

## Review

# Role of public administration and microfinance in alleviating the poverty thorough participation and empowerment of people - Case studies from India

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Poverty is a situation where people are mainly deprived of income generating activities and access to formal financial system. Strategies to address poverty primarily include promoting opportunity and participation. Poverty amongst forest dwelling communities in India, presents challenge for administrators. Exploitation and ineffective public service delivery are major factors affecting poverty alleviation efforts for Forest Dwellers (FDs). FDs rely on forest for survival. Studies indicate that over 80% of FD depend on Non-Timber Forest Products (NTFP) and 28 to 50% of income comes from NTFP trade, representing just 20% of end user price spread as trade is without value addition. Lack of microfinancial assistance, ineffective administration, hinders value additions. NTFP trade is seasonal, FDs need to borrow money from moneylenders at high interest rates/ NTFP distress of sale. These and non-regulated NTFP markets are contributing to poverty of this groups. Interventions like Self-Help Groups (SHG) movement, based on save and serve themselves. Creating social collateral and group pressure are features of this approach. The emergence of microfinance is strategic option to alleviate poverty. FD now get 38% of their microcredit from SHG. Studies show that adding value by way of making leaf plates can earn 100% average incremental benefit. Poverty alleviation is a multidimensional problem, requires involvement of the Government, NGOs, International Developmental Agencies, people and problem should be addressed multilaterally. There is evidence that participation of people is a strategy as proved in case of Joint Forest Management (JFM) which addressed the dual issue of protecting forest cover and providing income generating options to FD. JANMABOOMI (Motherland) programme of A.P. state Government was also found to be equally successful. On the other programs like IRDP which was financially supported and unilaterally implemented by Government saw limited results. Intervention of public administration need to be supplemented with cooperation from NGOs, who, facilitates value addition and marketing NTFPs, help in forming SHGs, etc. The paper discusses (a) Causes of poverty amongst the forest dwellers and strategies to alleviate poverty effectively (b) Identify the role of public administration and microfinance in alleviating poverty and (c) To find out the impact of participation and empowerment of the people in the poverty alleviation programmes.

**Key words:** Microfinance, public administration, empowerment, participation, NTFP, poverty, forest dwellers.

## INTRODUCTION

Poverty is one of the long persisting problems in India, as it is true of most of the developing world. Poverty is a multifaceted phenomenon, described as a situation where people are deprived of income generating activities, adequate food, clothing, housing, healthcare, sanitary facilities, access to formal credit, opportunity for education, poor infrastructure and high incidence of

corruption adds to the woes of an already deprived group. Causes of poverty vary from nation to nation. Currently about one and half billion people live on less than \$1 a day, a majority of them in the third world. India alone (1999 - 2000) accounts for 260.3 millions poor people. As per UNDP HD report 2004, India's 34.7% population income is below poverty line (\$1 a day). As

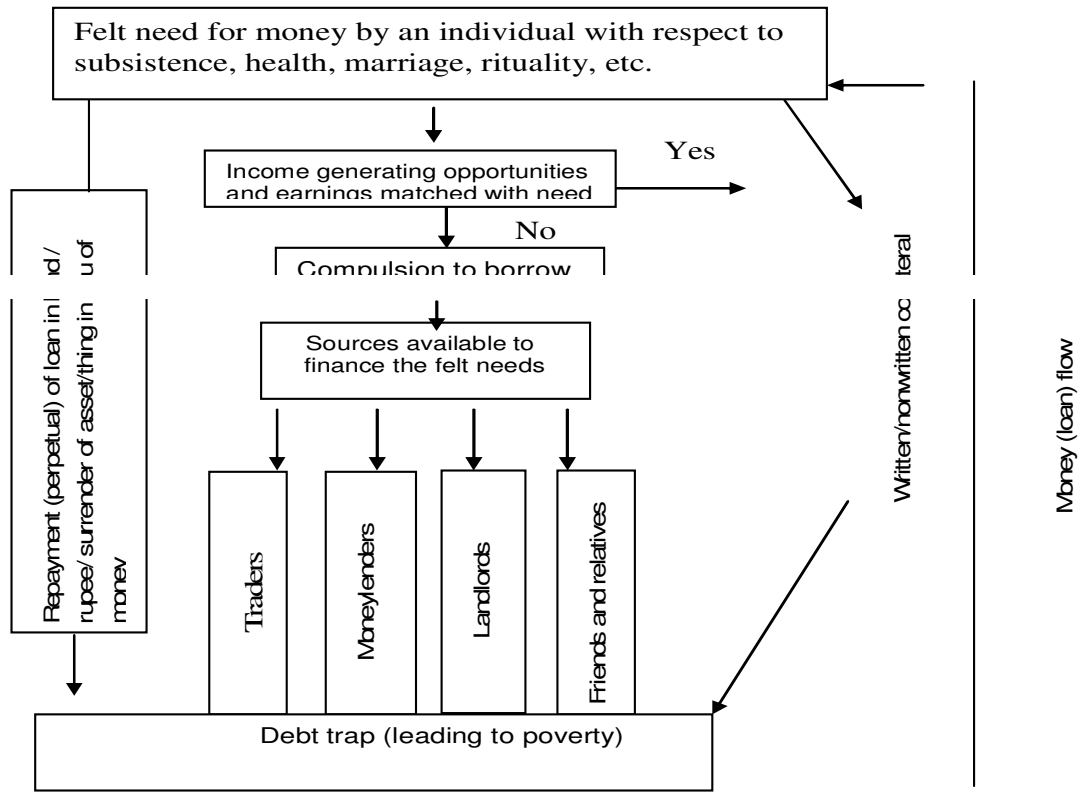


Figure 1. Informal financial system leading to poverty.

per national assessment 28.6% population is living below poverty line. Poor agricultural systems in developing agriculture-based economies worsen poverty by increase in the cost of living. Inefficient (Human Development in South Asia, 2001) provisioning coupled with leakages in (social) expenditures led to deteriorating quality of service that resulted in slow human development indicators during liberalization era in South Asia. Poverty was not (Grameen Bank) a personal problem due to laziness or lack of intelligence, but a structural one: lack of capital. Poor people during rainy season (lean season) strive hard to find income generating opportunities. Unable to secure any opportunity and no access to formal credit, forces them to resort to either moneylenders who often lend money at exorbitantly high interest or alternately depend on traders/landlords for obtaining subsistence and for absorbing shocks like illness. This also often forces the poor to enter into distress sale of harvest or labour leading to a vicious poverty trap for the poor (Figure 1). What is needed then from developmental agencies, be it 'public administration, multilateral agencies or local institutions', is access to 'microfinance' rather than subsidies to assist the poor to come out from the poverty cycle.

As shown in the Figure 1, when the poor borrow from friends and relatives the interest rate is generally

reasonable and may not be exploitive. Borrowing from three other sources viz. moneylender, trader and landlord, many a times tantamount to a debt trap that pushes a person into poverty. Perpetual repayment of loan is largely applicable where poor people borrow money from moneylenders, traders and landlords. It may or may not be applicable where friends and relatives are the source. And also to other sources when the borrower improves repaying capacity and repays loan effectively. After the microfinance intervention in the rural areas, especially in forest dwelling area the scenario is slowly metamorphosing.

Though lack of access to microfinance is not the only cause for poverty, this paper is largely confined to 'microfinance and public administration' role in reducing and alleviating poverty. The other causes like cultural liberty etc., as reported in UNDP report 2004, attributable to poverty are not denied. The scope of poverty is wide and immense this paper seeks to review only the role of microfinance and public administration. The paper aims to study (a) Causes of poverty amongst the forest dwellers and strategies to alleviate poverty effectively (b) Identify the role of public administration and microfinance in alleviating poverty and (c) To find out the impact of participation and empowerment of people in the poverty alleviation programmes.

**Table 1.** Human development index trends of India and China.

Year	India		China	
	Human development index (HDI)	Simple annual growth rate (%) **	Human development index (HDI)	Simple annual growth rate (%) **
1975	0.411		0.523	
1980	0.437	6.3	0.557	6.5
1985	0.476	8.9	0.593	6.4
1990	0.514	7.9	0.627	5.7
1995	0.548	6.6	0.683	8.9
2000	0.579	5.6	0.721	5.6
2001	0.590	1.9	0.721	0.0
2002	0.595	0.9	0.745	3.3

\*UNDP Human Development Report, 2003 pp243, 2004 pp144-145. \*\*Simple growth rate calculated, Half decadal (5 year period is one unit), annual (1 year period is one unit).

