projects.

GONGOs, on the other hand, are credited with multiple motivations. In India, NGOs set up by retired government officials generally work to implement government schemes, but being formally outside the ambit of the State, serve as operationally convenient avenues for donors, not only in terms of funding but also in terms of wielding greater influence on operations.

The structuring of all State-level rural livelihoods programmes as separate registered societies, such as Society for Elimination of Rural Poverty (SERP), Bihar Rural Livelihoods Promotion Society (BRLPS), Madhya Pradesh Rural Livelihoods Project (MPRLP), Jharkhand Rural Livelihoods Project (JRLP), etc., are evidence of creation of structures within the fold of the government with independent recruitment, operational, and monitoring processes. This reinforces the position of a CSO as the connector of the last mile, to those poor and excluded. A strong criticism of GONGOs is that since they position themselves as 'human rights NGOs', government-related organizations end up occupying the space that would otherwise be occupied by genuine CSOs, who would represent the real voice of the people, not coloured by the government.

There are several gaps between different types of organizations: NGOs, donors and government. For example, quite often the

### Box 5.5: *NGOs and agendas*

- BINGOs: Business interest NGOs, also known in the US as astroturf (a play on the word grassroots)
- GONGOs: Government-organized NGOs
- FLAMINGO: The fly-by-night or flavour-of-the-month NGO is an impostor

organization posing as an NGO and writing funding proposals simply to attract donor funding.

Source: Glasius (2010).

government is seen to either pressurize or incentivize NGOs for various development activities that entail diversification of the NGOs' operational areas into health, education, livelihoods, etc. At other times, the government as well as donors give preference to those NGOs who have a defined product to deliver to the community as well as the capability to deliver. Further, both donors and the government pressurize NGOs to deliver results quickly (Premchander and Premchander, 2010).

In the context of international partnerships, NGOs tend to be oriented towards meeting the strongly formulated demands and expectations of donors, hiring so-called 'professionals' (MBAs, MSWs,<sup>4</sup> etc.) for the project management, who are generally devoid of loyalty, either to the organization or to the community. The fact that they are prone to switch jobs frequently in pursuit of the best possible professional trajectory seems to indicate that their salaries need to be sufficiently high to keep them motivated and enable them to maintain their lifestyles. Even apart from optimum salaries, the NGOs and the funding organizations need to offer them incentives in terms of career growth, job satisfaction, etc., in order to retain them. This is an inherent risk that is prevalent in any type of organization or industry.

Even though NGOs work with the community, an idealized conceptualization of the community has numerous pitfalls. For instance, NGO Sampark has had conflicts with members of the community over the issue of preferring corruption over honesty. It would be erroneous to assume that everyone in the community is honest and against corruption. In fact, it has been known for communities to collude with dishonest staff members in the NGOs, government offices or banks staff to promote corrupt practices.

A case in point was a government scheme for training women in tailoring, whereby the

trainees would be paid a monthly stipend. Several women joined, but no one actually learnt tailoring. The government officer booked the expenses but did not appoint a teacher or hold classes. The women collected the stipend and gave a portion of it to the government officer. The women continued earning money from their farm labour and additionally took the stipend without putting in the required time or learning anything; the officer retained the money that was meant for running the training classes, as well as part of the women's stipend as bribe. Both parties perceived this as beneficial, but the skill formation, which was the actual objective of the scheme, did not take place.

Another important point in this context is that rationales of quality expectations change with time and with changing social paradigms. Often these demands are quite upfront and are also reflected in the policies and products of the various donor agencies. Donor agencies formulate their demands and expectations and most NGOs tend to agree as they feel they have no choice, although some large and powerful NGOs do manage to dictate some of their own terms as well. Values of transparency and accountability to the people that the NGOs serve are usually on the top of the NGOs' priorities while notions of quality dominate those of the donors. Further, when demands of the donors dominate, such as are evidenced in the bidding and selection processes for development contracts, they create pressure for survival of the fittest among the NGOs. Consequently, local perspectives usually get ignored in the process since the NGOs' orientation towards the requirements of the donors detracts from their articulation of local needs.

The 'donor-recipient' paradigm has, thus, effectively replaced the 'solidarity' paradigm. This has resulted in reduction in the quality of cooperation between NGOs and donors. In occasional instances where there is solidarity between the NGOs and donors, the quality of cooperation in the projects

<sup>4</sup> Masters in Business Administration, Masters in Social Work.

is high. The demands and expectations for quality in international cooperation currently hinge on the concept of sustainability, which is perceived to reflect the quality of the work done. This, however, effectively acts as a trap since it diverts attention from the orientation of the project towards community benefits and towards the financial benefits to the NGO itself. For instance, NGOs working in the field of selling condoms mobilize more money than the ones generating awareness and education about family planning, benefits of smaller families, etc. Such being the case, the comparative advantage of NGOs in terms of organizational flexibility is inevitably replaced by bureaucracy of NGOs.

Donors, for their part, are increasingly focused on technical expertise. They want to deal with NGOs primarily as contractors and expect a similar approach from the NGOs. Donors in the present scenario expect NGOs to hire and fire contract staff as per their need, which is a complete turnaround from the way NGOs are traditionally supposed to function. Donors today tend to treat NGOs as extended arms for delivery, which is, in effect, a short-term agenda. Long-term project agenda for bringing about significant change on the ground, in which the donor and NGO used to work in partnership, is fast becoming an outmoded practice (Premchander and Premchander, 2010).

Donors, NGOs and local communities are all stakeholders in community projects, but with different stakes. The quality of development depends entirely on the quality of relationship between the local NGO and the community at one end and that between the NGO and the donor at the other. A good relationship between the community and the local NGO, however, does not necessarily imply smooth sailing operations. The lives and livelihoods of the poor are essentially strained, and these strains and difficulties inevitably reflect on the success of the intervention projects introduced by the NGOs and donors (Ibid., 2010).

NGOs are generally perceived as ‘in identity’ with the people while the donor is perceived as an ‘external entity’. However, from the point of view of the local community the NGO is external too. Nowadays the local community believes that the NGO is an agent of the donor and demands a price for compliance. Sampark faces this very issue in its field operations. In the early days of Sampark’s work in the villages in 1995, the NGO formed a partnership with a Swiss university for livelihoods research. Usually, Sampark’s staff went to the villages in a bus or autorickshaw (three wheeler), but one day, six of them arrived in the village in a jeep, with a Swiss academician. They had two group discussions relating to employment, migration, health, and several other issues. Then the Swiss consultant and all except one of Sampark’s field staff left. The people then surrounded this person and said to her: ‘We answered all the questions of the white man. What will we get in return?’ The attitude was: ‘Your donor wants you to achieve something. We are helping you to achieve it. Now compensate us for this.’

Sampark was formed with idealistic objectives and believes in non-corrupt operations. This has always meant that government schemes are not routed through Sampark. Officers granting benefits route these through other local NGOs which routinely give ‘cuts’ and ‘percentages’ to them. As a result Sampark’s SHGs, which have been in existence and have been operating well for over two to five years, don’t get government support while new groups which are formed overnight just to get government money, do. This makes the community very unhappy. Once a government office sanctioned a loan to a farmers’ group promoted by Sampark, but did not release the first instalment as they expected 10 per cent of the loan as bribe, which Sampark was not willing to give. The farmers argued with the Sampark staff: ‘You need to see the loan as a *chapatti*<sup>5</sup> in the hand of the officer. The

<sup>5</sup> This is a type of Indian bread.

officer wants a piece from it, and then we can have the rest. If we don't allow him to take that piece, we lose the whole *chapatti*. Is it wise to do that?" In this case, however, Sampark managed to convince the farmers to go as a group and demand that their loan be released without a bribe.

These stories bring to us the realization that people's thinking patterns and nuanced significance they assign to money, loans, bribes, etc., can be quite different from those of the NGOs. Ideals that are upheld by NGOs need not be the same as those that are upheld by the local community. Further, the community is not one monolithic category either—the interests of the various economic strata, caste groups, genders and age groups are all often quite disparate. These need to be understood and negotiated when any development intervention is designed. The quality of these negotiations determines the extent to which gaps between different expectations are bridged.

The quality of partnership between the NGO and the donor has a strong influence on the quality of development. Moving towards high quality partnerships requires donors to be flexible and NGOs to be administratively strong, transparent, and accountable. Quality standards have to be explicit, agreed upon and monitored for adherence. Above all, the impact of the programmes on the poor needs to be monitored and used as the final indicator for the quality of development work and partnerships.

Working with the extreme poor to enhance their livelihoods is another area which needs long-term support. Sampark started its work with women living in extreme poverty, many of whom were from among the Scheduled Castes (SCs). A large number of these were *devadasis*, who are dedicated to God by social custom and are denied the right to marry. They suffer human rights deprivations and are subjected to sexual arrangements outside of marriage. This means that there are several women in the villages of north Karnataka, numbering 10 to 20 per village, in the age group of 30

to 60, who have had little support from their male partners, and have the responsibility of bringing up their children as well as caring for their ageing parents. Their children often drop out of school, partly because they cannot cope with studies and partly to support the mothers with housework and earning. These children have had very little schooling and are, thus, engaged in grazing animals or head loading or other work which does not provide either a decent work environment or a sufficient income. They stand in urgent need of vocational training to improve their employability and livelihoods but cannot afford training. In order to introduce a programme which provided vocational training suited to the needs of each young girl and boy, along with a stipend that would enable the family to forego the work the child was employed in, Sampark talked about this need in various forums, and a Swiss organization came forward to join hands for the vocational training. The training programme was started, stabilized and found useful in changing the lives and livelihoods of the extreme poor. However, the programme was fully grant based, so the Swiss organization suggested that Sampark look for options to expand operations and launch a vocational training institute which could reach the poor, but at the same time, charge fees to others and to companies in which it places these youth, so that the institute could operate at a viable scale and ultimately become self-sustaining. Sampark evaluated this possibility twice. Each time the finding has been that if the poor have to be reached, they have to be given not only free training but also stipends to enable them to afford the time to acquire skills. The market is not yet sophisticated enough to derive profits from those who can pay to cover the costs. The potential for such an institute is still under examination. A project which reaches out to the poor must be followed at a scale which is financially sustainable for the implementing organization. It, thus, requires initial seed funding from donors, whether national or international.

## Rights-based approaches by CSOs

Even as CSOs have fine tuned their strategies in the business development space, others have worked to create an enabling environment that guarantees minimum incomes to those who can work (see Box 5.6).

In recent times, CSOs that undertake advocacy have begun to dominate the popular imagination. In its March 2000 report on United Nations (UN) Reform priorities, the UN has stated that citizens have the right to be protected from human rights violations through advocacy initiatives.<sup>6</sup>

This scenario is reinforced by the role played by social media which can be used to gather, mobilize and publicize ideas across the globe, as well as to organize rallies, fasts and demonstrations and garner public support on a scale that was not previously possible.

The work of advocacy groups is important to create awareness of their rights among the poor and the marginalized as well as to bring the injustices perpetrated against them to the attention of the mainstream media (Ghose, 2010). Advocacy groups have been able to bring about laws that have changed Indian society and have created entitlements for various sections of its citizens. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2006 ensures employment for

the poor while groups such as the National Campaign for People's Right to Information played a major role in bringing about the Right to Information (RTI) Act 2005 that allows any citizen to demand information from any government authority, thus, going a long way in bringing about transparency in governance. The Lokpal and Lokayukta Bills 2011, which are currently in the pipeline, aim to create a platform for citizens to complain against corruption by public officials. This Bill is a result of sustained pressure by the advocacy group India against Corruption. There is also the Draft National Food Security Bill, being pushed forward by the Right to Food Campaign and the Draft National Health Bill, which seeks to give all citizens the right to free health care, an idea around which the Jan Swasthya Abhiyan has been building a consensus.

CSOs have played a very important role, not only in bringing these needs to the fore but also in drafting and engaging with the whole process till the laws are enacted. They continue to play the role of a watchdog to ensure that the original purpose of these laws is not diluted by amendments.

## Tightened tax regime

The concept of what can and cannot be recognized as development work has also come to be regulated by recent changes to India's Income Tax Act. India's current Income

### Box 5.6: CSOs with policy influence

The National Advisory Council (NAC), a body that is constituted of persons with a strong CSO background, is accorded a position close to the policy-makers and has drafted legislation on a whole range of

matters: communal violence, food security, right to information, rural employment guarantee, etc.

Source: Author.

<sup>6</sup> At this point, there was also a shared perspective that 'these advocacy NGOs could become "a third factor" located between the institutional spaces of the state and the market, promoting the development of marginalized groups in different parts of the world'. See Ramakrishnan (2011).

Tax Act is quite stringent. Only those who run specific types of CSOs are eligible for income tax exemptions. These provisions are given in Box 5.7.

There is a marked degree of stringency within these categories as well. For instance, to be eligible for tax benefits under the head of education, an organization needs to be running a school or college. This is not stated explicitly in the Act, but this is the interpretation applied in implementation of the Act. Conversely, if an organization chooses to conduct literacy training programmes for adults, it does not qualify for income tax exemptions. Therefore, adult literacy programmes run for women in SHGs do not qualify for income tax benefits under this criteria, and neither do allied programmes that support parents' groups to hold schools accountable for the quality of education. As a consequence, a number of necessary support programmes run by CSOs are overlooked for exemptions. Another instance of this would be that under the category of health care, a CSO running a hospital or distributing free medicines can avail tax incentives but not if its area of focus is planning sustainable health insurance models for poor women.

In such cases, instead of providing incentives the law can actually act as a deterrent for organizations who may be interested in taking on the role of encouraging the autonomy of disadvantaged people.

The tax law, thus, reduces the scope of a CSO's activities. Currently, private-public-partnerships (PPPs) are encouraged in the field of development work, indicating an emerging trend towards corporatization. Under Section 35AC of the Income Tax Act, tax breaks are provided to companies engaging in CSR programmes but not to NGOs interested in building people's cooperatives. As a result, when NGOs run cooperatives, they structure and empower themselves such that they may eventually become self-sustaining and independent of external funding.

Thus, essentially, CSOs promoting the activist model of disempowered groups taking control of their movement out of poverty is not encouraged by the prevailing tax regime. In the present scenario, unless an NGO runs a school or hospital alongside, it cannot hope to become completely independent of external funding. The present practice is to allow a corporate to charge any amount of fees for a hospital/university

**Box 5.7:** *Restrictions on CSOs under the IT Act*

Section 2(15) of the Income Tax Act, 1961 ('Act') defines 'charitable purpose' to include the following: (i) Relief of the poor, (ii) Education, (iii) Medical relief and (iv) the advancement of any other object of general public utility

An entity with a charitable object of the above nature was eligible for exemption from tax under Section 11 or alternatively under Section 10(23C) of the Act. However, it was seen that a number of entities who were engaged in commercial activities were also claiming exemption on the ground that such activities were for the advancement of objects of general public utility in terms of the fourth limb of the definition of 'charitable purpose'. Therefore, Section 2(15) was amended vide Finance Act, 2008 by adding a proviso which

states that the 'advancement of any other object of general public utility' shall not be a charitable purpose if it involves the carrying on of (a) any activity in the nature of trade, commerce or business; or (b) any activity of rendering any service in relation to any trade, commerce or business; for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention of the income from such activity.

*Source:* Circular No. 11/2008, Government of India Ministry of Finance Department of Revenue Central Board of Direct Taxes (Tax Policy and Legislation Division), 2008. Available at [http://incometaxindia.gov.in/archive/CircularNo\\_23122008.pdf](http://incometaxindia.gov.in/archive/CircularNo_23122008.pdf)

that it runs in order to fund its CSR activities. To ensure that it continues getting tax breaks, this model means that a company is not incentivized to promote sustainable empowerment for the people. Meanwhile, there is little support to be had for NGOs who are promoting rural livelihoods, helping the poor stand on their own feet, linking farmers groups to markets, etc.

However, it is important to note that this was not always the case. Earlier, tax exemption was based on *where* an organization spent their money (e.g., on various types of development work) and not on *how* they earned it (i.e., not on whether they are a corporation or a cooperative).

The tightening tax regime reflects at least two trends. The first is the need for the government to raise fiscal revenues, which explains its withdrawal of a financial incentive.

The second is control of the sector. In 1954, the US amended its tax code to incorporate the 'third way'. In effect, the changes meant that CSOs could provide charity services to the poor but could not avail of tax benefits if they tried to mobilize groups to engage with political/economic systems that create poverty.<sup>7</sup>

This shows the need for control, whereby CSOs could engage with giving doles, but a disincentive for engaging with politics. By contrast, in India, while there could be political backlash in case of criticism of the government, there are no statutory

disincentives to enable people to have a voice, influence and agency.

## Rediscovering their roles

The chapter highlights that CSOs are spread across all areas of livelihoods support and promotion, from livelihoods protection to promotion, and from working with the extreme poor to those who can start businesses. CSOs take different forms and promote a variety of people's organizations, including cooperatives and producer companies. Historically, CSOs have worked as partners with the government, private sector and national and international donors, while also challenging them.

It is clear that CSOs have a non-profit role to play in the development space in the provision of goods and services in instances where market conditions render the people unwilling or unable to pay and private, profit making organizations uninterested in supplying (Datta, 1994). If the government too is unable to provide the goods or services required in such cases, then the CSO has a significant role to play in their delivery. Similarly, when the government is unable to perceive critical needs, then CSOs raise a voice on behalf of those excluded, triggering sweeping changes by bringing in laws that safeguard the livelihoods needs of large sections of the poor.

Often, CSOs enter areas which are uncharted and break new ground. This happens when they supply goods or services that the private sector would find unprofitable to manufacture and distribute.<sup>8</sup> Then, when the concept is proven, the private sector may step in and take the successfully tested formulae to scale. This is evident in the microfinance sector in India, where CSOs broke ground, thus, changing the mainstream enabling environment, as a result of which microfinance has grown

<sup>7</sup> In 1954, Democratic Senator Lyndon B. Johnson of Texas pushed through an amendment to the tax code that forbade tax-exempt non-profit organizations from 'political' activity. Johnson's law entered the tax code to define a special new kind of organization named for its place in the code, 501(c)(3). Any organization that conducts voluntary work (examples given include 'testing for public safety, literary or educational purposes, or for the prevention of cruelty to children or animals') is exempt from taxation *if it did 'not participate in, or intervene in (including the publication or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office'.* (Prashad, 2004)

<sup>8</sup> This idea has been discussed by Paul Samuelson in his work 'The Pure Theory of Public Expenditure'. See Samuelson (1954).

into a full-fledged industry today, with large profit-making organizations reaching out to the poor with commercial microfinance services. However, as we have seen in the case of microfinance, private sector scale-up does not guarantee that the poor get covered. Large sections of the poor can remain excluded, requiring continued presence of CSOs to reach the poorest and most excluded.

This reiterates the need for CSOs in the context of emerging programmes for the extreme poor, which have spread across the world in the past decade. The programmes first emerged in Bangladesh, with BRAC's Challenging Frontiers to Poverty Reduction (CFPR) programme, followed by the Chars Livelihoods Programme (CLP) and others. These have now spread to several countries, including India, where Bandhan and SKS Microfinance have replicated CFPR. These programmes have elements of grants for livelihoods protection, such as stipends for food and fodder, and livelihoods promotion for asset creation, such as purchase of cattle, poultry, lease of agricultural land, and also technical trainings as per requirement.

Even as these programmes demonstrate the need for CSOs to continue to innovate, they also point to the fact that excluded groups need to be supported by national governments. This critical issue is taken up most effectively by the CSOs that engage in building people's voices and representing the cause of the marginalized and excluded so that official policies and programmes reach them to prevent abject poverty and its debilitating impacts. The building up of a policy environment that brings forth laws such as the MGNREGA and the proposed Food Security Bill, among others, is also perceived as a coexisting with the neo-liberal paradigm in which private profits are allowed to grow unimpeded with the government being the custodian of those who cannot benefit from the mainstream. It absolves the private sector from responsibility for inclusion, which can result in extreme violation of natural resources, often paradoxically, in collusion

with the government, as seen in the coal sector in India (Rajsheshkar, 2012).<sup>9</sup>

CSOs in India have traditionally played several roles, and all these roles continue to exist. The policy space is shrinking, with the government taking a very narrow view of charitable activities, thus, excluding most activities relating to organization building and empowerment from those recognized for tax exemptions. This has made the task of CSOs more difficult because livelihoods promotion which has been a domain of support for the poor, enabling their self-reliance, is now to be taxed. This is a retrograde step that will deter genuine non-profit CSOs from operating in this space and push them towards becoming profit-oriented.

At the same time, the need for CSOs to position themselves as watchdogs is bigger than ever before, for both public programmes such as the implementation of MGNREGS and for private sector growth and its impacts on both the poor as well as the natural resources in a region. The need for CSOs to engage with advocacy also remains critical, so that the laws of the country are inclusive and provide a safety net to those who remain excluded and whose livelihoods need to be supported and promoted through official and private grant funds.

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<sup>9</sup> Although current rules prohibit private players from acquiring mines to extract and sell coal in the open market, they have been using an innovative arrangement with state mining corporations to do the same. Under this arrangement, the coal ministry awards a mine to a state mining corporation (SMC). The SMC, in turn, floats a joint venture (JV), in which it holds a majority stake as sweat equity, but makes no investment. A private player holds a minority stake, but brings in the entire investment and handles all operations. If the contract terms are lopsided or if output is not monitored, such an arrangement lends itself to abuse, as the Karnataka Lokayukta exposed while investigating illegal iron-ore mining in the state. (Rajsheshkar, 2012)

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# Role of Corporate Social Responsibility in Livelihoods Promotion of Poor: A Commentary

UNMESH BRAHME

## Chapter 6

### Introduction

This chapter on livelihoods looks at the manner in which corporate social responsibility (CSR) connects with livelihoods and provides observations and insights on how to create a best practice mechanism to achieve livelihoods for the poor through the practice of CSR. CSR is a large discipline with many cross cutting and interconnected themes and while it is useful to deliberate on these, the focus through the chapter has been retained on livelihoods such that some dynamic conclusions can be drawn. The author hopes that as the scope of CSR and livelihoods evolves, in subsequent status reports, a comprehensive state of CSR and livelihoods will add meaning and substance to the ongoing debate on livelihoods creation.

Thus, this chapter does not profess to be an all-inclusive reference on CSR, neither does it purport to be an analytical piece on the merits or otherwise of CSR as a discipline. It rather looks to create a broad understanding of the concept and suggests further references for the reader to analyse the gamut of activities which come under the banner of corporate social responsibility. The important position this chapter takes is that of creating a commentary on the state of CSR in relation to livelihoods and providing some pointers for policy as well as practice interventions. The introduction of this chapter on CSR as part of the *State of India's Livelihood* (SOIL) 2012 edition is a

new and first time addition to various other livelihoods themes which look at the state of poor, role of government and civil society organizations, government schemes and other instruments in place to create livelihood opportunities, among others.

With the Indian economy growing at over 9 per cent in the past few years, the role of corporations in an emerging economy to create wealth took new meaning with the burgeoning of the new middle class whose increasing consumption patterns contributed to corporate profits, rise in government tax earnings and creation of a new breed of youth joining the information technology and other service sectors. This role got accentuated in an interesting way, in a way meriting closer scrutiny and magnification against the backdrop of a now failing economy, growing at less than 6 per cent per annum in recent times.

This poses an interesting question as to the role of corporations in society, the relevance of CSR, the steps corporations should take in creating positive social and environmental impact and the manner in which all of this has a bearing on livelihoods of the poor. This chapter then explores the fundamentals of CSR, looks at debates and concern areas surrounding the discipline, delves a bit deeper into the manner in which corporations have connected with society to alleviate poverty and suffering through various routes and models and finally attempts to connect the role of corporations and CSR to livelihoods.

Through the chapter, a few key cases give the reader an insight into corporate social responsibility initiatives. While the chapter, overall looks at details across the CSR spectrum in so far it's relations to livelihoods and the poor is concerned, it also aims to highlight areas of strategic relevance, both past and future, while aiming to bring into focus, at all times, the 'people, policy, promoters and potential' scenarios, the cornerstone and guiding principles of all SOIL reports.

## Concepts

CSR and livelihoods is an emerging theme, very recent in its introduction on the debate which looks at how various players can help alleviate poverty through creating jobs and/or providing opportunities to masses at the bottom of the economic pyramid to access livelihood creation in both urban and rural areas.

CSR has come a long way since its historical origins expressed in the various United Nations (UN) summits. Starting with the UN Rio Summit in 1982, which made the concept of sustainable development popular and arriving at its present state of being the most sought after new discipline to be created by corporations, CSR continues to be both an enigma and coveted tool for social development.

The concept of CSR in India is not new, the term may be. The process though acclaimed recently, has been followed since ancient times albeit informally. Philosophers like Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in much of the ancient literature. The idea was also supported by several religions where it has been intertwined with religious laws. 'Zakaat', followed by Muslims, is donation from one's earnings which is specifically given to the poor and disadvantaged. Similarly Hindus follow the principle of 'Dhramada' and Sikhs the 'Daashaant'. In the global context, the

recent history goes back to the seventeenth century when in 1790s, England witnessed the first large scale consumer boycott over the issue of slave harvested sugar which finally forced importer to have free-labor sourcing. (KPMG, 2008)

In India, in the pre independence era, the businesses which pioneered industrialization along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and health care institutions, and trusts for community development. The donations either monetary or otherwise were sporadic activities of charity or philanthropy that were taken out of personal savings which neither belonged to the shareholders nor did it constitute an integral part of business. The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. By late 1990s, the concept was fully recognized; people and institutions across all sections of society started supporting it. This can be corroborated by the fact that while in 1977 less than half of the Fortune 500 firms even mentioned CSR in their annual reports, by the end of 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively promoted their CSR activities in annual reports (KPMG, 2008).

