Policy Interface 2010 : A Report

Interface on Financial Inclusion of Dalits, Tribals and Religious Minorities: Issues, Challenges and Way Forward

Organized by: Sa-Dhan

Supported by: UNDP

Sa-Dhan
The Association of Community Development Finance Institutions

UNDP
India

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Interface on Financial Inclusion of Dalits, Tribals and Religious Minorities: Issues, Challenges and Way Forward

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Foreword

With the aim to understand, promote and highlight the importance of financial inclusion of Scheduled castes, Scheduled tribes and religious minorities, Sa-Dhan in collaboration with UNDP conducted an interface between government representatives, academicians, journalists, practitioners and other stakeholders. The idea to bring people from varied backgrounds and specializations is an attempt to bring together diverse perspectives and understanding.

Dalits and religious minorities have faced social stigmatization throughout the history of India; caste based as well as class based. Such exclusion has undoubtedly led to political and economic discrimination, let alone their exclusion from the developmental processes of the country. As has been researched already, there are only 9.3 bank branches per 100,000 populations and only 5.2% villages with a bank branch. With such a narrow reach of the banks, the situation of the minority groups worsens due to the already existing discrimination they face. Inaccessibility to bank accounts and formal credit markets still leaves them secluded, underprivileged and exploited.

This Interface was designed to provide a platform for people to attempt comprehending the perspectives of other stakeholders and for sharing grass-root realities. For this purpose, participants were provided with case studies from the field and were asked to share their feedback. Such was the uniqueness of the model that all participants were on an equal level of understanding irrespective of their position. The participation of government representatives helped in gaining an insight into what the development has been at the policy level. The mainstream financial institutions helped in understanding why, in spite of the availability of multiple products and services, do the Dalits and religious minorities still suffer from exclusion and how the services can be made need-based keeping in mind the needs of the Dalits. The academicians brought understanding of the sociological and financial perspectives of marginalization and the narrative structures of the Dalits and marginalized groups. Since NGOs, micro-finance institutions and the media work directly on the ground, their participation helped in answering questions and gaining knowledge from the ground. Including community leaders under this platform was of great value since they have a deep understanding of the operational challenges and the collective ideas for the betterment of the situations. The Interface arrived at tangible suggestion made by the participants based on their discussions in regards to the case studies and the ground realities they depict.

Sa-Dhan would like to acknowledge the efforts of Mrs. Achla Savyasacchi, Vice President, Mr. Nilesh Arya, Manager- Communications, Mr. Saibal Paul, Donor Relations, Ms. Priyanka Trehan, Senior Program Executive- Policy Team, Ms. Punam Gondia, Senior Program Executive- Policy Team, Ms. Vandana, Program Assistant, Sandeep Rewari, Administration Assistant, Kuldeep, Assistant Manager, Hemant, Program Assistant and Ms. Reeti Mathur, Communications Executive, in making the Policy Interface 2010 a success.

Sa-Dhan is also grateful for UNDP's constant concern for the financially excluded Scheduled caste and Scheduled tribes and other religious minorities. It also wishes to thank Mr. Ratnesh for his exceptional effort in making it happen.

Mathew Titus
Executive Director
Sa-Dhan

1. Background

It was a practice in medieval times for Dalits to tie an earthen pot around their necks so they could spit in the pot and not defile higher castes. This principle of purity and pollution has, for centuries, legitimized exclusion – socially, culturally, politically and economically – and exacerbated atrocities.

The word 'Dalit' means broken and downtrodden in Sanskrit. Popularized by B.R. Ambedkar in the 1920s and 30s, the term gave a new secular identity to millions of those formerly known as 'untouchables' in India. After India gained independence in 1947, Dalits and other marginalized groups have tried often with the help of government programs to participate in mainstream development processes. However, a large population still remains excluded.

Caste-based exclusion and discrimination are essentially "structural in nature" and comprehensive and multiple in coverage, involving as their very basis the denial of equal opportunities. The practice of caste-based exclusion and discrimination is defined as "living-mode exclusion" or exclusion from political participation, alongside exclusion from and disadvantages in accessing social and economic opportunities[1].

Although plenty of work has already highlighted the processes of marginalization of Dalits and other minorities there remains a need to both further this understanding and use it to establish more systems to halt and indeed reverse the process of exclusion.

It is indisputably true that economic deprivation creates the basic condition for all other forms of exclusion. Indeed, financial inclusion is the key to social and political inclusion. It is imperative to address the immediate financial needs of Dalits and other marginalized communities in order for them to focus on other structural changes and to enable changes in the mindset of the dominant community and polity.

It is also accepted that microfinance creates access to productive capital along with human capital (education, training, nutritional status, etc) and social capital (through local organization-building, women's empowerment, etc), and enables the marginalized poor to escape poverty. Further, the credit and services of microfinance not only uplift the poor from income poverty but also from knowledge poverty. Further efforts in this direction are impossible without inter-disciplinary understanding and inter-departmental cooperation and coordination.

1 Minorities at Risk, UNDP HDR 2004

2. Acknowledging the Excluded: Some Data and Analysis

2.1 Data on Financial Exclusion

A majority of India's financially-excluded sector consists of marginalized farmers, landless laborers, self-employed small vendors (hawkers), entrepreneurs in the unorganized sector, urban slum dwellers, migrants, ethnic and religious minorities, senior citizens and women. Dalits comprise a vast proportion of this segment.

These groups do not have access to bank accounts and formal credit markets so they fall prey to the informal and often exploitative market. The poor needs money and the notorious 'money-lender' exploits them, creating both a vicious cycle and a downward spiral for the poor, who are even further economically stunted as a result.

A recent study by CGAP[2] states that India has only 680 bank accounts per 1,000 adults, 124 bank loan accounts per 1,000 adults and an average of only 9.3 bank branches per 100,000 population[3].

According to the Reserve Bank of India[4], only 40% of India's population has bank accounts; 10% has Life Insurance; 0.6% has Non-Life Insurance; and only 5.2% villages have a bank branch.

With specific reference to the financial exclusion of Dalits, the Dr Rangarajan Committee report states that 49.77% of Scheduled Caste households, 63.68% of Scheduled Tribe households and 48.58% of Other Backward Class households are financially excluded. Clearly, those worst affected by financial exclusion are the most marginalized sections of society: Dalits (SC/ST) and others.

S Singh[5] assesses the situation thus: "[T]here is a denial from the government machineries to extend the credit to the Scheduled Castes because direct funding from banks is a problem. It is linked to lack of education, attitude of bankers and policy directions to the banking sector. At the scheme level access is denied because of non-inclusion in lists like Below Poverty Line (BPL)… and [because of] social exclusion itself. Most schemes require paper work, recommendations, forwarding of applications, and other processes. Scheduled castes lack or cannot facilitate most of these formalities."

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2 Financial Access 2009, Publication of World Bank
3 http://inclusion.skoch.in/index.php?option=com_content&view=article&id=414
4 A Presentation by Dr KC Chakrabarty, Deputy Governor, RBI at 20th SKOCH Summit 2009, Mumbai on July 17, 2009
5 Financial Exclusion and the Underprivileged in India, Singh, S

2.2 Efforts Towards Financial Inclusion

The 2002 Bhopal Declaration[6] – intended to widen the scope of Dalit inclusion – put forward a 21-Point Action Agenda, which also highlighted the plight of SCs, STs and other minorities. Significant issues raised in the agenda included:

- Acknowledging the need to ensure that SCs and STs are given representation in all decision-making bodies.
- Acknowledging the fact that Dalits are still denied basic human rights and suffer the most brutal and oppressive forms of discrimination and exclusion.
- Acknowledging that most political organizations are reluctant to pursue any policy favorable to Dalits.
- Regretting the fact that post Ambedkar, the Dalit intelligentsia has failed both in carrying forward his emancipating movement and in making a dent in the country's intellectual life.
- Being conscious of the hurdles that caste-Hindu society – and its tentacles in the government, media, voluntary sector, etc – is likely to hurl at any movement that seriously challenges the entrenched system of discrimination and exclusion.
- Welcoming the winds of change across the world that are conducive to inclusion, equal opportunity, diversity, democratization and civil society, and are against discrimination, stereotype, stigma, exclusion and caste society.[7]

2.3 Challenges to Financial Inclusion

Existing societal mechanisms continue to regulate and enforce the customary norms and rules of the caste system. Dalits, Scheduled tribes and religious minorities who challenge the system face opposition in the form of social and economic boycott, violence, etc, which negate their right to development. According to Sukhdeo Thorat[8], caste-based exclusion

[6] The Bhopal Conference: Charting a new course for Dalits for the 21st century, held at Bhopal, Madhya Pradesh, India, 12-13 January 2002. The main issue was the development of 'Dalit capital' and the 'democratizing capital' to ensure proportionate shares for SCs and STs. Discussions also included land distribution and Dalit reservation. The Bhopal Declaration was envisaged to enable Dalits to enter the market economy with adequate investment resources, capacities and skills for enterprise.

[7] The Bhopal Declaration was headed by Chief Minister, Digvijay Singh. The attempt was to mainstaream Dalit concerns in MP, which would have a spin-off effect throughout the country. About 250 academicians, professionals and activists participated in the event titled, 'Transforming India Through a Dalit Paradigm'.

[8] Thorat, Sukhdeo, "Caste, Social Exclusion and Poverty Linkages – Concept, Measurement and Empirical Evidence", 2008

and discrimination is located in the economic, civil, cultural, and political spheres.[9]

In administrative parlance, the term 'Dalit' includes Scheduled Castes, Scheduled Tribes and Other Backward Castes (SCs, STs and OBCs). However, in common political discourse, Dalit refers to Scheduled Castes alone. B R Ambedkar was the first person to use the term Dalit to connote those groups of people who are systemically oppressed through cultural and political customs and mores. Thus, 'Dalit' indicates a struggle for an egalitarian order. Ambedkar argued that a transformation was required in the socio-religious and politico-economic structures of Indian society through relentless struggle against the exploitative system wherein lay the roots of untouchability. Though Ambedkar suggested the subaltern approach to fight for Dalit causes, he also made constitutional provisions for Dalits at the macro level.

Thus, Article 17 of the Indian Constitution states: 'Untouchability is abolished and its practice in any form is forbidden. The enforcement of any disability arising out of 'untouchability' shall be an offense punishable in accordance with the law'[10].

Later academics have expanded the scope of studying the macrological distribution of money and therefore power, even further: to the relations between global capitalism and alliances of nation states[11]. However, even within a nation state, macro-level policy generation often homogenizes the economically dispossessed. The scale is so big that it cannot account for the micrological understanding of money and therefore power, for the subaltern[12].