**Table 2.** Trends India GDP (at factor cost) growth (at current prices).

Year	% of Growth
1997-1998	11.8
1998-1999	15.0
1999-2000	10.2
2000-2001	8.0
2001-2002	9.9
2002-2003	7.6Q
2003-2004	11.9A
Mean	10.63

Economic survey reports 2000 - 2001 to 2004-04 Q= quick estimates A= advance estimate

## HUMAN DEVELOPMENT AND POVERTY

### Human development and poverty

Table 1 showing comparative Human Development Index (HDI) for India and China. During 1980 to 2000 the average half decadal growth rate is 7.06 for India and 6.62 that of China. Though India's average growth rate for the said period is high, China's HDI is higher throughout the period, grown from 0.523 in 1980 to 0.721 in 2000, total absolute growth of 0.198 units. Where as India has grown from 0.411 in 1980 to 579 in 2000 and total absolute growth of 0.179 units. The difference (198 – 179) is 0.19 units higher growth achieved by China. During 1995 - 2000 half-decade period both countries have posted a growth by 5.6 over the previous half decade period. But China's 5.6% on 0.683 growth is more impressive than India's 5.6% on 0.548 index points. The inferences will be more logical when social investment committed by both the nations are also considered.

Table 2 exhibits India's Gross Domestic Product (GDP) (at factor cost during 1997 - 1998 to 2003 - 2004. The

mean annual growth (change over the previous period) during the period is 10.63%. During 1998 - 1999 the growth was high over the previous period and begun to grow less till 2000 - 2001. In 2001 - 2002 it picked up. Growth in GDP is considered to be underpinning the development. By comparing Table 1 (HDI) and 3 (HPI) with Table 2 (GDP), it can be inferred that there exists relationship between growth in GDP and human development and reduction in poverty. The fact is that growth in GDP generates employment, increases government's revenues collections and thus government gets more funds for social developmental investment.

Table 3, showing human poverty index of India and China. The human poverty index for India has declined to 31.4 in 2002, from 35.9 in 1997. Where as China's Index has declined from 19.0 in 1997 to 13.2 in 2002. The mean decline percentage rate for India during 1997 to 2002 is 2.66, that of China is 6.71. It can be inferred from the mean percentage decline rate values that China's human poverty index decline faster than India. Which means China reducing poverty faster than India. In

**Table 3.** Human poverty indexes of India and China.

Year	India			China		
	Rank	Value	Rate of decline*	Rank	Value	Rate of decline*
1997	59	35.9		30	19.0	
1998	58	34.6	3.62	30	19.0	00.00
1999	55	34.3	0.87	24	15.1	20.52
2000	55	33.1	3.50	24	14.9	01.32
2001	53	33.1	0.00	26	14.2	04.70
2002	48	31.4	5.14	24	13.2	07.04
Mean			2.66			06.71

UNDP human development Reports, 1999 pp 147, 2000 pp170, 2001 pp 149-150, 2002 pp157-158, 2003 pp246, 2004 pp147-148. \*simple decline rate estimated.

absolute points India achieved (35.9 – 31.4) 4.8 index points decline during 1997 - 2002, that of China is 5.8.

#### **POVERTY AND GOVERNMENT SOCIAL EXPENDITURE**

Even since independence India has been struggling against poverty. The central Government on an average (Table 4), Rs. 34804 crores per annum during 1991 - 1992 to 2006 - 2007 spent (plan and non-plan) on social services which is equal to average 1.6% GDP at current prices during the period. Government has been activating many targeted programmes to reduce the poverty through expenditure on social sector. The achievement of all these expenditures underpins the socio-economic development of the poor gradually. According to Fan et al. (1999), every crore invested in roads lifts 1200 persons out of poverty, compared to 97 for irrigation and 178 for rural development. By that calculation, Rs. 25,000 crore invested in roads should see all 300 million poor lifted out of poverty! Without being facetious, it is widely acknowledged that roads are a powerful force for poverty reduction through their effect on non-farm employment and agricultural productivity.

As has been explained, lack of road connectivity or poor roads indeed cripples the development. Roads even can act as value additions for many forest and agriculture products. If efficient roads are available connecting the poor to the main stream, they can get higher price for their harvests. Poor quality of roads entails huge losses to the country. Peppered with (Tol Oct. 04) potholes, creaking with congestion, India's rough roads are a real speed breaker for its development. Nothing goes fast on them --- except money. The country loses almost Rs. 10000 crore a year due to inadequate capacity and poor quality of roads, according to a 'planning commission' presentation. Road accidents kill 75,000 people every year, 50% of national highways in poor condition, 30% high ways single-lane, trucks play at 30 - 40 km/hr, when allowed 50 km/hr. And average productivity of trucks is

250 - 300 km/day; while globally it is 500 - 800 km/day. The loss to the economy there from is concern to the Government and Public Administration which requires more and more revenues that enable greater outlay on developmental programmes. During 2000 - 2001 to 2003 - 2004 total central Government expenditure (Table 4) under PMGSY (Roads) was Rs. 9559 crore and under PMGY (rural development) was Rs. 10249 crore, relating this expenditure to Fan et al. (1999) study, 114.7 million and 1.8 million people respectively, (from expenditure on roads and rural development) that is, a total of 116.5 million people should have been lifted out from the poverty. And the current population below poverty line should be 300 minus (-) 116.5 = 183.5 million people or even less because Government also undertakes other developmental expenditures to reduce poverty. However, this calculation does not account inefficiencies and leakages in delivering expected benefits. The more effective it would be when the public administration adopts participatory micro planning and empowering the poor through participation. Investment (Partha, 2004) in rural roads under PMGSY may yet prove to be the most powerful anti-poverty programme. This is especially so if these programmes are used as a part of an employment guarantee scheme. In 1998 - 1999 the Jawahar Rozgar Yojana, working directly through Panchayats, create man-days equivalent to 4.5% of labour force, which is significant given that unemployment was around 7% (Mahendra Dev, 2003). Hence, government should prioritize/prefer social spending (investment) in roads segment as it has greater impact on reducing poverty.

Table 4 exhibits central Government (plan and non-plan) social sector expenditure including rural development largely targeted towards poverty reduction. It is inferred that there is inverse relationship (coefficient of correlation-0.95) between Governments social spending human poverty index during the period of 1997 - 1998 to 2002 - 2003 to 1999 - 2000. Meaning thereby is, increase in social expenditure has resulted in decreasing poverty as shown (Table 3) HPI declined from 35.9 in 1998 - 1999

**Table 4.** India, Central Government Expenditure (Plan and Non-Plan) on social services including Rural development and poverty trends (Rs. crore).

Year	Social services (Rs. crore) (1)	Rural Development (2)	Basic Minimum Services (BMS) including slum development* PMGY PMGSY@ (3) (Rs. crore)	Total (1+2+3) (Rs. crore)	Total social service (1+2+3) expenditure as percent of GDP at current market prices	Human poverty index (as per UNDP reports)	Poverty incidence estimation
1991 - 1992	5892	2283	-	8175	1.3		39.7
1992 - 1993	6397	3211	-	9608	1.4		44.2
1993 - 1994	8150	4680	-	12830	1.5		36.0
1994 - 1995	9223	5803	-	15026	1.5		36.9
1995 - 1996	11631	6609	-	18240	1.5		35.9
1996 - 1997	13659	5081	2466	21206	1.5		-
1997 - 1998	16007	5116	2873	23996	1.6	35.9	37.1
1998 - 1999	19747	5854	3684	29285	1.6	34.6	42.0
1999 - 2000	23406	5184	4048	32638	1.7	34.3	26.1
2000 - 2001	25222	4449	4850	34521	1.7		33.1
2001 - 2002	28462	6241	5033	39736	1.8		33.1
2002 - 2003	29349	11960	5100	46409	1.9	31.4	
2003 - 2004**	32336	12226	4725	49287	1.9		
2004 - 2005	39123	9514	5227	53864			
2005 - 2006(RE)	55969	14250	4220	74439			
2006 - 2007(BE)	66727	15654	5226	87607			
2007 Projection				556873			19.3
Mean				26580	1.6	33.7	

Figures for the years 1991 - 1992 to 1999 - 2000 are actual \*Came into operation from 1996 - 1997, \*\* RE (revised estimate) @ : Launched in 2000 - 2001 as new initiative for basic rural needs. However, PMGY has been discontinued. Budget papers as reproduced in Economic Survey 1999- 2000 pp165, 2000 - 2001 pp190, 2001 - 2002 pp235, 2003 - 2004 pp202, 204, 2006 - 2007, Pp. 206-207 (---). --- source: National account statistics and economic survey, various issues: Datt (1999).

to 31.4 in 2003 - 2004. The official poverty incidence corroborates the rate of incidence declined from 36% in 1993 - 1994 to 26.1% in 1990 - 2000 and projected to achieve a decline to 19.3% by 2007. Hence, the Government should continue to promote social expenditure as has been rightly proposed by the Government ([www.adb.org](http://www.adb.org)) a sharp 80% increase in public social spending during the 10th five year plan. There were mixed results (over and under) in estimating incidence of poverty during the period 1993 - 1994 to 1999 - 2000. However, Abhijit and Himansu (2004) reported that the poverty ratio fell at most by 3% points between 1993 - 1994 and 1999 - 2000, and in their view it is likely that the number of poor increased over this period.