According to 'Altered Images: the 2001 State of Corporate Responsibility in India Poll', a survey conducted by Tata Energy Research Institute (TERI), the evolution of CSR in India has followed a chronological evolution of four thinking approaches:

**Ethical Model (1930–1950):** One significant aspect of this model is the promotion of 'trusteeship' that was revived and reinterpreted by Gandhiji. Under this notion the businesses were motivated to manage their business entity as a trust held in the interest of the community. The idea prompted many family run businesses to contribute towards socioeconomic development. The efforts of Tata group directed towards the well-being of the society are also worth mentioning in this model.

**Statist Model (1950–1970s):** Under the aegis of Jawahar Lal Nehru, this model came into being in the post-independence era. The era was driven by a mixed and socialist

kind of economy. The important feature of this model was that the state ownership and legal requirements decided the corporate responsibilities.

**Liberal Model (1970s–1990s):** The model was encapsulated by Milton Friedman. As per this model, corporate responsibility is confined to its economic bottom line. This implies that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

**Stakeholder Model (1990s–Present):** The model came into existence during 1990s as a consequence of realization that with growing economic profits, businesses also have certain societal roles to fulfill. The model expects companies to perform according to ‘triple bottom line’ approach. The businesses are also focusing on accountability and transparency through several mechanisms. (KPMG, 2008)

### CSR: Some definitions (Thomas and Nowak, 2006)

*Business for Social Responsibility (America’s largest organization devoted to CSR)*

Business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world. (Aaronson 2003, p. 310)

*Prince of Wales Business Leaders Forum*

Open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders. (Aaronson 2003: 310)

*European Commission*

A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. (European Commission 2001: 5)

*Anonymous respondent to an Accountancy Ireland survey*

CSR is ‘doing the right thing even when no-one is looking’.

(Anonymous, 2006a)

Peter Drucker was one of the first to explicitly address CSR, including public responsibility

as one of the eight key areas for business objectives developed in his 1954 book, *The Practice of Management*. While Drucker believed that management’s first responsibility to society involved making a profit, ‘he felt it was also most important that management consider the impact of every business policy and action upon society’. (Joyner and Payne 2002: 302)

This positioning in a large way countered the extremist economic positioning which marked Friedman’s thesis.

The initial historical debates around CSR surrounded the now famous Milton Friedman’s quote that the ‘business of business is business’ which insists that using shareholder money to support social and environmental issues is not and should not be the role of corporations. The argument centred around the fact that corporates create profits, employment, pay taxes and thus this can be the only way in which businesses should create social impact. There were many supporters of this maxim at least until such a point that activism by groups such as Greenpeace, Sierra Club in the US and more local home-grown movements in India, against large dams and deforestation, for example, brought to light the role of corporations in stark contrast to Friedman’s thesis of business as usual.

There was a growing realization that businesses sought and pursued low input operational costs, in order to maximize output and profitability, in the process ignoring the social, environmental, community and geopolitical impact of their presence and operations. In effect, the role of business as defined by its very existence to create incremental profits was to externalize all social and environmental costs, a fact which many observers have outlined as the key reason for the emergence of CSR, which in some way, tries to internalize these costs for the benefit of society.

### CSR and sustainability

The debate around climate change and the North–South divide fostered by industrial

nations emitting more carbon dioxide per capita compared to the developing world, brought to fore further awareness about CSR and ushered its transformation into sustainability. It is worthwhile spending some time here on usage of the terms CSR and Sustainability. The traditional view is that corporations practising corporate philanthropy, i.e., donating monies to charities or setting up foundations or involving themselves in relief and rehabilitation work after a natural disaster, are the ones that can be considered as practising CSR. This view has been held constant for a long time, and most of the companies today do not stretch themselves beyond this view to innovate the manner in which they practise CSR.

Over the years, sustainability eventually started replacing CSR in few of the corporations who realized that the demands on business are not only from customers but also from a wider set of stakeholders, including communities, regulators, governments, activists and other influencers. Led by Western academic thinking as well as more local home grown ideologies around sustainability of business focused on ethical principles, sustainability and CSR started to merge into a uniform platform for activation and positively diverted the attention of businesses to consider social and environmental issues as a wider canvas on which businesses had to operate.

Let's now look at the definitions of some of the integral components of CSR, thought leadership and implementable activities (see Table 6.1).

## Recent happenings

CSR has evolved substantially since its early days and many large and small corporations are keen to develop systems and processes to ensure they are able to create a well-defined CSR and sustainability practice.

The well accepted definition of CSR is not a common term; MNC's prefers sustain-

able development or sustainable business while several Indian companies talk about responsible business or Triple P (People, Planet, and Profit). It is important to note that Indian companies and stakeholders give a broader definition of CSR than MNC and stakeholders. According to the Indian Corporate: 'Sustainable development implies optimizing financial position while not depleting social and environmental aspects and CSR implies supporting issues related to children, women and environment'. (Berad, 2011)

These corporate refer in its definition of CSR to community development. In the context of Western community, development is often seen as charity. In the Indian context it is seen as a large responsibility of a corporate, not only by stakeholders but also by the local Indian management. The background of this is that stakeholders see the large western companies as capitalist islands in a developing country. This position gives them a certain responsibility towards the community. Most of the MNC's leave room to their Indian daughter company to develop initiatives in this field; sometimes they have a special fund. All kinds of initiatives are developed by the interviewed Indian companies, many times bottom up initiated by the employees. (Ibid.)

Nearly all leading corporates in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. (Ibid.)

Moreover, in 2009, the government made it mandatory for all public sector oil companies to spend 2 per cent of their net profits

**Table 6.1:** CSR and its components—definitions

CSR Component	Definition
CSR Strategy	Corporate framework to work on social and environmental issues.
Issue based work	CSR interventions on specific issues.
Core Competency Connect	Corporate interventions aligned with business core competencies in areas where corporations have expertise in products and services. For example: health, water, manufacturing, etc.
Materiality	Measuring CSR such that there is a focus on impact and the same can be benchmarked and outcomes validated.
Beyond Philanthropy	Not practising mere donations, but engaging the entire business in social change.
Catalytic philanthropy	Using philanthropy as a strategic tool in collaboration with government, NGOs and other partners for achieving larger social good.
Philanthrocapitalism	Allocating personal wealth to charity, along the lines practiced by some billionaires such as Bill Gates, Warren Buffet and Azim Premji.
Cause Related Marketing	Utilizing brand sales to fund a cause by earmarking proceeds of sales, mostly through advertising and sponsored events.
Bottom of Pyramid Markets	Corporations creating products and services which are affordable to the poor as well as marketing to under-served areas.
Shared Value	A framework created by Mark Harper and Michael Porter of Harvard Business School which looks at companies creating shared value opportunities by reconceiving products and markets, redefining productivity in the value chain, and enabling local cluster development.
Green to Gold	Utilizing environmental innovation and positioning as a competitive advantage for business sustainability. For example, GE Ecoimagination, IBM Smart Planet, etc.
Bottom Billion	Intervention to pull out the bottom billion of the world's population out of poverty.
Cradle to Cradle	Zero waste approach across production and consumption.
Risk	Considering work on CSR as a risk mitigant such that positive relations are established with various stakeholders including government and communities.
Patient Capital	Utilizing private equity and venture capital investment approach with expectations of phased returns, creating both social and commercial impact.
Social Venture Funding	Utilizing an investment approach to social impact by supporting social enterprises who serve bottom of pyramid markets.
Sustainability	While CSR has evolved over the years into sustainability, the term per se, indicates sustainable development ensuring not only long term value addition by business to economy, but also ensuring sufficient natural resources and good quality of life availability to future generations.
Climate Change	Work on both mitigation and adaptation strategies to reduce the impact on increasing global temperatures owing to rising carbon dioxide and other greenhouse gas emissions.
Green Buildings	Ensuring construction of real estate and infrastructure in accordance with environmental sound norms, mostly in relation to the covenants promulgated by International Green Buildings Council.
Employee Engagement and Volunteering	Ensuring employees participate in community work, thus helping create a more humane face for the corporation as also building specific values and ideals based thinking in employees.
Diversity	Creating strategies for accepting variety of thoughts and actions within corporate decision making, including greater role for women and other groups who have not benefitted from the process of empowerment.
Affirmative Action	Creating strategies for employment of disenfranchised communities within corporations.
Supply Chain	Working with vendors as well as enterprises in the supply chain to ensure socially and environmentally friendly sourcing and disposal of post-consumer waste.
Minority Franchising	Working with communities and enterprises in under-served areas by partnering with them to create corporate market expansion and growth.
Responsible Sourcing	Sourcing raw materials and commodities with minimal environmental and social impact.
Extended Product Responsibility	Ensuring that products are disposed of in a manner which does not harm the environment and creating a mechanism for recycling and re-use.
Ecological Footprint	Ensuring corporations build strategies and framework for equitable natural resource utilization, including biodiversity conservation and climate change.
Employee Welfare	Creating policies, frameworks and procedures for employees to benefit from social welfare
Triple Bottom Line	Running business to benefit People, Planet, Profits, as a combined approach, instead of merely looking at commercial bottomline.

Source: Author.

on corporate social responsibility. Besides the private sector, the government is also ensuring that the public sector companies participate actively in CSR initiatives. The Department of Public Enterprises (DPE) has prepared guidelines for central public sector enterprises to take up important corporate social responsibility projects to be funded by 2-5 per cent of the company's net profits. (Berad, 2011)

Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programmes and set aside budgets to support them. These programmes, in many cases, are based on a clearly defined social philosophy or are closely aligned with the companies' business expertise. A handful of corporate houses are dedicated and practicing the CSR as they are dictated by the very basis of their existence. It is observed that many companies are promoting their CSR activities and uses it as a tool for Marketing. This denotes that the companies are far from perfect as the emphasis is not on social good but rather as a promotion policy. (Ibid.)

Overall though, for the majority of the corporations in India today, CSR continues to avoid definition and action and we see scattered charitable contributions with not much form and substance. The connect to livelihoods is in very nascent stages, and many corporations do not perceive CSR as going beyond the plain vanilla charitable support to education, health and environment as standalone issues, to name a few. All industry associations, such as Confederation of Indian Industry (CII), Associated Chambers of Commerce and Industry of India (ASSOCHAM), Bombay Chamber of Commerce and Industries, among others, have been advocating practice of CSR and sustainability for over two decades now and this has generated a large knowledge base and best practice scenarios to ensure that CSR assumes a place of importance in corporate boardrooms and business workings.

India does not have a regulatory mechanism in place to govern the manner in which CSR is practiced. The only instrument and incentive that has been available is the income tax savings for corporations if they donate funds to approved charities registered with competent government authorities. This situation may soon change with the new Companies Bill now in the process of being tabled in the Parliament which makes CSR more structured for corporations to implement.

As per the Bill, every company with a networth of ₹500 crores or more or turnover of ₹1,000 crores or more or net profit of ₹5 crores and above in a fiscal will have to form a CSR Committee, consisting of three or more directors, of which at least one director should be an independent director (Press Trust of India, 2012).

Clause 135 of the Bill is still being debated in terms of its compulsory mandate language:

The clause seems to provide a security valve for companies by stating... That if a company fails to meet the desired standard, it may get away by providing the reason. Such a statement may, in practice, defeat the very purpose of clause 135, the Parliamentary Standing Committee on Finance said in its report on Companies Bill 2011. In case, a company fails to spend the 2% prescribed, it would have to explain to the shareholders the reason for such a failure. (*Business Standard*, 2012)

Also, to make sure that there are not loose ends in the clause, the Committee has suggested that 'Clause 135(5) of the Bill mandating Corporate Social Responsibility (CSR) be modified by substituting the words 'shall make every endeavor to ensure' with the words "shall ensure"' (Ibid.).

In his dissent note, Member of Parliament Gurudas Kamat said:

It is a well-perpetuated fallacy that corporate are run on the promoters' or shareholders'

funds alone. The fact of the matter is that most of the capital required by corporate both long-term and medium-term is provided by the banking/financial system, which is operated out of the public funds. (Press Trust of India, 2012b)

Therefore, he said if corporates are mandated to undertake CSR, it is very fair and logical and a natural corollary of the nature of capital invested in them and it need not be over-stated that the corporate owe it to the people and the society to pay them back. This is the second time the Standing Committee has given its observations on the Companies Bill after opposition in the Lok Sabha over substantial changes. The Parliamentary Standing Committee on Finance had given its observations on the Bill first time in August 2010. The new Companies Bill, which was tabled in the backdrop of the ₹14,000-crore Satyam fraud, promises greater shareholder democracy and stricter corporate governance norms. It is expected to be presented in Parliament for consideration passage in the forthcoming monsoon session. (Ibid.)

A report says that Indian listed companies had a combined net profit of ₹4,37,167 crore last year. At 2 per cent, this will yield slightly less than \$2 billion a year as the CSR kitty of India Inc. Such a large sum generated every year can alleviate many of our social and environmental issues. Companies must integrate CSR in business models. The Netherlands has been building infrastructure to support sustainable projects like recapturing used materials from the waste stream to recycle them. Starbucks is using its 'scale for good' model to address the jobs crisis in the US through the 'Jobs for USA' programme. With more than 12,000 stores in the US, Starbucks has the scale to make a significant impact on jobs. (Goenka, 2012)

Three countries stand out in terms of CSR regulations. The first is Denmark, the first western country to mandate CSR information in companies' annual financial reports. The second is Indonesia that has taken a global lead by passing a law requiring all public companies to issue CSR reports and, third, perhaps the biggest impetus for CSR reporting, came in January 2010, when US Securities Exchange Commission asked all

US-based public companies to regularly disclose climate-related risks in their annual reports. (Goenka, 2012)

The jury is still divided amongst non-governmental organizations (NGOs), governments and corporations on whether CSR should be made mandatory. The proposed Companies Bill, while steering away from making 2 per cent CSR spends of last three years net profits mandatory, does insist on a systematic CSR governance process and asks corporations to mention their reasons for not spending funds towards charitable causes.

The Bill does make a mention of the kind of social issues and causes corporations should support (though this list is indicative), and this does provide sufficient scope for businesses to consider the cause of livelihoods seriously.

Yet the present debate amongst corporations is whether the Bill is required at all since according to them they are already doing their best to contribute to society. While this is true of large corporations and well-known brands as the survey mentioned in this chapter indicates, for majority of the corporations CSR is still a new terrain, something which the new Bill should help address in terms of providing a systematic activation framework.

### Securities and Exchange Board of India (SEBI) guidelines

Another development on the CSR and sustainability reporting front has been the SEBI notification mandating business responsibility disclosure and reporting.

Through its board resolution passed on November 24th, 2011, the Securities and Exchange Board of India (SEBI), has mandated listed companies to report on Environmental, Social and Governance (ESG) initiatives undertaken by them through a Business Responsibility (BR) report which would form part of a company's annual reports/filings. As per SEBI's directive the business responsibility reports should describe measures taken

by companies covering the key principles of the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' [refer to annexure for complete guidelines] framed by the Ministry of Corporate Affairs (MCA). This SEBI directive will be immediately applicable to the top 100 companies (by market capitalization) and remaining companies will come under its ambit in a phased manner. (cKinetics, December 2011)

NVG-SEE is flexible in its reporting approach. If companies are already following an accepted sustainability reporting framework then they may continue to do so (see flow chart below). Such companies are not required to publish a separate report, but can map the 9 core principles of NVG to the disclosures made in their existing sustainability/business responsibility reports. Companies who have decided to adopt the NVG but don't have the necessary capacity to furnish a full-fledged report can provide a statement of commitment to adoption of NVG to their stakeholders and furnish primary details on activities undertaken in relation to these guidelines. Companies who would like to adopt NVG to the full extent can furnish reports detailing their performance on environmental, social and governance factors based on the suggested framework. (Preparedness of Indian Public Equities for Business Sustainability. (Ibid.)

In July 2011, cKinetics conducted a strategic assessment of the current disclosure levels of India's leading companies across multiple sectors to gauge the current level of preparedness of India Inc on Business Responsibility reporting. As part of the work, the companies comprising the Bombay Stock Exchange Sensex (BSE 30) were reviewed for their current disclosure levels viz. the reporting framework suggested by the NVG-SEE. These 30 companies account for INR 28,218 billion market capitalization (as on July 22, 2011) representing almost 42% of the total market capitalization of companies listed on the Bombay Stock Exchange. The study calculated the disclosure score for all the 30 companies which constitute the BSE Sensex. The NVG-SEE was used as the framework to map the disclosure levels of Indian companies. The NVG-SEE framework has 36

parameters reflecting nine key principles related to responsible business practices. (Preparedness of Indian Public Equities for Business Sustainability (cKinetics, December 2011)

The data was collated from publically available information through company annual reports, sustainability reports and company websites. The disclosure score varied across a wide range for these 30 companies, from 19 per cent to as high as 78 per cent (see Table 6.2, Figures 6.1 and 6.2).

**Table 6.2:** Disclosure score follows a sectoral trend

Industry	No. of companies	Range of disclosure score
Banking and finance	4	19%–28%
Automobile	5	31%–78%
Construction & Engineering	2	33%
Metals	4	39%–50%
Electric Utilities	3	39%–61%
Oil & Gas	2	67%–72%
Heavy Electrical Equipment	1	39%
IT Consulting & Software	3	61%–78%
FMCG	2	72%–75%
Telecom Services	2	22%–25%
Realty	1	36%
Pharmaceuticals	1	31%

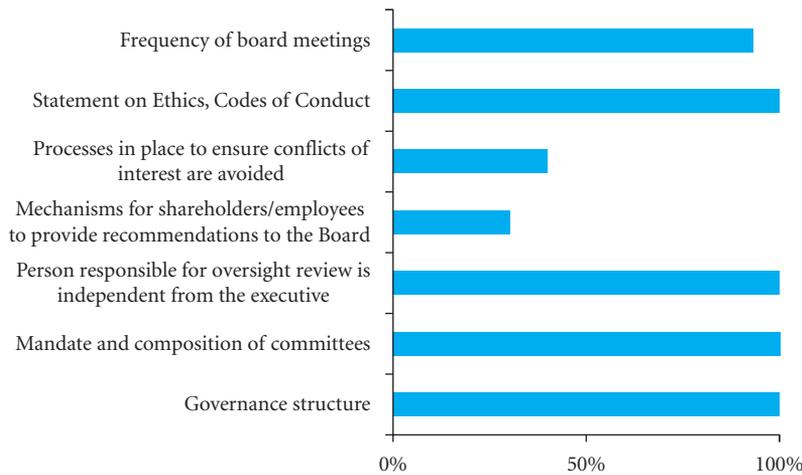
Source: cKinetics (2011).

## Global standards: Global standards and what form it has been adapted into in the Indian context

### International legal instruments and guidelines (KPMG, 2008):

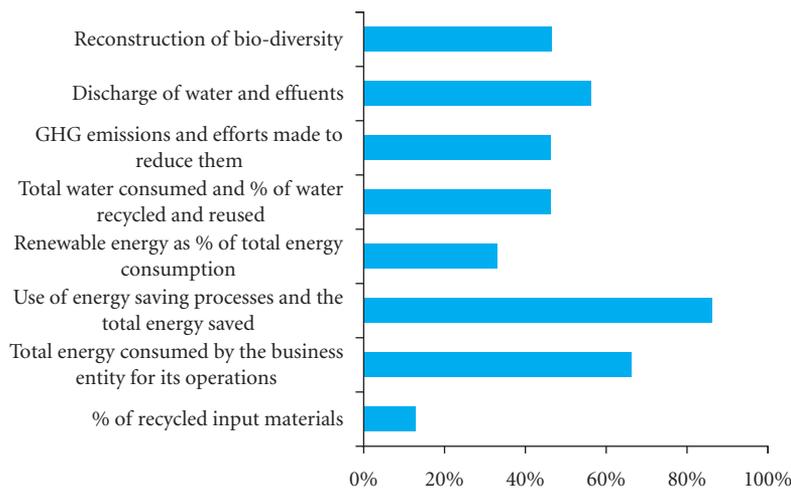
In the recent past, certain indicators and guidelines such as the SA8000, a social performance standard based on International Labour Organization (ILO) Conventions have been developed. International agencies

**Figure 6.1:** Disclosure on government parameters



Source: cKinetics (2011).

**Figure 6.2:** Disclosure on environmental parameters



Source: cKinetics (2011).

such as the UN and the Organization for Economic Co-operation and Development have developed compacts, declarations, guidelines, principles and other instruments that set the tone for social norms for organisations, though these are advisory for organisations and not mandatory.

One of the UN Millennium Development Goals (MDGs) calls for increased contribution of assistance from country states to help alleviate poverty and hunger, and states in turn are advising corporates to be more aware of their impact on society. In order

to catalyse actions in support of the MDGs, initiatives such as Global Compact are being put in place to instrumentalize CSR across all countries. As the world’s largest, global corporate citizenship initiative by the UN, the Global Compact, a voluntary initiative is concerned with building the social legitimacy of business.

### The UN global compact

The Global Compact is a framework for businesses that are committed to aligning their

business operations and strategies with ten universally accepted principles that postulate that companies should embrace, support and enact, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. (KPMG, 2008)

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption ([www.unglobalcompact.org](http://www.unglobalcompact.org)). The Global Compact provides strategic advice and practical tools for companies working with CSR (Norwegian Embassy, 2012) (see Table 6.3).

### Other India specific CSR Guidelines

Several major CSR initiatives have been launched in India since the mid-1990s. Among the first is the voluntary code of corporate governance, 'Desirable Corporate Governance: A Code', established in April 1998. This was an initiative by the Confederation of Indian Industry (CII), India's largest industry and business association. The FICCI - Aditya Birla CSR Centre for Excellence in New

Delhi was launched on February 17, 2010. On March 16, 2010 The Global Compact Local Network India hosted 'The Asia - Pacific Regional Conclave' in New Delhi on the topic of 'Enhancing Enterprise Value through the Global Compact' attracting over 500 delegates from 21 countries, including dozens of top leaders from Government, business and civil society. The strong Government support to this Conclave is in line with recent steps by the Government of India to advance sustainability in the country. National Foundation for Corporate Governance (NFCG) is a body which promotes CSR and raises the standards of corporate governance practices in India. The Ministry of Corporate Affairs has released the second version of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities in line with the Global Compact Network India. (Norwegian Embassy, 2012)

### Human rights

'Human rights violations are a crucial CSR concern for companies.... Amnesty International is an independent organisation promoting human rights, and provides updated information on the human rights situations in individual countries' ([www.amnestyinternational.org](http://www.amnestyinternational.org)). The UN Global

**Table 6.3:** The 10 principles of the UN Global Compact

<i>Human rights</i>	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses
<i>Labor</i>	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labor;
Principle 5	the effective abolition of child labor; and
Principle 6	the elimination of discrimination in respect of employment and occupation
<i>Environment</i>	
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies
<i>Anti-corruption</i>	
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

Source: UN Global Compact Office (2007).

Compact also offers practical advice and programmes for 'Business and Human Rights' ([www.unglobalcompact.org](http://www.unglobalcompact.org)). Human rights in India are covered under 'The Protection of Human Rights Act, 1997' (as amended by the Protection of Human Rights (Amendment) Act, 2006-No. 43 of 2006). This is handled by the 'National Human Rights Commission' (see <http://nhrc.nic.in>) (Norwegian Embassy, 2012).

## Child labour

India is a member of the International Labour Organization, and has ratified 40 of the ILO conventions. However, India has not ratified the ILO core conventions relating to child labour:

- o 138 Minimum Age Convention (1973)
- o 182 Elimination of the Worst Forms of Child Labour (1999)

India's domestic law on child labour, Child Labour (Prohibition and Regulation) Act (1986), bans employment of children in some dangerous occupations, such as factories and mines, and regulates the working conditions in others. According to this law, anyone above the age of 14 will be regarded as an adult and will not be protected by the child labour regulations. According to UNICEF, insufficient attention has been given in India to eliminate the worst forms of child labour. The 1986 child labour law does not cover children in all sectors. India has the world's highest number of child labourers less than 14 years of age. (Norwegian Embassy, 2012)

## Labour laws and right of organization

India has altogether ratified at least 333 labour laws, but not the ILO core conventions related to the right of Organization:

- o 087 Freedom of Association and Protection of the Right to Organize (1948)
- o 098 Right to Organize and Collective Bargaining (1949)

Furthermore, the way Indian labour laws are supervised and implemented varies. The country was in 1976 the first country in the South Asian region to enact legislation against bonded labour, a form of slavery in which a person pledges him/herself to work to pay

off a loan. Such contracts can be passed on through generations. Contract labour, e.g. workers that are not employed by the organization but hired for a specific task or project, is another complex area, and sub-contracting is especially common in India. These contract workers do not get the same protection and benefits as the permanent workers, and many work as contract labour for longer periods of time. The fact that, as mentioned, 90% of the Indian labour is in the informal sector, they will have weak protection by labour regulations. Although the ILO Conventions related to forced labour have been ratified, certain forms of bonded labour still persists, especially in the informal sector. Most Indian states have enforced an act for minimum wages for labourers in scheduled employment, as stipulated in the Minimum Wage Act from 1948. However, the minimum wage is often not paid. According to ILO, labour under minimum wage is considered a form of bonded labour, and they claim that there is a staggering amount of bonded labourers in India, particularly in the southern part. Many of these are children.

In April 2010, the central government raised the wage ceiling for coverage under the national health insurance scheme for industrial workers to ₹15,000 per month from ₹10,000 (<http://country.eiu.com>). India has enacted legislation that prohibits discrimination due to gender, religion, ethnicity or caste. Again, the record of implementation varies. ILO has observed some violations in India's implementation of the Discrimination (Employment and Occupation) Convention, (No 111, from 1958). This convention obligates the state parties to hinder discrimination due to e.g. caste or gender, such as different salary scales and labour conditions. Legislation authority in India is shared between the Central Government and the State Governments. Some laws, such as those regulating minimum wages, differ from state to state. Likewise, the implementation and supervision mechanisms may vary between states. (CSR Country Brief, India 2012, Innovation Norway, Norwegian Embassy)

## The environment

India is the 8th largest investor in renewable energy in the world, and according to Ernst & Young's Renewable Energy Country

Attractiveness Indices, India is the 4th most attractive country for investments in renewable energy. The Indian government is currently investing heavily in renewable energy as well as in the implementation of measures such as differential pricing, renewable purchase obligations and renewable energy certificates tradable at the Indian Energy exchange. The responsibility for environmental governance is shared between the corporations and the government. Many Indian institutions have come up with voluntary guidelines on environmental friendly practice. Among these is a partnership on voluntary pollution control, developed by the Indian Ministry of Environment and Forests together with the industrial sector. Other initiatives include the Energy Efficient Initiative by the Indian Chamber of Commerce, the Indian Ecomark and the Clean Technology initiative by the Confederation of Indian Industry and others.