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[9] Firstly, economic exclusion can be practiced in the labor market through denial of jobs; in the capital market through denial of access to capital; in the agricultural land market through denial of sale and purchase or leasing of land; in the input market through denial in sale and purchase of factor inputs; and in the consumer market through denial in the sale and purchase of commodities and consumer goods.
Secondly, discrimination can occur through what Amartya Sen describes as "unfavorable inclusion", through differential treatment in the terms and conditions of contract, one of them reflecting in discrimination in the prices charged and received by discriminated groups. Discriminated groups can get lower prices for the goods that they sell, and could pay higher prices for the goods that they buy, as compared with the market price or the price paid by other groups.
Thirdly, exclusion and discrimination can occur in access to social needs supplied by government or public institutions, or by private institutions in the fields of education, housing and health, including common property resources like water bodies, grazing land and land for common use.
Fourthly, groups (particularly untouchables) may face exclusion and discrimination from participation in certain categories of jobs (the sweeper being excluded from household jobs) because of the notion of purity and pollution, and may be restricted to so-called 'unclean' occupations. In the civil and cultural spheres, untouchables may face discrimination and exclusion in the use of public services like roads, temples, water bodies, and institutions delivering services like education, health and other public services. In the political sphere, untouchables could face discrimination in the use of political rights, and in participation in the decision-making process. Due to physical (or residential) segregation, and social exclusion on account of the notion of untouchability, they may suffer from a general societal exclusion.

[10] Ling, T. (1980). *Buddhist Revival in India. Aspects of the Sociology of Buddhism.* New York: St. Martin's Press.

[11] Suggested by Gayatri Chakravorty Spivak.

[12] Gramsci connotes the term 'subaltern' for the economically dispossessed.

Empirical evidence suggests that financial services to the poor have positive social impacts; nutrition, health, education, status of women, etc are all enhanced. Much work has already been done by the Government of India, Microfinance Institutions (MFIs), etc in this area, but there remains a need to further the study of causes that lead to continued exclusion of marginalized groups.

It is towards that end that Sa-Dhan[13] decided to address the long-felt need to form a specialized network of Community Development Finance Institutions (CDFIs) that could take forward the requirements of both the poor and these organizations. Some of the issues it wished to air were dialoguing with policy makers, capacity-building, and the identification and development of minimum standards of performance in a participatory manner so that the challenge of creating sustainable livelihoods is made possible.

This requires a common platform that could enable a qualitatively better dialogue, especially between MFIs, community based organizations and other stakeholders who recognize that despite their diversity, they must increase the outreach of existing programs, launch new initiatives and negotiate with policy-makers for a favorable environment.

The Government of India is aiming towards Total Financial Inclusion by 2012. However, as is clear from the preceding data and analysis, the gap between the overall requirements and coverage is huge, and most so in the case of Dalits and other marginalized groups. To target this objective, there is a need to bridge gaps by focusing on neglected areas.

[13] As an association of Community Development Finance Institutions, Sa-Dhan has been an active participant in many of the debates on an enabling policy and operational environment for the microfinance sector at various levels and with a diversified community of concerned citizenry. In the course of time, Sa-Dhan has gradually progressed to 220 organizations, with representation from 21 states including the focus states of UNDP, engaged in providing microfinance services to 226 lakh clients with a portfolio of Rs 11,734 CR INR, as its members with diverse models and approaches at the grassroots. According to the Bharat Microfinance Report of Sa-Dhan 2009, the members of Sa-Dhan are reaching 50 lakh SC/ST borrowers as well as 70% of the poorest districts with financial services. Sa-Dhan derives a representational strength from its members and facilitates its member organizations to work effectively on the ground. This mutual and interdependent relationship drives us in our endeavor in developing a socially responsible and a financially accountable microfinance sector. Sa-Dhan has a decade's experience in creating a facilitative environment for microfinance to reach the economically marginalized. It works very closely with the government, Ministry of Finance, RBI, NABARD, SIDBI, banks, regulators, microfinance practitioners etc. Sa-Dhan often holds multi stakeholder interfaces at central and state levels with the policy makers, regulators, practitioners, banks and others. Sa-Dhan has contributed to the work related to development of Microfinance Bill, and is building transparency and promoting fair practices through reporting from MFIs and Code of Conduct for its members.

3. Building Bridges to the Excluded: Highlights from the Interface

The Interface was attended by a wide range of practitioners from fields as diverse as the government, banking, insurance and community service sectors. All the participants brought their conceptual frameworks, experiences from the ground and ideas for the future to the table, making it possible to create an initial matrix through which the issue of financial exclusion may be approached in the future.

Firstly, it is critical to note that not all marginalized sectors are homogenous. There is a remarkable diversity between the many communities of Dalits, Tribals and religious minorities spread across the vast Indian landscape, and each community's concerns must be addressed within the specific context of their livelihood and not through broad conceptual grids.

Secondly, the range of financial products offered in both the formal and informal markets is almost as wide as the range of clients. Traditional financial institutions must be encouraged to create increasingly innovative products to best serve the needs at the grassroots, while communities themselves can be encouraged to become independent of financial institutions and use the resources available to them collectively in a more financially astute manner. Specifically there is a need to focus on products such as insurance, non-formal savings and remittances.

Thirdly, the 'face' of financial institutions amongst the marginalized needs a radical transformation. The crisis in human resources is such that well-thought-out schemes conceptualized at a senior level fail to take root in the ground because of incompetence, inefficiency, corruption or merely indifference. That vast funds allocated to the marginalized are regularly returned unused is a tragedy that must be reversed.

Fourthly, exclusion must be understood as a product of not just financial deprivation but also social and cultural traditions and practices. Inclusion should mean not only empowering the dispossessed financially, but bringing them into the larger fold of society, emotionally and psychologically.

MFIs, SHGs and NGOs must re-evaluate their roles in creating financial inclusion. There is a need to create interdisciplinary forums together with government, academic and financial bodies to access the best ideas and create the most viable solutions to the complex and widespread problem of financial exclusion. Small organizations working in isolation – no matter how dedicated – will not be able to bring about adequate change.

4. Charting the Interface

4.1 Introduction

After all participants had been welcomed [see Annexure 2: List of Participants], it was emphasized that financial inclusion has become an important part of the National Agenda in the last 3 to 4 years. However, it is also the case that programs like Self Help Groups (SHGs) have encountered problems in finding solutions to financial exclusion.

Indeed, it is now obvious that for SHGs to work they must understand the complex and contextual livelihood needs of a community. For this to happen it is necessary for diverse groups – like the the Finance Ministry and the RBI, NABARD Tribal Ministry, the governments of the North-east, – to work together to find solutions for financial inclusion.

4.1.1 Opening Remarks by UNDP and Sa-Dhan

A proper discourse is needed to bring marginalized groups into the mainstream: exclusion persists because those with the voice and ability to create this change are not thinking actively enough about making a difference.

To begin with, financial inclusion requires a radical change in the thinking process and orientation of financial institutions, and the UNDP wishes to act as a catalyst for this change. To this end, and since the UNDP works closely with the Central Government, it wishes to learn from the ministries of the Government of India (GoI).

Further, the UNDP, Sa-Dhan, NABARD and all other stakeholders are jointly committed to achieving financial inclusion in the next 3 years.

As is clear from Dr Rangarajan Committee's Report on the financial exclusion of SCs, STs and OBCs, financial exclusion is very widespread. Further, the situation is complicated by many kinds of local complexities that exist across India.

The wide array of exclusions faced by the marginalized has created a near-desperate state of being. This crisis will be worsened in the near future in some states where financing for SHGs is likely to soon dry up. This is because the capital requirements of banks has been increased, which means that soon banks will not have the capital against which to give loans.

The urgency and value of the Interface therefore consists in channeling the expertise and grassroots and political and financial experience of the participants into creating serious solutions to the crisis of financial exclusion.

4.1.2 Central Themes

The participants were directed towards a set of preliminary questions and themes:

A. Who are the economically depressed and what is the nature of their exclusion?

B. What is the best way of working with these groups: how can they be best reached, more effectively organized; and are any special inputs needed?

C. What are the short and long-term changes that can be achieved?

The central issues of financial inclusion were also defined as:

A. Capital

B. Public Goods

4.2 Finance Against Poverty: A Film Screening

A 15-minute film, *Finance against Poverty*, was screened. The film was made for Sa-Dhan's Annual Policy Conference (2008), and it was screened at the Interface to provoke thoughts and lead to new areas of dialogue before the start of the actual discussions.

4.3 The Way It Is: Case Studies and Personal Experiences

Before the Interface, four case studies were circulated to participants at regular intervals via email. The case studies were attempts to characterize the central problems and issues revolving around the financial exclusion of different communities. At the Interface itself, participants were asked to narrate their own achievements and challenges in the area of financial inclusion.

4.3.1 The Story of Dungarpur

Dungarpur is the most backward district of Rajasthan, adjoining Gujarat. It is a predominantly rural district where 70% of the population is tribal. There is no obvious financial exclusion in Dungarpur, but its inhabitants are not linked to formal financial institutions. This situation charts the grey areas of financial exclusion.

A study in Dungarpur analyzed the cost of credit from different sources and concluded that even credit from moneylenders is cheaply available. It appears that here even moneylenders are not exploitative because otherwise their clients will go to banks. The moneylenders of Rajasthan come from relatively prosperous backgrounds and use their surplus income to give loans at a reasonable interest rate of 2% per month.

However, it was also noted that the expenditure involved in going to banks is more than the credit owed to money lenders. Going to a bank involves the cost of travel and documentation and loss of wages, which accumulates up to around 28-29% of the loan. If the banker is willing, then the loan is given after 3 to 4 visits. But if the banker is not interested or not sensitive enough, then the cost might go up to 35%.

The study suggests that it may be more beneficial for the poor to borrow money from within the community. Of course the situation is far from simple. In other regions, moneylenders charge higher interest rates. However, if surplus community money can be channelized as credit to others, then community-based banking might emerge and lead to a very beneficial kind of financial inclusion.

As a corollary to this argument it may also be argued that the Government is not structured to implement financial inclusion. It can better contribute to policies and to investment in infrastructure. Banking however, should be a community enterprise.

4.3.2 Investigating the Landscape of Poverty

It may be useful to move away from broader and more conceptual questions such as “What does inclusion really mean?” to some other more focused investigations into the actual landscape of poverty. Some questions that would help in understanding and analyzing this landscape would include:

A. What do experiences from the ground, good or bad, reveal about service providers or the nature of the service provided?

B. Can the landscape of the service provider ever be fully complete?

C. Finally, does India have enough service providers?

D. Personal experiences of a related nature serve to illuminate the grounds of discussion and should be given adequate importance.