## POVERTY AMONGST THE FOREST DWELLING COMMUNITY

Poverty amongst the forest dwelling communities in India, presents a greater challenge for development administrators especially for forest and revenue departments who largely deal with the forest dwellers. Governments are gearing up efforts to reduce poverty amongst the forest dwellers. However, Illiteracy, alcoholism, lack of income generating activities, poor

infrastructure, exploitation by moneylenders/traders, ineffective public service delivery network at grass root level, high incidence of corruption etc., are factors affecting poverty alleviation efforts for Forest Dwellers (FD). As shown in Table 5 on an average a forest dwelling family of 4 - 6 persons survives on mere Rs.12055 (equivalent value) per annum which is much below poverty line as per international definition less than a \$ per day, even when compared with \$ rate in 1999 and 2002 period. This shows the miserable living conditions of FD, the poorest of the poor. The causes can be straight away attributed to ineffective and corrupt public administration and relentless exploitation by moneylenders, landlords, traders etc. Karmakar (1999) reported that exploitation by non-tribals, moneylenders and traders, intensive industrial/mining activities in tribal belts, inefficiency and callousness of state-owned agencies as also the high degree of land alienation and indebtedness have impoverished the tribals (FD) in Orissa state of India. The 1991 report of the planning commission on landholding system in tribal areas with reference to Orissa reveals that the 'value' of land is perceived in terms of market economy. So often, the land that is basic to the survival of the tribals, is designated as wasteland in the records. Further, irregularities are reported to have been committed in settlement and

**Table 5.** Survival amount forest dwelling family (5 to 6 persons).

Name of the range (State)	Amount Rs
Araku and Paderu ( A.P)	11428
Ghughari ( M.P )	10067
Tamia ( M.P)	12098
*Addatigala (A.P)	13722
*Rampachodavaram(A.P)	13683
*Paderu (A.P)	10737
*Vizayanagaram ( A.P)	13041
*Palkonda ( AP)	11671
Mean	12055

Estimated based on field survey, 2002 (Pethiya and Teki) \* field survey 1999 (Teki).

**Table 6.** Prevailing interest rates for microfinance in Katni, Mandsour and Sheopur dist MP.

Source of microfinance	District			
	Katni	Mandsour	Sheopur	Mean
<b>Moneylender/NTFP trader</b>	<b>Rate of interest per month %</b>			
	3-5	2- 3	5	3.8
Banks	1	1	1	1.0
SHG	2-3	2	2	2.2
Relatives &friends	2	2	2	2.0

Estimated based on field survey 2002 – 2003 (Pethiya, Bhattacharya and Teki).

survey operations, resulting in the transfer of large tracts of land, customarily held by tribals, to a new breed of non-tribal owners. Such abuses in settlement officials and non-tribals for mutual profit are rampant. Bribes, tampering of records, use of force and other methods have been used to deprive the tribals of their land. Exploitation by the traders contributes significantly to poverty. It was observed in a field survey (Teki, 2002) in Koraput, Rayagad and Malkangiri districts of the state of Orissa even today the FD barter valuable Non-Timber Forest Products (NTFPs) like tamarind and sal seeds for equal quantity of raw salt. An ineffective public administration (forest and revenue departments) is making no efforts to curb such exploitative trade practices by traders. Public administration can initiate actions to curb such practices and can also take steps to regularize the NTFP marketing practices. A systematic NTFP trade practices should be evolved that takes care of announcing minimum NTFP procurement prices, information about end user application of NTFP etc. Already existing public agencies should gear up their efforts to help the tribals in resisting exploitation by traders.

## THE CONCEPT OF MICROFINANCE

The term microfinance has been in use for the last one

and half decade or so. A number of definitions and interpretations have been discussed in various publications world-wide on microfinance (Table 6). Microfinance can be defined “as a loan fund (B.P. Pethiya – 2000) for especially meant for micro enterprises (including agricultural, forestry, agro-forestry, horticultural, animal husbandry, handicrafts, processing of NTFPs for value addition, fisheries, bamboo and jute crafting, mushroom cultivation etc.) to provide required start-up capital for local needy people in an organised manner. The financial (Teki –2000) assistance rendered by various agencies to the village/country side poor people towards self employment, enhancing income levels through better utilization of available resources, and income generating activities “Provision (task force report) of thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income level and improve living standards.” Microfinance (CGAP) is the supply of loans, savings, and other basic financial services to the poor.

The emergence of microfinance as a viable and strategic option to alleviate poverty and empower the poor has given visible results. The easy access of credit used to attract the poor people to the door of moneylenders (also include indigenous bankers, landlords, village level traders etc.) who were available round the clock (24 x 7) seven days a week quite like current days sophisticated

**Table 7.** Purpose of Microfinance required for forest dwellers in select districts of MP and AP states.

Purpose	<sup>1</sup> Vishkhapatnam district	<sup>2</sup> Katni, Sheopur and Mandasour
	AP %	district MP %
Subsistence	18.6	21.5
Health	25.6	23.2
Education	17.4	15.2
Pilgrim	11.6	10.1
Marriage	16.3	18.1
Others	10.5	11.9
Total	100.0	100.0

Source: Pethiya and Teki field survey 2002' Pethiya Bhattacharya and Teki field survey 2002 – 2003.

**Table 8.** Sources of microfinance for Forest Dwellers (FDs) in select fore ranges of MP and AP states.

Source of microfinance	Name of the forest range						Mean/Std. dev.
	<sup>1</sup> Ghughari	<sup>1</sup> Tamia	<sup>1</sup> Araku and Paderu	<sup>2</sup> Katni	<sup>2</sup> Mandasour	<sup>2</sup> Sheopur	
	%	%	%	%	%	%	
Moneylender/trader	36	54	31	63.8	39.5	51.6	46.0/12.8
Banks/ Govt.	3	06	13	04.2	18.5	11.8	09.4/6.0
SHG	61	20	35	15.3	23.5	6.6	26.9/19.1
Relatives and friends/other	0	20	21	16.7	18.5	30.0	17.7/9.8
Total	100	100	100	100	100	100	100.0

<sup>1</sup> field survey 2002 (Pethiya and Teki) <sup>2</sup> field survey 2 002-03 (Pethiya, Bhattacharaya and Teki).

technology supported ATMs. This was the biggest strength of the moneylenders who used it to exploit the needy poor. This is one of the grass root causes for poverty in India. But the timely intervention of Microfinance is also functioning as rescuer of poor people from the vicious debt trap of money lenders, besides promoting saving habits and income generating activities, group cohesiveness, and social security amongst the poor masses.

The experience of microfinance (Patel, 2002) shows that the poor are bankable and that poverty alleviation is possible without subsidies. The sharp visible impact ([www.undp.org.in-Padia](http://www.undp.org.in-Padia)) of the community banking programme is seen in its outreach to the poorest of the poor in backward and remote locations and curbing the moneylenders' activities of up front usurious interest rate. Substantial resource mobilization and more than 98% repayment pattern with negligible non-performing assets are other quantitative indicators helping to further upscale the programme. Qualitative indicators like cadre of poor women as leaders, strength of collectives as social support structure creating an identity of women in the home as well as in the village, confidence, physical mobility, access to public space and increased control on financial resources are to be observed and believed. As a group ([www.undp.org-Ranjani](http://www.undp.org-Ranjani)) the members have been able to change rules of credit markets and engage with government departments involved in social service delivery.

Microfinance practices in FD community: In India microfinance practices have been emerging amongst FD for the last decade or so. This intervention has granted relief to FDs from moneylenders/traders and giving them stimuli for NTFP value additions. The prevalent microfinance practices amongst FDs have been discussed in the following (paras/pages) that are based several research studies (Pethiya, Teki, Bhattacharya and Mishra).

Table 7, showing purpose of microfinance for the FD in different study areas of Andhra Pradesh and Madhya Pradesh states. From the table it can be inferred that the major purpose of microfinance to the FD is for health purpose which is accounting for 20% (mean) followed by subsistence, education and marriage. People also borrow for pilgrimage and other purposes like observing rituality etc. The FDs generally procure their subsistence requirements from forest and agricultural activities. During bad monsoon season they are even compelled to borrow money for meeting subsistence requirements and health reasons.