The main environmental law related to production is The Environment (Protection) Act (1986). This law gives the central government the authority to protect and improve environmental quality, as well as control and reduce pollution from all sources. Another development is the E-Waste Management & Handling Rules which will come into effect from May, 2012. They concern the producers' liability for recycling and reducing e-waste, meaning discarded electronic devices and equipment, in the country. With regard to the implementation of environmental laws, a challenge has been lack of knowledge on how to fulfill the laws in practice. There are also weaknesses in the implementation and control mechanisms. The budget and infrastructure for control has not been sufficient, although greatly improved over the last years. (CSR Country Brief, India 2012, Innovation Norway, Norwegian Embassy)

### Transparency and corruption

In the Transparency International Corruption Perceptions Index in 2010 India was ranked as number 87 out of 178 countries. Lack of transparency and excessive 'red tape' in the Indian public sector is the main challenge. Decision processes takes time, and final decisions may be delayed again and again. A 2005 study done by Transparency International in India found that more than 50 per cent of the people had

firsthand experience of paying bribe or peddling influence to get a job done in a public office. Taxes and bribes were also common between state borders. 84 per cent of the companies asked in a survey performed by Kroll and Economist Intelligence Unit reported increasing exposure to fraud. Corruption and bribery, fraud related to vendors, suppliers or procurement, as well as information theft, loss or attack were reported as the most common types of fraud. A major factor spurring this growth is the high staff turnover. However, the report also highlights that less than 50 per cent of the respondents invested in anti-fraud measures such as background screenings and third party due diligence, although inside jobs claimed 59 per cent of the incidences of frauds (Kroll's Annual Global Fraud Report 2011/12). <http://www.krollconsulting.com/fraud-report/2011-12/press-only/>. (CSR Country Brief, India 2012, Innovation Norway, Norwegian Embassy)

### Global reporting initiative

Across the various global benchmarking and reporting tools available, the Global Reporting Initiative holds most sway and this section describes key elements of this framework, with comprehensive details in annexures at the end of this chapter.

The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world.

GRI works towards a sustainable global economy by providing organizational reporting guidance. A sustainable global economy should combine long term profitability with social justice and environmental care. This means that, for organizations, sustainability covers the key areas of economic, environmental, social and governance performance. GRI's Sustainability Reporting Framework enables all companies and organizations to measure and report their sustainability performance. By reporting transparently and with accountability, organizations can increase the trust that stakeholders have in them, and in the global economy. GRI is a network-based organization.

A global network of some 30,000 people, many of them sustainability experts, contributes to its work. GRI's governance bodies and Secretariat act as a hub, coordinating the activity of its network partners. ([www.globalreporting.org](http://www.globalreporting.org))

## Case studies<sup>2</sup>

### Hindustan Unilever (HUL)

The company has made good progress in meeting its sustainability goals and was one of the first entities in the country to launch a women's livelihood programme 'Shakti' that allowed women to gain successful employment through acting as distributors and retailers for HUL's brands in rural India, helping the company to expand its reach in under-served markets. HUL has also recently announced an ambitious target of sourcing all its agricultural commodities and raw materials in a sustainable manner, a step that will go a long way in creative sustainable supply chains. ([http://www.hul.co.in/Images/Unilever-Sustainable-Living-Plan-India-2011-Progress-Report\\_tcm114-241468.pdf](http://www.hul.co.in/Images/Unilever-Sustainable-Living-Plan-India-2011-Progress-Report_tcm114-241468.pdf))

### Pepsico India

The company has been working with farmers to improve their yields for raw materials and farm produce required for its food and beverage operations and is also assisting through water management and community development interventions. (<http://pepsicoindia.co.in/Download/print-media/Pepsi%20Citizenship%20Report-%202010-11.pdf>)

### ITC

ITC has been a pioneer in creating livelihood opportunities for farmers whose produce the company sources as raw materials. While the e-choupal model created

by the company provides farmers with an information technology enabled access to pricing of farm produce and commodities in nearby markets, ITC also has created a sourcing model allowing it to purchase farm produce directly from farmers thus giving them a better price realization. (<http://www.itcportal.com/sustainability/sustainability-report-2011/index.aspx>)

### Yuva parivartan

Yuva Parivartan is a NGO based in Mumbai, which over the years has created a movement with the vision to create opportunities for school dropouts and deprived youth to lead productive and socially useful lives. It focuses on four main areas: Vocational Training, Community Engagement, Industry Partnership and Placement Cell. Over the past 13 years, the organization has expanded to over 79 centres all over India. Yuva Parivartan has been successful in developing a working, integrated and replicable model in empowering deprived dropouts and youth to earn a livelihood and become useful citizens. They are now in the process of reaching 400,000 youth with a scale up plan of impacting 1 million youth in the next few years. Interestingly, the work of Yuva Parivartan is supported by a number of corporations, thus creating a unique example and model in creating jobs for the masses through corporate social responsibility interventions (<http://yuvaparivartan.org/index.aspx>).

### Youth4jobs

Youth4jobs is a useful model to evaluate from the livelihoods perspective since it focuses on underprivileged youth such as Scheduled Castes (SCs)/Scheduled Tribes (STs), PwDs (Persons with Disability), rural, tribal youth and girls and attempts to integrate them into the mainstream workforce through skilling and job readiness training. This enables the youth to make the most of the work opportunities arising from the new economy by enhancing their skill sets, thereby making them employable. It emphasizes values and life-long learning, leading

<sup>2</sup> Note: Large format case studies are beyond the scope of this chapter. Thus, we provide here a few examples with links to relevant sustainability reports. As mentioned earlier, while many sustainability reports are available, the link to livelihoods for the poor can be seen in a negligible number of cases.

to sustainability. (<http://www.youth4jobs.org/index.php>)

### Future of CSR in India

#### Status of CSR Today

A recent KPMG report (KPMG, 2011) revealed the following:

- Only 31 out of the N100 companies considered for the survey are publicly reporting on their corporate responsibility performance of which only 25 percent have systems to measure, monitor and report on such issues.
- Fifty two per cent of the reports are externally assured, out of which 62 per cent prefer accountancy firms for assurance.
- Enhancing brand image and reputation and ethical considerations emerge as top drivers for companies to report on corporate responsibility and cost saving appears last on the agenda of reporters.
- The reports are encyclopaedic in nature and do not touch upon the business case for sustainability.
- Across the reports, the linkage between stakeholder engagement, materiality and business strategy has not been clearly established (see Figures 6.3, 6.4, 6.5 and 6.6).

In a related report by cKinetics assessing the preparedness of companies in their compliance with the SEBI guidelines for

**Figure 6.3:** Trends in corporate responsibility reporting in India



Source: KPMG (2011).

**Figure 6.4:** Corporate responsibility strategy and approach



Source: KPMG (2011).

**Figure 6.5:** Corporate responsibility—topics and issues



Corporate responsibility report assurance



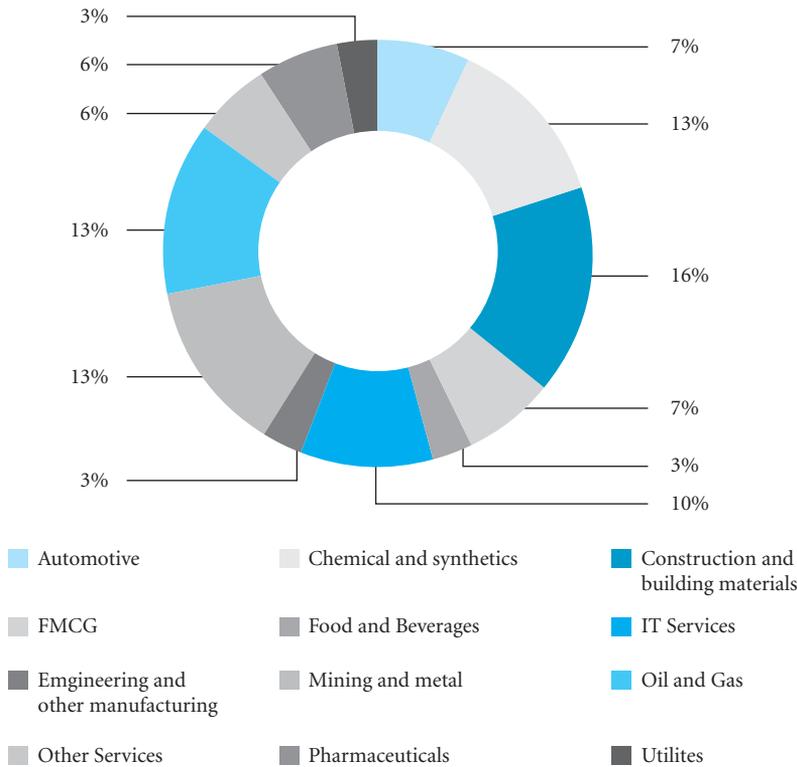
Source: KPMG (2011).

business responsibility reporting, the results were slightly better.

#### The livelihoods dimension

These survey findings are instructive in many ways in that they indicate the low levels of CSR strategy formulation within corporations and a still lower level of working on issues affecting the community. It is important to note that the focus on livelihoods is non-existent and there would be much that corporations will need to do in order to bring livelihoods on their agenda. Even in areas such as supply chain, where

**Figure 6.6:** Sector-wise break up of N100 reporters



Source: KPMG (2011).

there is a potential to create jobs both for disenfranchised communities as well as small and medium enterprises (which employ a large number of people in the country), the data does not show a positive trend in terms of corporations whole heartedly embracing the job creation and/or employment/entrepreneurship generation potential across the supply chain.

While there has been a positive trend to capture data relating to greenhouse gas emissions and report the same with a view to reduce these emissions over a period of time, most corporations in the country today work more on mitigation strategies than on adaptation interventions. While the former allows businesses to look at renewable energy and technological innovations to optimize their energy footprint, the latter (adaptation) is more relevant from the standpoint of working with affected groups and communities who are at the receiving end of varying climatic patterns,

thus, affecting their agricultural yield as well as income generating opportunities. Very few corporations have been able to grapple with this reality with the result that one sees limited interventions in this space. Though, a few interventions by Unilever, Nestle and Pepsi do buck the trend.

**CSR: Integrating with livelihoods**

CSR as it stands today in India needs to take a larger leap to connect with issues surrounding livelihoods of the poor. As we have noted in this chapter, most corporate initiatives are one-off and support more traditional issues and causes such as education and health. We have though some unique exceptions here where organizations such as the Azim Premji Foundation and Bharti Foundation have been created out of personal and corporate wealth with a view to enhancing the quality and outcomes of education at primary and secondary levels. It would be safe to assume here that such

initiatives, in time, will lead to better quality of students seeking higher education and hence mainstream employment.

The success of such initiatives is also dependent on the extent to which they target communities at the bottom of the economic pyramid and become instrumental in working with the government on ongoing grassroots initiatives through a public-private partnership model. The real issue, as readers will notice through the chapters in this report, is to do with the large number of educated and uneducated youth who are unemployed and have not been mainstreamed into regular jobs despite good economic growth. The gravity of the situation is also manifested in the fact that while there is a large demand from corporations for utilization of land and other natural resources, their CSR policies have not adequately addressed mechanisms to create equitable access to natural resources and establish livelihood strategies which benefits local communities.

Thus, CSR is still at odds when it comes to extractive industries and issues of local displacement and rehabilitation, with governments more often than not supporting industry over the masses. Agitations over land acquisition and the time taken to kick start power and other infrastructural projects are but a case in point.

### Livelihoods and supply chains

These scenarios are a direct resultant of the lack of awareness on part of corporations to look at backward and forward linkages of their business to procurement supply chains and post consumption disposal chains. In both areas, there are possibilities to create local enterprises which feed into larger corporate sourcing channels, thus, creating a useful route for the emergence of small and medium enterprises that would create more local jobs.

### Inclusive growth

As is by now well known, despite the GDP growth over the years, the addition of more poor to the country's population

continues and their earning ability, though bolstered in some cases by the introduction of MGNREGA in some areas, continues to hover around US\$2 a day. Thus, with limited purchasing power, most poor urban and rural communities are still a part of the consumption economy, whose products and services they can ill-afford. Here, of course, there is an additional debate around how poverty is not merely earning capacity or lack of it and low income, but also availability of and access to sound health, education, nutrition and the like, scenarios which we take for granted for those of us who are economically better off.

CSR then, needs to take cognizance of these fundamental cracks in the economy and correct its strategic intent through looking at a combination of ethical sales and inclusive growth, which can create the necessary livelihood opportunities. Charitable donations and establishment of socially mandated foundations indeed have their place in creating positive change and impact, the need of the hour is for the multifarious such foundations and NGOs to merge their intent and seek a collaborative platform for creating inclusive growth in partnership with the government.

### Climate change

The entire area of climate change, energy efficiency and clean tech is an additional factor which corporations need to consider while they formulate their CSR strategies. These verticals have the imminent potential to create an innovation economy and new jobs based on environmentally driven skills and expertise. Since such initiatives are also based on utilizing renewable energy resources, there is sound logic in the argument that local communities who reside in resource rich areas will benefit through the creation of local jobs.

Climate change and the impact it has on local weather patterns also creates an interesting dimension for livelihoods. As more and more people get affected by inclement weather, falling agricultural yields and lack of employability opportunities, the

resultant migration to urban areas creates further stress on an already taxed infrastructure minimizing available livelihood opportunities. In rural areas and inaccessible terrains which are the repository of natural resources, an interesting equation develops where local communities while facing the after effects of climate change also have limited access to natural resources which are more often than not parcelled out for commercial gains.

### Impact

CSR while approaching work with communities with an increasing frequency has not created holistic impact on any issue. This is primarily because corporations support small projects which are not connected to addressing social and environment issues at the level of causation and enduring solutions. There is also no trend and practice which allows corporations to work together to address a particular cause or social issue.

### Reporting

While impact reporting using Global Reporting Initiative (GRI) indicators has caught on as a globally discernible trend, very few businesses practice reporting and assurance, keeping issue impact in mind. Livelihoods does not feature here as a distinct measurable. It would be important here to state that the Global Reporting Framework provides ample opportunities for corporations to create strategies which look at long term CSR impact across economic, environmental, labour practices, human rights, societal and product responsibility standards.

### Extractive industries

Concerns remain on how best mining, power and infrastructure companies are addressing social and environmental issues for communities affected by mining operations. While the government has made it mandatory to spend a large portion of mining investments in a particular area on community welfare and rehabilitation, one

does not see much evidence of the manner in which corporations are having a systematic plan to address this issue.

### Displacement

The story is no different when it comes to displacement of communities affected by large industrial projects with the spoils of the project rarely being shared with local communities. It is useful to note here the potential which exists for corporations to train local labour into higher skill based activities as required by their specific industry, through appropriate vocational and other training interventions. Such thinking rarely exists with the displaced population left to be taken care of by some government scheme or the other. In extreme cases, displaced population has taken to the streets and violent confrontations with corporations and industries have been witnessed in many cases. Some observers have very rightly attributed the rise of left-wing extremism to the gradual build-up of displaced and disenfranchised communities.

### Agriculture, non-farm and artisanal interventions

While this thematic area deals directly with the employability of a large number of people in rural India, it's reflection on the CSR agenda is very poor. Corporations rarely look at supporting projects in natural resource management, agricultural yield enhancement, off-farm supply chain improvements and the like. These are considered as alien areas and the ability to understand the technicalities do not exist within corporate social responsibility teams and departments. Thus, resulting in a situation where the most potent of livelihood spaces is not occupied by CSR interventions.

### Microfinance

The historical success of microfinance was touted as a unique way in which corporates in the form of banks and financial institutions could arrest poverty at the bottom of the pyramid as well as create profits. The

striking of the right balance though between social impact and profits has not been easy for the sector, with the government being compelled to clamp regulatory restrictions in the wake of run-away profiteering by many microfinance institutions. Also, to a large extent microfinance did not progress beyond the narrow confines of consumption lending and in the process lost the opportunity to create livelihood finance practices. This situation seems to be changing off late with the growth in the number of producer companies and the accompanying RBI directive which asks banks to enhance their agricultural lending activities.

The emerging and new intervention of *value chain finance* will help microfinance let go of its legacy haplessness and help connect rural producers to corporate buyers and consumers through creating affordable finance at various points across the agricultural, artisanal and other off-farm supply chain.

#### Private investment

One of the reasons for the debacle faced by microfinance has been the runaway private equity/venture capital investment in some microfinance institutions, leading to expectations of high valuations, excess return on investment (ROI) on the back of what has been a very weak rural poor consumer based with almost constant low purchasing power parity over the years. The gradual growth of private investment in social enterprises is a good hybrid model to achieve social and commercial impact, yet it will need to be wary of the microfinance experience. It will also need to look at creating grassroots employment in the enterprises first before tackling market penetration with new products and services. Only then, would they be able to achieve inclusive growth and connect with livelihoods opportunity creation.

#### Role of NGOs

Most CSR funding is routed through local NGOs basis their project proposals to work on specific issues and causes. By this very definition, NGOs follow a single-track

approach of treating corporations as donor agencies over and above other foundations and entities from whom they seek funds. While this is an essential survival mechanism, in the process, NGOs fail to realize the important value addition which corporations can bring to the table in terms of management intervention, distribution, logistics and related skills, for example, and the ability to create inclusive supply chains. Thus, the ability to create a connect with livelihoods of the poor is lost in the design process itself.

#### Collaboration with Government policy-making

As Ruchir Sharma, in his seminal work 'Breakout Nations', points out: India has been a singular case of a mixed economy where welfare state politics overrides any other strategy to reduce poverty. The government continues to create wealth for the treasury through industrial and corporate taxation and it continues to create trickle down schemes which never reach the masses, thus requiring incrementally large sums of money every year to plug a widening budgetary deficit. Where corporate social responsibility fails in this scheme of things is its inability to relate to government policy making and play an active role in implementing these policies on ground. The recent creation of the Bharat Livelihoods Fund aimed at removing livelihood disparities in poor states through corporate participation could perhaps be a way forward in resolving the conundrum. Though earlier such attempts, for example, the creation of the National Skill Development Corporation (NSDC), has met with mixed success owing to its 'larger than life' focus on scale than quality or substance.

#### Conflict areas

An important area which corporations and CSR have steered clear of is that of peace, security and geopolitical risk. Clearly these are fundamental to understanding deprivation and lack of livelihoods at the grassroots

and it's only an open mind to understand such issue that will help corporations practise good CSR in relation to livelihoods.

### **Recommendations: Mechanisms for connecting CSR to livelihoods and poor**

This chapter has, thus, far outlined the cracks in the CSR wall in terms of definition, impact and connectivity with key issues pertaining to livelihoods. This concluding section looks at offering recommendations for CSR to reclaim the livelihoods space, in the process arguing that their ability to do so will also help businesses become more inclusive and help their work on other social issues such as education, health and environment.

#### **Philanthropy**

Corporations can continue to practise simple philanthropy, but if they are more tactical and strategic in their approach, they can pool resources together with other corporations to create scale and impact. The issues of employability through skilling, mainstream jobs, training financing can then be easily addressed.

#### **Climate change**

As mentioned elsewhere in this chapter, both adaptation and mitigation interventions provide a range of opportunities to create jobs as well as entrepreneurial ventures and there is an imminent opportunity for corporations to deploy their CSR budgets in a systematic way to arrest the impact of climate change on livelihoods.

#### **Employability, skills and training**

Clearly, the country has seen many corporate initiatives in education at all levels from early childhood education to primary education to higher education. Yet these are not located on a spectrum of assessing opportunity for creating jobs cross the life cycle of students. Very few corporations have taken the cause of livelihoods seriously and NGOs working on these issues are indeed lesser in

number than those working on other issues (refer to annexures).

### **Natural resource management**

Creating an equitable natural resource utilization policy as part of the CSR ensemble of any corporation is an important step that corporations would need to take in the near future. We already have some examples such as that of Unilever (please see annexures for case example) who have committed to sustainable sourcing of all their agri-commodities and raw materials. Initiatives such as these will not only enable corporations to better manage their natural resource utilization footprint, including that related to water, but also help in creating new jobs across the sourcing chain. It is not enough merely to state that a corporation has consumed less water by virtue of putting back more water into the environment, either through savings, community water harvesting or replenishing the ground water table. As long as these initiatives are related to creation of local water based thriving economy around agricultural opportunities, there would not be any livelihoods created.

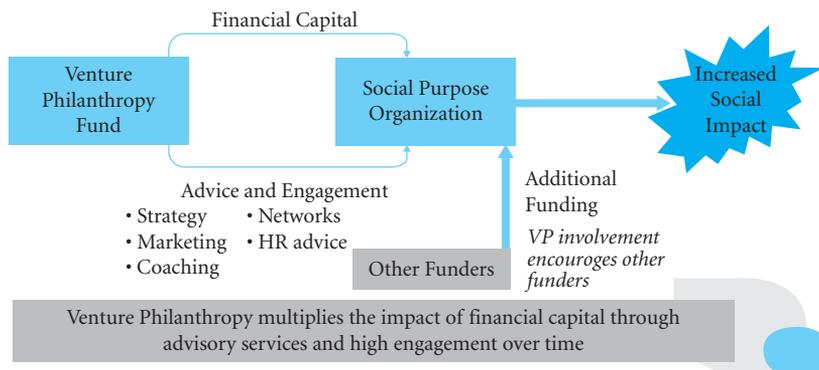
#### **Venture philanthropy**

This is a new field combining the best of venture management and philanthropic approaches allowing not-for-profits and social enterprises to develop their organizational capacities and efficiencies to achieve large scale impact. In the area of livelihoods, this model has a significant place in that it will allow corporations to fund organizations keen to expand across the country with positive employability initiatives and would also help organizations convert into successful social enterprises with commercially sustainable approaches (see Figure 6.7).

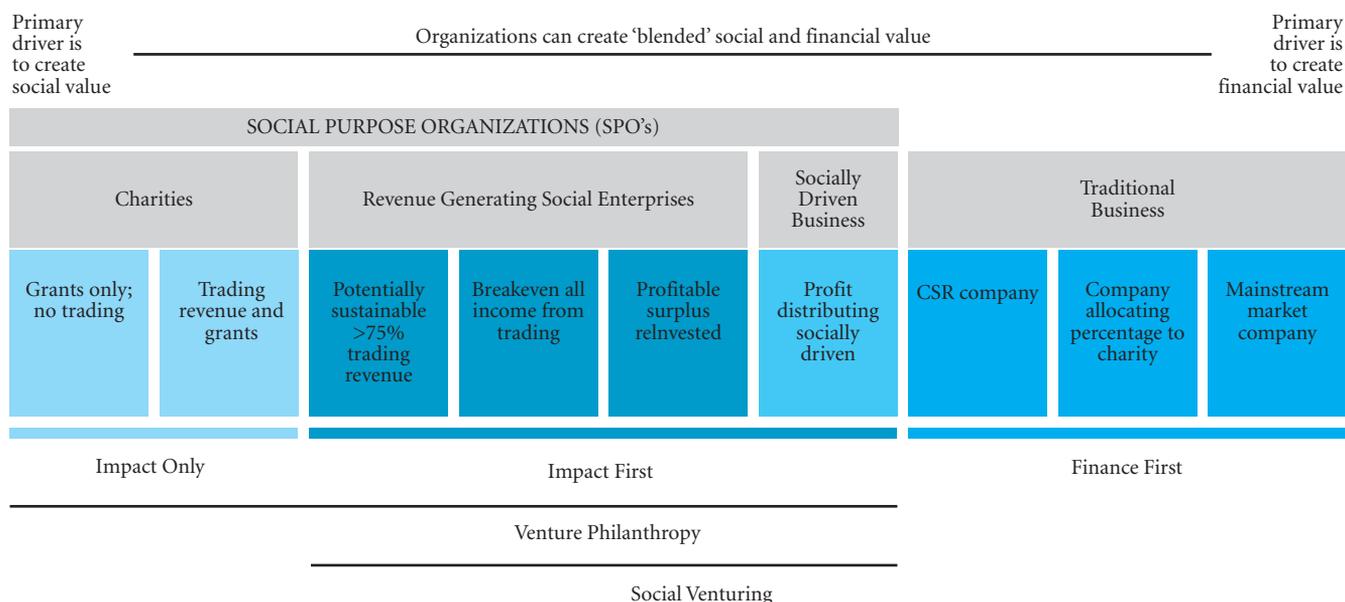
#### **Social enterprises and social venture funding**

Corporations have demonstrated limited engagement thus far in supporting social enterprises in their initial pre-start up stages.

Figure 6.7: The venture philanthropy model



Source: Building a community of venture philanthropists across Asia, Asian Venture Philanthropy Network.



Source: European Venture Philanthropy Association (2010).

It is this inflection point in the life of a social enterprise which requires greatest support to help them create a demonstration model of an idea, product or process which they could scale to benefit communities at the bottom of the pyramid. Such grant and or low cost debt support is not reflected in today's CSR initiatives even by banks and financial institutions. It is a big area for improvement and one that can support livelihood mechanisms by ensuring skill based training for employment with the social enterprise and helping the social enterprise itself reach out to under-served

masses. (Please note by social enterprise, we mean a commercial for-profit organization which services needs of communities at the bottom of the pyramid.)

**Supply chain**

Inclusive supply chains as an intervention has not caught the fancy of most corporations despite its potential to create jobs across small and medium enterprises which provide raw materials, goods and services to large industries. Similarly, as this chapter states elsewhere in the document, the scope to create post-consumer waste management

system also has the potential to create local enterprises and jobs, which very few corporations have built into their strategy.