4.4 What has Worked and What has Not: An Overview of Policy, Operational Frameworks and Service Delivery Mechanisms

4.4.1 Points of Discussion

Theme 1: Human Resources within the Government and Financial Institutions

To a large extent the Government and its bureaucracy poses serious challenges and creates perceived barriers for those working on the ground.

One reason for this is the lack of properly trained human resources, not only within the government but also in the banking sector. Both institutions begin schemes that encounter pitfalls within the organizations themselves. These are often gaps of vision and intent such that a field officer and the DGM of one bank may not share the same vision. As a result, finance institutions do not always live up to their stated briefs. For example, in Uttarakhand some bank branches are staffed by just one man alone. Such a manager can hardly be expected to cater to 50 SHGs, as he may well be expected to by his superiors.

Further, in the specific context of catering to the poor, government employees tend to be less well informed and trained than their colleagues in NGOs. So for example, although SHGs are a very good tool for financial inclusion, the success or failure of the SHGs in a particular area would heavily depend on the attitude of the officials on the ground. The attitude of officials on the ground can thus make or break an effort.

Tragically, it is also a fact that often government resources are not fully utilized. There exist tribal and SC funds that have not been spent. These funds routinely return to the government from districts where the district committee doesn’t even meet once a year.

It must also be recognized that the government is not anti-poor, but that government officials are part of the system, operating within constraints similar to those faced by other actors within the community.

It is essential to deliberate on the existing availability of financial services and on how best these financial services may be utilized. Indeed, training, capacity-building, awareness and interface are all interrelated issues. It is needed to encompass the available institutions, i.e. NGOs, Banks, Panchayati Raj institutions, in the deliberations.

Theme 1.1: Reform of Human Relations Issues

Existing financial institutions have been reformed to some extent, thanks largely to the SHG movement.

Another solution is to start new institutions or to re-vitalize the old, like co-operatives, MFIs, and the local area banks that the RBI has recently allowed. For example, the Syndicate Bank has initiated a policy to recruit only local staff, not people from faraway districts who are unfamiliar with local conditions. These local people, with educational qualifications, work with the local community to develop loans around agriculture, or to develop loans around micro enterprise.

The issue of HR is not centered around recruitment but involves competence, information and understanding the local economy.

One must also understand what is happening at the human level in financial institutions. For example, a branch manager posted in Rajasthan may have come all the way from a town in south India, and therefore his greatest effort will be expended in returning home. Moreover, while it is possible that the CMD of a bank may be extremely well acquainted with the intricacies of financial inclusion, he or she cannot influence the events on the ground level, since HR management is labyrinthine in its complexities.

Seventy years of experience has revealed that banks are institutions for educated people. Now we need a new kind of bank, one that has the license to work as a bank but doesn't have a forbidding structure. For example, the Bank Rakyat Indonesia in Indonesia functions around a bench in the market place with four staff members sitting around a table. They position themselves just like any other shop, not as an imposing special branch with air conditioners, armed guards, formally dressed staff, etc. Another such relevant innovation is mobile-banking, done with a hand-held mobile device into which small-scale deposits can easily be made.

Thus, it is important to ask, "What is the nature of the structure that will be inclusive for the poor?"

Theme 2: The Cost of Inclusion

Of the many handicaps that Dalits and tribals must deal with, one is that their geographical location is primarily in villages. Studies have shown that in those regions where Dalit families are situated near the main road, their situation is markedly improved. As a result, roads and access to markets are big levelers for communities that do not have any assets in their name.

Moreover, lack of land and traditional assets has translated into the unfortunate fact that conventional financial institutions do not consider Dalits as very good clients for loans. This is despite the fact that Dalits are known to spend a great proportion of their resources in educating their children, particularly in private schools. They spend more money on education as they believe that education will enable them to access greater resources.

As a result, the customer who most needs financial services is also the most expensive to reach and aid. The cost for NGOs or MFIs to travel to remote locations to access clients is often prohibitive, especially when there are, more accessible clients, who are also in need of financial services.

A contributing hindrance is the fact that MFIs are expected to be profitable in their very first year for which they need capital investment, which only the government can provide. Private MFIs cannot make the kind of investment needed to reach out the poorest of the poor.

In summation then, the barriers between providers of financial aid and those who most need it include: Human Resources (especially lack of orientation or commitment in local staff, frequent transfer), lack of monitoring of both government and private institutes, problems arising from the location / spatial distribution / lack of connectivity of the marginalized, lack of Assets, lack of education and the difficulty of reaching high cost customers.

Theme 3: The Four Segments of Financial Inclusion

1. The issue of financial inclusion should be seen within the context of four segments: Target Group, Product, Market and Finance. These are four knots which if tied together to form a cohesive whole, could provide the solution to financial inclusion.

2. Working with each segment separately will disable the government from entering the field because in today's context, the government is only a felicitator. In some government program, the entire project used to be community based and ran successfully without any obstruction even from underground groups. There is no hindrance because the project is being run by the community itself. This is an argument for community-based banking.

3. With reference to the Dungarpur Project, it was suggested that a more focused policy is needed. A very clear business policy from the corporate body is required to address the issue of financial inclusion within the context of these four segments.

4. Commercial institutions will want good returns, merely 5-10% targets are not sufficient. The credit must be a performing asset and incentive mechanisms are needed right from the grassroots to the corporate level.

Theme 4: Gaps Between Institutions and People

There exists an abyss of lost opportunities between formal financial institutions and the people. Even in the national Capital, New Delhi, a rickshaw puller can work an entire lifetime without getting a bank account. Together with the issue of the relative physical distance of those who need assistance, it is important to also consider the *conceptual gap* between institutions and the people.

Another lack is the paucity of products that financial institutions can offer the poor to help them aggregate their meager savings. Micro credit enabled this to an extent; it is the first taste of freedom the poor ever got. The next step is complete financial inclusion, and for this to happen, financial institutions must offer account savings, credit, insurance, pension and remittance. All these factors and services must come together in order to bring about defining changes.

Theme 5: Inclusion – Financially, Socially and Psychologically

Inclusion is a financial, social and physiological phenomenon. In that sense, most programs for financial inclusion only scratch the surface and therefore the biggest barriers to complete inclusion can often become those who – like the participants at the Interface – influence policies, sit in discussions, and run government programs.

Theme 5.1: Self-Imposed Exclusion

It is important to acknowledge that financial exclusion can be self-imposed. For example, the poor of Bihar do not want to go to banks not because they do not know where the bank is, but because they lack the confidence to include themselves in any social, political, financial or market processes. Any intervention towards inclusion has to grapple with this issue.

Theme 5.2: Deliberate Exclusion

There is also deliberate exclusion. Our societies and social institutions are not fundamentally inclusive. A change of attitudes is therefore crucial. For the poor their first loan is not just a matter of, say, Rs 1,000. It is equally important that the borrower interacted with somebody who understood his or her need in a sensitive manner. That kind of emotional credit makes a big difference, **it makes the person *feel* included.** Thus, inclusion is also matter of feeling.

Theme 6: Government Schemes in the Past Twenty Years

Over the years, various government schemes have tried to reach out to the most isolated persons of society. These include: Co-operatives, Bank Nationalization, RRB formation and IRDP. In last 20 years, the process accelerated dramatically through the SHG movement, particularly through the policy adopted by the government and the RBI on financial inclusion through the Banking Correspondent-Business Facilitator model.

Although SHGs have been functioning in both formal and informal sectors, barriers still exist in implementing these schemes. These include primarily human resources issues. That is, personnel on the government level need to be sensitized. There is also a need for more innovation. Concepts like Farmers' Club were initiated but have not been fully exploited.

Fundamentally also, demand needs to be linked more effectively to policy. For example, the State Bank of India has opened a branch exclusively for remittance in Mumbai. This was a purely demand-driven intervention.

Theme 7: Experiences from the Ground

It is important to analyze the link between livelihood and finance. Shariyat Finance presents an interesting case in this regard. Because of their religious injunctions, many Muslims don't claim the interest that accumulates on their money in banks. This amounts to a huge sum of Rs 50,000 Cr that is lying unused in banks.

[It can, however, also be argued that Shariyat Finance is merely a political issue. To give it undue credence, it ensures that the Muslim community remains financially excluded. In fact, for poor families struggling to make ends meet, it is not an issue at all. The real issue is how to get money: either at 10% interest per day from the moneylender or from the bank.]

Another example comes from Haryana where the DRDA is working well and banks are pressurized to assist Dalits. In a village in Haryana where Dalit women were not getting land in which they wanted to grow wheat and rice, despite a Panchayat provision that states that 10% of village land will be leased out to Dalits, the local SHG managed to procure the land and now the women are earning well. They are able to send their children to school, they are eating green vegetables, and there is no malnutrition. Thus, the SHG movement when supported by NGOs can work very well.

It should be borne in mind then that those working for financial inclusion of marginalized groups need different kinds of methods of inclusion to suit diverse groups.

Theme 7.1: Diversity within Marginalized Groups

Dalits are not homogenous: they are structurally very different from north to south. Similarly, the tribes of central India are distinct from the tribes of the north east or north west. Further, Muslims are not the only religious minority in the country. Therefore it is counter-productive to place all marginalized communities in one basket.

So for example, in the last few years Indian Muslims have become increasingly ghettoized. Muslim-inhabited areas lack water and electricity, and the inhabitants endure lower standards of healthcare and education problems. Self-employed Muslim youths may need anywhere between Rs 25,000 to Rs. 50, 000 in loans, but it is hard for them to get it.

Further, the particularly destitute cannot be brought into the net of financial inclusion. In fact, a communication gap exists between bankers and such clients, because often the clients are illiterate. They are not financially literate enough to approach a bank, so the solution to their problems may actually lie in anti-poverty programs.

Thus because the issues are different for Dalits, tribals and religious minorities, it is impossible to develop a holistic policy for everyone's upliftment. Therefore, it is crucial that specifically targeted action plans for such marginalized communities, including Dalits are made.

Theme 8: Linking NGOs with Financial Institutions: Multiplying the Problem or Solving it?

Large financial institutions do not trust NGOs and do not make resources available to them; nor do they give NGOs promotional support. On the other hand, there is little criticism of government policies. For example, the fact that the marginalized are not given loans at low interest rates of 3-4% implies that there is no political will to do it.

Large financial institutions do not understand the situation at the micro level. Indeed, financial exclusion is one part of much social exclusion. Loans and market generations must follow another set of bare minimum needs, and to fulfill these it is necessary to venture far beyond microfinance.

However, can better links between NGOs and large financial institutions really solve the problem? If a person doesn't have the security base to take a loan of Rs 10,000, how can a bank give him Rs 50,000? Opening more bank branches will only multiply the problem rather than solving it. Instead, should NGOs form links with MFIs – aggregate small moneylenders or small groups in villages to find new methods of financial inclusion?