Table 8, showing sources of microfinance available for FDs in select forest ranges of MP and AP states. From the data shown in the table it can be inferred that, the moneylender/trader is larger sources for credit as it accounting for 46% of total requirement, but there is significant variation (standard deviation 12.5%) in select ranges. Moneylender/trader is the largest source in Katni,

**Table 9.** Contribution of #NTFPs for FD survival (per annum).

Name of the range (state)	Amount Rs.	% of survival
Araku and Paderu (A.P)	2944	25.8
Ghughari ( M.P )	2816	27.9
Tamia ( M.P)	3627	30.0
*Addatigala ( A.P)	1603	11.7
*Rampachodavram (AP)	3133	22.8
*Paderu ( AP)	2723	25.4
*Vizayanagaram(AP)	625	04.8
*Palkonda(A.P)	3600	30.8
Mean	2634	22.4

(Name of the district A.P. Andhra Pradesh, M.P. Madhya Pradesh) # excluding firewood trade, estimated based on field survey, 2002 (Pethiya and Teki) \* field survey 1999 (Teki -2000).

Sheopur and Tamia ranges as it accounts for more than 50% of total requirement. As the interest rates in these districts are ranging between 3 - 5% per month, the impact is greater on poverty levels. The Self-Help Groups (SHG) movement has not picked in these districts and consequently, people have to rely on moneylenders/traders to absorb shocks. High variation is also has seen SHG source, SHG is a largest source of microfinance in Gughri range of MP accounting 61% of total requirement. SHG movement in this range is good due to an NGO who has been sensitizing and helping the formation of SHGs. In this range SHGs have also undertaken NTFP (*trifala*/herbal medicine) value additions to enhance the income generating activities. People in this area are less effected, as they can largely rely on their own SHG for shocks absorption. Access to formal sources for micro credit is minimal, accounting for 9.4% mean source in the entire select area. It can be concluded if it is not viable for formal system to offer microfinance assistance directly to the FD the 'public administration' as well as Government should see that the SHG movement pick up in that particular area through a committed and professional NGO. However, microfinance assistance should be channeled indirectly to bail out the poor from the moneylenders/traders clutches. Relatives and friends/others as source for credit is not exploitative but has it own limitations regarding matching amounts, repayment period etc. It can also be concluded that SHGs are being recognized as viable source to obtain finance to meet FDs microfinance needs and gradually showing an exit from moneylenders/traders and towards up-liftment of the poor by helping themselves.

### FOREST DWELLERS MICROFINANCE AND NTFPFS

FD largely relies on forest for sourcing their survival and growth needs. Studies indicate that people living in and around forests in India depend on NTFP for their sustenance and supplemental income. Over 80% of FD depend on NTFP and about 28 to 50% of income for

survival comes from NTFP harvest and trade. However, this represents only about 20% of total price spread in NTFP trade as trade is done with very little or without value addition at community level. Lack of microfinancial assistance, ineffective public administration, especially by forest and revenue departments, non-availability of NTFP market information, absence of price regulation etc. are hindering NTFP value additions. As NTFP harvest and trade is largely seasonal, FDs need to borrow money from local moneylenders at high interest rate ranging 3 to 5% p.m., or enter into NTFP distress sale. High interests, lack of value addition, non-regulated NTFP markets etc., are contributing to poverty of this distressed group. Interventions such as SHGs movement, based on microfinance concept are strategies recently adopted for alleviating poverty. This approach is based on finance being made available to groups of 10 to 20 poor people who come together to form a SHGs. The objective of the SHG is to save and serve their financial requirements themselves. Creating social collateral and group pressure are features of this approach. The emergence of microfinance is a vivid strategic option to alleviate the poverty and empower the poor. SHG, in India is proving to be effective and result oriented strategy to reduce the poverty by way of providing the financial assistance for NTFP value additions. FD now get their microfinance requirement from SHG, a shift in FDs borrowing source.

Research studies (Teki, 1999) show that FD are getting approximately 50% (Rs. 6285) of the total survival from NTFPs, and fire-wood, that of NTFP share is 25%. As exhibited also in Table 9 on an average NTFP (excluding fuel wood trade) contributes 22.4% survival requirements for the FD. The amount of money from the same quantity of NTFP can be greatly enhanced if the FDs are facilitated in adding value to NTFP through SHGs microenterprise linkage or at even individual level. As substantial portion of survival stems out from NTFP harvest and trade. The same inventory realizable value can be increased when they are given enough opportunity about the value addition and techniques and also provision for micro financial services that prevents from distress sale. Studies also reveals that the share of FD in total consumer price spread is ranging just from 11 to 26%. The following Table 10 depicts price spread for select NTFP harvest and trade.

As shown in Table 10, on an average the FDs are accounting for only 20% of total consumer price spread of NTFP. This is mainly because of two factors: (a) lack of access to microfinance during off-season that compels them to enter into distress sale contract and (b) unable to add value to harvested NTFP. In fact the cause for inability to add value is also lack of access to microfinance. The FDs are in hurry to sell their NTFP harvest to get cash for financing their requirements. This is why microfinance intervention can play a crucial role in uplifting the FDs. The share of FD can be enhanced from 20% up to 50 - 60% extent by evolving suitable strategies viz., provision for microfinance through SHGs medium to the FDs and



**Table 10.** Price spread of select NTFPs of a study area (Koraput, Malkangiri and Rayagad districts ) in Orissa state.

Name of the NTFP	FD share		Local shop-keeper share		NTFP traders 1		NTFP trader 2		Industry/processor	
	Rs.	%	Rs.	%	Rs	%	Rs.	%	Rs.	%
Achar*	15.0	25.9	24	15.5	32.0	13.8	--	--	58.00	44.8
Mahua flower	2.5	22.7	3.5	9.1	5.00	13.63	9.00	36.4	11.00	18.2
Mohual leaves	3.5	11.1	---	---	5.75	7.15	--	--	31.50	81.8
Tamarind (seeded)	2.0	20.0	3.0	10.0	4.50	15.0	5.00	5.00	10.00	50.0
Tamarind (de-seed)	3.5	19.4	4.5	5.55	5.50	5.55	6.50	5.55	18.00	63.9

Teki Surayya et al. (2003) \*From 5-6 kg of Achar kernel about one kg of chironjee (seed) can be yielded. Wholesaler sells Achar without processing and after processing. When he sells without processing he gets about Rs. 24 per kg. In case of processed chironjee he gets about Rs. 320 to 355/kg depend on the product quality.

efficient value addition through micro enterprise. Infrastructure facilities that are available at local trader or trader level can be extended at FDs level. Moreover, proper transportation arrangements that enable FDs reach the market at appropriate time needs to be provided by government through developmental social expenditure as one of the strategies to bring out the FDs from out of the poverty web. Simultaneously the public administration preparing its social expenditure delivery mechanism, proper micro planning should be done bilaterally with the involvement of FDs in prioritizing and deciding what developmental assets should be built in their habitat. Only then developmental expenditure can deliver expected benefits. Provision of these can enable FD to increase their earnings in NTFP trade. The increased earnings can also enable the FD living in stark poverty, even to buy core consumption basket. According to Mukhopadhyay's (2004) study, a poor family can get core consumption (infrastructure) basket (threshold level to come out from poverty net), if a family can set aside on an average Rs. 8.6 per day (or Rs. 1.70 per person).

As earlier discussed, value addition to NTFP renders multiple benefits including generation of employment, improved earnings levels that lead to improving quality of life. This can be corroborated from the following analysis that shows the benefits of the value additions to the forest dwellers.

#### **Mohual (*Bauhinia vahlii*) leaves (an important NTFP) value addition**

In the (Pethiya and Teki, 2003) surveyed area of Paderu Forest division of Andhra Pradesh, FDs were used to sell Mohual leaves without value addition @ Rs. 5 for one bundle of 100 loose leaves, which was very less, when compared with end user (consumer) price for value added leaf plate. Taking a note of it the forest department has intervened and imparted training to the FDs to make leaf plates with the help of compressor machine (can be used to fasten loose leaves into a meal plate, like) having

value Rs. 50,000 (assumed). The \*incremental cost benefit of this intervention is as follows.

#### **Incremental cost benefit analysis**

Before value addition selling price of 200 Mohual leaves bundle was Rs. 10/-. After value addition end user selling price of 100 Mohual leaf plate bundle is Rs. 90/-

(Note: for making one mohual leaf plate, two mohual leaves are required).

Cost of value addition for one bundle/unit of 100 leaf plates: Rs.