### Diversity

An emerging area of growth and this time in connection with human resource management has been the creation of diversity and affirmative action task forces in few corporations with the express purpose of creating systems and processes to hire, train and employ gainfully youth from economically backward communities or those with disabilities and differentially abled lives. Diversity programming and interventions have a large role to play in ensuring inclusive business and its factoring into CSR budgets is an urgent necessity.

### Volunteering

Corporations pride in their employee volunteering abilities, but more often than not end up visiting grassroots communities occasionally more from a standpoint of gaining some insights, rarely converting this experience into long term association or binding commitment to bring about change. In terms of livelihoods, youth mentoring programmes, teaching interpersonal skills, industry exposure visits, allow offer a useful window for corporations and CSR to make visible impact.

### Relief and rehabilitation

Another important mechanism for corporations to create livelihood opportunities is to work on a long duration project in the wake of any natural disaster relief and rehabilitation operations they undertake. Instead of merely donating money, CSR indeed has the potential to look at long term livelihood creation plans for communities in distress.

### Conclusion

This chapter on CSR and livelihoods promotion of the poor does paint a bleak picture in terms of prevailing trends and the manner in which corporations are addressing issues of inclusivity and livelihoods. The positioning is purposeful and the discipline itself needs to emerge out of a growing attachment to fads, jargon and the new found concept of materiality to mean and create real impact in the lives of the poor.

There has been a disturbing tendency to treat the poor as mere consumers, either of government doles or that of business products, services and brands. There can indeed be no change on the social and environmental landscape as long as corporations understand that creating consumer demand and profits will need to go hand in hand in establishing covenants that ensure a fair chance for livelihoods to all.

## ANNEXURE 1

### Corporate social responsibility policy as enshrined in the revised Companies Act 2009/2011

#### Clause 135

135. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall:

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

The Board of every company referred to in sub-section (1) shall:

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

The Board of every company referred to in sub-section (1), shall make every endeavour to ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy: Provided that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

#### SCHEDULE VII

(See sections 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies

- eradicating extreme hunger and poverty;
- promotion of education;
- promoting gender equality and empowering women;
- reducing child mortality and improving maternal health;
- combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- ensuring environmental sustainability;
- employment enhancing vocational skills;
- social business projects;
- contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and such other matters as may be prescribed.

5. Paragraph 7 of the Statement of Objects and Reasons appended to the Companies Bill, 2009 states the salient features of the said Bill. The notes on clauses appended to the aforesaid Bill also explain the provisions of the Companies Bill, 2009, pending in this august House. The revised Bill, namely, the Companies Bill, 2011, inter alia, makes the following amendments to the Companies Bill, 2009 which broadly include:

(i) Concept of Corporate Social Responsibility is being introduced.

(ii) Enhanced Accountability on the part of Companies.

(b) Corporate Social Responsibility (CSR) Committee of the Board proposed in addition to other Committees of the Board viz. Audit Committee, Nomination and Remuneration and Stakeholders Relationship Committee. These committees shall have IDs/non-executive directors to bring more independence in Board functioning and for protection of interests of minority shareholders.

(iii) Additional Disclosure Norms:

(a) New disclosures like development and implementation of risk management policy, Corporate Social Responsibility Policy, manner of formal evaluation of performance of Board of directors and individual directors included in the Board report in addition to disclosures proposed in such report in the Companies Bill, 2009.

(iv) Enhanced Accountability on the part of Companies:

(b) Corporate Social Responsibility (CSR) Committee of the Board proposed in addition to other Committees of the Board viz. Audit Committee, Nomination and Remuneration and Stakeholders Relationship Committee. These committees shall have IDs/non-executive directors to bring more independence in Board functioning and for protection of interests of minority shareholders.

Clause 135—This new clause seeks to provide that every company having specified net worth or turnover or net profit during any financial year shall constitute the Corporate Social Responsibility Committee of the Board. The composition of the committee shall be included in the Board's Report. The Committee shall formulate policy including the activities specified in Schedule VII. The Board shall disclose the content of policy in its report and place on website, if any of the company. The clause further provides that the Board shall endeavour to ensure that at least two per cent of average net profits of the company made during three immediately preceding financial years shall be spent on such policy every year. If the company fails to spend such amount the Board shall give in its report the reasons for not spending.

Item (a) of sub-clause (4) of clause 135 proposes to empower the Central Government to prescribe the manner of disclosure of contents of Corporate Social Responsibility Policy in the Board's Report and on the company's website.

Source: Government of India (2011).

## ANNEXURE 2

### National voluntary guidelines for the social, environmental and economic responsibilities of business (NVG-SEE)<sup>1</sup>

The National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business were released by the Ministry of Corporate Affairs, Government of India, in July 2011. They outline principles for responsible business action and provide guidance for the implementation of the same. These guidelines have been formulated to encourage adoption of sustainability reporting and mainstream disclosure on environmental, social and governance metrics in India. NVG-SEE provides businesses a framework which enables them to move towards responsible decision making and urges them to adopt the 'triple bottom-line' approach.

SEBI has, in the recent years, laid increasing significance on disclosure of non-financial measures and has lent support to ESG disclosure and standard setting initiatives. As per SEBI's requirement under clause 49 of the listing agreement all public equities are required to comply with certain disclosure norms related to corporate governance. SEBI's decision to get the largest businesses to adopt the NVG-SEE is a reaffirmation to continue to raise the bar for disclosure and drive transparency in the marketplace.

<sup>1</sup> National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business 2011, [http://www.mca.gov.in/Ministry/latestnews/National\\_Voluntary\\_Guidelines\\_2011\\_12jul2011.pdf](http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf), as quoted in Preparedness of Indian Public Equities for Business Sustainability (Environmental, Social and Governance) Disclosure and Reporting, Issue briefing in context of SEBI mandating Business Responsibility Reporting, cKinetics, December 2011.

The national voluntary guidelines consist of 9 core principles, namely:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3: Businesses should promote the well-being of all employees.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Business should respect, protect, and make efforts to restore the environment.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

### ANNEXURE 3

#### NVG-SEE business responsibility report—suggested framework<sup>2</sup>

##### Part A

Part A of the report includes basic information and data about the operations of the business entity so that the reading of the report becomes more contextual and comparable with other similarly placed businesses. It may be written in a free format incorporating at least the following:

##### A-1

- Basic details of the business – Name; nature of ownership; details of the people in top management; location of its operations - national and international; products and services offered; markets served;
- Economic and Financial Data – Sales; Net Profit; Tax Paid; Total Assets; Market Capitalization (for listed companies); number of employees

##### A-2

- Management's Commitment Statement to the ESG Guidelines
- Priorities in terms of Principle and Core Elements
- Reporting Period/Cycle
- Whether the report(s) based on this framework or any other framework
- Any Significant Risk that the business would like its stakeholders to know
- Any Goals and Targets that were set by the top management for improving their performance during the Reporting Period.

##### Part B

Part-B of the report incorporates the basic parameters on which the business may report their performance. Efforts have been made to keep the reporting simple keeping in view the fact

<sup>2</sup> National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business 2011, [http://www.mca.gov.in/Ministry/latestnews/National\\_Voluntary\\_Guidelines\\_2011\\_12jul2011.pdf](http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf), as quoted in Preparedness of Indian Public Equities for Business Sustainability (Environmental, Social and Governance) Disclosure and Reporting, Issue briefing in context of SEBI mandating Business Responsibility Reporting, cKinetics, December 2011.

that this framework is equally applicable to the small businesses as well. The report may be prepared in a free format with the basic performance indicators being included in the same. In case the business entity has chosen not to adopt or report on any of the Principles, the same may be stated along with, if possible, the reasons for not doing so.

## B-1

### *Principle 1—Ethics, transparency and accountability*

- Governance structure of the business, including committees under the Board responsible for organizational oversight. In case no committee is constituted, then the details of the individual responsible for the oversight.
- Mandate and composition (including number of independent members and/or non-executive members) of such committee with the number of oversight review meetings held.
- State whether the person/committee head responsible for oversight review is independent from the executive authority or not. If yes, how.
- Mechanisms for shareholders and employees to provide recommendations or direction to the Board/Chief Executive.
- Processes in place for the Board/Chief Executive to ensure conflicts of interest are avoided.
- Internally developed statement on Ethics, Codes of Conduct and details of the process followed to ensure that the same are followed.
- Frequency with which the Board/Chief Executive assess BR performance.

### *Principle 2—Products life cycle sustainability*

- Statement on the use of recyclable raw materials used.
- Statement on use of energy-efficient technologies, designs and manufacturing/service-delivery processes.
- Statement on copyrights issues in case of the products that involve use of traditional knowledge and geographical indicators.
- Statement on use of sustainable practices used in the value chain.

### *Principle 3—Employees' well-being*

- Total number of employees with percentage of employees that are engaged through contractors.
- Statement on non-discriminatory employment policy of the business entity.
- Percentage of employees who are women.
- Number of persons with disabilities hired.
- Amount of the least monthly wage paid to any skilled and unskilled employee.
- Number of training and skill up-gradation programmes organized during the reporting period for skilled and unskilled employees.
- Number of incidents of delay in payment of wages during the reporting period.
- Number of grievances submitted by the employees.

### *Principle 4—Stakeholder engagement*

- Statement on the process of identification of stakeholders and engaging with them.
- Statement on significant issues on which formal dialogue has been undertaken with any of the stakeholder groups.

*Principle 5—Human rights*

- Statement on the policy of the business entity on observance of human rights in their operation.
- Statement on complaints of human rights violations filed during the reporting period.

*Principle 6—Environment*

- Percentage of materials used that are recycled input materials.
- Total energy consumed by the business entity for its operations.
- Statement on use of energy saving processes and the total energy saved due to use of such processes.
- Use of renewable energy as percentage of total energy consumption.
- Total water consumed and the percentage of water that is recycled and reused.
- Statement on quantum of emissions of greenhouse gases and efforts made to reduce the same.
- Statement on discharge of water and effluents indicating the treatment done before discharge and the destination of disposal.
- Details of efforts made for reconstruction of bio-diversity.

*Principle 7—Policy advocacy*

- Statement on significant policy advocacy efforts undertaken with details of the platforms used.

*Principle 8—Inclusive growth*

- Details of community investment and development work undertaken indicating the financial resources deployed and the impact of this work with a longer term perspective.
- Details of innovative practices, products and services that particularly enhance access and allocation of resources to the poor and the marginalized groups of the society.

*Principle 9—Customer value*

- Statement on whether the labelling of their products has adequate information regarding product-related customer health and safety, method of use and disposal, product and process standards observed.
- Details of the customer complaints on safety, labeling and safe disposal of the products received during the reporting period.

**Part C**

Part C of the report incorporates two important aspects on BR reporting. Part C-1 is a disclosure on by the business entity on any negative consequences of its operations on the social, environmental and economic fronts. The objective is to encourage the business to report on this aspect in a transparent manner so that it can channelize its efforts to mitigate the same. Part C-2 is aimed at encouraging the business to continuously improve its performance in the area of BR.

**C-1**

- Brief Report on any material/significant negative consequences of the operations of the business entity.

## C-2

- Brief on Goals and Targets in the area of social, environmental and economic responsibilities that the business entity has set for itself for the next Reporting Period.

## ANNEXURE 4

### Global reporting initiative GRI 3.1 reporting guidelines<sup>3</sup>

#### Overview of Sustainability Reporting

The Purpose of a Sustainability Report Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. ‘Sustainability reporting’ is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.). A sustainability report should provide a balanced and reasonable representation of the sustainability performance of a reporting organization—including both positive and negative contributions. Sustainability reports based on the GRI Reporting Framework disclose outcomes and results that occurred within the reporting period in the context of the organization’s commitments, strategy, and management approach. Reports can be used for the following purposes, among others:

- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives;
- Demonstrating how the organization influences and is influenced by expectations about sustainable development; and G3 Reporting Framework;
- Comparing performance within an organization and between different organizations over time.

#### Orientation to the GRI reporting framework

All GRI Reporting Framework documents are developed using a process that seeks consensus through dialogue between stakeholders from business, the investor community, labour, civil society, accounting, academia, and others. All Reporting Framework documents are subject to testing and continuous improvement. The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization’s economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations—from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world to be generally applicable for reporting an organization’s sustainability performance.

#### The sustainability reporting guidelines

The Guidelines consist of Principles for defining report content and ensuring the quality of reported information. It also includes Standard Disclosures made up of Performance Indicators and other disclosure items, as well as guidance on specific technical topics in Reporting.

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<sup>3</sup> Extract from G3.1 Guidelines Including Technical Protocol.pdf, From Global Reporting Initiative, [www.globalreporting.org](http://www.globalreporting.org)

### Indicator Protocols

These exist for each of the Performance Indicators contained in the Guidelines. These Protocols provide definitions, compilation guidance, and other information to assist report preparers and to ensure consistency in the interpretation of the Performance Indicators. Users of the Guidelines should also use the Indicator Protocols.

### Sector supplements

Complement the Guidelines with interpretations and guidance on how to apply the Guidelines in a given sector, and include sector-specific Performance Indicators. Applicable Sector Supplements should be used in addition to the Guidelines rather than in place of the Guidelines.

### Technical protocols

Created to provide guidance on issues in reporting, such as setting the report boundary. They are designed to be used in conjunction with the Guidelines and Sector Supplements and cover issues that face most organizations during the reporting process.

### Orientation to the GRI guidelines

The Sustainability Reporting Guidelines consist of Reporting Principles, Reporting Guidance, and Standard Disclosures (including Performance Indicators). These elements are considered to be of equal in weight and importance.

### Part 1—Reporting principles and guidance

Three main elements of the reporting process are described in Part 1. To help determine what to report on, this section covers the Reporting Principles of materiality, stakeholder inclusiveness, sustainability context, and completeness, along with a brief set of tests for each Principle. Application of these Principles with the Standard Disclosures determines the topics and Indicators to be reported. This is followed by Principles of balance, comparability, accuracy, timeliness, reliability, and clarity, along with tests that can be used to help achieve the appropriate quality of the reported information. This section concludes with guidance for reporting organizations on how to define the range of entities represented by the report (also called the 'Report Boundary').

### Part 2—Standard disclosures

Part 2 contains the Standard Disclosures that should be included in sustainability reports. The Guidelines identify information that is relevant and material to most organizations and of interest to most stakeholders for reporting the three types of Standard Disclosures:

- Strategy and Profile: Disclosures that set the overall context for understanding organizational performance such as its strategy, profile, and governance.
- Management Approach: Disclosures that cover how an organization addresses a given set of topics in order to provide context for understanding performance in a specific area.
- Performance Indicators: Indicators that elicit comparable information on the economic, environmental, and social performance of the organization.

### Applying the guidelines

#### *Getting started*

All organizations (private, public, or non-profit) are encouraged to report against the Guidelines whether they are beginners or experienced reporters, and regardless of their size, sector, or location. Reporting can take various forms, including web or print, stand alone

or combined with annual or financial reports. The first step is to determine report content. Guidance for this is provided in Part 1. Some organizations may choose to introduce reporting against the full GRI Reporting Framework from the outset, while others may want to start with the most feasible and practical topics first and phase in reporting on other topics over time. All reporting organizations should describe the scope of their reporting and are encouraged to indicate their plans for expanding their reporting over time.

### **GRI application levels**

Upon finalization of their report, preparers should declare the level to which they have applied the GRI Reporting Framework via the 'GRI Application Levels' system. This system aims to provide:

- Report readers with clarity about the extent to which the GRI Guidelines and other Reporting Framework elements have been applied in the preparation of a report.
- Report preparers with a vision or path for incrementally expanding application of the GRI Reporting Framework over time.

Declaring an Application Level results in a clear communication about which elements of the GRI Reporting Framework have been applied in the preparation of a report. To meet the needs of new beginners, advanced reporters, and those somewhere in between, there are three levels in the system. They are titled C, B, and A. The reporting criteria found in each level reflects an increasing application or coverage of the GRI Reporting Framework. An organization can self-declare a 'plus' (+) at each level (ex., C+, B+, A+) if they have utilized external assurance. An organization self-declares a reporting level based on its own assessment of its report content against the criteria in the GRI Application Levels.

In addition to the self-declaration, reporting organizations can choose one or both of the following options:

- Have an assurance provider offer an opinion on the self-declaration.
- Request that the GRI check the self-declaration.

For more information on Application Levels, and the complete criteria, see the GRI Applications Level information pack available as an insert to this document, or found online at [www.globalreporting.org](http://www.globalreporting.org).

### **Request for notification of use**

Organizations that have used the Guidelines and/or other elements of the GRI Reporting Framework as the basis for their report are requested to notify the Global Reporting Initiative upon its release. While notifying GRI, organizations can choose any or all of the following options:

- Simply notify the GRI of the report and provide hard and/or soft copy.
- Register their report in GRI's online database of reports.
- Request GRI checks their self-declared Application Level.

### **Maximizing report value**

Sustainability reporting is a living process and tool, and does not begin or end with a printed or online publication. Reporting should fit into a broader process for setting organizational strategy, implementing action plans, and assessing outcomes. Reporting enables a robust assessment of the organization's performance, and can support continuous improvement in

performance over time. It also serves as a tool for engaging with stakeholders and securing useful input to organizational processes.

## ANNEXURE 5 Relevant laws and regulations<sup>4</sup>

A mention of relevant laws and regulations in this annexure is purposeful and is meant to give the reader a perspective on the fact that while legal provisions exist to work with marginalized communities as well as other citizens, corporates rarely make an attempt to relate their CSR strategy, activation framework and implementation to the provisions of various laws intended to create a better society.

- Industrial Disputes Act 1947
- Factories Act 1948
- Companies Act 1956
- Trade Union Act 1956
- Equal Remuneration Act 1976
- Bureau of Indian Standards Act 1986
- Consumer Protection Act 1986
- Environment Protection Act 1986
- Prevention of Corruption Act 1988
- Public Liability Insurance Act 1991
- National Commission for Backward Classes Act 1993
- Persons With Disabilities (Equal opportunities, protection of rights and full participation) Act 1995
- Trade Marks Act 1999
- Juvenile Justice (Care and Protection of Children) Act 2000
- Designs Act 2000
- New Competition Act 2002
- Prevention of Money Laundering Act 2002
- National Commission for Minority Educational Institutions Act 2004
- Commission for Protection of Child Rights Act 2005
- National Rural Employment Guarantee Act 2005
- Right to Information Act 2005
- Protection of Women from Domestic Violence Act 2005
- Micro Small and Medium Enterprises Development Act 2006
- The Scheduled Tribes and Other Traditional Forest Dwellers (recognition of forest rights) Act 2006
- Protection of Human Rights(amendment) Act 2006
- Rehabilitation and Resettlement Bill 2007
- Land Acquisition (amendment) Bill 2007
- Hazardous Waste (management, handling and trans-boundary movement) Rule 2008
- The Information Technology (Amendment) Act 2008
- Workmen's Compensation Act 1923
- Children (pledging of labour) Act 1933
- Payment of Wages Act 1936
- Industrial Employment (standing orders) Act 1946
- Employees State Insurance Act 1948

<sup>4</sup> CSR Country Brief, India 2012, Innovation Norway, Norwegian Embassy.

- Minimum Wages Act 1948
- Employees Provident Fund and Miscellaneous Provisions Act 1952
- Maternity Benefits Act 1961
- Payment of Bonus Act 1965
- Contract Labour (regulation and abolition) Act 1970
- Payment of Gratuity Act 1972
- Bonded Labour System (abolition) Act 1976
- Inter-State Migrant Workmen (regulation of employment and conditions of service) Act 1979
- Child Labor (prohibition and regulation) Act 1986
- Building and Other Construction Workers (regulation of employment and conditions of service) Act 1996
- Wildlife protection Act 1972
- Water (prevention and control of pollution) Act 1974
- Water (prevention and control of pollution) Cess Act 1977
- Air (prevention and control of pollution) Act 1981
- Forest (conservation) Act 1980 and Amendments 1988
- National Environment Tribunal Act 1995
- National Environmental Appellate Authority Act 1997
- Energy Conservation Act 2001
- Coastal Aquaculture Authority Act 2005
- Special Economic Zones Act 2005
- Essential Commodities Act 1955
- Union Duties of Excise (distribution) Act 1979
- Central Excise Tariff Act 1985
- Customs (amendment) Act 1985
- Taxation Laws (amendment & miscellaneous provisions) Act 1986
- Direct Tax Laws (amendment) Act 1988
- Foreign Trade (development and regulation) Act 1992
- Securities and Exchange Board of India Act 1992
- Customs and Central Excise Laws (repeal) Act 2004
- National Tax Tribunal Act 2005
- National Manufacturing Policy 2011

## ANNEXURE 6

### Resources

Reader can visit these links for further details on CSR and sustainability.

Business Fights Poverty, <http://www.businessfightspoverty.org/>

Mckinsey on Society, <http://mckinseysociety.com/>

CSR Wire, <http://www.csrwire.com/>

Business for Social Responsibility, <http://www.bsr.org/>

Sustainable Brands, <http://sustainablebrands.com/>

World Resources Institute, <http://www.wri.org/>

World Business Council for Sustainable Development, <http://wbcsd.org/home.aspx>

FSG, <http://www.fsg.org/>

Ethisphere, <http://ethisphere.com/>

Global Reporting Initiative, <https://www.globalreporting.org/Pages/default.aspx>

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# Potential and Possibilities for Livelihood of the Poor

BISWA BANDHU MOHANTY

## Chapter 7

### Background

Livelihood promotion for the poor is a multi-faceted issue that requires multi-pronged interventions at the policy and the programme front in order to meet the dynamic needs of the people. In India, it is an immense challenge and an incredible opportunity for all institutions, public and private. The State has been a major player in policy formulation and programme implementation. Policy exploration and debate continue on a number of issues ranging from food security, land acquisition and rehabilitation, the mode of delivery of subsidies and Public Distribution System (PDS) rationalization, to the merger of Central Sector schemes and review of parameters for measurement of poverty.

The Twelfth Five Year Plan (FYP) that focuses on faster, more inclusive growth and creation of sustainable livelihoods was to commence from April 2012; however, it is still awaiting approval from the National Development Council (NDC).

Achieving economic growth of 9 per cent with 4 per cent growth in agriculture, while combating high inflation and financial exclusion is a daunting task. Several mega livelihood programmes have been initiated, such as the ambitious and comprehensive National Rural Livelihoods Mission (NRLM) launched in 2011. The Mission targets 70 million rural poor and was unveiled in select states for phased implementation over a 10-year period. While numerous live-

lihood models from self-help group (SHG) federations, non-governmental organizations (NGOs), civil society organization (CSOs) and donor agencies are under trial in various parts of the country, no scalable model has yet emerged.

In the financial sector too, financial inclusion plans are top agenda. However, consequent to the Andhra Pradesh crisis, the microfinance sector/microfinance institutions (MFIs) that could have played a critical role in developing livelihoods for the poor have gotten mired in controversies, leading to a fresh hue and cry for responsible finance, customer protection and a code of ethics for the sector. The Government of India has renewed efforts to evolve the revised MF (Regulation and Development) Bill, based on recommendations of the Reserve Bank of India (RBI) constituted Malegam Committee.

The corporate sector has also been playing a significant role in the development of sustainable rural livelihoods, particularly in retail markets and the agri-business sector. The public private partnership (PPP) model, due to its proven record of success and competence, is being increasingly sought after as the way forward in sustainable livelihoods development.

Under the aegis of Unique Identification Authority of India (UIDAI), Unique Identification (UID) Number/Aadhar-based schemes are making steady progress as a means of systematic/transparent/accurate identification of BPL families and plugging

leakages in various schemes. The National Identification Authority Bill is still awaiting approval by the Parliament.

## Meaning and scope of potential for livelihoods

Public perceptions vary regarding the definition, meaning and scope of the term 'livelihoods'. Here, potential livelihoods for the poor are conceived and discussed from a broader perspective. Potential is linked to (a) category of the poor from the regional perspective; (b) diversities, difficulties and needs of such people; (c) extent and type of vulnerability. The potential needs to be examined from two angles: natural environment and human capital.

The potential and, therefore, livelihood options for the poor will vary with their environment: rain-fed areas, deserts, disaster-prone areas (flood-affected, drought-prone, tsunami-affected, etc.), forest-based regions, coastal areas, urban slums, regions affected by left-wing extremism (LWE), hilly regions and so on.

Furthermore, vulnerabilities and challenges of different groups need to be addressed while determining their livelihood options: women, the old and destitute; senior citizens; Scheduled Castes (SCs); Scheduled Tribes (STs) and Other Backward Classes (OBCs); minorities; tribals; the disabled; artisans; scavengers; *devadasis*; sex workers; street vendors; migrants; refugees; livestock rearers; fishermen; small and marginal farmers and the landless; child labourers; unemployed youth; the ultra poor; single women, etc.

Livelihood promotion as a means of comprehensively pulling the poor above the poverty line encompasses

1. generation of employment opportunities, preferably in local areas;
2. provision of physical and social infrastructure;
3. increase of enrolment into primary/secondary schools/elimination of drop-outs;
4. improvements in public health making it more effective and equitable;
5. improvements in productivity of agriculture, industry and services through research and development (R&D) and skill and capabilities building;
6. ensuring security in food, nutrition, employment, wage and livelihoods and basic amenities.