Theme 9: The Experience of Bastar and the Case of Kalawati

Many NGOs are working in the tribal areas of Bastar, and many new projects have been implemented here in the last 30 years. However, unless tribal people are sensitized and made aware of the policies that are being made for them, no program will be successful.

Kalawati, a Bastar tribal and participant at the Interface, has been working with a community program for the last 32 years. However, all she once knew of the program was that she must bring Tendu leaves to the Forest Department as part of the project. She had no sense of the quantity of Tendu leaves she collected, nor what income she derived from it, much like other tribals, who collect forest product under the cooperative society but are not conscious of being members of this society. In effect, the society is operated by the Forest Department alone.

It was only when Kalawati was made aware of her position that she started questioning the forest officials about the cooperative's operation. Similarly, it is essential to make deprived communities aware of different government programs and schemes.

It is also important to involve women in all such schemes, and to encourage the role of NGOs in spreading awareness of programs.

Theme 10: Towards a Transparent Way: The Role of Political Will

Transparent political will is essential for the proper distribution of funds.

Political will must also ensure that tribal cultures are sensitively understood. Local groups, community NGOs and skills must be developed and government officials must be sensitized. To ensure such transparency, even micro-level leadership must be carefully appointed. For example, although it is true that the accepted ideal of rotation in leadership sounds democratic, it is impractical because few people in any community are literate.

With regard to the management of timber and other forest products, some state level federations are headed by people who are politically appointed. Further, often appointments are at cross-purpose, as when the DFO is also made MD of the organization. Indeed, it appears from the fact that the government retains control on forest issues that the government has little faith in tribal empowerment and that it is not interested in empowering the tribal communities. Alternately, perhaps this is because of a lack of vision.

However, empowerment at the grassroots level is critical. For example, it was awareness programs in 1994-95 that freed the people from moneylenders and allowed SHG programs to flourish.

Theme 11: The Need for a Conceptual and Inter-Disciplinary Framework

The issue of financial inclusion must be based upon some solid conceptual framework or principal.

To achieve this it is important to chart what has been done so far, and to document the most innovative new ways of looking at inclusion so that there are some clear standards for the state, policy-makers, financial institutes and NGOs to follow.

Indeed, even at an Interface such as this one, it is apparent that all the participants are working in isolation in their sites. This only follows the pattern whereby the state works independently of civil society, and civil society works in its own markets. This does not serve the overall cause.

Theme 12: The Role of MFIs

An MFI with 2 million clients and an average loan of Rs 5,000 performed a study to define the poorest in the community and discovered that these were Dalits, tribals and religious minorities. The MFI then launched a program to give a 'survival' grant to target groups over the course of two years.

These grants enabled impoverished families to live without overwhelming financial constraints for two years during which time they could accumulate the capital with which to approach any financial institution (not necessarily the MFI or local SHG, but also the local government bank) to take a more substantial loan. The cost of such a program is Rs. 24,000 per individual for 2 years.

However, not all MFIs relate such optimistic experiences. One MFI spent six months pursuing all the nationalized banks for a loan. Eventually, only one third of the requested amount (Rs 10Cr instead of Rs 60Cr) was sanctioned.

It is not only the marginalized but also the MFIs that work with them who have difficulty in securing loans. For example, it took one MFI agent a great deal of effort to borrow a mere Rs 25,000 for a group of 125 Dalits who were tied to moneylenders and paying heavy interest. Eventually the loan was sanctioned and since the group was so diligent in making its payments, a further 75 people were sanctioned loans and all of them were able to construct their own houses. However, the process needs to be accelerated.

Theme 13: Insurance

There is a lack of awareness on general insurance, so much so that people have been known to take life insurance policies for a scooter!

Much can be learnt from Karnataka's SKDRDP, launched by the **Shri Kshethra Dharmasthala Rural Development Project** . Started in 2004-05 with the aid of an insurance company, the project has expanded to include 1 million people. This means that all their products are insured. As a result, Rs. 3.5 Cr was paid in 2004-05; an amount that went up to Rs 15 Cr in 2009.

Theme 14: Securing Non-Formal Savings

It is critical to investigate non-formal means of securing savings. The extremely destitute take desperate measures to safeguard their savings: some may bury amounts as meagre as Rs 30 in the mud; a rickshaw puller will trust the owner of his rickshaw with his money. For such people Rs 30 may be as crucial as Rs 30,000 for a wealthy family, and that Rs 30 may be a person's first step towards financial inclusion.

Further, for the poor financial inclusion can mean the difference between life and death in, for example, a medical emergency.

Moreover, since thrift and credit cooperatives have come under the authority of the Cooperative Department, some transformation for the worse has occurred: they are no longer given adequate attention. Instead, the MACS model is being implemented in many states – for example in Delhi – because it is geared towards housing cooperatives, which are very profitable.

It may be worthwhile to consider whether thrift and credit cooperative should be taken away from the Cooperative Department and handed over to a department that understands finances and which can help establish community institutions that will provide for the financial needs of its members.

Many financial products that cater to the needs of the poor already exist in the informal market. For example, just across the Yamuna river in Delhi, there must be thousands of remittance agencies catering to Bihar, eastern UP and Orissa. As a result, a father can take a loan in the village and the son will repay the loan in installments from Delhi. Clearly, the market responds according to the needs of the people.

It would be useful to map out such products.

4.4.2: Ways Forward

To achieve financial inclusion, it is necessary to both, analyze what innovations and experiments have been successful in the field, as well as to study why some groups have been historically excluded.

For example, the 50,000 Cr of Sharia money that is lying unused in banks could be given away at nominal rates of interest as a means of poverty reduction. However, for this to happen it is necessary to create synergy between different groups.

Target groups may be divided into poor and low-income groups, between which there exist those who tread the fuzzy border between inclusion and exclusion. It is critical to understand the issues faced by these groups, be they economic or cultural.

Secondly, the range of financial products available to these groups must be carefully studied.

Institutions that can assist with financial inclusion range from MFIs to mainstream banks, with a range of public and private enterprises in between. Civil society organizations, too, work in collaboration with MFIs and banks, while the Ministries of Finance, Social Justice and Empowerment, Tribal Affairs, etc, handle policy concerns.

It is important to engage all the actors across this spectrum in order to achieve long-term benefits.

Although specialized institutions like the National Development Finance Corporation for SCs and STs, and the Financial Literacy and Credit Counseling Centers do exist, pressure needs to be exerted on these institutions by third parties so that they function according to their briefs. It is also necessary to think of building new institutions.

However, the end goal is not just a matter of delivering financial services. Financial inclusion should also involve pursuing strategies that have other social, economic, cultural and other components.

It is also important to focus on the most viable kinds of financial institutions. Big banks are not structurally designed for this kind of work, so it is necessary to seek out entities which are more aligned with the project's overall ambition.

4.5: Key Issues and Challenges

The issue of financial inclusion can be divided broadly under three themes:

A. Innovations and innovative practices

The most effective innovations must be documented, and the scope of replication and scalability tested. What must be probed here is how innovations can be customized and how much they use existing facilities and mechanism.

B. Initiatives towards collaborative models

It is imperative to make a distinction between the rural poor and urban migrants. Thereafter it is essential to analyze expectations from various actors in the field, especially the government and financial institutions. Initiative is a supply side measure, and therefore capacity-building is needed to strengthen supply.

C. Exclusion

There is a need to define the various kinds of financial and social exclusions and analyze why they occur in order to achieve a convergence between social development initiatives and financial inclusion.

These three themes are discussed in detail below.

4.6 Elaborations on Key Issues

4.6.1 Innovations and Innovative Practices

The following three unique financial innovations showcase how the marginalized have been brought into the mainstream financial structure:

A: CGAP

CGAP has an innovation fund that is being invested in three Indian MFIs to develop a new product to reach to the ultra poor. The process begins by selecting the poorest of the poor through a participatory rural appraisal, using a well-established methodology whereby it is not the implementing agency but the *villagers themselves* who identify prospective clients.

Thereafter a productive asset (a goat, pig or cow for example) is transferred to the client. Besides this, every week the clients gather at a meeting held by the implementing agency representative and discuss topics such as health, sanitation, literacy, empowerment, government schemes and general well-being. A committee within the village is also set up to keep an eye on various progress indicators.

As a result, the entirely dispossessed move up at least one financial level to that of average poverty.

B: Insurance for the Poor

The Shri Kshethra Dharmasthala Rural Development Project SKDRBP is a trust running a very successful MFI program within which they have also added various insurance policies.

However, the clients do not deal with insurance companies directly. Premiums are paid to the trust, which then undertakes all the monitoring and the responsibility of claiming benefits. As a result, the poor actually get some benefit from the scheme.

C: Combo Product

NIDAN, an organization working for the underprivileged, combines three services: health, asset and life insurance. They offer all three as a combined offer to their clients, so the end-user pays a fixed premium to avail of all three services. In case of any mishap or emergency they only have to report to the contact point is NIDAN, who then arranges whatever is due or deliverable to the person who is insured.

D: Points of Discussion

Replication and scalability of innovations derives from a combination of customization and the use of existing facilities and mechanisms. The innovation lies in customizing products for clients, and in ensuring that this customization improves delivery.

Existing infrastructure can also be used for innovation. For example, the SBI's dedicated branch for remittance services is innovative, in that it reduces the time taken for remitting money from point A to point B. Another program that remits money at doorsteps is ADHIKAR.

Another example of empowerment through innovation comes from a village in Bastar. The village did not have electricity although the two villages adjoining it did. With the assistance of a society in the village, the villagers put together a play which was performed for the benefit of the authorities, through which they made a case for bringing electricity to their village. As a result, the Commissioner ordered for electricity to be made available to the village.

Another example is that of Kalawati. Kalawati campaigned and was elected as President of her village cooperative which was at that time dominated by men. Kalawati worked to reverse the ratio and today 80% of the cooperative's members are women, which has greatly improved the cooperative's functioning.

Another innovation in insurance is mutual insurance. The Annapurna and Nilgiri cooperatives offer health insurances and the Mulkanur cooperative offers cattle insurance. In all cases, the insurance is managed by and within the community so that the money never leaves the system.

The Maharashtra government has evolved a scheme specifically for the Dalit community, called Ramai Yojana, which is a variant of SGSY.

Hyderabad's Roshan Vikas has examined various micro insurance products in order to bring them under the head of one policy. So far, the organization has managed to offer a package of health insurance, accident insurance and asset insurance to the whole family, at a subsidized premium of approximately Rs 300 per annum for a family of five.

From the preceding examples, it is clear that to bring beneficial changes in society, problems must be identified and solutions created by customizing them to ground realities and linking them to the use of existing facilities.