(a) Cost of raw materials (Mohual leaves @ Rs 5 per 100 leaves) 10.00

(b) Labor (stitching, compression, packing etc.) 30.00

(I) Prime cost (a + b)

40.00

(c) Electricity, wrapper, old news paper, plastic lamination etc. (overheads) 15.00

(II) Factory cost (I + c)

55.00

(d) Selling and distribution overheads (Transportation and handling charges etc.) 05.00

(III) Cost of sales (II + d)

60.00

(IV) Profit (incremental benefit\*)

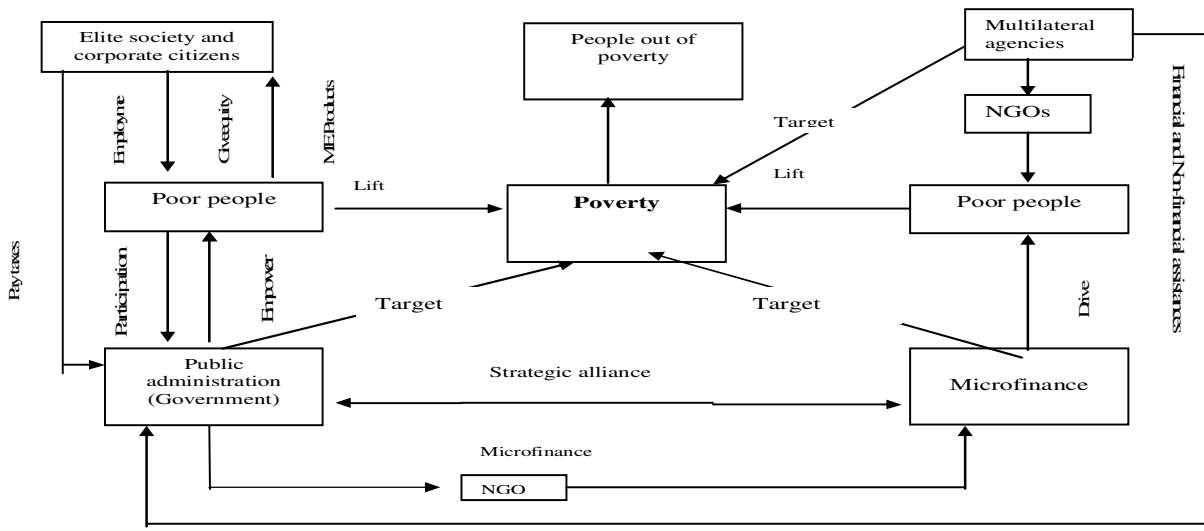
30.00

(V) Sales (one bundle/unit 100 leaf plates) 90.00

\*Incremental benefit = (Selling price per unit - Total cost)  
Rs. 90 – 60 = 30

Cash flow per annum is Rs. 30 x 4 x 200 = Rs. 24,000/-

It can be inferred from the above analysis that, if, on an average a person can make one unit/bundle per day he will earn Rs. 70 (incremental benefit Rs. 30 + labour charges Rs. 30, cost + cost of raw leaf Rs. 10). The same task can be also performed by a SHG group of consisting 4 members and one machine can provide sufficient work per day for all 4 members. This would enable the SHG, to



**Figure 2.** Integrated network of Public administration and Microfinance and other stakeholders for lifting the poor from poverty.

earn by and large Rs 240 per day. Mohual leaves are available most part of the year, particularly in Paderu division. Assuming in a year there would be maximum 200 working days and the total incremental benefit would be (Rs. 30 x 4 x200) Rs. 24,000 p.a. If, the venture last for 10 years, the pay back period of the venture would be 2 year 4 months, NPV @ 10% Rs. 97470, @ 15% Rs. 70450, and IRR is 46%. This is financially reasonable investment in any rural enterprise. If these four persons contribute Rs. 12,500 each and take up the venture they will get Rs. 6000, per annum for ten years to the contribution of Rs. 12,500/-, besides getting self-employment. Therefore it can be inferred that NTFP value additions with the help of microfinance and microenterprise is one of the viable strategies for poverty alleviation amongst forest dwellers.

The NTFP value addition activities can be taken at individual level or all members of SHG together can take. During field survey (2002) it was noted that pooling individual NTFP harvest together and sell it in bulk would fetch high price than selling in small quantity at individual level. Community awareness (Bhattacharya and Hayat, 2004) and generation, science and technology application for NTFP processing value addition and capacity building were the key approaches for rural livelihood and income generation.

**Microfinance and microenterprise for NTFP value additions**

The microfinancial assistance becomes the major input to set-up microenterprise for carrying-out value addition. Microfinance is not only act as facilitator for NTFP value

additions through microenterprise but also proven to be a tool for arresting distress sale of NTFP. Which used to make the FD to resort on trader to sell their NTFP at throw away price. Once the finished product is ready then the most crucial part of the process is availability of market for that value added product. If market is also there, then infrastructure like roads and transportation is also vital, otherwise the chain between the producer and end-users may not be able to fasten and this will defeat the objective that is enhancing the livelihood of the primary collector throughout value addition and thus improving livelihood and quality of life. Further there should be a sort of institutional mechanism that will support and co-ordinate the whole NTFP value addition network thereby enabling the FDs to reap the value addition and microfinance benefits.

**INTEGRATED NETWORK AS A STRATEGY FOR POVERTY ALLEVIATION**

Poverty alleviation is a multidimensional problem and requires involvement of the Government, NGOs, private sector, elite society, international developmental agencies, as well as people themselves. The problem should be addressed multilaterally roping in all stakeholders' participation in the development and implementation of the strategy. As shown in Figure 2, an integrated network of all these stakeholders should be evolved as strategy to fight against and achieve the target of poverty free world.

Figure 2 exhibits an integrated network of public administration, microfinance, NGOs, multilateral agencies, elite society and corporate business organizations (corporate citizens) as poverty is a multidimensional problem that need to be addressed involving all stakeholders together. Access to microfinance act as drive to FD

to prevent them from entering into distress sale of NTFP and also from high interest rate exploitations by moneylenders and landlords. These integrated interventions as shown Figure 2 eventually lifting the FD from vicious poverty cycle. As the Government ([www.adb.org](http://www.adb.org)) has proposed a sharp 80% increase in public social spending during the 10th five year plan it is very crucial that the public administration that is responsible for implementing/executing the policy, involve the local FD in preparing micoplans and prioritizing activities. The FD participation should not only be in preparing micoplans but also by giving them opportunity to get employment in those works which are being built up in their habitat. This will help the FD and the habitat in numerous ways, as it will give and in turn empower the poor to lift up themselves from the poverty. Inefficiencies, leakages and all sort of corruptions in planning and delivering public administration system need to be curbed. Strict punitive measures should be instituted against those who indulge in such malpractices or bad governance. Social spending should also have provision for microfinance towards individual/group asset building (microenterprise) and there should be strategic alliance between the public administration and delivery channel of Microfinance. Involvement of committed NGOs in delivering the microfinance will indeed facilitate the process of uplifting the FD from poverty through providing microfinance to undertake NTFP value additions with the help of microenterprise. NGOs who directly come in contact with the poor people, are also playing a vital role in formation of SHGs and nurturing SHGs to stand on their own feet, facilitating NTFP value additions and providing market linkages for value added products. Committed NGOs can provide professional skills which lacking among the poor. The multilateral agencies like ADB, World Bank, FAO, DFID, etc., have been at forefront in addressing the problem of poverty. These are the most concerned entities have been offering financial assistance (loans, grants and donations) through various projects for the promotion of income generation activities, capacity building etc., through both the Government/Public Administration and NGOs. And non-financial assistance including intellectual services for evolving strategies for and information for ready retrieval when and as anybody required etc. makes the role of these multilateral agencies continues to be indispensable for achieving a poverty free world.

The elite society and corporate citizens (business organizations) can also contribute directly and indirectly to poverty reduction. Direct contribution by corporate citizens includes; (a) generating and providing employment opportunities to the poor, (b) building strategic alliances for marketing the output (products) manufactured by poor people through micro-enterprises, (c) promoting capacity building/training programmes to produce desired quality products by the poor. Funding income generating activity oriented projects directly through their sister concern like Lupins group. And

indirectly extending funds through various Government and Non-Governmental agencies like that of TATA group partly sponsoring IIFM, Bhopal, ICCF project for income generating activities in Sheopur district of M.P. Extending refinance/securitisation of microfinance of SHGs various banks like ICICI etc., are examples of such efforts. The direct contribution of elite society can be through treating the poor with equity, giving preference to the products manufactured by the poor people's micro-enterprise etc. Indirect contribution would be, paying both direct and indirect taxes earnestly to the exchequer. Which will in turn provide more funds to the exchequer for promotion of more social expenditures targeted towards alleviating poverty. To reduce and alleviate poverty there is an urgent need for all stakeholders to come together and join hands to show a permanent exit to vicious poverty forever.

