

## **Comments on Draft Background Material on National Rural Livelihoods Mission (NRLM)**

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The SGSY is being recast. The new name given is National Rural Livelihood Mission (NRLM). Mission mode is the newer approach as is the trend or practice with several of our flagship programmes. The aim, as the NRLM draft claims, is to overcome the limitations of SGSY by restructuring it to speed up the process of poverty reduction. The draft overall gives an impression that it is in many ways a rehash of similar mission documents devoid of a clear vision and understanding of what it involves to prepare the poor for self-employment or microenterprise.

Among others, uneven spread of SHGs, high attrition rate, poor accessibility to credit, lack of training and capacity building, and lack of dedicated implementation structure are identified as responsible factors by the draft for the poor performance of SGSY. In many ways, these are only symptoms of the major problem of creating large scale self-employment opportunities for the poor. There is no clear analysis in the draft as to why self-employment mechanism has failed or what factors at a more fundamental level inhibit the poor from becoming successful or viable micro entrepreneurs. The inherent difficulty or the challenge faced by the very poor to emerge of microentrepreneurs is totally overlooked. At the same time, there is no mention of the key problem of finding reliable market for the products of the poor. Inability to create or provide sustainable marketing linkages, especially in a growing competitive scenario, acts a major barrier for creation of viable microenterprises. Cluster based approach was specifically advocated by the SGSY for promoting viable enterprises. Why the cluster based approach failed to take off in significant way? The draft is totally silent on these issues. Without such an understanding, merely restructuring a programme may not make much of a difference.

Universalisation of SHGs, creation of dedicated mission structure, creation of RSETIs and adopting a livelihood based approach are some of key strategies identified by NRLM to attain its goals. The implications of these strategies are briefly discussed below.

**1) *Universalisation of SHGs:*** All the rural poor households are to be mobilized into self-managed and self-governed SHGs and SHG federations. The SGSY had co-opted the group approach to tap into the strengths of collective action by the poor. While it was a good step but where the SGSY went wrong was in the approach it adopt for group formation. Instead of following a process oriented method, SGSY chose a highly target based method. The large scale attrition and poor capacity of SHGs are clearly attributable to such an approach of SGSY. The group concept hence failed to help in realizing the strength of collective bargaining. In a way, SGSY ended up discrediting the group method itself. The NRLM may repeat the same mistake through its universalisation strategy of SHGs. There is a tacit assumption that all poor could be brought under SHG which the ignores the self-exclusion tendency of the poor. SHGs being informal co-operatives, the principle of voluntary membership also cannot be

ignored. Universalisation may therefore end up as a top-down agenda to force poor into forming groups. The relegation of NGOs in SHG formation has been a factor contributing to their poor quality. The target of creating 28 lakh SHGs by 2016-17 may lead to even poaching of existing SHGs under other schemes. The incentive of 6 percent rate of interest would also see many members from other SHGs migrating to NLRM.

Another dimension of universalisation is the formation of federation of SHGs at village, block and district levels. While SGSY focused on SHGs, NLRM seems to have turned its attention on their federations. This again is a highly top-down measure ignoring local social and economic conditions which enable or constraint formation of such institutions. Member based institutions like federations rather than being imposed from the top have to actually evolve from below for their long term sustainability. There are already several NGO supported SHG federations working in many places which are faced with several problems. Hence, a careful approach needs to be followed here lest these federations which are going to be key link falter in the process. Even the legal form visualized for federations, trust and society, may not be the right one for such people based institution to take up diversified activities and to ensure accountability. The cooperative form especially of autonomous type should not be ruled out for these institutions.

**2) Creation of Dedicated Machinery:** To bring in the mission mode, the strategy proposed by NLRM is the creation of a dedicated mission structure at various levels – national, state and district. The major rationale is the overburdened bureaucracy which is unable to devote focused attention on such programmes. The missions at all the levels are to be supported by multi-disciplinary / functional specialists in various areas of livelihood promotion. While the governance structure are represented at central and state by elected representatives, bureaucrats and some experts; at the district level it will be managed by the DRDA authorities.

Given that the composition of the governance structures of the NLRM is largely similar to other programmes, they are unlikely to break any new grounds for generation of large scale self-employment. They may at the best play a perfunctory role and at worst may have a strong over bearing top-down influence on the lower structures. The executive arms of these structures are likely to be fully dominated by the top-level bureaucracy.