4.6.2 Initiatives Towards Collaborative Models

A: Pressure to Profit

MFIs come under immense pressure to show profitable balance sheets. Therefore, they expect their clients to comply to a variety of norms and regulations. As a result, MFIs run the risk of excluding many of those who most deserve their services.

B: Identifying Clients

To keep those who most need financial services in mind, it is necessary to maintain a thriving database of clients: to delineate between those who most and least need financial and other inclusive services. Indeed, it might be worthwhile to evaluate programs based on the kinds of people who form their client base.

C: Human Resources

A financial organization's staff must be comprised of people who are fully dedicated to finding potential clients, no matter how distant or isolated. To encourage their staff to constantly update the organization's database, it might be useful to institute awards for particularly meticulous or exemplary work.

D: Policy Reform

At a more macro level, institutions and organizations that go out of their way to find and serve the most excluded should be aided by policies that formulate incentives.

E: Points of Discussion

Solving financial issues requires a focus on broader issues of livelihood. Financial services need to be contextualized in for example, food and nutrition and security. Such need-based products and services are important in order to enable the financial inclusion of people who are outside the mainstream, or on the periphery.

Flexibility is also important for inclusion. Loan amounts and payments must be as flexible as possible if the very poor are to be included in the financial structure of society.

Savings are as important a service as remittances or insurances. Moreover, capacity-building at the social and political level is crucial for the initiation of the poor into financial inclusion.

Considering the specific needs of the for profit organizations and not for profit organizations it is necessary that there should be different policies to cater to them.

The RRBs can be interceders between MFIs and big banks. On the other hand the banks can provide funds at lower PLR.
There are some grey areas in the move towards collaboration. With reference to human resources, it is worthwhile to ask who will undertake to train staff. Further, can collaboration occur spontaneously? Would it perhaps be more realistic to incorporate collaboration into policy so that institutions are forced into collaborative models – instead of trying to change top-down institutions from within? The eventual goal should be of mutually beneficial collaboration between MFIs and other very small financial entities and larger banks.

Unfortunately, the SHG movement has witnessed a large dropout rate. Incentives are needed, but these must not remain at the level of policy alone but be built into existing structures.

Access to resources is another area that needs investigation and change. It is the government's responsibility to make resources available since most resources belong to government bodies. It is tragic that every year funds between Rs 4,000 to 5,000 Cr lapse from non-utilization.

It is also important to have access to resources, and to be able to disburse funds at the right time. Thus, it has been noted that often World Bank projects fail because by the time the funds arrive, the original need has disappeared.

One solution could be the idea of 'cash transfers' under various schemes which are being lobbied for strongly across India. The Planning Commission may experiment with the idea in a few regions. This could be an effective method of financial inclusion.

4.6.3: Exclusion

A: Non-financial Exclusion

Social and political exclusion must be discussed alongside financial exclusion. Moreover, to facilitate convergence and collaborations between diverse groups, measures such as capacity-building, channeling expressions of demands, education about rights and entitlements etc are critical. Finally, the poor must be regarded as clients rather than as beneficiaries.

B: Inclusion Begins at Home

Before venturing into the area of financial inclusion, MFIs and SHGs must stop and clean up their own houses. Matters have deteriorated rapidly in the last 15 years, and MFIs and SHGs have acquired reputations for cheating, multiple loaning, poaching of each others' staff, infiltrating each others' communities and worse. Of course, MFIs and SHGs still retain the potential to empower people to mobilize themselves and change their realities, but the resources to enable this are severely lacking, particularly resources for capacity-building amongst the people.

C: Losing Ideas in the Buzz

Financial inclusion is a buzzword that may result in the loss of several years of work and lead only to another conference that will be discussing yet another buzzword. It is more important to familiarize organizations and institutions with the issues on the ground. On the other hand, buzz words serve the important function of bringing diverse practitioners together to focus on one issue.

D: The History of Exclusion

The word 'exclusion' was introduced in France in the 1970s to refer to the disabled, the elderly, substance abusers, and children of single parents. The concept reached India in the 1990s. In India, the excluded comprise 90% of the population: Dalits (16%), tribals (8%), religious minorities (20%), and women. Such a vast scale of exclusion indicates tremendous state brutality. Those who wish to change this state of affairs cannot afford to sit on the fence. They must decide if they are with the status quo or for social change.

5 Closing Remarks by UNDP and Sa-Dhan

The documentation of the Interface will be used to highlight future steps vis-à-vis the role of the government and MFIs, and of organizations like the UNDP working to remove exclusion and increase inclusion over the next 2 years.

The Interface was an honest effort to know what changes are needed on the ground and what efforts can be funded. Although funds are limited, the advantage of having NABARD as an implementing partner is that NABARD possesses a huge corpus and is looking to support new ideas that will make a difference.

Many unforeseen issues were raised at the Interface and it was stated that both the Ministry of Finance and NABARD would be more extensively involved in future agendas.

Financial inclusion cannot be viewed only in the short term. The Interface facilitated the identification of both cluster of constraints and clusters of change.

Sa-Dhan ensured that the identified problem zones would be offered up for wider debate and dealt with at the level of execution. It was also suggested that collaborations be built around some of the issues of change identified at the Interface. Sa-Dhan assured that it would build a leadership team of 3-4 members specifically for collaborative work.

Strategic interventions depend on resources and in this regard the UNDP can be very useful. It would be beneficial if all the participants at the Interface thought of innovations within the scope of their existing activities, and submitted proposals to garner technology and funds. Thus, participants were requested to submit proposals to NABARD and to share copies with Sa-Dhan, so Sa-Dhan could integrate these ideas into its own programs to advance the issue of financial inclusion.

It was noted that active participation from government officials at the Interface reflected the urgency on the government side. How far that urgency will get translated into real outputs is a question, but the fact remains that this urgency will be very useful in building the next level of work towards inclusion.

All participants were thanked and it was reiterated that the discussions had yielded many new ideas which would enable all those present to think differently about the future. It was also agreed that all participants would establish contact over an email discussion group and share the documentation and deliberations of the Interface.

ANNEXURE 1

Case Studies

Case Study 1

Dungarpur Project-A path that commercial banks may follow

Context

Dungarpur is at the southern tip of Rajasthan adjoining Gujarat. It is predominantly a tribal district (Bhils, Damors and Garasias) . On the Human Development Index, as a district it is on the 32nd rank, which is first from the bottom. Dungarpur is one of the smallest and most backward districts in Rajasthan covering an area of 3780 sq. kms. It has five blocks, and the population is 11, 07,037. The tribals live mostly in hilly, undulating regions inhabiting widely dispersed villages. Almost 93% of the population is rural, of which 70% is tribal. The literacy level is low at 24.5% for rural areas with female literacy rate at 12.4%. Dungarpur is a drought prone area and is both socially and economically backward with tribals practicing subsistence agriculture. The traditional economic base of a tribal household is minor forest produce and a combination of agriculture and cattle breeding. Survival is dependent on the credit accessed from local moneylenders. Repayment is dependent on the survival of the crops and another year of drought is enough to send them into a vicious cycle of debt. Most of them are hence dependent on wage labor and migrate to nearby states in search of work. Seasonal migration is common with most men going to nearby states like Gujarat to work as agricultural or industrial laborers. Bank of Baroda is the lead bank in Dungarpur. In 2007, when the Bank of Baroda was celebrating its 100th birthday; the then Chairman and Managing Director, Dr. Anil K Khandelwal asked their National Advisory Committee on Rural Credit for opinions to take up some socially relevant initiative in Rajasthan. He readily agreed to take up Dungarpur as a pilot district for financial inclusion and inclusive growth and that is how 'The Dungarpur Project' came in to existence. **Bank of Baroda**, took up this special project called **'Dungarpur Project'** to pilot the bank's involvement in integrated development of poor areas in collaboration with **PEDO** (a local voluntary agency) and **Centre for microFinance- CmF** (a specialized agency working for strengthening the microfinance and SHG movements in Rajasthan). The project is mainly to demonstrate the engagement that a commercial bank can have for integrated development of poor and can do a business on scale through Self Help Groups. In addition, banks, state government and voluntary agency can collaborate and have synergetic effect on development of poor.

Key ingredients of Dungarpur Project: Bank of Baroda took up various initiatives under the project with active support of CmF and PEDO (a local voluntary agency).

1. **Financial Inclusion by opening of 'No Frill Accounts':** A campaign was launched by the bank to open accounts of about 55,000 people in 679 villages who were still beyond the reach of banks. A survey was conducted and all such families were identified first. Then the bank hired the services of 'facilitators' and opened the accounts.

2. **Credit through Self Help Groups (SHGs):** Under this project, Bank of Baroda and its regional rural bank advanced a total credit of Rs. 220 million through SHGs in two years. The repayment from SHGs to the bank is on time. The **annual gross revenue to the bank from this operation is around Rs. 22 million**. There are evidences that the profitability of a few bank branches has improved considerably from the SHG-Bank linkage.

3. **Increasing the outreach of banking services:** Under the project bank managers formed Kisan Clubs and issued Kisan Credit Cards.

4. **Bank's support for formation and nurturing of New SHGs:** The bank is supporting formation and nurturing of 300 new SHGs in Dungarpur. It is also supporting local NGOs by an investment of Rs. 5000/ SHG. This is probably the first time that the bank is investing in creating good quality clients.

5. **Orientation of Bank Branch Managers on Self Help Groups and their linkages with banks:** The bank managers have a very crucial role to play in financial inclusion. As most rural branches are under staffed, mangers have no time to serve SHGs. On top of that, there is hardly any exposure and training of bank managers on SHGs, poverty, etc. Centre for microFinance signed a MoU for a period of 3 years and organised a 3-day 'Microfinance Immersion Programme' for all branch managers in the district. This helped the managers to understand, to share their experiences and to reflect on how they can contribute towards 'inclusive growth'.

6. **Training of beneficiaries through Baroda Swarojgar Vikas Sansthan:** The bank set up a vocational training institute in Dungarpur called Baroda Swarojgar Vikas Sansthan and the SHG members who took loan from SHGs to enhance their livelihoods were trained. This helped in efficient use of credit.

7. **Baroda Grameen Pramarsh Sewa Kendras:** Credit counseling centre were started at the block level to guide the beneficiaries and to disseminate knowledge about bank products & services and also about improved agriculture and animal husbandry.

8. **Training tribal youth as Microfinance professionals:** Centre for microFinance offers a certificate course of 6 months to youth on Microfinance Development and Management. Bank of Baroda sponsored 5 youth from Dungarpur in the current programme.

9. The bank also provided scholarships to tribal girls to pursue their higher studies. Medical Health Camps for people and Health Camps for animals were supported by the bank in Dungarpur under the project.