### **EMPOWERMENT OF THE POOR THROUGH PARTICIPATION**

Empowerment is a very broad concept referred differently by various thinkers. It can be called as a source of power that enables the local people to defend their stake in the resources and take part in decision making process in activities that affect them directly or indirectly. Empowerment has been defined as the expansion (Naryayan, 2002) of assets and capabilities of people to participate in negotiating with, influence, control, and hold accountable institutions that affect their lives. Empowerment is defined as (Bhattacharya and Basnyat, 2003) the transfer of control over decisions and resources for equity, participation and sustainability. The key elements of empowerment are participation and inclusions, access to information, organizational capacity development, accountability, access to services, which ultimately leads to sustainability in terms of natural resources, organizational and economic or financial.

In India a variety of socio-economic development programs like IRDP, IWDP, Self-employment schemes etc., have been activated to empower the poor and address the problem of poverty. All these programs could attain the desired results only to a limited extent, due to inherent weaknesses like unilateral policy making without involving the rural poor in the planning and implementation of all developmental programs, lack of regards for endemic resources, skills, and traditional technology, attitudinal differences between public administration and poor people, implementation of development programmes without visualizing local environment, culture and socio-economic factors. Governments and planners have to realize the fact that poverty alleviation programmes can not be effective unless the poor have a say and voice in the micro planning and implementation of schemes evolved to help them, slowly but with conviction governments have begun the process of decentralization for empowerment of rural poor.

Programmes such as Joint Forest Management (JFM), Janmabhoomi programmes of Andhra Pradesh state government are some notable strategic efforts to trickle down social expenditure benefits to the poor. There is enough evidence that participation of people is a workable strategy as proved in the case of JFM which addressed the dual issue of protection of the forest cover and providing income generating options to the FD successfully. The Janmabhoomi (mother land), a strategic programme of Government of Andhra Pradesh State in India, in which active participation of the people by way offering voluntary labour during lean season in constructing public amenities was found to be equally successful. In fact participation does not only empower the people but also is a vivid management strategy to utilize the resources effectively and efficiently. There are some other incidental benefits exemplified in instances such as that of small village of Andhra Pradesh, a person belongs to backward class, after he became village president (surpanch), one day he has received a solemn (formal) invitation for marriage meal from a family that belongs to a highest caste and landlords of the village. The surpanch overwhelmingly thrilled and empowered himself to honour the invitation. The first such instance in that village. This is what visible features of participation/representation of the poor in the public administration/government lead to as an additional benefit. Empowering people gives them voice and confidence to resist and oppose exploitations which is expected to reduce poverty in the long run.

#### **JANMABHOOMI (MOTHER LAND) A STRATEGIC PROGRAMME FOR EMPOWERMENT OF POOR THROUGH PARTICIPATION: A CASE**

From various studies empirical evidence substantiates that a participatory, responsible and receptive management is in better position to provide able leadership and garner cooperation and support from the people in attaining common objectives. Janmabhoomi is a people focused development programme activated in January 1997 by the state of Andhra Pradesh Government in India. This programme was curved out from alike programmes (Prajala Vaddaku Palana) "Administration to the door steps of the people" of the state and (Sramadanam) "Contribution by way of giving free labour". The programmes largely aims in evolving a better society that incorporates and relishes philosophy of people participation, transparency, accountability and equity that will lead towards sustainable socio-economic development and improved quality of lives for the poor. The core area of Janmabhoomi includes ([www.narafan.com](http://www.narafan.com)): (a) community works (b) primary education (c) primary health (d) family welfare (e) environmental conservation (f) responsive governance, etc.

The programme is one in its kind with main motive of areas, based on participation and team work to improve/

develop the local habitat. The idea was evolved by Mr. N. Chandrababu Naidu the then Chief Minister of the Andhra Pradesh state. Under this approach people are expected to recognize their felt needs and requirements, contribute to the cost either in kind or cash, implement common benefit works by SHGs, self audit and appraisal for their own expenditures and should own and manage the common benefit of assets built by them.

The programme is usually carried out in different phases with a focal theme for every phase at particular intervals with an average duration for 7 to 10 days for each phase of the programme. The vital issues such primary education, health, hygienic living conditions, drinking water, women and child development, individual sanitary latrines, community works like, cement road constructions, bus shelter building, culvert building, voicing public grievance etc., are taken under the program. The issues were generally addressed with mutual consultation between the political system, public administration and the people concerned. During each phase of the programmes, the concerned local public administration (Mandal Revenue Officer, Mandal Development Officers, Revenue Inspectors etc.) and political leaders (Member of Legislative Assembly, President of Mandal Praja Parishadh, Surpanch/village President etc.) would approach the people at their (places) villages, (the people from special strata SHGs were more active in the overall participation) assembling together at public places like Panchayat Building on a common platform generally called as Gram Sabhas, to set forth all their respective objectives, sharing their concern with each other and making micro planning and decisions mutually for the overall socio-economic development of the people. Janmabhoomi is also manifested with massive rallies, cultural programmes etc.

The rate of achievement ([www.narafans.com](http://www.narafans.com)) of holding these Gram Sabhas was almost 98% at the fifteenth phase of the program held during 1st to 10th June, 2001. During the fifteenth phase fund amounting to Rs. 340 crores were sanctioned for carrying out various activities including provisions for SHG revolving fund, support for women economic programmes, gas connections, old age pensions, maternity assistance, medicines, veterinary camps etc. Various proposals for 12309 works at estimated cost of Rs. 198.65 crores were received on sharing 70:30 (70% by Government 30% contribution by people) patten. The success of the programme rests on the understanding that the problem bearer knows the solution better. Moreover, a unilaterally well conceived and designed scheme may not benefit the target groups on many grounds like cultural and attitudinal barriers etc. An example of a case of potable drinking water supply programme in rural areas, in a small village of East Godavari, District of Andhra Pradesh state can be taken to substantiate. In this village, a water pump with high capacity overhead tank was constructed by the side of burial ground (*samsaan*) where drinking

water supply was provided through pipeline taps. Not surprisingly a majority of the target people were not willing to consume the water for drinking purpose, as the water came from a tube well for lifting ground water which was installed by the side of the burial ground. The people considered such water as impure and however, the target people are using the water only for bathing and cleaning purposes. For drinking people prefer to consume hand pump water close to their residences. What is called as cultural barrier occurred due to non-involvement of the local people while deciding the place where the bore well was to be dug. The Janmabhoomi programme also gave lot of impetus to the poor people being educated about core issues. Poor people otherwise who had no voice in public administration have begun to contribute meaningfully in their own development process. The resources required to evolve various common properties were also surveyed mutually consent, the poorest of the poor can also contribute resources in form of free labour for developing such common properties.

### **Impact of Janmabhoomi**

The impact of Janmabhoomi programme and other such programmes in the past is visible in form of cement roads in villages in place of clay paths, personal and improved community lavatories, other community facilities like construction of bus shelters, community halls, constructions of primary health centres for accessing health facilities, supply of pipe line potable drinking water, gas stoves and connections to poor people. Generation of awareness and stimulation to form SHGs, empowering the poor, transparent redressal of public grievances, open access of local governance to the rural poor people to participation in micro planning and public administration delivery system decision making.

The Janmabhoomi programme was not an unmixed blessing as it was criticized on grounds that in the name of the programme all sorts ([www.panchayats.org](http://www.panchayats.org)) of funds are pooled and expended, including the SC, ST welfare schemes. The result is that panchayats lost whatever little money and purpose they had, with State-level political and executive officials interfering, all in the name of 'involving the people' and good governance. Subsequently, nodal officers were appointed at mandal levels to take care of these programmes and 'implementation' of all the works arising out of it. Thus, a 'ring' was created within the ring, confusing and confounding everybody on what is happening.

### **EMPOWERMENT OF POOR PEOPLE THROUGH JOINT FOREST MANAGEMENT CASE**

There is enough evidence that participation of people is a workable strategy as proved in the case of JFM which addressed the dual issue of protection of forest cover and

providing income generating options to the FD successfully. In India 100 million people live in or near ([www.recoftc.org](http://www.recoftc.org)) "forest land". Almost all FD are poor live below poverty line. They are categorized as belongs to schedule tribes, schedule castes and other backward classes. All of them largely rely on forest especially on NTFP for their survival and growth. Out of their sheer necessity they used practice unsustainable methods of harvesting NTFP, cattle grazing etc., leading to erosion forest cover. This and other biotic and economic pressures leading serious depletion of vital forest resources and cover. To deal with problem the policy makers evolved a strategy that involves participation and empowerment of local people in forest management, which gave birth for JFM system in India.