Thus, the potential for fulfilling the multi-dimensional needs of the poor through sustainable livelihoods in different segments/areas/sub-sectors comes within the purview of this chapter. *The above-stated multi-dimensional aspects of sustainable livelihood promotion have been aptly reflected in 7 guiding principles of Sustainable Livelihoods Approach (SLA) of IFAD as given in the Box 7.1.*

## Census 2011: Livelihood potential

### Youth: The blossoming potential

The Census 2011 puts the country's total population at 1.21 billion, unfolding youth power as a demographic dividend. The

#### Box 7.1: IFAD's seven principles of the Sustainable Livelihood Approach (SLA)

- Accept a people-centred approach
- Be holistic
- Consider the dynamics of the situation
- Build on strengths
- Encourage broad partnerships
- Foster micro-macro links

- Aim for sustainability

Source: Author's compilation based on IFAD's *Sustainable Livelihoods Approach (SLA)*, detailed in IFAD's website [www.ifad.org/sla/index.htm](http://www.ifad.org/sla/index.htm)

Approach Paper (AP) to the Twelfth FYP (Planning Commission, 2011) also states,

India has younger population not only in comparison to advanced economies but also in relation to the large developing countries. As a result, the labour force in India is expected to increase by 32% over the next 20 years, while it will decline by 4.0% in the industrialized countries and by nearly 5.0% in China. This demographic dividend can add to growth potential, provided two conditions are fulfilled. First, higher levels of health, education and skill development must be achieved. *Second, an environment must be created in which the economy not only grows rapidly, but also enhances good quality employment/livelihoods opportunities to meet the needs and aspirations of the youth.* [paragraph 1.18]

The 66th National Sample Survey Organisation (NSSO) Survey on Employment (2009–2010) further states that the number of young people in education and therefore, out of workforce, has increased dramatically, causing a drop in the labour participation rate. The number of youth in the working age group of 15–24 years who continued their education has doubled from about 30 million in 2004–2005 to over 60 million in 2009–2010. We can, therefore, assume that a much larger number of educated youth will join the labour force in the years ahead. For growth to be inclusive, and to meet the needs and expectations of a growing young populace, adequate, remunerative and quality livelihood opportunities are essential. The medium, small and micro enterprise (MSME) sector, knowledge sector, agri-business and non-farm sector are the emergent potential avenues in our economy.

### Urbanization and migration: New opportunities

In 2001, the urban population was 285 million, in 2011, it was 380 million, and by 2030, it is expected to jump to 600 million. More people will eventually live within urbanized conglomerations, due to diversification of villages, sprouting of peri-urban

centres around large towns and migration of people into towns. Geographical clusters that are located within the vicinity of cities will support rural livelihoods and become the prospective markets. There is a synergistic relationship between rural prosperity and the continuum of urban development from small farms to larger cities and metros. However, fulfilling basic needs and improving the quality of life of urban poor, who suffer from multiple deprivations and vulnerabilities, is a major challenge. The urban poor would include migrants, moving from rural areas to towns/cities and people living in the urban conglomerations. Given the changing milieu, facilitating migration as a strategy for livelihood promotion has been recognized.

### Provisioning for livelihoods of the elderly

The 'expectancy of life at birth' benchmark has improved significantly over the decades: from 41 years in 1950s, to about 58 years in 1980s, 62 years in 1990s and 63 years in the last decade. The Government of India has taken several initiatives to ensure livelihood security of the elderly. A Situation Analysis of Elderly in India was undertaken in 2011, National Policy for Older People was formulated in 1999, a reconstituted National Council of Old Persons (NCOP) was set up in 2005, and the legislation on Maintenance and Welfare of Parents and Senior Citizens Act passed in 2007. In view of improved life expectancy over time, greater support to this segment is warranted, whether in terms of finance, security, food, health care, shelter and security or ensuring their ongoing participation in development.

## Potential Sectors/Sub-Sectors

### Agriculture

#### *Agrarian economy*

The Indian economy is predominantly agrarian even though the share of agriculture in GDP has been consistently declining—the population dependent on

agriculture declined from 70 per cent a decade ago to about 52 per cent in 2010–2011 (RBI, 2011).

Apart from its share in employment, agriculture continues to be important for inter-sector linkage with manufacturing and services, and for microeconomic stability. Growth in agriculture and allied sectors is a necessary pre-condition for inclusive growth, reduction of poverty level, farm productivity and income growth, and development of farm/rural economy. To quote RBI Governor, D. Subba Rao, in his address on 'Agricultural Credit-Accomplishments and Challenges' at National Bank for Agriculture and Rural Development's (NABARD) Foundation Day held in Mumbai on 12 July 2012:

It is well worth repeating that agriculture defines the emotional and economic well being of India. True, agriculture's share in GDP is less than 15 per cent but it still remains the direct domain of over half of the population whose economic prospects are linked to the performance of agriculture.

According to a World Bank Report (World Bank, 2008),

among 42 developing countries, over the period 1981–2003, one per cent GDP growth originating in agriculture increased the expenditures of the three poorest deciles, at least, 2.5 times as much as growth originating in the rest of the economy. Clearly improving the performance of agriculture is the key to our quest for inclusive growth and poverty reduction.

The agriculture and allied sectors realized an average annual growth rate of 3.3 per cent during the Eleventh Plan Period (2 per cent in the Tenth Plan) against the targeted growth rate of 4 per cent. Agri-growth, to a certain extent, continues to be characterized by fluctuations due to the vagaries of nature. Notwithstanding the potential of agriculture for production, employment, income and empowerment, and livelihood promotion, agrarian distress

continues due to multiplicity of factors. There is, therefore, a great need to integrate our efforts on livelihood promotion with focus on sustainability of agriculture and agribusiness.

#### *Range of activities in agriculture/ agri-business*

With a view to making agriculture more a productive and profitable livelihood option, there is scope to develop support business development services, as follows:

- information and communication technology (ICT) based technologies for undertaking soil testing, facilitating crop selection and optimization of returns from land and irrigation;
- provision of Farm Management Services (FMS), providing appropriate guidance and extension services;
- provision of agri-implements and farm mechanization;
- provision of rural infrastructure including storage facilities;
- availability of quality seeds to meet local demand;
- availability of fertilizers and pesticides, preferably farm yield manure, vermi-compost and organic resources;
- improvement in pre- and post-harvest practices and structured management services ;
- avenues for market intelligence information about market and channelling agri-produce to markets.

There is scope for organized interventions by both government and non-government agencies in this direction, in order to minimize the hardships of farmers including women engaged in agricultural occupations. For new generation and progressive farmers taking up agri-business projects, there are opportunities, scope and potential under the purview of farming input, such as supplies, support services, support facilities, technology, value addition and output channelling.

Farming interventions include contract farming, own land/leased land farming, cash crops, inter-cropping, mechanized farming, seed production/multiplication, multiple cropping with allied activities. Input supplies activities include seeds, agro-chemicals, agri-implements, consumables and ingredients, chemicals, quality control equipment and packing material.

Support services cover nurseries, warehousing, specialized storage facility, cold chain, machinery, tools, spares and maintenance support, water treatment, effluent treatment, broilers, training and counselling. Primary processing/value addition facilities/opportunities could be in the areas of pack houses, cleaning, sorting, grading, and value addition at farm end. Processing interventions would comprise processing of seeds, grains, fruits, vegetables, spices, oilseeds, plantation crop produce, Non-timber Forest Produce (NTFP), etc.

Different categories of products could be frozen, pickled, extruded dried, fresh dried, etc. Processing interventions would include crushing, milling, sorting/grading, polishing, wax treatment, irradiation, cooking and pasteurization. Output channelling could include retailing supplies/bulk supplies to traders, processors, exporters, aggregation centres, food services, etc.

### *Challenges and possibilities in agriculture livelihood*

As enumerated above, a wide range of activities in agriculture can be pursued as livelihood options. However, climate change, extreme weather conditions, constraints in infrastructure, lack of market intelligence and market reforms, limitations of predominantly small and marginal farmers, etc., pose tough challenges. Various schemes/programmes/missions have been initiated with the objective of tapping the potential of agriculture and allied sectors, and opening up livelihood opportunities. These include: National Food Security Mission, Rashtriya Krishi Vikas Yojana (RKVY); Macro Management of Agriculture

(MMA), Integrated Schemes of Oilseeds, Pulses, Oil Farm and Maize (ISOPOM); National Mission for Sustainable Agriculture (NMSA), National Horticulture Mission, National Bamboo Mission, various integrated schemes for livestock (dairy, poultry, fisheries water management and soil nutrient management, rain-fed farming, linking small producers and markets, land and tenancy reforms, etc).

### *Service sector*

#### *High share in economy and diversified activities*

As per the Economic Survey, the share of Services in India's Gross Domestic product (GDP) at factor cost (at current prices) increased from 33.5 per cent in 1950–1951 to 55 per cent in 2010–2011 and 56.3 per cent in 2011–2012 (advance estimates). The share of 'trade, hotels and restaurants' as a group at 16.9 per cent, is the largest contribution to GDP among various sub-sectors, followed by 'financing, insurance, real estate and business services' at 16.4 per cent. The services growth rate at constant prices has always been above the overall GDP growth since 1996–1997 except in 2003–2004. In 2011–2012, as per advance estimates, the growth rate has been placed at 9.4 per cent.

The Service Sector will provide continuous opportunities for creation of decent livelihoods in both rural and urban areas. Census 2011 puts India's rural population at 833 million and rural income opportunities exist not only in the farm sector but also in the interconnected non-farm and other interrelated sub-sectors and activities. While agriculture continues to be a primary source of employment in the economy overall and predominantly so for rural areas, in urban India, the services sector is the principal source of employment. According to the NSSO Report on the employment and unemployment situation in India 2009–2010, the services sector accounted for 147 and 582 for every 1000 persons employed in rural and urban areas respectively.

This fast growing sector encompasses a vast spectrum of services, which create a range of job opportunities that demand highly skilled to unskilled manpower. Information technology (IT) and IT-enabled services including telecom may be expected to contribute to economic growth in the coming years by creating business opportunities and supporting them. Health care, education and financial services, community services, security services, media, entertainment, films, music, radio, television and recreation are other areas that will provide huge livelihood opportunities. Construction, tourism, hospitality, transportation and communication are high growth sub-sectors. The construction sector provides direct and indirect employment to 35 million people and is expected to open up employment opportunities to 92 million persons by 2022. Tourism and hospitality create multiple employment opportunities through its many arms: transportation, accommodation, food, establishments, retail shops, entertainment, business and hotels.

#### *Knowledge/skill-based service sector opening up opportunities*

The knowledge-based service sector, technology-intensive sectors and services will be the sought after destinations for livelihood of new young entrants in the labour force. In recognition of these young entrants and the need for greater pace and quality of livelihood creation, the Twelfth Plan AP and the Economic Survey, 2012 have both laid greater stress on skill-building as an instrument for improving effectiveness and the contribution of labour to overall production.

#### *Pro-poor tourism*

Pro-poor tourism is an emerging area that aims to increase the net benefit that flow from tourism and related activities to the poor. It envisages promotion of community tourism, heritage tourism, eco-tourism, wellness tourism, etc., and calls for diversity of activities from micro to macro level, including capacity-building of participating

poor, development of infrastructure, marketing, publicity, planning, investment and policy. These will provide the multiple benefits of economic livelihoods besides social and cultural improvement.

### **Manufacturing sector**

#### *Potentials of MSME*

The manufacturing sector, as per the Economic Survey 2012, did not perform well and its share of GDP came down to 27 per cent from its 28 per cent peak. In an emerging economy, the manufacturing sector is the driver of growth and promoter of employment and, therefore, needs to be developed rapidly. The MSME sector is a strategic asset for the economy and the foundation for manufacturing sector and livelihood options. MSMEs contribute nearly 8 per cent of the GDP, 45 per cent of the manufactured output and 10 per cent of exports. According to the All India Census of Small Scale Industries (2006–2007), it provides employment to about 59.7 million people through 26.1 million enterprises producing over 6,000 products. There are an estimated 1.30 million women-owned enterprises and 1.2 million women-managed enterprises. The rural non-farm sector encompassing this segment provides alternative/supplementary livelihood to many rural people, particularly small, marginal farmers, artisans, women and other vulnerable sections. To quote an Approach Paper of the Planning Commission (Planning Commission, 2012),

About half of our population is either wholly or significantly dependent for their livelihood on some form of farm activity—be it crop, agriculture, horticulture, animal husbandry or fisheries. With low levels of infrastructure and human development and in a context replete with inequalities and uncertainty, rural India views its future transformation with both hope and trepidation. Expansion of farm incomes is still the most potent weapon for reducing poverty. Non-farm income opportunities such as post-harvest operations, maintenance of farm equipment, etc. offer a virtuous cycle connecting expansion of

farm activity to that of rural non farm income opportunities.

Ministry of MSME, Development Commissioner (SSI), various boards of handlooms/handicrafts/coir/sericulture, Government of India, Khadi and Village Industries Commission (KVIC), Small Industries Development Bank of India (SIDBI), NABARD, banks, etc., are all engaged in implementing a range of financial and promotional schemes, services and incentives that enhance the development of MSMEs on ground.

#### *Potential of agro AMD food processing sector for livelihood*

India currently produces about 50 million tons of fruit, which is about 9 per cent of the world's fruit production and 90 million tons of vegetables which is approximately 11 per cent of the world's production. However, only 2 per cent of fruits and vegetables produced in India are processed, which is extremely low as compared to countries like USA, China and others. Lack of proper processing and inadequate storage of fruits and vegetables result in huge wastage. A recent study by the Central Institute for Post-harvest Engineering Technology (CIPHET) in 2010 has assumed that post-harvest losses of agricultural products in India amounts to ₹440 billion annually. It is estimated that the income of farmers and rural workers increases by 100–200 per cent when a food processing project is established in a region and yield increases by 50–250 per cent. The potential for employment is also high.

The food and drink industry is not only of the largest employers worldwide, it has an important employment multiplier effect. For example, it is estimated that each job in the European soft drink sector generates up to ten additional jobs.

Numerous schemes have been initiated by the government and other organizations to support agro and food processing activities. These include the Ministry of Food Processing Industry (MFPI), Agricultural

and Processed Food Products Exports Development Authority (APEDA), Ministry of Agriculture, National Horticulture Board as well as banks like SIDBI and NABARD. MFPI's financial assistance includes schemes for technology up gradation, human resource development, quality testing, R&D, TQM, backward and forward integration, development of infrastructure including food parks, cold chains, etc.

#### *Prospective sub-sectors: Growth vis-à-vis employment*

According to Confederation of Indian Industries (CII), sub-sectors that offer the best prospects from the employment perspective are retailing, leisure, travels, tourism, hospitality, health care, apparels, telecommunication and IT-enabled services and food processing. Other employment-oriented sub-sectors include beauty culture, auto repairs, gems and jewellery, and entertainment. A study on Indian Labour Market (ADECCO Institute and Tata Institute of Social Sciences, 2009) by Adecco Institute and Tata Institute of Social Science identifies five sub-sectors as the most promising from the perspective of growth and employment in the years ahead. These are: IT industry (IT workforce is estimated to increase to 30 million by 2020); telecom (estimated 10-fold increase in broadband and phone subscribers); health care (likely to be 40 million by 2020); infrastructure and retail. To quote a research paper titled 'Youth Employment and Unemployment in India' by S. Mahendra Dev and M. Venkatnarayan of Indira Gandhi Institute of Development Research (2011),

Joblessness (27%) is much more than unemployment (an absolute number 203.6 million). 89% of youth have not taken any kind of vocational training and, among the rest, half of them have received through hereditary practices. About 40% of youth population are vulnerable. They include 11% of working poor, 4 per cent unemployed and 25% not seeking any job. 26% of youth employed suffer from poverty. Unemployment of youth is only one of the problems of youth in labour market. Since many of them are in the informal/

unorganized sector, the income, productivity of workers, and conditions of work and social security have to be improved.

Under NRLM, Bihar is one of the few states that has prepared a State Programme Implementation Plan to unlock the livelihood potential of various sectors. IL&FS Cluster Development Initiative has prepared a detailed project report for operationalizing the Agribusiness Infrastructure Development Investment Program Phase II in the states of Bihar in March 2010 for

the Asian Development Bank (ADB). This report suggests a hubs-and-spoke model for harnessing the identified potential of sub-sectors in various districts (see Box 7.2).

## Union budget: 2012–2013 announcements and livelihood prospects

1. The Union Budget has identified priorities that will go a long way in implementation of livelihood promotion

### Box 7.2: NRLM Bihar: Strategies for harnessing livelihood opportunities

To quote the report 'Food Processing in Bihar: The Road Ahead' by IL&FS, prepared for the Government of Bihar, 'the state is now uniquely positioned to utilize its rich untapped natural resources such as fertile soils and abundant water. Water, the life line in agriculture, is abundant in Bihar and the real issue is not availability but management'. Vision 2015 of the state envisages tapping the untapped potential of Bihar's agriculture sector through accelerated development of food processing industry by following strategies:

- Develop and strengthen region-specific supply chain infrastructure and linkages.
- Increase processing, reduce wastage and ensure value addition in perishables like fruits, vegetables, meat, fish and poultry. The state will target to reduce wastage by about 15 per cent, increase processing from present negligible levels to, at least, 10 per cent.
- Provide capacity-building facility to upgrade the skills of stake holders in the industry.
- Focus on formation of producer groups/companies as per State Perspective Implementation Plan (SPIP) under NRLM.

It is envisaged to first develop livelihood groups (producer groups) and then federations (producer companies/cooperatives), deriving membership from the base unit via SHGs. The livelihood groups would be provided support through customized training

at village and block levels. Linkage of these groups to the commercial sector would be facilitated. The producers groups will facilitate (a) purchase or procurement of inputs, (b) local processing and storing of inputs and outputs and (c) marketing and selling of produce. A collective approach will provide them bargaining power with large traders in the value chain of the livelihood sector/sub-sector/commodities. The project managers/facilitators would develop an appropriate package of best practices and handhold the producer groups to adopt suitable practices through technical assistance. The National Commission on Farmers has concluded that Bihar and eastern India present uncommon opportunities for becoming another 'fertile crescent', even as the present fertile crescent (comprising Punjab, Haryana and western Uttar Pradesh) has reached a state of economic and ecological distress.

*Source:* The box item refers to 3 study reports: (1) 'Final Report-Operationalizing the Agri-business Infrastructure Business Investment-Phase II-Bihar(March 2012)', prepared by IL&FS Cluster Development Initiative, New Delhi for Asian Development Bank (ADB); (2) 'Food Processing in Bihar: The Road Ahead' (April 2007), prepared by IL&FS for Government of Bihar and (3) 'State Perspective and Implementation Plan (SPIP), Bihar (2011-12- 2021-22)', prepared by Jeevika Rural Livelihood Promotion Society, Patna for Department of Finance, Government of Bihar, Patna and Ministry of Rural Development, New Delhi.

interventions, if implemented scrupulously. These include: improvement of delivery system, governance and transparency, streamlining and reducing the number of central sponsoring schemes, strengthening central plan monitoring and directing efforts for better targeting and leakage-proof delivery of subsidies, etc. A specific initiative and scheme announced in the Budget that will impact livelihoods of the poor is the nationwide rolling out of mobile-based Fertilizer Management System (mFMS) that envisages providing end-to-end information on the movement of fertilizers and subsidies, from the manufacturer to the retail level, benefitting 120 million farmers.

2. Implementing handloom weavers' cooperatives revival package.
3. Rationalizing the scope of various missions for agriculture development, e.g., National Food Security Mission, National Mission on Sustainable Agriculture including Micro Irrigation, National Mission on Oilseeds & Oil Palm, National Mission on Agriculture Extension and Technology and National Horticulture Mission Creating Public Distribution Networks, National Information Utility, computerizing PDS, using the Aadhaar platform.
4. Rolling out multi-sectoral programmes in selected high-burden districts, harnessing synergy across nutrition, sanitation, drinking water, primary health care, women education, food security and consumer protection schemes.
5. Establishing Bharat Livelihood Foundation of India through Aajeevika to support and scale up civil society and interventions, particularly in the tribal regions covering 170 districts.
6. Setting up sector-specific skill communities under NSDC, and a separate credit guarantee fund for improving flow of institutional credit for skill development
7. Enlarging the Aadhaar platform by facilitating payment of wages, pensions,

etc., to the vulnerable sections of people, directly to their beneficiary account.

The above interventions, coupled with financial inclusion-related proposals and legal enactments including the proposed Food Security Bill would create new opportunities for livelihoods for the poor. However, the extent of impact can only be determined by the pace, quality and effectiveness in implementation of the various proposals.

## Potential of various geographical regions

### Potential of rain-fed livelihoods

Harnessing economically viable, socially inclusive and environmentally sustainable livelihood security and growth with optimal management of land, water, forest and social capital has been a major challenge for all stakeholders of rural development. Almost all forest areas, grazing/grasslands, coast lands and dry lands, and 80 per cent of hill horticulture are non-irrigated/dry land areas. As much as 60 per cent of livestock are raised in non-irrigated/dry land areas. About 87 per cent of pulses and coarse cereals, 77 per cent of oilseeds, 60 per cent of cotton and 50 per cent of fine cereals are produced in non-irrigated agro-climatic regions. Sixty per cent of rain-fed agriculture supports only 40 per cent of the population, contributing 40 per cent of food grain production. Yet, it is imperative that rain-fed areas contribute significantly to maintain our food security as the yields from irrigated agriculture is plateauing and the possibility of bringing more areas under assured irrigation is reducing. In contrast, the economy of the region is complex, diverse risk-prone and under-invested. With low productivity, the livelihood of the tribals, landless, asset less, small and marginal farmers of the region is highly vulnerable. Notwithstanding these limitations, there is a vast range of possibilities for permutations and combinations of farming systems, keeping in view

regionally differentiated socio-economic conditions, demands, market linkages and availability of natural resources.

Some sub-sectors that have excellent prospects and opportunity for livelihood promotion in this region are milk production (collection, processing, marketing and servicing on the lines of National Dairy Development Board [NDDB]), and minor forest produce (processing, value addition and marketing of forest produce like oilseeds, tamarind and medicinal plants). It is widely accepted that the watershed approach is the best way for development of rain-fed areas as it creates favourable conditions for risk reduction and productivity improvement. Multiple ministries and agencies are engaged in implementation of watershed projects. The National Rain-fed Area Authority has been introducing livelihood perspectives in their programmes, emphasizing on capacity building, monitoring and evaluation, learning and social audit. A participatory approach encouraging community to share in planning, implementation and monitoring is key to the success and sustainability of such programmes. Rain-fed zones, watershed areas, dry lands, hilly tracks, etc., are the testing grounds for bankers and development agencies who promote microfinance, micro-enterprises and livelihoods.

The major challenge lies in developing dry land farming that covers two-thirds of rural India, creating an enduring value chain and sustaining livelihoods. D. Subba Rao, RBI Governor, in an address on agri-credit (Reserve Bank of India, 2011) says:

There is also need for more robust weather insurance and agricultural extension services to target diversified livelihood options in the rain-fed areas. As appraisal and disbursement of credit for rain-fed agriculture requires a different orientation and approach, there is also a need to design innovative credit products. Such products would help in building the confidence of bankers in rain-fed agriculture, and would also ensure the financial and economic inclusion of the vast majority

of small and marginal farmers from these areas. Clearly, improving the performance of agriculture is key to our quest for inclusive growth and poverty reduction.

### Forest-based livelihood prospect: Unlocking forest values for forest dependent people

#### *Scope and strife*

Twenty-two per cent of India's total territory comprises forest covered areas. While many communities depend on forest resources for their livelihoods, over 60 per cent of the tribal people live within 5 km of the forests. Increased ease of access and governance of natural resources, particularly forests across states and at the national level, have been issues of concern. Tribal communities' customary rights over land, mines, forests and water have suffered due to unsustainable extraction of resources by government and private companies, leading to destruction of ecology, environment and their livelihoods. Loss of access to natural resources coupled with incidences of displacement from their land due to mining and other development projects have adversely affected the cultural, social and economic life of the tribal communities. The Recognition of Forest Rights Act 2006 that came into force in December 2007, marks a radical departure from existing forest legislation and aims to provide a framework that vests forest rights with forest-dwelling communities and also to foster a new forest conservation regime. The provisions of the Act are perceived differently by different people. Tribal rights activists perceive it as an overdue instrument of justice; environmentalists, on the other hand, perceive serious ecological fall outs, with the potential threat of rampant deforestation. However, it is expected that ownership rights will give communities the much-needed impetus and responsibility to protect forest resources and enable their participation in conservation efforts, as envisaged in the Act. Tribal welfare and forest conservation can be viewed, therefore, as complementary goals. Against this scenario,

several initiatives are under way that aim at reducing the pressure on forest resources by creating new livelihood opportunities, enabling communities to shift to more sustainable income-generating activities.

#### *Supportive programmes and strategies for forest dwellers' livelihood*

Several NGOs and development agencies like PRADAN, Bharatiya Agro Industries Foundation (BAIF) and Access have been working with this segment of poor, towards providing sustainable livelihood opportunities.

PRADAN's forest and tree-based livelihoods interventions in Jharkhand and Odisha comprise 'tussar' cocoon production, 'lac' cultivation and production and trading of 'siali' leaf plates, among other farm forestry activities. About 5,000 families have been involved in these activities, as a part of their programme on natural resource management. Various government authorities like Ministry of Rural Development, Department of Agriculture, Ministry of Textiles, as also a number of resource institutions such as the Central Silk Board and the Indian Lac Research Institute have been associated with the implementation of this programme.

Access Development Services is currently implementing three forest-based projects in Madhya Pradesh and Rajasthan. Its NTFP Rural Livelihoods Project, Madhya Pradesh, focusing on tribal communities, aims to enhance revenues from NTFP, to reduce impact on forest resources by way of adding value to the produce, to enhance productivity and provide a minimum of 500 NTFP producers with more negotiation power in the market through their consolidation in a Producers Company. Their capacity-building for the Community Forestry Project in Madhya Pradesh aims to augment income from NTFP of a minimum of 200 households from forest dependent communities, by adopting more sustainable activities. The Sustaining Tigers in Ranthambore (Rajasthan) through

Innovative Poverty Eradication Solution aims to improve sustainable livelihood of 500 households, through tourism promotion and agriculture.