Impact

The income of SHG member households (who have used the credit) has increased substantially. The district is declared as 100% financially included district. All households have at least one bank account and these accounts are being used to receive wage payments under NREGS. The bank has received much appreciation from people in Dungarpur and from others. About 12,000 tribal families have accessed credit of Rs. 260 million and used it for their income enhancement. Some details of income enhancement are given below:

- Total 2173 SHG members used bank credit (Rs. 66.9 million) to **buy miltch animals** and PEDO arranged the marketing of milk to local dairies. The increase in the household income from this is to the tune of Rs. 9500/- pa.

- Total 3603 SHG members used the credit (Rs. 54.8 million) to **grow high value crops** like ginger, chilli and turmeric. These families have got additional income of Rs 9940/- p.a.

- 4567 SHG members used the credit (Rs. 82.2 million) to **grow vegetables** on their marginal plots of lands (they used the credit to buy seeds, fertilizers, irrigation equipments etc.). They earned additional income of Rs. 11,000/- pa.

- 1536 artisans (SHG members) used the credit (Rs. 42.3 million) to **buy raw material, improved instruments** etc. and they have earned additional income of Rs. 11500/- pa.

- New SHGs formed under the project with financial support from the bank are giving good business to the bank. In addition, the members now have access to credit and savings through SHGs. They have savings of Rs. 27.3 lakhs within 1.5 years and the entire amount is being revolved among members as credit to meet their small credit needs. Additionally, these SHGs have taken loans of Rs. 53.40 lakh in one year from Bank of Baroda/ its RRB. So far, Bank of Baroda has invested Rs. 4 lakh on this and the loan itself will generate gross revenue of more than 5 lakhs from the interest.

Conclusion

The key to this success is the collaboration of the bank with a local NGO - Peoples Education and Development Organisation (PEDO) in Dungarpur and Centre for microFinance (CmF) which has put a spearhead team in Dungarpur to assist the project. PEDO has formed good quality groups, facilitated the groups to link with banks and the CmF team oriented bank managers on microFinance and facilitated this collaboration. The commercial banks cannot reach out to the poor in their present form. The only way out is, that they can increase their credit portfolio to SHGs. Dungarpur project demonstrates the scale and profitability of SHG credit for a bank. Secondly banks should invest in creation of new SHGs and link it with credit targets. A unit of 300 SHGs in two years will cost them Rs. 15 lakhs and generate a credit portfolio of Rs. 150 lakhs per year, earning a gross annual revenue of Rs. 15 lakhs.

QUESTIONS:

1. Can other commercial banks also replicate this model to cater to the needs of financial services of poor especially tribals/ SC/ST and other marginalized people? Moreover, how should it be replicated?

2. How can the bank managers be motivated to be sensitive towards the poor and be pro-active to meet the needs of poor?

3. Credit though Self Help Groups and investments in SHGs seems to be a profitable business for banks, why then do banks look at SHG linkages as a burden and not a business opportunity?

Case Study 2

Non Timber Forest Produce Cooperative- A Case Study from Bastar

Background

India has a huge concentration of tribal populations. According to the 1991 Census, the population of Scheduled Tribes in the country was 67.8 million, which constituted 8.1% of the total population.

Forest dwellers in India depend on the forests not only to supplement their domestic requirements of foods, fodder, fiber and medicines but also to supplement their incomes by selling part or all of their collection in local markets. The Non Timber Forest Produce (NTFPs) encompasses all biological materials (food, fodder, gums, resins, medicinal plants, etc.) which are extracted from natural forests for human use (Bhat et al., 1992). In India, more than 41 million tribals derive their earnings from these products after consuming about 60% of collected NTFPs for personal use (Prasad, 1985). NTFP collection, an important source of income for forest dwellers and rural poor, varies from state to state ranging from 5.4 to 55 percent. NTFPs are estimated to generate 70% of all employment in the Indian forestry sector. Commercial NTFPs alone are estimated to generate Rs. 3 billion annually. One study estimated that NTFP collection generates over 2 million person years of work annually (Shiva, 1995).

State Interventions

This study focuses on the Bastar district of Chhattisgarh to understand the structures being weaved around the collectors of NTFPs. There are 15 Primary Cooperative Society in Bastar and approximately 4000 individuals are associated with each cooperative. The state level transaction of *tendu leaf* is worth INR 500-600 crore. The share of Bastar will be approximately INR 250 crore. This amount of INR 250 crore is transacted by 25 cooperatives.

The Primary Forest Produce Cooperative Society was formed in 1989. Its main aim was for the collectors of NTFP to run the cooperative and also be the owners of the organisation. In this sense, those who did the plucking would also be the owners. Initially the people would pluck and sell the produce and get the money but now they were made to become the owners. Even at primary society level transaction of *Tendu leaves* in 15 days would range from INR 10 to15 lakh (INR 1 to 1.5 million).

Before the introduction of Primary Forest Produce Cooperative Society, people would sell their produce to the contractors. He would process his purchase and get it bagged for sale. The collectors received money for their produce at the price fixed by the contractor and, all the profits would go to the contractors. The Madhya Pradesh government changed this process under the regime of Arjun Singh and the cooperative structure was introduced. All minor forest produce, which is now called NTFP, were brought under the umbrella of the cooperatives.

All members of co-operatives are expected to choose their own executive body through elections for the local, district and State unit of the co-operative. However, at the State level federation, the President is a political person nominated by the ruling party.

When the idea of cooperatives was introduced in 1989, the NTFP business involved millions. The *tendu leaves* of Bastar are famous and have always attracted purchasers from across the country. The new structure was expected to deal with the produce, the producer and the market.

However, the forest people (tribals) needed training and hand holding. The responsibility was assigned to the Forest Department to provide initial support till the community was ready to run it themselves. The forest department started taking all the decisions since it was given the responsibility of providing hand holding support to the cooperatives. Ultimately, Ranger/Deputy rangers started governing the Primary Forest Produce cooperative. Even though it has been several years since the cooperatives were formed the practice of providing hand holding support still continues. Now the cooperative's sphere has been further reduced. On the other hand, the role of District Forest Officer (DFO), who is the managing director of the district co-operative is further strengthened and assigned the position of Assistant Register (AR) of co-operatives.

People's Initiative

Mahua Banks

Mahua banks were started in 2006 and with this initiative, associated families started receiving help to save money by storing mahua leaves in the bank's cold storage. They would take out the produce during the lean season and sell and save money. But the cooperative transacts only in *Tendu leaves* and *Sal seeds* (the nationalized products) though there were other forest products available (in smaller quantities), for instance Harra, Tora and Mahua etc .The entire process of collecting forest produce, drying, packing and finally transporting to the permanent go-down is undertaken by the cooperative.

Imli Andolan

An IAS officer brought the tribal community together based on tamarind and people remember this as '*Imli andholan*'. He also did not consider the already existing co-operatives, but made small units in each village and called them '*Vann Dhan Samithi*'. He provided them with funds and made them purchase the tamarind and gave it to TRIFED. Unfortunately when the tamarind purchasers saw what was happening they intervened and took away all the business. The work continued till the collector was present '*Imli andholan*' got over and people stopped selling tamarind to the Samithi. Traders wanted to teach people a lesson and they bought at a dirt cheap price. People stopped cutting tamarind from the trees all together as the collectors were not able to get anything at that price. They left it in the forest itself. The political leadership supported the traders and the *Imli andholan* died a natural death.

Being in existence for twenty years, the cooperative had the potential to be a change maker in the lives of its members. But the cooperative does not have the provisions and training tools to mobilise its own working capital. Despite the membership base, there is no corpus and savings with them. The cooperative is not being empowered to decide how to utilise the profit after paying the principle to the government.

Second issue that is more problematic is of when the members hand over *Tendu leaves*, the next week they get payment. But if they indulge in business of non-nationalised products, then collectors may not be able to get money instantly as the cooperative does not have sufficient capital which can be utilised to pay the collectors.

Thirdly, the forest department showed unnecessary control and the local people were taunted about their shortcomings. Such behaviour from higher authorities pushed aside members of the cooperative. The cooperative members could never own up to the organisation. The people did not feel the need to understand that a bonus or profit was directly linked with the quality of the leaves. They were under the impression that the government gave them money from its kitty.

The need was to provide a link with the market for these products (Harra, Tora, Tamarind and Mahua) as well.

SHG Movement

Given the success of the SHG movement in other states, it was said that this work should be given to SHGs. These SHGs were formed in 2001. By that time the cooperative structure had already run for quite some time. Interestingly the same sets of people are part of Primary Forest Produce Cooperatives set up for nationalised forest produce. They are also part of SHGs formed for non-nationalised forest produce. Yet there is no connection between these structures.

There are three levels in this structure in which the SHGs do the collection, processing and marketing at the district level. A specialised institution called "MART" has been set up to provide market linkages effectively. MART also provides the revolving fund to the SHGs. They earn commission on the value addition as well as transportation charges for delivering the final product at the MART go-down.

Facilitation and promotion of people's ownership

The formation of the cooperatives and SHGs was facilitated by the state through the forest department. Along side, AHKS worked towards strengthening the role of people in the Primary Forest Produce Cooperatives, an institution meant to be owned by people. Parashuram Kach, the President of the Samithi recalled the association of AHKS with the collectors and their cooperatives. Though the forest produce cooperative was formed in 1989, the people associated with AHKS started understanding and taking interest in it only in 1991. Though AHKS was in existence since 1982, it got registered in 1989. The Samithi felt that Primary Forest Produce Cooperative can be an important instrument in the development of people in the district. It initially covered seven hamlets with 1000 families.

The dissenting voice was raised against a system that was two-three hundred years old. When the last descendents of Kakitiya dynasty of Warangal were defeated, they came to Bastar and settled down in Jagdalpur. The Samithi was formed to stop this exploitation. Mainly tribal women became associated with the Samithi.

The Samithi worked with the office bearers of the *Tendu leaves* cooperative. They did not have many collection centres. This required women to walk many kilometres to deliver their collection. The forest department permitted the opening of the collection centres. The Samithi went from one village to another to make people understand that the *Tendu Leaves* Cooperative is not of the forest department but owned by the tribals themselves. Despite all these efforts, tribals still felt that the Co-operative is owned by the forest department.

QUESTIONS

- Why is the government handholding continuing? Is this the face of tribals' empowerment?
- The question is, even though it is twenty years since the cooperative was set up, does it have the capacity to negotiate with the contractors?
- Parallel multiple structures run on the ground; isn't there a need of synergy between diverse interventions?
- After decades of government interventions, why no bank linkages exist?

Case Study 3

The Artisans' story

Case Study: Bell metal utilitarian and ritualistic objects find markets beyond their social context, Kondagaon, North Bastar.