The new addition or dimension probably is the proposed recruitment of functional specialists at the all three levels including appointment of community facilitators at block level. The aim is to take advantage of these specialists who can devote full time for various livelihood promotion activities unlike the bureaucrats who lack time, devotion and expertise needed for such developmental work. The NLRM appears to bank on this new cadre to make all the difference in a mission mode.

The addition of such human resources with a developmental focus no doubt can make a significant contribution; there are quite a few lacunae that could be seen here. The district level unit, a key link, is placed under the DRDA which is a highly bureaucratic

agency. The new cadre of experts is likely to be fully controlled and influenced by the DRDA functionaries. Surprisingly, the linkage of DRDA with Zilla Panchayat is nowhere mentioned though a separate section has been added for PRIs in the draft. The role of people's representatives in the governance structure at the district level is found missing totally. Moreover, DRDA has been reduced largely into a fund channelizing agency for the centrally sponsored schemes. In their present form, DRDAs in general are unlikely to bring in any missionary zeal or developmental focus into the new programme.

Another important concern about the dedicated team of specialists is the nature of their appointment. All these specialists are to be appointed on a yearly or short term contracts including the community workers. With such tenure, it would be difficult to expect these experts to give their unstinted time or commitment of long term nature for the mission. One can expect a high level of turnover of these specialists at all levels putting the management units in frequent difficulties. At the grassroots level the CF/CCs are to be recruited on an honorarium basis of Rs. 1000 per month plus giving them some performance based incentive. It is not clear as to what is the kind of targeted performance is expected from them to receive incentive on a regular basis under a self-employment programme (except perhaps meeting targets of SHG formation and loan recovery).

**3. Creation of RSETIs:** The draft proposes that the public sector banks will be encouraged to set up Rural Self-employment Training Institutes (RSETIs) in about 500 districts of the country, one in each district, patterned on RUDSETIs. But why would public sector banks come forward for such a purpose especially in a liberalized banking scenario? Why are even the successful RUDSETIs not getting fully replicated? Given the general reluctance of commercial bank to IRDP/SGSY kind of lending, the commitment for creating such institutes would be highly doubtful. Involving some credible NGOs would be a much better idea. The NRLM can keep this also as an option rather than relying solely on public sector banks. This would also help in effective utilization of training funds made available under NRLM and other programmes.

**4. Livelihood Approach:** The challenge of poverty alleviation is to be addressed by adopting a multi-pronged strategy of self-employment, wage employment and other livelihood improvement measures. NRLM on its own seeks to promote self-employment and wage employment, the other livelihood needs are to be provided through convergence approach.

NLRM is likely to face challenges on these counts. As mentioned above the draft has not taken into account clearly the challenges involved in creating large scale self-employment for the poor. The outcomes of IRDP and SGSY are there before us. Without any radically different approach NRLM is also unlikely to succeed. Apart from the constraint of credit and training (which NRLM hopes to ease) self-employment programmes face many other problems. The major one is the general reluctance of the very poor for venturing into such a livelihood opportunity especially in the wake of limited viable opportunities. A key constraint will be also on the marketing front. Even

if the poor come forward (with the help of SHGs, banks and RSETIs) to take up self-employment, the challenge of marketing their products and services on a sustainable basis is quite unsurmountable more so in a globalised and liberalised environment. The poor have to compete with imported goods and that of large companies. The solution for this lies in either creating an institutional structure like dairy co-operatives (for each major product) which can ensure year round marketing or providing protection/reservation to microenterprises to produce exclusively certain products (which is highly unlikely in a liberalized market scenario) or both. The NLRM without any significant plan for marketing would face the inevitable outcome similar to IRDP and SGSY. As given in the draft, only less than 25 percent of the SHGs could access or utilize credit for microenterprises under SGSY. In that case, NLRM would end up as a mere microcredit program channelizing credit for consumption and other social needs.

The recognition by NLRM to incorporate wage employment through training and placement for the rural youth though is an admission of the inherent limitation of self-employment strategy but is in the right direction under the emerging economic scenario. Let us hope at least on this front NLRM would attain some significant success.