The national forest policy (Bhattacharya and Basnyat, 2003) was revised in 1988, which envisaged community involvement in the protection and regeneration of forests. It accorded highest priority to sustainable management of the forest resources. The National Forest Policy, 1988 envisages the cooperation of local people in conservation and development of forests. Accordingly, the Ministry of Environment and Forests, Government of India, issued instructions to all states on 1 June, 1990 that rights of the tribals and other villagers living in and around forests will have first charge on forest. Accordingly, co-operation of the local public is being sought through the system of JFM.

JFM is indeed emerging as vivid strategy to reduce the poverty through participatory approach to public administration of forest department. This is a notable paradigm shift in the public administration that considers involvement of the local FD in the management of forest. It is serving dual objectives of addressing poverty of FD and protection and also regeneration of forests. JFM offers extensive scope for meaningful and beneficial participation of FD in the promotion of developmental forestry activities, to rejuvenate and increase the forest cover. It also gives immense scope for income generating activities and concessions to FDs. The socio-economic benefits of JFM (Bhattacharya and Basnyat, 2003) includes; (a) entire hundred percent share in the products obtained from the silviculture, (b) tending operations to the community that provides employment to the villagers, (c) substantial amount from the final felling of trees planted, etc., provides economic incentives to the villagers under JFM programme. Apart from the above, share of 50% income obtained from sale of nationalized minor forest produce to members in cash is helping in poverty reduction and economic empowerment. In addition, to improve the socio-economic well being of the villagers, all forest development related activities are carried out by the villagers themselves that has been generating employment opportunities for the villagers. Similarly, JFM resolutions have made provisions to spend at least 30% of income from forests in village resource development have provided access to the community development opportunities for the rural people.

The FDs definition, rather understanding of empowerment is quoted" empowerment (Bhattacharya and Basnyat, 2003) was able to make decision without support or influence from others as well as having sufficient income for sustaining the life through the JFM. The community definition of empowerment includes all four dimensions of empowerment as individual, social, political and economic empowerment. The participation by gender, caste and social group and economic status was one of the major indicators for the empowerment. The community focused on active participation in all the activities of the JFM (planning, implementing, monitoring and evaluation) with equitable benefit sharing and sustained income from forests as the most and foremost criteria for the empowerment.

### **JFM as a paradigm shift in public administration**

JFM is a paradigm shift in delivering public administration, from centralized (R. Annamalai, [www.iifm.org](http://www.iifm.org)) management to decentralized management, revenue orientation to resource orientation, unilateralism to participatory decision making, bureaucratization to peoples institutionalization, macro planning to micro planning, alienation due to policing to developing partnership, disempowerment to empowerment, conflict to collaboration, exclusion to inclusion, estrangement to embrace. During one field survey (2000) when asked the how JFM impacted the empowerment, the FD said that they have seen high level forest department Public Administrators like Divisional Forest Officers, Conservator of Forest etc., for the first time only after the JFM interventions. They were conscious of rise in self esteem on not only seeing the senior officer but also sitting along with them in village JFM meeting. It leads to increased perception of being acknowledgement rise in status and social strength among the poor which gives them greater self confidence.

### **Impact of JFM**

Various field survey study reports reveal that JFM is a strategic government programmes that involves poor people in micro planning and decision makings about forest management with a well defined institutional structure. The JFM has helped forest department to change its image as one concerned with wellbeing and participation of the local people. The local FD are benefited both socially and economically, individually and as a community.

The individual economic benefits include employment in forestry related activities, incomes from NTFPs harvest and trade, supply of fuel efficient iron stoves for cooking agricultural Implements hybrid horticultural seedlings etc. The common benefits such as provisions for micro-finance and microenterprises, formation of SHGs, capacity building for NTFP value additions and marketing

linkages, construction of common benefit infrastructure like roads, community halls, school buildings, reclamation of water ponds, revival of old wells, check dams for water harvest renovation of old religious places etc. Social benefits like dissemination and creation of awareness about family planning, non-alcoholism, importance forests for their survival and growth are also benefits accruing from this programme. All these contribute towards reduction of poverty and enhancing quality of life for FDs.

Though JFM has offered many benefits yet it is felt that more could be done. During various field surveys it was observed and also reported by many research studies, that the participation of the people in micro-planning and decision making is in many cases only apparent. The people reported that the public administration largely controls all activities. There are conflicts in selecting species plantation, local community usually prefer NTFP bearing species, where as forest department has preference for timber species. People often felt that the interest of forest department prevails. The community office bearers approval is often elicited as surrogate consulting without vibrant consideration. People also often disclosed that the lower level forest department manipulate the financial affairs of the JFM committees. Politicization of the movement and unnecessary extravagance during the visits of high level public administrators and political leaders also alienates the local people. The JFM programme ([www.panchayats.org](http://www.panchayats.org)) has also enabled the Forest Department to arrest encroachments for cultivation including shifting cultivation on forest-land. No explicit provisions were made for long-term alternate livelihoods for displaced cultivators, except providing short-term wage employment in silviculture and plantation activities. Cases have also been reported of the department favouring quarrying and mining activities on forest-land over protection of forests by VSS. The state Government has also lent support to this view by attempting to amend relevant laws in the fifth schedule areas, a move that was legally challenged and stayed by the 'supreme court'. The forest department needs to act like a good Samaritan giving the local community substantial and transparent participation, allow common interest to prevail, instead of forest department dominance as at present. The department should consider the JFM as a multi benefited strategy to give meaningful participation that really empowers the FD for improving livelihoods and living conditions and enable them to come out from the poverty net as well as for protection and regeneration of forest.

### **IMPACT OF VARIOUS POVERTY ALLEVIATION PROGRAMMES ON THE POOR PEOPLE**

Governments have been formulating various programmes to reduce and alleviate poverty in India since independence. Many studies have been carried out to ascertain and evaluate the impact of various programmes on poverty. These studies reported that the rural public

works programmes have become vital tools for reducing poverty. The major objectives rural public works are to give employment and create common infrastructure. The JRY (Mahendra Dev, 2002) reached around a billion persons days in recent years. JRY share is high in the social-sector expenditure. Around Rs. 20000 crore was spent on wage employment programmes during the eighth five year plan (1992 - 1997). The 1993 - 1994 concurrent evaluation of JRY reports that a JRY worker got on an average 133 days per year from panchayat JRY works during the reference period of 30 days preceding the date of survey. Public Distribution System (PDS) is one of the instruments for improving food security at the household level in India where millions of poor suffer from persistent poverty and malnutrition. A study using qualitative research instruments like Participatory Rural Appraisal (PRA) by Kozel and Parker (1998) examines the poverty issues in 30 villages in Uttar Pradesh and central Bihar. According to this study, 'among the anti-poverty programmes, the Targeted Public Distribution System (TPDS) was most often cited by the poor as essential for their well-being.

## **STRATEGIES FOR POVERTY ALLEVIATION**

A portfolio of strategies to tackle poverty includes promoting opportunity, poverty described as deprivation of opportunities especially for income generation. Hence, all concerned (public administration etc.) should evolve such programmes that generate meaningful employment leading to build up common infrastructure like roads, microenterprise etc. That further enhances the employment to the poor. Programmes like Janmabhoomi, JFM, Food for Work etc. should be continued effectively. These programmes are also not only providing income generating opportunities and infrastructure but also resulting in empowering the poor. Empowering poor people would give them strength and voice to participate in local micro-planning and decision making, that is proving to be one of the strategic tools for poverty alleviation in some states. The other states should also adopt similar strategies to tackle the poverty. Enhancing food security is one of the essential commodities for survival, and it should be at forefront for any poverty reducing strategy. Unless one is sure of food no other development can be possible. Programmes like food for work, which envisage an employment opportunity that pays the poor their wages partly in form of food grain and partly cash more likely to succeed than any others. Good governance that has simple rules and policies which are user friendly should be promoted to give greater public administration access to the poor. Development that destroys another development cannot be sustainable e.g. if the FD are allowed to fell trees in natural forest and sell the timber to enhance their livelihood, it may result in improved livelihood to FD in short run but in the long run the consequences of such development is more devastating