Once upon a time during the Indus Valley civilization, the craftsmen practiced bell metal craft. This proves the historical and traditional importance, and moorings of this craft. Even today it is practiced mostly by tribal in various parts of the country like Orrisa, Madhya Pradesh, Chhatisgarh, Jharkhand, Bihar and Uttar Pradesh. In India, there are nearly three million handicraft artisans and most of them are working in the metal sector.

Locating the case study

Bastar district of Chhattisgarh holds a distinctive place for its unique tribal culture and traditions. There are 20-25 thousand artisans in Bastar working in various areas like terracotta, iron craft, bell metal, wood carving, bamboo weaving etc. The Ghadawas are small artisan groups in Bastar district who produce brass or bell metal objects. According to the local craftsmen, bell metal craft is about 500 years old. The craft received patronage from royal families who used to pay the artisans to make idols. Due to the great market potential in India and abroad for these crafts, a lot of designers and specialists visit the region with a desire to establish themselves in these crafts. Most often it is the lack of infrastructure and facilities that do not allow these people to stay any longer.

Challenges of the community

Since the 1960's artisans have started getting an outlet outside the traditional customary social context. After decades of utilitarian and customary roles, they started making statues and figures of animals for mainstream market. With these new opportunities and fame came many challenges. These challenges were:

- Artisans do not have capital; this forces them to go to the trader or the moneylender. This leads to a viscous cycle of exploitation.

- Artisans have weak negotiation power. In terms of price fixations the artisans have no bargaining power and, are mostly fixed by bulk buyers from metropolitan cities. Most of the time, the exporters or traders determine terms of trade and artists have no choice but to succumb to their pressure.

- Raw material is easily available but expensive. Most of it is available from unauthorized dealers without bills.

- Advanced technology, equipment, design, quality control and marketing guidance are unheard of. Due to inadequate exposure, product diversification is minimal. The linkage to the market remains an issue.

- Lack of expertise in documentation.

- Most of the artisans are fully dependent on bell metal craft and there is no alternate employment for their survival.

Interventions: Saathi, Seva Sanstha and Paramparik Bastar Shilpi Parivar

Saathi helped artisans and their groups in three different ways

- Saathi introduced them to the concept of Self Help Groups (SHGs). Approximately 300 SHGs involving 1500 families in 140 villages were formed in the late eighties.

- Saathi also provided capacity building support to informal collectives appearing and disappearing around production orders.

- Saathi provided support through cooperatives. Bastar Shilpi Sanrakshan was one such local initiative. The main aim was to buy raw material together and to sell it together. The cooperative helped them to seek larger orders and enabled them to ask for competitive prices in the market.

Encountering Difficulties

The SHGs formed by Saathi got a grant of Rs. 12000 from CAPART. The Government agency gave full support to build a shed: “Special pottery training Centre”. The SHG members started working in the centre and started exploring markets. Scarcity of funds at the centre brought in NGO Paramparik Bastar Shilpi Parivar. Due to misinterpretation and mismanagement finally the Special Pottery Training Centre was closed. The artisans then joined Bastar Terracotta Art Centre. In 1995-96 Saathi rejuvenated the centre and developed it further. Saathi synergized the production and marketing of the products of the artisan group. Producing in group brought scale and common ownership. Saathi helped with the management of the centre. The centre ran into trouble and Saathi took over the centre again from 2004-06. This time serious attention was paid to the management aspect and, artisans were trained as supervisors and managers. The centre encountered problems of various kinds, for instance, artisans not being punctual, no inventory, reduction in quality, lack of skill and will to get new orders etc. An interesting aspect of Saathi’s work is to make sure that artisans do not compete with each other in a single market. The NGO has helped set up a strong marketing network for products both at the national and international level. Saathi is helping the community by facilitating backward and forward linkages. Getting loans from banks still remains complicated. Illiteracy, lack of exposure, lack of information is all intertwined to weaken the position of the underprivileged in front of the structures that are meant to serve them. **The artisan group is struggling and is being supported by Saathi.**

Rays of Hope

In 2008, the central government entered into written agreements with hundreds of artisans along with four organizations (Saathi, Bastar Craft Development Association, Adarsh Shilp Shakti Mahasamund and cooperative society Hast Shilp Udyog Sahakari Samiti) for direct marketing of Chhattisgarh’s famous traditional Bastar products. A MoU was signed for setting up six rural business hubs in Bastar district, mainly around Kondagaon area. Under the MoU, the handicraft board would give place to the handicrafts at its exhibition and promote marketing through its outlets, while the SBI would issue artisans' credit cards for working capital loans. The private partners would offer business support.

QUESTIONS

- In India, lot of local ethnic art is in abundance, mostly done by the tribal and the SC. The need is to identify, develop, support, provide linkages, provide policy support to flourish, towards creating livelihoods opportunities for the dalits. What are the areas that need focus for inclusion to happen?

- Keeping in mind the achievements as documented in the case study; would it be possible without the role played by the NGO?

- The case study shows linking government policies and programmes with the interventions happening on the ground. Is this a norm or an exception? Are the government policies effectively implemented? What kind of support is required to do the same? Is there a scope of private partnership to scale up livelihood interventions?

- How do we encounter market exclusion that happens due to illiteracy that in tern leads to lack of voice? Can microfinance cater to acquisition of symbolic capital?

- Can microfinance help deal with the micro-reality of the group it is working with, for instance, Saathi helped the artisans deal with interpersonal dynamics and relations of the artisans.

Case Study 4

Who said life was easy…
Maitree: A case study to understand dairy work in Tonk, Rajasthan

To begin from the beginning, Tonk popularly known as the 'Lucknow of Rajasthan' is a small town 96 kilometers from Jaipur. Tonk has a population of 12, 11,671, of which 19.24% are SCs and 12.04% are STs. The rural to urban migration in this area adds up to a shocking 20%. This semi-arid district does not receive any canal irrigation from Bisalpur Dam; the farmers depend on rainfall which is erratic. Lack of water poses a big deterrent. Under these inexpedient circumstances, the people of Tonk took recourse to an alternate source of income by selling livestock (buffalos and cows). The high cost on feed drained the people of surplus they would have otherwise made with milk sale.

The Entry Step: NGO Enters. Organizes Community Into Groups. Beginnings Of Savings & Credit

In 2002, SRIJAN[i] (Self Reliant Initiative Through Joint Action) began its work in the Tonk district by aiding the local communities to form Common Interest Groups (CIGs). SRIJAN introduced women in Tonk district to form groups of 10-12 people. Most of the members were either marginal farmers or were landless laborers. The group members started saving money and women started taking small loans from the group (Thrift and Credit services). Going forward, the representatives from each group from the nearby villages started meeting. This led to the formation of a cluster[ii]. Seeking solutions, members took their problems to the cluster. At this stage, they felt the need for mandals (federations), and, soon all cluster representatives began assembling under one roof to discuss problems and identify solutions.

Trepidations To Firmer Steps: Beyond Microfinance-Towards Livelihood

In 2005, as the story goes, the women decided to attempt dairy farming as means of sustained livelihood. At this point some of the members had a local breed of livestock while others were given 'murrah' breed of buffalo under the District Poverty Initiative Project (DPIP). Since this breed was originally from Haryana, people found it difficult to rear the 'murrah' buffalos[iii]. They were not able to cover the cost of feed with milk sale. However, there were many reasons going

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[i] SRIJAN is an NGO focused on poverty alleviation through self reliance and joint action in water resource management and other livelihood initiatives in the states of Madhya Pradesh, Rajasthan and Karnataka.

[ii] A cluster consisted of representatives from five groups. Till date 13-14 clusters have been formed.

[iii] The 'murrah' buffalos were finding it difficult to acclimatize to the breeding practices of Rajasthan. On the other hand, people were buying oilseed cakes from the market at the rate of Rs.18-20/ kg. they also explored Godrej mineral mixture, a kind of supplement to oilseed cakes. Oil seed is natural and enhances milk yield while a mineral mixture is artificial.

in its approbation[iv]. Members were keen to enhance their income through the dairy project and were keen on exploring a market channel for sustainable income through the milk sale. To cut down on time, members hired a vehicle to pour milk. Gradually, the initiative gave birth to 'Maitree''[v], a federation of livelihood Linked Self-Help Groups (LHGs) that promoted microfinance initiatives and linked them with dairy production and marketing in Tonk district.

Money Stepping In: Better Understanding And Skill Equipment With The Help Of NGO

The dairy program received its initial funding from the World Bank through DPIP[vi]. Maitree began collecting milk in three villages in September 2006 and marketing to both government and private buyers. In 2007, the program had expanded to reach 27 villages. The success of this intervention has two components- the product and the institution. The scale of collection as well as fat content of the milk was crucial to determine the profitability of the dairy. The test of Maitree was to deal with the challenge both on the product front as well as on the front of the institution. This required a number of preparations at the community level. SRIJAN addressed the needs of capacity building in a systematic manner, awareness, understanding and training of the fat testing technique[vii]. Federation leaders like Geeta Devi were trained on fat testing technique and found it difficult to handle multiple roles. Maitree required the community leaders to take on responsibilities of preparing members to run the dairy.

Wisdom Feet: Honing Of Women's Skills, Re-Allocation Of Roles

Maitree women leaders took different roles on various fronts- opening milk collection centers, monitoring timely arrival of milk, setting up of Bulk chilling units, procured vehicles to prevent milk spoilage, fat testing instruments were installed etc. Alternate market channels were explored to get best price for the producers. Efforts were made to educate women on good rearing practices. The 'murrah' breed of buffalo came with a baggage of problems[viii]. With the help of SRIJAN, members were encouraged to induct indigenous breeds and artificial insemination was experimented with to improve the local breed. This led to profit for all the members.

Challenges: The Outside Steps and Grappling with Competitors

Going cannot always be smooth. The punctuations on the road to success came in the form of external players coming into Tonk. When Maitree started its operations, there was no other player. In addition to the milk centers of Maitree, presently there are milk collection centers of

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[iv] (i) It was natural occupation of women- they had traditional skills and they could interweave it with their work at home and farm, (ii) marginal farmers could also adopt it; with grass from common pasture and nutritious feed available from the market; (iii) starting up was easy, just one buffalo and more could be added as and when; (iv) milk at home enhanced nutrition availability of children; and (v) marketing of surplus milk was easy with traditional milkmen procuring from village itself, although at exploitative terms.

[v] Presently the federation consists of 1,900 members in 160 LHGs in the Tonk district. Within the federation 300 members from 110 LHGs produce dairy.

[vi] Maitree used Rs. 3 crore of the DPIP fund to subsidize the initial costs, primarily the purchase of buffaloes. Maitree members have procured 2440 buffaloes for 3.27 crores. Further investment in value chain in the form of bulk coolers, working capital, and training in improved animal husbandry practices came in from private trusts and donations.