BAIF has been deeply involved in promotion of the Wadi (small orchard) approach for over two and half decades. In this approach, tribal and backward communities are facilitated to build sustainable livelihood through a multi-disciplinary approach—tree plantation, agriculture in inter-space and other supplementary activities. BAIF has done pioneering work in Wadi promotion, initially implemented in Maharashtra and Gujarat under the KFW-NABARD assisted Adivasi Development Programme (ADP). The Wadi Approach has been replicated by NABARD in its Tribal Development Fund, based on successful ADP since 2003–2004. In this expansion phase, sustainable and participatory livelihood programmes are supported, encompassing agriculture, organic Wadis/mixed Wadis, soil conservation, water resources development. These and other supplementary measures are aimed at economic upliftment, social empowerment, improvement in quality of life including health, and women empowerment in tribal dominant areas of the country. Thus, there is immense scope and possibilities for strategies and programmes that aim to provide alternative livelihood opportunities by reducing pressures and maintaining/sustaining ecological balance.

#### **Potentials and perspectives of North Eastern Region (NER)**

##### *Unique features and complexity of issues*

It is a fact that North Eastern India, comprising seven states, has valuable natural resources—it hosts species-rich tropical rain forests and supports a diverse flora and fauna. The large reserves of petroleum and gas in the region constitute a fifth of the country's total potential. Industrial raw materials such as coal, hydrocarbons and mineral resources such as thorium, limestone, etc., are also available in abundance.

There is a fascinating variety of socio-cultural, ethnic and linguistic diversity in the region, with more than 200 dominant tribes and many sub-tribes reflecting the complex social structures. Notwithstanding the potential, the poverty rate in the region is significantly higher than the national average and lack of development plagues the region, despite the financial assistance extended by the Government of India.

The absence of basic infrastructural facilities is a major constraint to the promotion of entrepreneurial ventures in the region. This is compounded by protracted civil unrest/insurgency in many parts of the region. A lack of enterprise and decline in community income generation has resulted in large-scale migration of youth to cities and other urban areas within and outside the region. This further compounds the labour-intensive requirement of most agricultural practices in the hilly regions. Moreover, poor market access and opportunities for value addition for cash crops and locally abundant horticultural crops hinder any possibility of tapping alternative sources of income. Government authorities are the largest employers, but such jobs are drying up. Private sector employment opportunities are very scarce in the organized sector. Although the youth in the NER are comparatively more educated compared to the rest of India, they lack technical and employable skills. There is a perceived need to increase and diversify sources of income at the community level, as this would help to arrest migration and reduce dependence on the government. This change can be brought about by the revival and strengthening of traditional institutions for better management of resources and for building peace and development in the region.

*Traditional agricultural practices in NER* has common characteristics—hilly terrain, a fragile eco system, tribal population, biodiversity, forest resources, traditional and customary approach in agriculture, low productivity, rural poverty and poor

infrastructure. The subsistence farming traditionally practiced in the region is slash-and-burn agriculture, locally called *jhum* cultivation. *Jhum* cultivation is the predominant system of land use in the upland areas of Manipur, Meghalaya, Mizoram and Nagaland—19 to 45 per cent of the forest area is under *jhum* cultivation. This system is akin to community farming without heritable rights over the lands. Due to loss of traditional *jhum* land to commercial tree plantations, and population pressures, the land available for cultivation has declined and *jhum*, a sustainable form of agriculture for many centuries, is no longer able to meet the needs of households. In many areas the *jhum* cycle has reduced drastically, leaving little time for soil regeneration. A combination of traditional ecological knowledge, resource management and practical experience of farming community has been applied for many years in biodiversity conservation in the region—these same tools can be utilized as a useful guide to develop solutions for land use and management and livelihoods path.

The crucial role of tribal communities in the developmental process of the region has been recognized by government authorities. Traditional structures like Village Councils can be used to secure the participation and involvement of people in development efforts. These Councils provide a point of contact between Government and people. Village Development Board in Nagaland represents a decentralized form of planning and devolution of powers at the village and grass roots level. Traditional institutions like Kukis in Manipur, Nakma, Akhing (the female's decision-making power in forest land used by the matrimonial tribe) in the Garo hills of Meghalaya, signify the force and validity of local customary laws. In Meghalaya and Tripura 90 per cent of forest land is controlled by local community institutions, while in Assam and Tripura it is 30–40 per cent. District Councils and local government institutions in Assam, Meghalaya, Tripura and Mizoram usually

have a crucial role in natural resource management, use of forest land, and regulation of *jhum*.

#### *Possibilities for livelihoods in NER*

The Government of India through the Ministry for the Development of NER (DONER) has initiated the North East Rural Livelihoods Project (NRELP) for four NER states, viz., Mizoram, Nagaland, Sikkim and Tripura. Implementation is proposed in two districts of Mizoram, Nagaland and Tripura and three districts of Sikkim, in order to increase and sustain income of the poor, especially women. The NRELP focuses on supporting various livelihoods activities from the lower-level SHGs to higher-level federations in the proposed districts. Agriculture, piggyery, poultry, dairy, fishery, etc., are the predominant means of livelihood in the region. The rural population in these identified districts are highly vulnerable due to the fragile landscape and natural resources of the area. Some of the donor-driven livelihood programmes have been aimed at bringing alternative means of livelihoods in the region. For instance, International Fund for Agriculture Development (IFAD) implemented Livelihoods Improvement in the Himalayas (1999–2012) with a view to helping vulnerable groups in the rugged highlands improve their livelihoods and develop alternative means for increasing their income in the remote and underdeveloped districts of Meghalaya. The NER Community Resource Management project in the upland areas (1999–2016) is aimed at improving sustainable livelihood opportunities of vulnerable groups by introducing them to improved land management practices that preserve the ecological balance of the region and create better options for poor farmers—more sustainable farming practices, water conservation and crop diversification. Livelihood programmes and strategies should capture ground realities and be built upon the following premises:

1. Build on locally available knowledge, customary practices and resources.
2. Enlist Government facilitation for market access.
3. Establish partnerships with local community.
4. Empower the community to raise its resources Preserve balance in natural resources and environment.

#### Potential of cluster development approach

##### *Initiatives of development agencies*

The Cluster Development approach has been recognized as the most inclusive, sustainable and integrated way for development of micro and small enterprises, poverty alleviation and livelihood enrichment. This approach is as per recommendations of the Expert Committee on Small Enterprises (Abid Husain Committee 1997), and is driven by the persistent initiatives and support of global agencies like United Nations Industrial Development Organization (UNIDO), International Labour Organization (ILO), United Nations Development Programme (UNDP), etc. Positive outcomes have been noted in most developed and developing countries.

Besides international agencies, several ministries of the Government of India and state government departments have introduced sector-specific schemes that promote cluster development:

1. Developmental and financial agencies like State Bank of India (SBI), SIDBI, NABARD, KVIC, Rural Non Farm Development Agencies (RUDA), Confederation of Indian Industry (CII) and IL&FS have been involved in cluster promotion.
2. The Government of India introduced the National Programme on Rural Industrialization (NPRI), aiming to develop 100 rural clusters every year, starting from 1999 to 2000.
3. NABARD has reported that as on 31 March 2012, it has supported 120

- clusters (100 for handlooms and handicrafts) across 110 districts in 22 states.
4. UNIDO has been assisting the GOI and other leading development organizations significantly for qualitative development of various clusters across the country.
  5. The Ministry of Micro, Small and Medium Enterprises, Government of India, has been supporting Schemes of Fund for Traditional Industries Regeneration (SFURTI) under which KVIC and Coir Board will promote 100 clusters.
  6. The Ministry of Textiles, Office of Development Commissioner has been implementing the Integrated Handloom Cluster Development Approach Programme, focusing on formation of viable weaver entities.
  7. The Mega Cluster Approach under the aegis of Development Commissioner, Handicrafts, Government of India, was utilized to scale up the infrastructural and production chain at handicraft clusters through Baba Saheb Ambedkar Hastasilpa Vikas Yojana (AHVY)
  8. Ayurveda, Yoga, Naturopathy, Sidh and Homeopathy (AYUSH) industry has an annual turnover of ₹50,000 million, and is dominated by MSMEs (about 80 per cent) in identified geographical clusters.

Thus, by virtue of various initiatives, clusters have been developed in the country under three broad categories—high tech clusters (IT, IT-enabled services, etc.), traditional manufacturing clusters, and low technology-based poverty intensive microenterprises. Varying degrees of success has been achieved in the programmes cited above.

#### *Challenges in cluster development approach*

The cluster approach, which was focused on in the Eleventh Five year Plan, has continued validity and relevance for its livelihood enhancement prospects. In view of the limitations of artisans, small entrepreneurs

and asset-fewer people, their participation within clusters promotes sustainable livelihoods. Common sets of skills, challenges and opportunities can be leveraged under integrated development programmes. These include (a) similarity or complementarity in the methods of production, quality control, testing, energy consumption and pollution control, (b) similar level of technology and marketing strategies/practices, (c) channels of communication among the members of clusters.

The cluster approach targets for a cost-effective production strategy, saving in raw material procurement by following mass-purchase policies, technology innovation, product diversification, exploration of new markets, establishment of common facilities centres, etc. Clusters in rural areas and small towns, however, face numerous challenges such as upgradation of product quality, access to wider markets, multi-skilling labour, access to financial services, adequate business infrastructure and protection of the environment. The convergence of support by using high-end development professionals to build up local capabilities at the technical and managerial levels is a necessary condition to harness the positive potential effect of rising new market forces. New forms of partnership between producers and organized marketing companies need to be supported with development funds, encouraging producer groups to enhance their capabilities in order to meet rising demands of quality, timely delivery, designs and production management system. The development of these locations should be linked with the district planning process to ensure that it includes the local knowledge and wisdom for development of the sectors. The technological dynamics, combination of protection and promotional measures, and innovative methodologies under the cluster approach can trigger and transform livelihoods. Sub-sector clusters with a high prevalence for specific economic activity can be chosen for further intervention. Clusters can be identified that represent diversity of

socio-economic groups, agro-climatic condition and level of backwardness.

### *Prospects of integrated cluster development schemes*

In the traditional sector, particularly in the handloom sector, ongoing integrated cluster development projects have the potential for significant promotion of livelihoods. Weavers can be given the latest designs as per industry needs, through net working with industry, and these products can be supplied to the big marketing chains. Ways and means should be found to develop and use technology that fits into the rural environment, leading to value addition and employment generation. In order to achieve this, it is important to understand each stage of the value chain, with the clear objective of exploring ways to tweak the same in order to enable employment generation in rural areas (see Box 7.3).

## Livelihood prospects of various sub-sections of poor

### Ultra poor

Considering the magnitude, complexity and diversity of livelihood issues of the ultra poor and vulnerable tribal groups, migrant labour, and single women—they have only lately received the attention of policy-makers and promoting agencies. The issues include identification of households, designing capacity-building mechanism and support schemes, availability of resources, and institution-building for handholding/facilitating their livelihood promotion. Some institutions that have addressed these issues and gained useful experience are: Aga Khan Foundation's Aga Khan Rural Support Programme (AKRSP), India, for vulnerable tribal groups, *Aajeevika* Bureau for migrants, Trickle Up for single women, Yuva for destitute single women in

### **Box 7.3:** *Rural livelihoods—use of value chains: Natural fibre cluster*

The dry land farmers of Lakkanahalli and surrounding areas in Karnataka have found an alternative way of generating income through natural fibre cluster products. Due to the initiative of IDF, an NGO in the area, this approach has helped the farmers market their produce, sharpened their entrepreneurial abilities and reduced migration.

Dubai Shankamma, from the cluster, says

We have some hopes now. We need not migrate to cities now for those two square meals. Five years ago, we hardly used to get wages 60 to 70 days in a year. Now, we have our own place and get wages 250 to 300 days. Our earning has increased from ₹25 per day to ₹80–150 now. Earlier Davangere, at best, was the biggest city we ever saw in awe. Now, we have visited many cities. I am now called Dubai Shankamma. Others have visited Delhi, Mumbai, and Bangalore several times. We can afford to have our dreams. And we are confident that we can realize these small dreams.

The new found confidence of women is born, not just from economic power, but also due to social empowerment, bringing an indirect impact on agricultural economy

and local infrastructure. The banana farmer no longer sells the banana stem free. Now, the women need to buy these. After extracting the fibre, the waste is now being composted as the value of vermin-composting is known in the village. Due to development of the village as a cluster, unemployed youth have found viable self employed ventures, running regular auto-rickshaws, setting up telephone booths, small eateries and kiosks, etc.

Traversing along with the poor women in this journey of exploring sustainable livelihoods, IDF-Gramya and other associated supporting institutions are helping to address the institutionalization of group enterprise and community ownership of various spheres of entrepreneurial activities, especially the finer nuances of niche and distance marketing of products, financial risk management and robust integration of cluster working as contemporary activity with the culture of dry land farming.

*Source:* Shrikanth Shenoy TV, 'Rural Livelihood-Value Chain' in LEISA INDIA.

slum areas, etc. Challenging the Frontiers of Poverty Reduction-Targeting Ultra Poor (CFPR-TUP) programme was pioneered by BARC in Bangladesh. In India, Bandhan, a Kolkata-based MFI launched Targeting Hard Core Poor (THP) programme in Murshidabad district of West Bengal. In 2010, Centre for Media Freedom and Responsibility (CMFR) did a survey on the impact of the programme and reported positive results: increased productivity, increased household food consumption, larger asset-base, better food security, etc. Institutions have tried various approaches for developing institutional structure, such as intensive counselling, imparting new skills, extending need-based services and evolving suitable livelihood options. However, flexibility in approaches, intense engagements and patience are the key factors for positive results. Most ultra-poor groups need interventions across multiple areas including livelihoods, health care and financial literacy. Replication of the strategies and programmes is possible only after contextualizing the same to local needs. There is an increasing realization of emerging multi-dimensional needs of such ultra poor by various development agencies, bringing to the fore a possible thrust of efforts in new directions.

### Women's livelihoods

The livelihood activities pursued by women are transforming in recent years. Considering the increasing role of women in farming activities, the Women Farmers' Entitlement Bill is under consideration in Parliament, as discussed in the earlier chapter. Various studies reveal that women are pursuing multifarious economic activities in various secondary and tertiary segments—basket-making, rope-making, leaf-plate-making, fruit/vegetable-selling, *dal* (pulses) crushing, papad-making, *agarbatti*-making, khadi, handloom, powerlooms, etc. Livestock-related activities pursued by them include milch animal rearing, goatery, piggery, etc. The new activities that women are taking up

include stitching and cutting, embroidery, weaving appliqué, carpet-making, blanket-making, etc. The contribution of women to industry and the economy cannot be under-estimated, the *agarbatti* industry being a case in point: National Council of Applied Economic Research (NCAER), in its study, has observed that the value of *agarbatti* industry, that predominantly employs women, is placed at ₹18,000 million, the rate of growth is 20 per cent on an annual basis, and one-fifth of the production is exported. Another example is rice cultivation, the most important agricultural operation in the country, not only from the point of food security but also in terms of livelihoods. Women are increasingly involved in SRI cultivation in paddy, particularly in eastern India. Promotion of System of Rice Intensification (SRI) is an activity that strives to optimize productivity and therefore income.

In all these interventions, women need institutional, technical and infrastructural support. Mahila Kisan Sashaktikaran Pariyojana (MKSP), the subcomponent of NRLM envisages addressing specific needs of women farmers and their socio-economic-technical empowerment. The scope of the scheme is being expanded to NTFP, fisheries, dairy and livestock. Since more women than men tend to be employed in fragile non-permanent contracts, they are more vulnerable to being laid off in conditions of declining demand or other difficulties faced by employers. Increase in gender gap in wages does arise in an unemployment situation. In all livelihood programmes, gender dimensions should be given due focus and their specific needs should get attention. In all SHG-centric programmes, women are in the forefront (see Box 7.4).

### Pillars of effective livelihood promotion strategy

#### Institution-building for livelihoods

Appropriate institution-building is of key importance to ensure hand holding, skill

**Box 7.4:** *Pashu Sakhi (livestock nurse) model*

'Pashu Sakhi' is a semi-literate or literate woman in the village who trained and supported in field, disseminates appropriate goat management practices, ensures preventive health care of livestock and undertakes first aid services to ailing goats. The hallmark of the Pashu Sakhi (livestock nurse) system is that she delivers such services at door step, well-on-time, at first symptoms, within low cost and with a women-friendly approach.

*Source:* Pashu Sakhi (Livestock Nurse) concept is based on successful effort undertaken by Ibtada (a Rajasthan-based NGO) in the

beginning and replicated by 26 NGOs across the country, for putting rural women in the frontier role of livestock primary health care and door step extension services. The Goat Trust has pioneered/facilitated popularization of the concept, which has been explained in the website [www.goattrust.org](http://www.goattrust.org). The Goat Trust was registered as a charitable trust (in 2008 at Lucknow) to promote small livestock-based livelihood. The Goat Trust has been publishing awareness literature/web-based information on livestock including Pashu Sakhi model. Available at [ww.goattrust.org](http://ww.goattrust.org)

development, technical guidance, business development services, counselling, etc., in livelihood activities. The Government of India's many livelihood programmes also focus on the institution-building aspect. Yet, the efficacy, quality and sustainability of these efforts continue to be the major challenge. For instance, in case of SGSY and, subsequently, NRLM, it was envisaged to set up 500 Rural Self Employment Training Institutes (RSETIs) all over the country during the period 2007–2008 to 2011–2012, on the pattern of Rural Development and Self Employment Training Institutes (RUDSETIs). As on 31 December 2012, 509 RSETIs had started functioning (295 funded by the Government of India). In order to bring uniformity in training across all RSETs and inculcate the spirit and ethos of the RUDSETI model, a Memorandum of Understanding (MoU) was signed with the National Academy of RUDSETIs on 29 July 2011. The MoU envisaged uniform training and capacity building of directorates and faculties of RSETs, followed by close mentoring and monitoring of RSETs, so that by the third year of operations these RSETs would perform at the level of best performing RUDSETIs. However, RSETs, as they stand today, are nowhere near achieving the quality, effectiveness and ethos of RUDSETIs. RSETs should be rejuvenated to fulfil the envisaged vision.

### Skill development

In recent years, many important initiatives have been taken in the fields of education, training, skill development and counselling. These include: Right to Education Act 2009; constitution of National Council for Skill Development by the Government of India in 2008; policy and promotion focus under the auspices of National Skill Development Corporation (NSDC); PPP in skill development; setting up of 'sector skill councils'; AISTCI–NSDC partnerships with focus on identified priority sectors for spreading quality skill development and training through Common Service/Vocational/Skill Resource Centres; reform in higher secondary/higher education, etc.

While these are good steps in the right direction, the challenges are (a) sustaining dynamism, quality and equity in the endeavours; (b) using local resident skills for designing, executing and maintenance of rural infrastructure; and (c) ensuring participation of community and community-based organizations (unorganized sector) in the whole process. In the traditional farm sector, the younger generation of upper and middle class is shifting to emerging remunerative jobs. New technologies and service-based activities require new skills. Multiple skills are required for large infrastructure development. With the focus on low cost

and competitive edge, the manufacturing sectors will need to procure skilled personnel (skilled workers, good supervisors and managers) from rural or semi-urban areas. Given the numbers of technical graduates every year, there is huge scope for innovation and employment in new areas. The rapidly changing parameters in the economy—needs, technology, income levels and environment—means that the year(s) ahead is likely to witness paradigm shifts in skill development, employment and social inclusion interventions.

### Entrepreneurial culture

A possible strategy for promotion of the rural non-farming sector is to focus on building an entrepreneurial culture among rural youth. This can be developed through a dynamic skill development process, providing marketing, technology and brand (MTB), integrating producers and consumers through fairness—flexibility, managing conundrum and coordination between producers, policy-makers and sectoral associations, etc. Development agencies could help in this purpose by strengthening tie-ups with International Training Institutes (ITIs), Skill Development Centres and Polytechnics/Vocational Colleges. The National Vocational Qualification Framework (NVEQF), commencing from 2012 to 2013, provides vocational education in polytechnics, engineering and other colleges, and can be a major change setter. A worthwhile strategy to build livelihoods in the non-farm sector could be to harness the untapped potential of school drop-outs (2.1 million every year) by providing them vocational education.

### Livelihood enhancement through aggregation: Challenges

The enhancement of livelihoods for a large number of the small and marginal necessitates serious efforts at aggregation. The process of aggregation in both farm and non-farm has been difficult due to non-availability, inaccessibility and non-affordability of basic ingredients. In the first

instance, organizing individual persons with a common produce/product/service into a collective, then capacity-building, creating awareness and working out synergies that will sustain bondage, needs rigorous social mobilization. Second, management of producers' collectives would require competent professionals, the services of value chain experts and activity-specific specialists. In addition, there is the challenge of entering an existing market chain or creating alternative chains. All the processes/arrangements involve not only high cost but also high risk as first generation producer organizations would need financial support and risk guarantee arrangements. Two ways to help the process could be: (a) enhance awareness about the need and methods of financing these institutions and (b) incentivize the financing institutions. It is, therefore, better to deal with products and services that are in demand to promote aggregation, as creating demand and markets for new and/niche products are costly and require greater/sophisticated management intervention.

### Technology in livelihoods

The importance of using Appropriate Technology in farm and non-farm activities is well recognized. It adds values in terms of pace and quality of livelihood pursuits, productivity, and sustainable income and employment. The Indian Council of Agricultural Research (ICAR) has developed a large number of technology-based model activity-profiles. However, transfer, application and replication of such models are a challenge. Krishi Vigyan Kendra (KVK), Agriculture Technology Management (ATMA), etc., can play a useful role in this direction.

The International Crop Research Institute for the Semi-Arid Tropics (ICRISAT) in partnership with the national agricultural research system in the country and Asia, i.e., the Central Research Institute for Dry Land Agriculture (CRIDA), the National Remote Sensing Centre (NRSC) and State Agricultural Universities among others, has been directing efforts towards enhancing

the productivity of rain-fed system through application of scientific tools.

Application of Geographical Information System (GIS), remote sensing, etc., for planning, implementation, monitoring and evaluation of integrated watershed projects is being advocated. Use of GIS for planning of NREGS and other government-sponsored government schemes can strengthen coordination among departments and reduce duplication of watershed development. It may also be necessary for people and promoters to have complete understanding of the eco system. Accordingly, it may be worthwhile to document indigenous knowledge and refine/reintroduce it wherever required. Technology, whether indigenous, refined indigenous or modern, can aid livelihoods in rain fed areas.

As stated earlier, Aadhar, the UID project has the potential to transform rural livelihoods, particularly those excluded poor who reside in remote areas. 'The national optic fibre network project', underway in PPP mode, envisages connecting Gram Panchayats with rest of the governmental system, and is expected to open up new avenues for delivery of services to people, including e-governance. Mobile services have already revolutionized rural

connectivity. This could be further leveraged to bring live market prices of farm produce and information on job opportunities into the rural areas (see Box 7.5).

## Programmes for livelihood promotion

### Potential assessments under programmes

There are a large number of programmes being implemented by GoI, State Governments, donor agencies and development agencies, with the objectives of poverty reduction and livelihood promotion in different areas/regions/segments. However, very few programmes take a holistic and systematic approach in their design and content while addressing the livelihoods needs of the poor. Many schemes implemented under the aegis of the Government of India have national coverage and comprehensive processes and perspectives. These include NRLM (*Aajeevika*), Integrated Watershed Development Schemes, RKVY, Mahatma Gandhi National Rural employees Guarantee Scheme (MGNREGS), etc. Some of these programmes do attempt to link the local potential with livelihoods of the poor by conducting baseline surveys,

#### Box 7.5: *The livelihoods 360 technology wins award for innovative ICT in management of project*

Livelihood 360 is an ambitious project conceived by Naandi Foundation Team, an NGO involved in agro-forestry. The project has been conferred with the Vodafone Mobile award, which is a part of Mobile and Telecom International Congress 2012. The award is in recognition of Naandi's innovative approaches to leveraging commonly available and affordable technologies to solve complex programme management challenges in rural and tribal regions in the country. With this simple solution, a farmer can use a mobile to know the exact price, purchase, buy and have full control of his products, without the need to travel. This is made possible because of accurate data management, and monitoring of its digits

can be automated through this application. This innovative application is ideal in the rural context, since Naandi's projects include 6,000 hectares of fruits, trees, coffee, etc., and thousands of small producers in cooperatives are in need of more ways of rigorous management.

*Source:* 'The livelihoods 360 Technology wins an Award in India' in *Livelihoods-Act Today For Better*. The news item describes how ICT can accelerate development and management of projects in rural areas and cites the above award-winning Technology of Naandi Foundation. Available at: [www.livelihood.eu](http://www.livelihood.eu). Last date of access: 13 October 2012.

preparing perspective plans and adopting a participatory approach. In addition to these programme documents, the Five Year Plan documents of the Planning Commission, NSSO surveys, and the Economic Survey by the Ministry of Finance, Government of India, highlight the potentials in various sectors/sub-sectors and regions that could be harnessed for livelihoods promotion. Donor agencies like the World Bank, IFAD, Department of International Development (DFID), etc., have compiled comprehensive design documents on the livelihood support programmes of their respective region. These impact studies/review reports on various schemes do bring out the critical issues in livelihoods, the best practices and possible replicable strategies.

#### **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**

MGNREGA aims at enhancing livelihood security of people in rural areas by guaranteeing 100 days of wage employment in a financial year (FY) and thereby developing economic and social infrastructure in rural areas. Under the scheme, ₹110,000 million has been released as wage payments since its inception in 2006. In 2010, about 11.55 million families, or nearly one in four rural households, were provided over 2,500 million person-days of work under this programme. This mega scheme has the immense potential of transforming rural India by encompassing all poor (wage earners, migrant labour and women) in all regions including drought-affected, LWE-affected areas. Evaluation studies have brought out mixed results. On the one hand, there is improvement of standard of living, seasonal migration has been arrested, there is a steady rise of real wages, etc. On the other hand, there is delay in payment of wages, leakages, hike in wage rates shortage of farm labour, lack of asset creation, etc., that is reducing the impact of the programme. Since the basic premise of the scheme is to have convergence with all other livelihood schemes

including NLRM, Pradhan Mantri Gram Sadak Yojana (PMGSY), etc., the possibility of the programme impacting sustainable livelihood hinges upon this convergence and a partnership approach in implementation. MGNREGA, in its strategy, should not be limited to providing short term and adhoc wage employment; it should aim at generating long term improvement of livelihoods. Efforts need to be directed towards minimizing distortions, by tightening monitoring, vigilance and audit (concurrent, post-disbursement, Comptroller and Auditor General [CAG] and social).