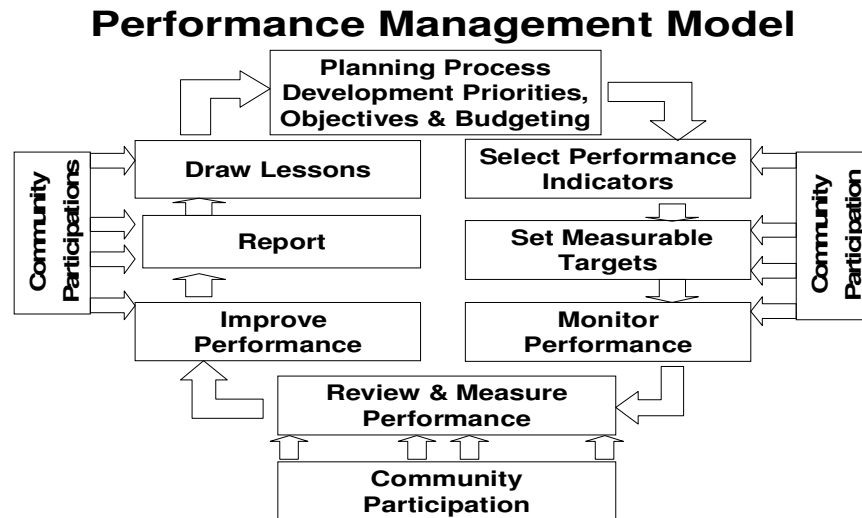
to not only to the poor but also to the environment at large. Hence, promotion of sustainable economic growth to the poor as attempted through JFM etc. should be workable strategy. Even now 60 to 65% population depend on agriculture in India, means for improving productivity of agriculture through adoption of latest technology and hybrid seeds etc. should be accessible to the poor. Increased agriculture productivity eventually contributes to reduce the poverty. Overall rural development with threshold infrastructure including good roads, primary health and education, potable drinking water, water harvest system should be provided to the poor on priority basis. Public administration should accept paradigm shift and adopt (multilateral/bilateral) participatory approach in micro planning, implementation, monitoring and controlling of resources at community level and also empowerment of the poor through participation. Use of Information technology for better service delivery and greater accessibility of public administration to the poor in obtaining important certificates/document like caste certificates, nativity certificates, birth and death certificate, ration cards, land record, lodging complaints etc.

Till recently poverty alleviation programmes were not gender sensitive as they were not largely targeted towards women. But the experience of microfinance programmes has proved that targeting women is a more successful and result oriented strategy for poverty alleviation. The empowerment of women is equally essential for reducing the poverty. If not a larger share at least equal gender targeting of poverty alleviation strategies should be evolved to address the long persisting problem effectively. Empowerment (Dwarakanath, 2002) of rural women is a socio-political concept that goes beyond formal political participation and conscious rising. Economic empowerment requires that women have access to and a control over productive resources thus ensuring some degree of financial autonomy.

Empowering the poor especially women through access to microfinance has been empirically proved that empowerment of poor women can be done through providing them access to microfinance. Holm and Devi (2004) reported from their study that, microfinancing has been proved to be an effective measure to provide financial access to the poor people. In India, women SHGs have served as vehicles for providing financial access to the rural women leading their empowerment. They also revealed that there is a huge unmet gap in demand and supply of microfinance to rural women and advocated dovetailing of SHGs with JFMCs.

## **STRATEGIC MANAGEMENT APPROACH BY PUBLIC ADMINISTRATION FOR DELIVERING SOCIAL SERVICES**

For effective and efficient delivery of social expenditure for rural poor to reduce the poverty, the public administration should adopt a vibrant strategic



**Figure 3.** Performance management model. P.K. Mohanty, Andhra Pradesh improving governance through performance management.

management approach in which people's participation should be a vital component. This approach emphasizes on participatory planning rather than unilateral planning. Participatory planning (Mukundan, 2004) is a process by which a community undertakes to reach a given socio-economic goal by consciously diagnosing its problems and charting a course of action to resolve those problems. Experts are needed, but only as facilitators. Moreover, no one likes to participate in something, which is not of his/her own creation. Plans prepared by outside experts, irrespective of their technical soundness, cannot inspire the people to participate in their implementation. The Government of Andhra Pradesh has evolved a performance management system (Figure 3) that equips the leaders, public administrator, and people at various levels with a set of management technology to cautiously plan and control the delivery performance and benchmarking big strides to improve the performance gradually.

Under this system the planning process starts with well defined strategic intent, vision and mission. The basic differences between this approach and earlier approaches of public administration delivery management is that, the strategic approach involves the community participation in setting objectives, evolving strategies to achieve the desired objectives. The system develops performance indicators, translates objectives into measurable targets and continuously monitors performance, finding deviation between actual and standard performance and revisiting the objective when and as required unlike in traditional approach controlling at only specific time intervals. The strategic management approach integrates objective, plans, policies, budgets, projects and action plans towards attaining the eventual goals. Experience of the countries, which have adopted this approach, reveals that it takes decades to institute a

sound system. All good things materialize only after continuous toils and strive by all concerned. India is still in nascent stage to institute the system for effective and efficient delivery of the social expenditure. Nevertheless, all governments invariably should make endless endeavors to adopt this approach for better management and delivery of social expenditure to uplift the poor from poverty.

## CONCLUSIONS

Poverty is a multifaceted phenomenon, described as state of deprivation of people from a variety of basic needs. Poverty is a structural problem partly due to illiteracy, lack of access to finance, access to capacity building, health care, ineffective and inefficient public administration, leakages in social expenditure, etc., Out of 1.5 billion people live below poverty line in this world of which, about 19.4% of them are in India. Mismatch between availability of income generating activities and financial requirement of poor people (FDs) for subsistence and absorbing shocks, results in high interest rate debt trap, one of the substantial causes of poverty.

The central government of India (under plan and non-plan heads) on an average 1.6% of GDP has been investing in social expenditure segment over the last a dozen of years. Statistical reckoning (co-efficient of correlation -0.95) shows inverse relationship between the central government social expenditure and human poverty index meaning thereby social expenditure succeeding reducing poverty though slowly. Investment in roads has greater impact on development and reducing poverty, hence the government needs to invest



more funds in roads.

Poverty amongst FD as a distinctive subgroup is a challenge for development administrators. A FD family (4 - 6 person) survives on mere Rs.12055 (equivalent value) per annum. Negligible access to the formal financial system and ineffective and unilateral delivery of developmental services by public administration especially handicaps this group. FDs/rural poor are compelled to resort to moneylender/traders to borrow money for subsistence and absorbing shocks at exorbitant interest (3.8% p.m.), mostly due to unscrupulous trade practices and lack of collateral for credit. Lack of access to credit forces the poor to enter into distress sale of NTFP/labour, pushing the poor further into poverty. Recent interventions like Microfinance through SHG/Group lending (@2% p.m) facilitated by NGOs and supported by multilateral agencies and government are proving to be a viable alternate for the poor to source their Microfinancial requirements from their own resources on collective as the SHG is serve the purpose of intermediation between the savers and borrowers. FDs can now get about 27% of their requirements from SHGs. Access to microfinance also stimulates the FD to undertake NTFP value addition activities through microenterprise using endemic resources and technology. NTFP value additions facilitated by microfinance increases earnings from NTFP any where between 50 to 60%. Enhanced earnings also increase the affordability core consumption basket for the poor. As the FD lack professional skills for value additions and marketing value added NTFP their capacity should be built up through various developmental projects. For facilitating the process the Public Administration should elicit involvement of NGOs. If the FD are empowered through participatory approach by public administration in micro planning, implementation, monitoring and controlling in local resources, that will also give the poor strength and confidence to resist exploitation. If they are provided with microfinance by any model whether SHG/Grameen to finance their consumption needs and undertake entrepreneurial activities through microfinance, it would help them in enhancing their earnings and eventually lift them up from the miserable conditions. Providing access to microfinance and microenterprise for value addition and also proper infrastructure to get the FDs NTFP inventory to the right market place, will protect FDs against all exploitations and improve their quality of life, make available with better living conditions and threshold amenities.

The changing role of public administrator, from unilateral management approach to participatory (involving local communities) management approach in planning, implementing, and monitoring the activities which affect the local people is proving to be workable strategy for alleviation of poverty. For effective and efficient delivery of public administration the participatory strategic management approach appears to be better suited as has been proved in JFM, Janmabhoomi and

alike programmes for development and alleviation of poverty. All government social expenditures should continue to have enhanced provisions for microfinance assistance that can be extended directly with the help of decentralized local Panchayat Raj Institution system or indirectly through NGO as medium, to a group of 10 to 15 people to meet subsistence and undertake value additions to local resources like NTFP for FDs through microenterprise. The public administration should also accept the contributions of professional and committed NGOs as essential in the developmental and poverty alleviation process. To reduce and alleviate poverty there is urgent need of all stakeholders' viz. government/ public administration, multilateral agencies, NGOs, corporate citizens, elite society and the poor people themselves to join hands to achieve mutual objective of a poverty free world. The role of the multilateral agencies also continues to be important for achieving the goal of a poverty free world.

The impact of participation of the poor in developmental and poverty alleviation programmes is visible in forms of improved accessibility to the poor for better public infrastructure, health, primary education, income-generating activities (JRY/ food for work etc.), microfinance, microenterprise etc.

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