#### **International donor agencies and livelihood promotion**

International donor agencies like World Bank, IFAD, DFID, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Reditanstalt für Wiederaufbau (KfW), UNDP, etc., are implementing/supporting several rural finance, livelihood and poverty alleviation programmes in the country. Their participation in such programmes has added value to livelihood promotion strategies and has the prospect of bringing new experiences, lessons and outcomes to all other stake holders in future.

For instance, IFAD has been implementing the Tejaswani Rural Women's Empowerment Programme in Maharashtra (2007–2015), Women's Empowerment and Livelihood in Mid-Gangetic Plains, Post-Tsunami Sustainable Livelihoods Programme for Coastal Communities (2004–2015), Orissa Tribal Empowerment and Livelihoods Programme (2003–2013), Mitigating Poverty in Western Rajasthan Project (2008–2014), Priyadarshini (women empowerment) Programme in Uttar Pradesh, etc. These programmes, with a focus on the poor, are broadly aimed at increasing access to agri-technologies and natural resources, and also access to financial services and value chains.

DFID has been involved in watershed-based development, rural livelihood programmes, tribal empowerment and

livelihood programmes in several states. They have been supporting Poorest States for Inclusive Growth (PSIG) in four states, i.e., Bihar, Uttar Pradesh, Odisha and Madhya Pradesh, through SIDBI and other partner agencies.

Under the GIZ-NABARD Rural Financial Institutions Programme (RFIP), GIZ has been providing technical support for capacity-building of rural finance institutions, Cooperative reform programmes, micro-finance development including SHG–Bank Linkage Programme (SHGBLP), and financial inclusion. Its support included developing training modules for stakeholders of SHG–bank linkage, livelihood mapping, cash-flow-based loan products, demand-based financial products and services for SHG members, developing financial capability index for rural, low-income households, developing approaches for financial literacy and awareness, micro-remittance corridors, etc. Its studies will provide valuable insight for policy formulation and promotional interventions in livelihoods of the poor.

World Bank has approved in July 2011 a soft loan of US\$1 billion to part fund NRLM, envisaged to invest US\$8.7 billion to promote livelihood to 350 million rural poor in 422 blocks of 107 districts in 13 states. Earlier, World Bank had supported livelihood projects in Andhra Pradesh, Bihar, Madhya Pradesh, Rajasthan and Tamil Nadu and, thereby, has supported 35 million poor since 2000. The participation of World Bank in these programmes added value to the system and positively impacted on micro, small and community enterprises, expansion of rural markets, collective marketing of farm and non-farm produce, etc. Moreover, it attracted several private sector and multi-national firms as associates for investment.

### NRLM

NRLM is the other ambitious scheme that plans to reach out to a significant poor population in a phased manner: in the first year, it will cover as much as 600 blocks in

150 districts; by the third year, it will have increased coverage to 1,500 blocks in 150 districts; in the fifth year, 2,100 blocks in 300 districts will be added; and in the seventh year, the balance 1,800 blocks would be covered. It is envisaged that by the 10th year, the last village and by 15th year, the last household would be given support. The pace, quality, intensity and coverage in this programme will have direct and significant bearing on the livelihood scenario of the country. The livelihoods of the poor will be considerably impacted, depending on the seriousness with which the stake holders take the envisaged interventions forward. The Government of India, in its NRLM framework, has focused on the following: social and financial inclusion; promotion of institutions for the poor; skill and capacity-building efforts; convergence and partnerships; involvement of Panchayati Raj Institutions (PRIs); support structures; monitoring, evaluation and learning; provisions of capital subsidy/interest subsidy & revolving fund; overall financial management. As a part of preparatory strategies, the states are expected to take the following measures:

1. take state cabinet approval for the programme
2. register a separate livelihood authority
3. place an exclusive CEO for the authority
4. formulate HR, administration and financial rules
5. recruit suitable staff at various project units at state, district and block levels
6. identify intensive and resource blocks
7. prepare Annual Action Plan (AAP) and SPIP
8. obtain approval for the plans from the Government of India for release of funds
9. develop management information system (MIS)
10. initiate capacity-building measures for the project staff
11. start implementing pilot interventions in intensive blocks, etc.

Notwithstanding the detailed guidelines issued and initiatives taken by the Government of India, preparatory arrangements in states have been slow. A review of progress of 18 states, as on 30 June 2012, revealed that 17 states have constituted a separate organizational set up (Society or Company) and 15 states have positioned an exclusive CEO (except Haryana, Punjab and Himachal Pradesh) for NRLM. Only three states, viz., Andhra Pradesh, Bihar and Kerala livelihood authorities have prepared and submitted detailed SPIP. Four states, viz., Maharashtra, Gujarat, Haryana and Tamil Nadu are in the process of finalization of SPIP. Seven states, viz., Andhra Pradesh, Bihar, Odisha, Chhattisgarh, Madhya Pradesh, Punjab and Kerala have prepared the AAP. Fourteen states have identified intensive blocks and eight states have identified resource blocks. Seven states have given exposure to the personnel positioned in the NRLM programme.

#### Steering committee on rural livelihoods and rural governance

The Steering Committee of the Planning Commission constituted six Working Groups: (a) MGNREGA; (b) NRLM; (c) Area Programmes; (d) PRIs and Rural Governance; (e) Rural Housing; and (f) Provision of Urban amenities in Rural Areas (PURA). Based on the reports of Working Groups, the Steering Committee has submitted their report in January 2012. However, pending approval by NDC, the approach paper to the Twelfth Plan is still to be implemented. The recommendations of the Steering Committees should also be considered and translated to the planning document. The major recommendations are as under:

1. Strengthen credit-cum-technology support
2. Empower institutions of the poor
3. Facilitate the poor to compete on more equal terms in market

4. Accelerate human development programmes, such as drinking water, sanitation and housing
5. Impart much needed skills to rural population

#### Overview of implementation and methodology and contents of SPIPs

NRLM has been under various stages of preparation/implementation in the states. In addition special programmes under the aegis of State Rural Livelihoods Mission (SLRM) include skill development and employment in Jammu and Kashmir (Himayat) and naxal-affected districts. Further, MKSP for empowering women in agriculture has been launched.

The SPIP under SLRM envisages pulling up socially and economically vulnerable categories of the population through strategic interventions in sectors and locations, and an integrated development approach over a period of seven years. The NRLM Mission document, issued by the Government of India, is quite comprehensive and includes operational guidelines for implementation and a template for preparation of SPIP. The guidelines for SPIP cover many areas including: analysis of situation, demographic profile, rural poverty context, social and financial inclusion, livelihoods options, convergence and partnership, support structure, training and capacity-building, monitoring and evaluation, governance and accountability, role of PRIs, financial management, accounting, procurement, key strategies, timelines, budget, etc. On review, it is observed that each of the states have been making preparatory arrangements, including analysis of SPIP/AAP, in the local context, though there have been variations in the nomenclatures of the programmes, time-frame, strategies and interventions. Besides SGSY in all states, a number of states have already implemented livelihoods programmes, many of which are donor-driven. The experience gained, best

practices developed and institutions created are being built upon/capitalized in the SLRM planning and implementation. Some states like Kerala and Tamil Nadu, to name a few, propose to concurrently implement donor-driven/state-sponsored livelihood programmes.

With regard to sub-sector/potential assessment, it is felt that a more in-depth analysis from demand and supply perspectives should be made. The sub-sectors should be classified under (a) potential for high growth, (b) high employment, (c) high share in economy, and (d) high priority from developmental perspectives and linked with livelihood options. It is already envisaged that, under SLRM, there should be convergence with other state government departments and national level schemes like MGNREGA. It would be better, therefore, if perspective plans in critical areas like agriculture, education, health, sanitation, etc., get synchronized with the SPIP exercise. Furthermore, the potentials (physical and financial) assessed for key sub-sectors for the districts in the Potential-linked Credit Plans (PLP) can be linked with area-wise/year-wise plans envisaged under SPIP, in order to facilitate the banking sector's support for livelihood finance.

### Emerging challenges in implementation of NRLM

1. The process of identifying appropriate livelihood for each individual household, within the context of skill, knowledge, market, so as to ensure sustainable income will be a challenge.
2. The elaborate design documents aim to eliminate the deficiencies witnessed under SGSY. However, in the context of continuity of capital subsidy, etc., sustaining financial discipline and efficiency of delivery system assume significance.
3. Sustainability of institutions like federations, ownership of the institutions

and participatory decision-making are issues. Besides process and system efficiency, recruitment of appropriate HR and their competence and continued commitment are key factors.

4. Several non-government agencies like Basix, Dhan Foundation, MYRADA, SKDRP, Pradan, BAIF, IDF, etc., State government authorities, as also international donor agencies have been implementing different models of livelihood programmes, with varying degrees of success. Each has its strengths, potentials and perspectives. Integrating the efforts of these prominent players in the SLRM implementation process will be a significant challenge.

### Potential assessment—ways, means and relevance

#### Focus on location-specific/demand-based occupations: The key approach

Perspective sectors encompass agriculture and allied activities including (agri-business, agri-value chain, agro-processing), for-estation, retail and wholesale trade, tourism, housing, construction, micro-enterprises, decentralized, tiny and small scale industry, IT and IT-enabled services, education, health and hospitality, financial services, transport, communication, community services, etc. Within each broad category, innumerable livelihood options exist.

The poor have their own basket of livelihood options and financial needs which are often revolving. So, instead of a supply-driven/top-down approach, demand-driven/location-specific activities should be supported through organized interventions in the livelihoods programmes. Livelihood challenges are bound to be different depending on the type of work—the challenges of those doing manual labour in fields, kilns and small workshops will be different from the people taking up activities on piece-rated wages and those taking up activities on their

own account. Moreover, different production relations are combined with all these multiple occupations and these production relations also keep changing for the same activity as well as across activities. As a result, the poor are multi-tasked and their livelihood strategy comprises several jobs. Therefore, periodic potential assessment, based on intensive survey of each household, would be realistic (see Box 7.6).

### PLPs/State Focus Papers (SFPs) and livelihoods

NABARD has been preparing PLPs for each of the districts through its District Development Managers (DDMs) in a consultative process annually. It has also been preparing an annual State Focus Paper for each of the states, based on the PLPs. These documents reflect the exploitable potential that can be tapped with institutional credit during the reference year. This is prepared after making an assessment of the present status of infrastructure, the support services available and the planned development of each of the sectors/sub-sectors. The policy guidelines, thrust areas and important programmes of the Government of India, RBI, NABARD, Planning Commission and the state government are kept in view. These plans serve as important reference documents for banks, policy-making authorities and development agencies. With a view to

enhancing greater appreciation and participation of bankers' community in the livelihoods sector, the following strategies are deemed necessary:

1. In the current year's PLP, prepare a special chapter on potential in each sector/sub-sector that could be harnessed for institutional credit during the five year plan period (2012–2013 to 2016–2017–Twelfth Plan). It would be worthwhile to focus on livelihood finance and mega schemes like NRLM in the PLPs not only for the Twelfth Plan but also for the reference year.
2. Although PLPs contain valuable data/information on various aspects of rural development, financial services other than credit and livelihood finance do not get adequate coverage and analysis. As SHGs and livelihood programmes complement each other, and under the SHG-2 strategy of SHG–bank linkage, focus has been laid on livelihood interventions by matured SHGs, it would be useful if livelihood aspects are reflected adequately in PLPs/SFPs.
3. With increasing importance being laid on financial services beyond credit in the Financial Inclusion drive, more discussions on insurance, savings and remittance and other services should find place in these documents.

#### Box 7.6: Steps for potential mapping for livelihoods

- Diagnose and describe typical livelihoods portfolios of poor households and prioritize key livelihood activities based on its impact in poverty alleviation
- Develop understanding of value chain of subsectors vis-à-vis stake holders; analyse sub-sector dynamics and leverage points and choose intervention points, identifying the need for skill, technology, financial services
- Document the lessons from the field and arrive at conclusions within each subsector
- Draw road map for handholding for community groups and livelihood promotion organizations
- Determine possible changes in practices as any new interventions bring with it change in traditional practices and trade relationships
- Direct efforts for action research for better understanding and testing innovative approaches
- Design concrete programmes, based on above steps and learnings

Source: Author.

4. SLMs are expected to implement SPIPs during 2013–2014 and beyond with greater intensity, after the preparatory period is over. The financial inclusion/participation of SHGs and the related tiers at cluster and district levels are crucial to successful implementation of SPIP. In this context, the coordination and consultative process between State Livelihood authorities with banks, DDMs, NABARD, SLBC Convenor and local data manager (LDMs) in the states assume greater significance. This, therefore, should be strengthened.
5. NRLM, MGNREGA, National Old Age Pension Scheme, social enterprise schemes, community-based schemes, cluster development programmes, integrated development programmes with focus on watershed, handlooms revival, natural resource management, forest-based/tribal development, diary development, etc., all have opened huge vistas for financial inclusion/livelihood finance. Consequently, a policy framework for support of banking sector for SLRM and other livelihood programmes can be helpful in addressing issues related to livelihoods finance.

### Measurement of financial inclusion

One of the measures of the level of financial inclusion is the Financial Inclusion Index, developed on the basis of an empirical study. This index is based on three basic dimensions of an inclusive financial system—banking penetration, availability of banking services and usage of the banking system. According to the value of the Index, Indian States can be classified into three categories: states with high, low and medium levels of financial inclusion. According to empirical results, Kerala, Maharashtra and Karnataka are some of the states that have a wider extent of financial inclusion, as compared to other states of India. Tamil Nadu, Punjab, Andhra Pradesh, Himachal Pradesh, Sikkim and Haryana come under the category of

medium financial inclusion. The extent of financial exclusion is found to be significantly low in the North Eastern and Eastern states. NABARD is also, through National Informatics Centre, developing a web-based GIS application for assessing the reach and extent of banking in India and also a web-based MIS for capturing the banking facility. These efforts have immense possibilities for future.

### Possible outcome of implementation processes

#### Positives and perspectives of livelihood programmes

Apart from improvement of livelihood of the poor, it is expected that considerable benefits will emerge in the systems and processes that are put in place during scaling and deepening of livelihood programmes. These would include:

1. If information, data and critical analysis of the potentials are reflected in house hold baseline surveys, livelihood mapping and also SPIPs in the desired manner, the same could be used as a reference document by all those who want to promote livelihoods of the poor in the given area, other than Livelihoods Mission.
2. The large scale pilots envisaged in the preparatory years under SPIP and other development agency-sponsored/donor-driven programmes could bring about demonstrable ‘model’ sites, innovations in institutional processes and best-practices zones. The lessons from these can lead to smoother scaling up of activities in other states also.
3. The training institutions, centres of excellence, community learning academies, etc., that are set up can be linked with other such institutions in the state and across the country, for cross fertilization of ideas and learnings, sharing of success stories, case studies, tools and documents.

4. Many of the states are looking to Society for Eradication of Rural Poverty (SERP) in AP for onsite guidance, hand-holding support, exposure visits/immersion programmes, in view of their long experience in the livelihoods programme. In the years ahead, apart from demand-driven technical assistance from SLRM authority of the Government of India, twinning arrangements between states should be upscaled, facilitating peer learning at various levels.
5. With the increasing involvement of professionals, technical experts, master trainers, experienced practitioners including Community Resource Persons, etc., in the implementation process, a large pool of HR will become available to the livelihoods sector in all states.  
With increasing recourse to ICT and other technological devices in livelihoods service, IT/web-based learning platforms, knowledge management tools and embedded practices would come to the fore. This will enlarge and enrich dissemination, communication, feedback and participation process.
6. If the programme as envisaged, with systematic planning, participatory approach, convergence, etc., results in sustainable dividends to the poor, all other departments/agencies at the state and national level will be encouraged to replicate such strategies in other programmes that having bearing on livelihoods (see Box 7.7).
7. Integration with banks and financial institutions as also efforts under the SHGLP, financial inclusion plans, etc., of the banking sector is another critical area. Quality and sustainability of SHGs, strengthening the demand side and responsible use of financial services are major issues to be addressed.

**Box 7.7:** *Differential livelihood strategies*

Elaborating BASIX strategy, Sri Vijay Mahajan wrote in an article entitled 'Credit is necessary but not ample condition for livelihood promotion', the study showed that there is need for risk mitigation, yield enhancement, cost reduction, and bringing rural producers together for better bargaining at marketplace. Hence, in 2002, BASIX revisited its strategy, to provide a comprehensive act of livelihood promotion services to rural poor households. Before Basix reaffirmed that credit is a necessary but not sufficient condition for livelihood promotion. Its revised 'Livelihood Triad' strategy included provision of financial services beyond credit, such as insurance, provision of agricultural, livestock and nonfarm enterprise development services; and institutional development services for producer organizations.

Sri Alosius Fernandez in his article titled 'Self-Help Affinity Groups (SAGs)-Facilitating Livelihoods—a new form of empowerment to support livelihood' explained MYRADA's experience as follows:

If the majority of the poor do not rise above the poverty line, it is not due to their inability to adjust to unexpected changes—it is because they need new skills, confidence and the power to change the framework in which they are trapped and which is created by oppressive power relations and traditional practices. The SAGs, if properly trained in the institutional capacity-building (ICB, not ICT), together with their federations, provide the space to generate this 'empowerment', which has the potential to support their livelihood choices and change shackling power relations.

*Source:* 'Credit is a necessary but not ample condition for Livelihood Promotion' by Sri Vijay Mahajan and that of 'Self-Help Affinity Groups (SAGs)-facilitating Livelihoods—a new form of empowerment to support Livelihoods' by Sri Alosius Fernandez, had appeared at page 14 and 26 respectively, in the Micro Finance World, quarterly supplementary magazine (April–June 2010) of the *Financial Express* (Mumbai), sponsored by NABARD.

## Financial inclusion and livelihood promotion

### New vistas for livelihoods under SHG 2 package of interventions

Financial inclusion is conceived as the process of ensuring access to financial services timely and adequately, where needed by the vulnerable segments (such as weaker sections and low income groups), at affordable cost, in transparent and fair method by financial institutions. Financial Services are critical ingredients in livelihood promotion; livelihood finance has assumed greater significance with the upscaling, diversification and deepening of livelihood interventions. Livelihood promotion efforts centre around SHGs as most of the programme designs take SHGs and SHG-related structures as delivery routes. No wonder, then, that SHGs are the primary foundation of financial inclusion and the stepping stone to livelihood promotion, particularly for matured SHGs.

SHG–Bank linkage, which was launched by NABARD in 1992 with 500 SHGs, has grown phenomenally over the years. The programme covers 7.4 million SHGs saving linked to 100 million households saving with the banking system with a saving balance of ₹10,000 million, and 4.9 million SHGs credit linked to SHGs having a bank credit outstanding of ₹31,000 million as on 31 March 2011. It has become the largest microfinance programme in the world, facilitating financial inclusion, unfolding livelihood opportunities and enabling socio-economic empowerment of the poor, mostly women. Notwithstanding the massive expansion of SHGBLP, it has suffered from weaknesses and distortions in various ways, thus affecting the graduation of SHG members towards micro entrepreneurship and their full participation in livelihood activities.

The state governments, as SHPI, stepped into the SHG sector and apart from facilitating scale, they also routed funds under Government schemes through the SHG route, resulting in dilutions in the basics

of SHGs under the linkage programme. Concerns surfaced in the approach and functioning of SHG–BLP, such as: skewed regional distribution of SHGs, delays in opening of SHG accounts and disbursement of loans, non-approval of repeat loans, multiple membership and borrowing by SHG members within and outside SHGs, inadequate bankers' interface and monitoring, etc. All these warranted remedial measures for smooth, qualitative and sustainable growth of SHGs and NABARD, in March 2012, has come out with guidelines of SHG2, re-focusing the basic tenets of SHGs and effecting certain crucial changes in the approach and design of the programme, as follows:

1. Focus has been brought back to voluntary savings over and above the compulsory savings and opening of individual bank accounts by the members besides SHG accounts.
2. Flexibility in sanction of loans by way of introduction of cash credit/over draft loan system for SHGs and providing frequent/repeat loans, etc., has been emphasized.
3. Promoting Joint Liabilities Group (JLG) from within SHGs with facilitation of enterprise-building/livelihood options has been permitted.
4. Risk: mitigation mechanism is to be improved through introduction of self-rating by SHGs, audit, and deployment of Business Facilitators (Auditors) from among the active SHG members, NGOs (SHPIs) or existing Business Correspondences (BCs) of banks for audit in SHGs.
5. Building up SHPIs, strengthening monitoring mechanism and deepening training interventions will have a renewed focus.

The Women SHG Development Fund has been set up in NABARD, with corpus contribution from GoI, with the objective of facilitating SHG finance and supporting the objectives of *Aajeevika*. Hopefully,

a livelihoods development approach will be facilitated through active participation of the banking system in the processes and strategies, as detailed in SHG-2, and other NABARD funds such as Micro Finance Development and Equity Fund (MFDEF), Watershed Development Fund, Tribal Development Fund, Producers Organizations Development Fund, etc., will also be supportive of livelihood interventions.

Another new scheme formulated by NABARD, in association with the Government of India, as a viable and self-sustainable model, focuses on promotion and financing of women SHGs in backward and LWE-affected districts of the country. This scheme is being implemented in 109 such districts.

### SHGBLP, SHG federations and NRLM: Convergence

The SHG movement and SHGBLP had tremendous transformational impact on banking with poor, policy and approaches of all stake holders and the overall socio-economic environment during the last 20 years. The programme exhibited exceptional diversities in thrust, patterns and outcomes. It commenced in 1992 with a limited objective, scale and scope of services, and lacked the broader vision of encompassing livelihoods of the poor with empowering and supportive financial and non-financial services. Other than state governments/ Government of India-sponsored programmes, formation of Federations was another dimension of the programme. In its growth process, problems surfaced in both the supply and demand side. In the SHG 2 scenario, livelihood prospects of the poor can be addressed effectively, provided the following are taken care of:

1. The role of the growing number of SHG federations needs to be realistically carved out. NABARD expected emerging federations to assume the role of business facilitators, with no financial intermediation role. However,

major NGOs like MYRADA, Dhan Foundation, SKDRP, etc., took a holistic view of livelihoods of SHG members and put in place differential institutional structures for development and empowerment of SHGs.

2. The banks' corporate thrust on SHG 2 and livelihoods promotion is key to progress. Yet, the path of transition to SHG 2 is beset with challenges—conversion of term loan mode to cash credit system, development of savings products, JLG–SHG differentiation, integrating with livelihood programmes, sustaining the quality of portfolio, MIS development and strengthening monitoring mechanism are tough tasks ahead for financing banks and other stake holders.
3. Banks are expected to participate not only in SHGBLP but also in NRLM, and as both are being implemented through federal structure of SHGs, it is a major challenge as to how convergence can be accomplished. A clear road map, therefore, needs to be chalked out at this juncture, and institutions like RBI, NABARD, Government of India and state governments should have mutual understanding in this regard.
4. Within SHG–BLP and also financial services products, there is need for continuous effort and constant innovation, in order to meet the aspiration of the poor. To quote Dr K. C. Chakrabarty, Deputy Governor RBI, from his paper: 'Financial Inclusion—A Road India Needs to Travel':

The Product designed by the banks are not tailored to suit the needs of low income households. The existing business models do not pass the tests of scalability, convenience, reliability, flexibility and continuity.

### MFIs and livelihoods: Problems and possibilities

It remains true that the SHG movement in India has not scaled up country-wide in the absence of adequate human and financial

resources. The formal banking system has also failed to penetrate the last mile and extend services to each and every rural citizen in the country. In this context, MFIs in various legal forms stepped in to play a critical role in financial inclusion. They scaled up their operations rapidly with substantial support from the banking sector, private funding agencies and SIDBI. Lending by commercial banks to MFIs for on-lending to SHGs, JLGs and individuals was treated as priority sector lending.

However, the concept of MFIs fell victim to human proclivities of over-aggressive lending, multiple lending and consequently over-indebtedness of clients leading to poor repayment records and coercive practices in recovery. As a result, MFIs were reined in and this is owed in particular to the restrictive legislation of the Government of Andhra Pradesh in 2010. As this had serious adverse repercussions in the entire sector, RBI came out with new guidelines in May and August 2012 to streamline operations of MFIs, based on Malegaon Committee recommendations. The guidelines assigned 70 per cent weightage to stipulation of qualifying assets with a focus on financing income generating assets to extend collateral-free loans; a ceiling of 12 per cent to 10 per cent was imposed on margins earned by the MFI; the interest rate was relaxed from 30 per cent pa to 26 per cent per annum; it was laid down that one client could be financed by a maximum of two MFIs. Various measures towards customer protection, obligatory membership of Credit Information Bureau and adherence to fair practices code have been introduced. These regulatory measures along with the Micro Finance (Regulation and Development) 2012 Bill are expected to usher in an approach to micro-financing that is more favourable to their customers while addressing the challenges in their operations. During 2012–2013, several banks, and private funding agencies have re-opened financial support to MFIs. In conformity with their mission, MFIs should be able to make a significant change

in supporting livelihoods of the poor if they take the following measures:

1. MFIs should evolve suitable/innovative financial services products for the poor, participating in livelihood programmes. NGOs as also MFIs should have greater share in the implementation of NRLM and other livelihood programmes.
2. MFIs have to revisit their business models so as to support the clients in the niche market and at the same time, themselves remain financial viable and organisationally sustainable. RBI has modified the margin for MFIs from 12 per cent to 10 per cent for large lenders (with loan portfolio over ₹1,000 million) and 12 per cent to for others. This has posed tough challenge to MFIs.
3. They should strive to change the public perception through fair practices, codes of conduct, responsible finance, transparent processes/public disclosures and a customer-friendly approach. They should reorient/refine their business processes, product design and delivery/collection methods.
4. Both the MFI sector and SHGBLP are at crossroads in different contexts. Both streams should play a complementary role in qualitative growth of SHGs and effective livelihood support to poor.

### Broader horizon of financial inclusion

#### *Initiatives of policy-makers*

There is acute need for financial inclusion in India, given the unpleasant fact that 45.95 million farmer households (over 200 million persons) out of 89.3 million households (including householders) do not have access to any financial services—either institutional or non-institutional—and only 27 per cent (24.3 million households) are covered by formal services (as per the NSSO Survey Report, 2009). Subsequent to the recommendation of the Committee on Financial Inclusion 2008 (Dr Rangarajan

Committee), this agenda, with policy and promotional initiatives, was given sharp focus by the Government of India, RBI and NABARD. The Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) were instituted in NABARD with contribution from the Government of India, RBI and NABARD, with the express purpose of supporting financial inclusion interventions. During 2010–2011 the Swabhimaan Campaign was launched to extend banking facilities either through a brick and mortar branch or BC in habitations with a population over 2,000. Account of 74,111 villages with population over 2,000 were identified for provision of financial services and, till March 2012, 74,199 of these have been covered.

In the Union Budget, it was proposed to extend the Swabhimaan Campaign to villages with population of more than 1,000 in North East and hilly states and to other habitations that have crossed the 2,000 population mark, as per Census 2011. Ultra small branches are being set up by banks where, earlier, BCs would deal with cash transactions. As a result, total banking outlets, as per the latest June 2012 update, have reached 147,534, almost twice of what it was a year ago. RBI has relaxed the norms for branch licensing and encouraged banks to open branches in tier-2 centres (population between 50,000 and 100,000). Still, on an average, a branch serves around 13,000 customers which is high. The number of no-frill accounts has gone up to 103 million and 22.34 million Kishan Credit Cards (KCCs) have been issued by the end of the FY 2012. The interventions of banks to ensure banking services in those villages having population of more than 1,000 during 2012–2013 and beyond will witness sizeable expansion of branches and BC mechanism, thereby reducing financial exclusion significantly in the year(s) ahead. However, challenges remain regarding the quality of financial inclusion, the depth and breadth of banking penetration, availability of the banking services and usage of the banking system.

### *Business Facilitators (BFs) and BC*

The renewed focus on financial inclusion has given impetus to the BF and BC mechanism, as also the introduction of new technological devices for expanding outreach in the last mile and bridging the gap between demand and supply of services. Since its introduction by RBI in 2006, the scope of BC/BF has been enlarged with a series of liberalized policy measures, markedly increasing the number of eligible institutions/individuals.

Technology is assuming the role of key driver for financial inclusion services. RRBs have switched over to core banking solutions (CBS) and cooperative banks are in the process of establishing CBS networks, purchase of Point-of-Sale (POS) and Automated Teller Machine (ATMs). Under FITF, NABARD has been providing support to RRBs and Co-operative Banks to adopt technology (including CBS) and capacity building efforts. The Government of India has specified uniform technology norms for corporate business correspondents across the country for facilitating integration. Some banks are in the process of switching over to in-house BC outfits in the form of separate trusts/subsidiaries with separate recruitment and remuneration structures. However, BC/BF–Bank partnership has not been stabilized in the sector. This can be a potential instrument for serving the livelihood of the poor, provided the following issues are given due attention:

1. Credibility, competence and commitment of BFs/BCs is critical for up-scaling their services. In this context, proper track record of personnel, transparency in accounting, etc., assume significance.
2. Financing banks are exposed to a whole range of risks—reputation, strategic, compliance, operational, concentration, etc. Due measures need to be taken for appropriate risk—mitigation. The financing banks have to evolve proper processes, procedures and practices for BC and enforce scrupulous adherence.

3. Adoption of appropriate technology, ensuring compatibility and integration of technology being used by banks and BC is also crucial for successful operation of BC mechanism.
4. Viability of BC is another critical issue as there is a mismatch between revenue earned through commission and the cost incurred in BC operations. The compensation to BC should be adequate to sustain its operations. A basket of products needs to be offered through the BC instead of a single product to make financial inclusion efforts viable.

#### Financial education

Financial literacy/financial education are being pursued hand-in-hand with financial inclusion initiatives, in order to create the pull for accelerating to formal channels of finance. The language, content and methodology of financial education would vary depending on the target group—students, salaried people, senior citizens, housewives or unorganized labour. For stronger impact, the programme needs to be tailored, taking into account the demographic profile and regional differences of the target population. Keeping this in mind, Lead banks have established Financial Literacy and Credit Counselling Centres. NABARD has supported such centres in 128 districts spread over 12 states. RBI is in the process of launching electronic Bank Awareness and Training (e-BAAT) programme to increase awareness about technology-enabled financial services.

#### Integration of livelihoods with wider spectrum of financial services: Potential and possibilities

Current practices in financial inclusion revolve around the provision of limited and basic financial products and services, primarily thrift and credit for the vulnerable and financially excluded sections. The expanded approach for financial inclusion, on the other hand, focuses not only on the provision of basic banking products like savings and credit, but also other important

ancillary financial products such as saving-cum-overdraft, entrepreneurial credit insurance, remittance, mutual funds, finance for affordable housing, etc. A broader financial inclusion would also cover common protection and education, particularly financial literacy for new entrants to the formal financial system, as financial inclusion forms an integral part of economic inclusion. The potential of some of these products is outlined in the following paragraphs.

#### Savings

Further focus is needed on savings as an essential financial service for the poor in the livelihoods programme. Possible strategies in this direction would be: accent on savings under SHG–BLP, linking saving to credit, insurance and remittance, empowering member-depositors in Primary Agriculture Credit Societies (PACS), mobilizing savings in remote areas through BCs/BFs and development of innovative and client-friendly saving products. The bankability of the poor offers a major business opportunity for the banks to develop a stable, retail deposit base and curb volatility in earnings with the help of a diversified asset portfolio. A suitable deposit protection scheme is also required to protect the interest of PACS member-depositors.

#### Microinsurance

Microinsurance, as a part of financial services for the poor, facilitates improvement of quality of livelihoods. Despite the huge potential market for microinsurance encompassing life, health, crop, livestock, weather and general assets, 90 per cent of the population remains excluded. Multiple models and schemes do exist; however, evolving an innovative, cost-effective, flexible and comprehensive client-centric and market-driven sustainable microinsurance product design is a challenge. Managing demand-supply mismatch, scaling up distribution and outreach network and addressing procedural and operational issues (e.g., documentation, delay in settlement, actuarial calculation, etc.) are also challenges.

Initiatives of localized community-based health insurance, Rashtriya Swasthya Bima Yojana (RSBY), National Rural Health Mission, products developed by Life Insurance Corporation (LIC), India Post and other private insurance companies, and pilot experiments of weather-based schemes with adoption of technology are welcome moves. In the year ahead, greater efforts need to be directed to linking insurance with livelihood promotion schemes and financial inclusion drives, to tap the huge potential of microinsurance in the country.

In the case of microinsurance, the transaction cost of banks in efficient sale, under writing and evaluation of claims is significant, and is standing in the way of expansion. Currently, only insurance company agents, banks, MFIs, NGOs and SHGs are allowed to sell micro insurance policies. If the BC network is permitted to undertake microinsurance business, in addition to cash transaction in banking services, it will help in increasing penetration of microinsurance services to the excluded poor and also facilitate banks to increase volume and attain scale of economy in microinsurance business.

#### *Micro pension*

Invest India Micro Pension Services (IIMPS) Pvt. Ltd and UTI, AMC, have developed a low cost scalable mechanism for enabling rural and urban working poor to achieve a dignified retirement through thrift and self-help. IIMPS has been working in select states, in collaboration with other agencies including Sewa Bank and NABARD, encouraging and assisting the working poor to save for their old age, offering pension products through a proprietary micro pension model. NABARD has supported IIMPS to pilot test a micro pension model among SHG members in eight districts of four states. Two live examples are the Pension scheme for auto rickshaw drivers in Delhi and the Vishwakarma Yojana of Rajasthan Government for unorganized sector.

Pension Funds Regulatory and Development Authority (PFRDA) are in

the process of evolving a national pension scheme for the unorganized sector as Micro Pension has the potential of being an integral part of livelihoods promotion schemes, on a wider scale and in a comprehensive and sustainable manner.

#### *Mobile, technology, ICT-based services—potential money transfer*

Significant strides have been made in the payments and settlement system including electronic and telecommunication in banking under the aegis of RBI. Today both the service providers and the poor have a number of technology options—smart cards, micro-ATMs, ATMs mobile technology, Aadhar Enabled Payment System (AEPS)—for availing financial services. RBI has preferred a bank-led mobile banking model and permitted 69 banks to provide mobile-banking services to customers as on 31 May 2012. The Inter-bank Mobile Payment Service (IMPS) and the instant 24×7 electronic funds transfer system have been developed by the National Payment Corporation of India (NPCI). Although there has been steady growth in volume and value of such transactions, the pace has been slow, considering that there are over 900 million mobile subscribers in India. Money transfer through mobile wallets (up to ₹50,000 for the present) leveraging the National Electronic Fund Transfer (NEFT) platform of RBI, being promoted by a few companies holds immense scope for facilitating small value remittances. However, micro remittance as a business proposition for financial institutions and as livelihood facilitation for the poor, particularly migrants has not been realized. The recent study by GIZ, IFMR, College of Agricultural Banking (CAB), on domestic remittance have brought to the fore various innovative strategies and options that may be developed. Progressive expansion of mobile banking, introduction of micro-ATM standards and kiosk banking are moves in the right direction. However, the migrants continue to face hardships in the absence of cost-effective, convenient, hassle-free and fast remittance

services within a congenial policy framework of suitable safeguards. The barriers are on account of the following factors:

1. Suboptimal availability of trained competent persons to guide the poor and address their technical challenges with technical devices/ICT-based models, is a critical issue and need to be addressed.
2. IT security issues need proper attention. A balance should be struck between security procedures and convenience of the customers.
3. Multiple technologies and delivery modes bring to the fore the issue of integrity with CBS and capability of people at the operational level to cope with products and technologies. It will be better to concentrate on a few stable and scalable technologies and delivery models.
4. The strategy should be aimed at creating a facilitating ecosystem leveraging on technology and promoting partnerships among the stake holders for effective financial inclusions delivery mechanism. There is need for strengthening and streamlining the collaborative relationship between banks and mobile network operators. All stakeholders need to work out strategies to increase IMPS-supported mobile banking transactions (see Box 7.8).

### Training and awareness

The level of knowledge and awareness about livelihoods and enterprise development among bankers, BCs/BFs and SHGs is not adequate. Training inputs on all aspects and nuances of livelihoods finance need to be imparted during training programmes for bankers. This should include knowledge and understanding of the fundamentals of livelihoods promotion, sub-sector potentials, value chain analysis, identification of viable income generation activities, enterprise promotion, marketing development skills, management of enterprises, business planning, potential viability, minimum threshold for different activities, financial products and services, etc.

The aim of microfinance, apart from giving access to financial services, should be strengthening livelihoods of the poor and enabling them to transform into entrepreneurs following an economic growth trajectory. In this context, it is important to build mindset, cultural and attitudinal changes at the grass root level, and develop user-friendly methodology at bank branches and BC outlets, so that a holistic customer service is extended to the poor. In view of the fact that the poor are generally more susceptible to events that can adversely affect their already fragile livelihoods, more focus is required by banks to build sustainable relationships (see Box 7.9).

#### **Box 7.8:** *Nine million SHG members to get mobile feeds on financial transaction in Andhra Pradesh under mobile book-keeping project*

Data on repayments made and loans disbursed will be uploaded to mobile phones by record-keepers in about 15 minutes. The records will capture all the existing loans of individual members, insurance details, old loans, details of assets and repayment dates in Telugu. As of now, the uploading of data of over 0.8 million SHGs has already been completed as part of the project which is claimed to be the first of its kind in the country. Visakhapatnam-based Blue Frog Mobile Technologies has designed the software and is deploying the project. Under the project, Village Organizations are

being provided mobile handsets uploaded with book-keeping software to begin with, which will be extended to all others. Every Village Organization has about 30 SHGs and there are over 40,000 book-keepers who are uploading data into mobiles. The advantage of this initiative is that it promotes financial literacy and ensures transparency.

*Source:* 'Nine million SHG members to get mobile feeds on financial transaction in Andhra Pradesh under mobile book-keeping project', *Business Line*, Mumbai edition, 16 July 2012.

**Box 7.9: Aadhar Enabled Payment System (AEPS)**

The basic premise of AEPS is that one BC Customer Service Point (CSP) will have the ability to service customers of many banks, based on the unique identification data stored in the Aadhar database. The AEPS platform is aimed at enabling a bank customer to use Aadhar as identify to access the respective Aadhar-enabled bank account and perform basic banking transactions. A pilot scheme in four districts of Jharkhand state is currently being carried out under which MGNREGA wages to labourers are credited to their Aadhar-enabled bank accounts. The beneficiaries draw the amount through micro ATMs which authenticate their Aadhar Number. This has tremendous potential for the future.

A Centre of Excellence for Rural Financial Institutions (CERFI) has been established by

NABARD in collaboration with UAIDAI, for bringing about higher accountability and transparency in the last mile banking. It is intended to develop a technology platform among the institutions, enabling them to provide Aadhar-based financial services. The CERFI, through a national level network, will test-check mobile-linked cash-less transactions, new KCC guidelines about card-based financial services as well as other Aadhar-enabled financial services.

UADAI plans to enrol 400 million people and assign Aadhar numbers in the next two years, under its second phase of expansion.

*Source:* NABARD's Annual Report 2011–2012, July 2012, NABARD HO, Mumbai; [www.npci.org](http://www.npci.org)

### Business innovation and policy environment

1. Business model innovation must get attention of the banking sector to discover new and integrated approaches for financial services delivery to poor. For instance, the business model of NABARD Financial Services Limited (NABFINS), a subsidiary of NABARD envisages working with NGOs, associated with social mobilization to finance at the first level for production. It engages with Producer organizations for meeting both capital investment and working capital needs. In Cooperative Credit System, in the post-reform scenario, it is possible to try out innovations, particularly at grass root level societies, considering their proximity to rural poor and outreach in remote areas.
2. The regulatory issues in livelihoods can be best addressed by strengthening sector-own control, internal control system, disclosure practices, pragmatic application of know your customers (KYCs), voluntary codes of standards and fair practices, etc.

Sri H. R. Khan, Deputy Governor, RBI, in his address on 'Issues and Challenges in Financial Inclusion: Policies, Partnerships, Processes and Products', at the symposium at IIPA, Bhubaneswar, on 30 June 2012, aptly summed up:

I am sanguine about rapid progress of financial inclusion efforts in India as the stake holders have come to realize the need for viable and sustainable business models which focus on accessible and affordable financial services, products and processes, synergistic partnerships with non-bank entities including the technology service providers for efficient handling of low value, large volume transactions, particularly in remote banking shadow areas and appropriate regulatory and risk management policies that ensure financial inclusion and financial stability more in tandem.

### Priority sector guidelines—changing focus and perspectives on livelihoods

Livelihood promotion requires huge investment, organisational efforts for capacity building, access to markets, technology, infrastructure development, product and process innovation, monitoring and

coordination. Directed lending, as an institutional mechanism, has been in vogue in India since 1960. Priority sector lending is a statutory dispensation aimed at ensuring that the vulnerable sections get access to credit at an affordable price and thereby improve their livelihoods. It also seeks to ensure that there is adequate credit flow of resources to those segments of the economy that have potential for employment—agriculture, micro and small enterprises, among others. RBI had constituted a committee headed by Sri V. M. Nair, to revisit the priority sector lending classification and related issues. Based on the committee's report (February 2011), banks have been advised by RBI (in July 2012) to give sharper focus to directing flow of credit to economically weaker sections of the society, in order to achieve the policy objectives of inclusive and equitable growth. The revised guidelines envisage that 18 per cent and 40 per cent of Adjusted Net Bank Credit (ANBC) (or Credit Equivalent of Off-Balance Sheet Exposure [CEOBE], whichever is higher) will be directed to the Agriculture and Overall priority sector respectively. In case of commercial banks financing SHGs, JLGs and individuals will be computed as priority sector, provided 85 per cent of the total assets of MFIs are in the nature of qualifying assets and aggregate credit flow extended for Income Generating Assets (IGA) is not less than 75 per cent of total loans given by MFIs. In a revision that will determine flow of priority sector credit to manufacturing enterprises, they have been classified based on their investment in plant and machinery—if investment in plant and machinery does not exceed ₹25 lakhs, it qualifies as a micro enterprise, however, If investment in plant and machinery is more than ₹25 lakhs but less than ₹50 million then the unit is classified as a small enterprise. So far, banks have been comfortably meeting their indirect lending target as it included loans to food and agro-based processing units with investments in plants and machinery up to ₹100 million. These changes will necessitate reviewing of their

strategies for financing MSEs and food and agro-based activities. In his address to bankers recently at the platinum jubilee function of Indian Overseas Bank, Sri Subba Rao, Governor, RBI stated: 'The priority sector can deliver on its promise only if eligible sectors are restricted to a select few that are important from the perspective of improving livelihoods.'

### Convergences and partnerships

As is evident from the foregoing paragraphs, the magnitude of poverty, complexities of social milieu, diversities of natural resources and regional environment and, above all, emerging needs and aspirations are enormous. As no single institution will be able to address the multi-faceted livelihood issues and challenges, successful and sustainable livelihoods promotion strategies would necessarily require institutional coordination, convergence and partnerships. Moreover, large numbers of programmes have been designed/introduced with various products and services aimed at poverty reduction and livelihood enrichment, often resulting in duplication, overlapping and implementation bottlenecks. In such a scenario, a platform/forum should be created for stake holder consultations and coordination, thus reducing overlaps and enhancing collective results. The stake holders in this participatory approach would include: Panchayat Raj Institutions/local self-government, NGOs, community-based organizations, government agencies at district, state and national levels, banks and financial institutions, development agencies, academic and training institutions and resource persons/practitioners, livelihood-based producers groups and service providers. As the way forward clearly emphasizes on convergence, co-ordination and partnership/participatory approach, suitable national/state/district/cluster-level platforms have been envisaged. Due to the multiplicity of programmes, interventions at implementation level

usually lack in pace, quality and effectiveness. The rationalization of Central Sector programmes, based on B. K. Chaturvedi Committee report, if implemented expeditiously, would help in this direction, as would similar rationalization in state government schemes. Coordination and mutual commitment of policy-making institutions and implementing agencies is important. Mutual responsiveness of Government of India and state government in livelihood programmes, including NRLM and MGNREGA, are crucial for smooth implementation, and the State Government's support is much needed for infrastructure development and various linkages.

### **Governance, transparency and communication**

Notwithstanding the proclaimed vision, mission, goals and objectives in policy documents, programmes and schemes related to livelihoods of the poor, reports of improper selection of target groups, leakages/diversions in funds, corrupt practices, non-payment, delay in delivery of claims/entitlements, lack of disclosures/communications, violation of the prescribed procedures, difficulty in access to information/services are often reported in study reports and media and public fora. In the approach papers to Planning Commission, and in the guidelines on various national livelihood schemes, emphasis has been laid on e-governance, accountability, transparency in systems and processes, service, etc., in order to eliminate the above-reported distortions. A step in the right direction would be insistence on adherence to governance codes, adoption of codes of standards and fair practices, adequate public disclosures in audit reports, development and regular updating of web sites, market intelligence by policy-makers, documentation and dissemination of learnings, computerization of processes, etc. Upscaling the Aadhar programme, strengthening the social audit mechanism, as also concurrent, internal

and statutory audits, sensitization of directors/boards and committees, progressive computerization of various rural financial institutions including co-operatives, and streamlining customers' grievance redressal system are likely to have better and more salutary impact in implementation of livelihood schemes. More care, attention and safeguards need to be directed towards better targeting, earnest and timely implementation, and an institutional mechanism for customers' protection should be put in place to fulfil the objectives of various livelihood schemes in the years ahead.

### **Monitoring and evaluation—members'/customers' awareness/feedback**

Efficiency of monitoring and evaluation systems has been emphasized in all important livelihood programme documents. Field-level feedback, to enable corrective measures, is built into the design of various livelihood programmes including donor-driven programmes. NABARD's PLPs even capture farmers' views to various credit-related schemes in a separate chapter. As per NRLM guidelines, stake holder consultations are envisaged as a prelude to preparation of AAP and SPIP. A participatory approach in the design, implementation, monitoring, appraisal and evaluation of programmes is focused on in institutional mechanism. Monitoring and evaluation should be strengthened in all livelihoods mega schemes, and should include both off-site and on-site instruments. A robust off-site surveillance system (OSS) should be put in place. The yardstick for evaluation of programmes should be evolved in a way that ensures all the variables are manageable. Adherence to time-lines and benchmarks is important. Members' awareness of their rights, entitlements and obligations will ensure proper implementation of the programme, as deficiencies in supply and demand levels can be remedied based on informed feedback. Good systems for such purpose have been an

in-built feature for DFID, IFAD and World Bank-assisted programmes.

The rural poor, particularly women, who are being mobilized through grass-roots-level institutions like SHGs, should voice and seek accountability from providers of educational, health, nutritional and financial services. Legal instruments such as Right to Information (RTI), Right of Education, forest rights and entitlements, and the proposed food security right, have empowered the common man to seek his entitlements. The participation of producers, consumers/users and members in governing bodies/committees/associations, e.g., water users/watershed committee, forest protection bodies, civil societies organization, etc., vindicates the voice and views of the poor/ultra poor. With ownership repositioning, a rights-based approach, and participatory mechanism, it will definitely be possible to change the existing scenario. To quote AP to Twelfth Plan: ‘Total Quality Management, innovative use of IT, emphasis on social mobilization and capacity building, strengthening local institutions and building partnerships with civil society organization and community to determine to the needs and aspiration of people, improvement of project management capabilities’ will be required for better implementation, accountability and governance. Consumer protection measures, too, need to be strengthened.

## Looking ahead

As explained in the foregoing paragraphs, livelihoods are multi-dimensional and accordingly, a series of initiatives are being undertaken at various levels. The success and sustainability of such interventions, despite numerous challenges, will be dependent on a host of factors—to ascertain sustainability of a project/programme/policy, seven questions need to be asked: Is it socially relevant? Is it technologically feasible? Is it economically viable? Is it environmentally friendly? Is it politically expedient? Is it legally permissible? Is it ethically right?

Notwithstanding various concerns on the economic front, e.g., inflationary pressure, falling value of rupee, rising Non-performing Assets (NPAs) in agriculture sector, continuing global slowdown, difficulty in achieving 9 per cent growth, etc., the development measures listed below will have significant impact on livelihood opportunities for the poor, in the years ahead.

1. Progressive implementation of NRLM across states with preparation of SPIP and adoption of identified strategies.
2. Commencement of implementation of various approaches envisaged under Twelfth FYP with due approval of NDC.
3. Empowerment of the vulnerable sections with passage of various legislations including Food Security Bill, Women Farmers Entitlement Bill, Land Acquisition, Rehabilitation and Resettlement Bill, etc.
4. Improvement of MIS and monitoring systems with availability of critical data on potential sub-sectors, value chain, livelihood options, etc.
5. Greater progress in implementation of Financial Inclusion Plan resulting in deepening of financial services from banks and financial institutions through branch expansion, BC/BF network, etc.
6. Corporate entry and interventions bringing synergy in PPP, networking, innovations, competitiveness, employability of youth.
7. Merger and rationalization of various government schemes, resulting in better effectiveness.
8. Finalization of Poverty Measurement Indices will bring clarity on the magnitude of poverty.
9. Focus on NABARD’s SHG 2 strategies under SHGBLP facilitating greater participation of bankers in graduation of SHGs and flow of livelihoods finance through SHG structure.
10. Enhanced capacity-building efforts for all stake holders under SHG-2, strategic interventions by the Skill Development

Mission for skill-building, entrepreneurship and vocational training, etc., bringing about greater employability of the skilled poor.

11. Availability of the results of various pilot studies/experiments undertaken by the state livelihood authorities, during preparatory stages, providing scope for innovation in livelihoods models and replication of best practices.
12. Institution-building at various levels—SHG federation, community-owned organizations, producer companies—and process re-engineering in existing institutions—RUDSETIs/RSETIs, livelihood learning centres—building sustainability in livelihood operations.
13. All livelihood models—cluster development, rural business hubs, technology-based agriculture practices/service activities, participatory approaches, etc.—if taken forward appropriately and in the desired pace and manner, will usher in considerable improvement in the quality of implementation. Progress in the livelihoods sector will enable India to meet the goals under Millennium Development Goals (MDG) by 2015. It will bring India towards progressive fulfilment of the goals set by Vision 2020 of the Planning Commission that states, 'Our vision of India—2020 is nation building with energy, entrepreneurship and iInnovation' (Government of India, 2002). To quote the AP to the Twelfth FYP:

Some of the challenges themselves emanate from the country's economy's transition to a higher and more inclusive growth path—the structural changes that come with it and expectations it generates. These challenges call for renewed efforts on multiple fronts, learning from the experience gained and keeping in mind global developments.

The test for appropriateness of future interventions for livelihoods of the poor can be best described by the advice of Mahatma Gandhi:

I will give you a talisman. Whenever you are in doubt or when the self becomes too much with you, apply the following test. Recall the face of poorest man (woman), whom you may have seen and ask yourself, if the step you contemplate is going to be of any use to him (her), own life and destiny.

The complete quotation for this would be as follows:

I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man [woman] whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him [her]. Will he [she] gain anything by it? Will it restore him [her] to a control over his [her] own life and destiny? In other words, will it lead to swaraj [freedom] for the hungry and spiritually starving millions?

Then you will find your doubts and your self melt away.

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