[vii] A major determinant of fat content is the feed to the buffalo. People in Rajasthan due to poverty could not afford to buy supplements like oil and oil seed cake. With the help of SRIJAN, efforts were made to find a balance between quality feed and the cost. It was suggested to take out oil from edible seeds that were available in abundance in the rural surroundings. SRIJAN also introduced the community to mineral mixture and Godrej that were bought in bulk by Maitree and supplied to members at subsidized rates. Besides after the initial enthusiasm died, the members reverted back to their old practices of adding water to the milk before selling it. This reduced the fat content. Members felt it was more profitable to sell to the traditional milkman and they still got the comparative prices. SRIJAN came to aid here as well. It helped set up fat testing machines at every collection centre and milk pourers were counseled on their malpractices and other issues.

[viii] The economic conditions of Haryana and Rajasthan are different. Tonk people could not afford the supplements and fodder. The climate conditions are also different. Besides there is water scarcity in Rajasthan. When left to graze, the murrah buffaloes stopped eating due to extreme weather change. Some of them also died due to snake bites.

NDDB, Reliance[ix], SARAS[x] and Mother Dairy in Tonk. Efforts have been made to establish market linkages with big players. The present quantity of milk from Maitree was not attractive enough for them to open their route to Maitree. As against few and simple fat testing machines of Maitree, Reliance has opened a small center and installed fat testing machines worth 1.5 lakh. This had certainly crippled the confidence of Maitree members. After considerable thought, the Maitree members opened an independent office. As against the large players, Maitree is a collective of poor women most of whom have one or two buffaloes. The office would enable value for the milk poured at the center. The office has taken measure like stoppage of milk spoilage by getting the milk chilled within three hours. Strict standard are set and check is kept on the milk route[xi]. The important thing at this stage was to make the system viable and focus on institution building. There are 180 groups attached to Maitree and the focus is to help them understand the long term role of the dairy rather than look for profits at hand.

Constructive Steps

With the coming in of big players, Maitree needs finance to get new technology to scale up operations and to ensure quality. Besides, there is high risk in cash transactions; there are only 2-3 bank branches in 60 villages. There is a need for modern technology that is viable. There is also an urgent need for high quality veterinary care. In addition, there is a need for good managers since most of the Maitree members are illiterate and cannot handle accounts. SRIJAN is helping in building capacity. Despite the numerous limitations, Maitree women have vowed to move ahead.

And, miles to go before I sleep,
Miles to go before I sleep.

QUESTIONS

- Despite efforts of the marginalized groups and interventions towards financial exclusion, the markets continue to be exploitative. Is it sufficed to say that in market economy the marginalized will face disadvantages? Or, can one think of more fruitful alliances than what already exists between the business houses and communities such as Tonk for mutual benefit and sharing?
- Banks have not fully penetrated the areas as mentioned in the case study. What constructive measures should be taken for furthering financial inclusion?
- Should the community feed the buffaloes or their children? Certainly commendable work has been done by SRIJAN. More always seems not enough. What are the other measures or support organizations like SRIJAN need and from whom?
- SRIJAN seems to have strengthened the traditional market. The communities from selling buffaloes are actually breeding them and enhancing skills that they were traditionally good at, that is, selling milk. Is the Deoli block of Tonk a norm or an exception?

[ix] Reliance is currently setting up their own centers in villages including villages where Maitree LHGs are operating. Their major focus is on setting up the infrastructure to capture the entire production of milk. The payment system is centralized whereas collection is done from village to village. Reliance does not collect smaller quantities of milk.

[x] SARAS does not offer good prices. However, its wide infrastructure attracts a large number of producers. SARAS collects smaller quantities of milk.

[xi] There are five vehicles with the dairy. Out of which two are feeders that pour milk daily at mid way. Since villages are thinly spread out, standards are set for time spent at each center. It should not take more than three minutes in each center including time taken for uploading the cans, paper transactions and sample collection. A radius of 28-30 km is considered a safe distance. From collection center to chilling plant, time taken was three and a half to four hours. For improvement and to save milk from fermentation, strict schedule was suggested.

ANNEXURE 2:

Scheduled Castes Sub Plan (Scsp) Allocation During Xth Plan Period

			2002-03				2003-04				2004-05				2005-06				2006-07**		
Sl.	States / UTs	SC Pop. % (2001 census)	State Plan outlay	Flow to SCSP	% to SCSP	SCSP Exp.	State Plan outlay	Flow to SCSP	% to SCSP	SCSP Exp.	State Plan outlay	Flow to SCSP	% to SCSP	SCSP Exp.	State Plan outlay	Flow to SCSP	% to SCSP	SCSP Exp.	State Plan outlay	Flow to SCSP	% to SCSP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
1	Andhra Pradesh	16.2	8553.19	903.91	10.57	873.84	10971.19	1113.19	10.15	1374.41	13291.2	1181.04	8.89	1341.15	15650.76	1878.26	12	474.54	20000	1730.4	8.65
2	Assam	6.9	906.78	69.78	7.7	64.29	1112.99	65.73	5.91	25.05	2175	54.06	2.49	39.87	3000	75.69	2.52	55.69	Not Reported		
3	Bihar	15.7	2724.13	572.48	21.02	NR	2770	442.58	15.98	NR	4569.7	718.36	15.72	NR	4735.46	985.57	2.81	360.53	Not Reported		
4	Chhattisgarh	11.6	3369.9	331.47	9.84	164.74	2043	150.99	7.39	NR	3369.9	331.47	9.84	164.74	4062.98	284.36	7	193.22	Not Reported		
5	Gujarat	7.1	7600	252.17	3.32	238.64	7680	427.78	5.57	311.77	8609.79	385.27	4.47	366.07	11000	486.9	4.43	485.85	12503.5	894.55	6.15
6	Goa	1.8	Not Reported				Not Reported				Not Reported				Not Reported				Not Reported		
7	Haryana	19.3	2034	404.82	19.9	371.95	2100	416.72	19.84	382.02	2175	458.35	21.07	467.64	3000	642.13	21.4	530.13	Not Reported		
8	Himachal Pradesh	24.7	2185.43	176	8.05	156.27	1335	119.03	8.92	106.78	1400	115.97	8.28	116.18	1607.86	173.12	10.77	158.6	Not Reported		
9	Jammu & Kashmir	7.6	2265.15	47.58	2.1	45.82	Nill				Nill				Nill				Not Reported		
10	Jharkhand	11.8	Not Reported				Not Reported				Not Reported				Not Reported				Not Reported		
11	Karnataka	16.2	8610.61	667.4	7.75	456.72	9127.52	645.5	7.07	373.32	12322.92	366.99	2.98	373.32	13555	628.8	4.64	498.47	17227.95	950.65	5.52
12	Kerala	9.8	4326	402.55	9.31	NR	Not Reported				Not Reported								Not Reported		
13	Madhya Pradesh	15.2	4749.77	590.48	12.43	450.12	5340	664.1	12.44	536.64	6606.72	740.36	11.21	613.8	7643.44	956.67	12.52	814.67	Not Reported		
14	Maharashtra	10.2	4150	530.27	12.78	284.86	5755	610.62	10.61	305.23	9665.25	962.87	9.96	416.05	15858.96	1122	7.07	1049.29	Not Reported		
15	Manipur	2.77	Nill				Nill				781.25	26.11	3.34	26.11	Not Reported				Not Reported		
16	Orissa	16.5	3100	276.25	8.91	270.52	3400	299.68	8.81	258.52	3250	411.32	12.66	329.21	2800	334.87	11.96	400.55	3400	493.31	14.51
17	Punjab	28.9	2793	392.33	14.05	162.63	2822	819.95	29.06	132.3	3479.8	886	25.46	155.21	3550	934.62	26.33	444.24	Not Reported		
18	Rajasthan	17.2	4370.78	698.34	15.98	689.33	5504.52	907.19	16.48	960.45	7113.15	1137.39	15.99	1051.57	8155.23	1296.81	15.9	1230.22	8501.42	1362.17	24.94
19	Sikkim	5.02	133.35	9.49	7.12	NR	116.71	9.86	8.45	NR	1	0.15	15	0	23.1	2.74	11.86	2.74	Not Reported		
20	Tamil Nadu	19	5751.53	1103.74	19.19	1192.79	7000.13	1353.71	19.34	1615.14	8001.08	1543.44	19.29	1587.22	9100	2104.55	23.13	1736.85	12500	3117.85	24.94
21	Tripura	17.4	600.11	65.35	10.89	47.72	650	45.6	7.02	55.56	795.37	81.16	10.2	63.13	922.43	84.36	9.1454	86.95	Not Reported		
22	Uttar Pradesh	21.01	7250	1540	21.24	751.14	7728	1640	21.22	760.5	9661.51	2026	20.97	1099.78	13500	2830	20.96	1548.82	16526	3740	22.63
23	Uttranchal	17.9	1533.63	262.42	17.11	250.22	1575	307.8	19.54	148.16	1865.37	300	16.08	175.84	Not Reported				Not Reported		
24	West Bengal	23	6307	562.04	8.91	376.82	3065.28	261.59	8.53	182.68	4183.7	295.56	7.06	403.89	6877.3	551.57	8.02	NR	7669.82	1764.54	23.01
25	Chandigarh	11.6	165.42	10.07	6.09	9.74	168	11.24	6.69	11.04	165.96	17.61	10.61	18.67	197.96	19.62	9.91	18.77	216.66	45.41	20.96
26	Delhi	16.9	4700	256.52	5.65	239.24	5025	290.74	5.79	248.99	5000.01	311.74	6.23	211.01	Not Reported				Not Reported		
27	Pondicherry	16.2	412.05	43.47	10.55	42.96	468.63	73.03	15.58	67.39	615	99.47	16.17	82.43	925	108.71	11.75	84.88	1500	242.85	16.19
	Total	**16.23**	**88591.83**	**10177.93**	**11.49**	**7149.36**	**85757.97**	**10676.63**	**12.45**	**7855.95**	**109098.7**	**12450.69**	**11.41**	**9102.89**	**126165.5**	**15501.35**	**12.29**	**10175.01**	**100045.4**	**14341.73**	**14.34**

Note : Reported Special Centre Assistance as Component Plan outlay

($) Report vide letter No. 5/ Special Central Assistance - 14/ 2005-5159 dated 8.10.05

** As reported in the proj. prop. 2006-07

$$ Reported vide letter No. SBCW - 93/ (MISC)/ 2006 dated 9.8.06

Source : Annual Report 2006-07, Ministry of Social Justice & Empowerment, Government of India, New Delhi

ANNEXURE 3:

Sa-Dhan UNDP Interface
List of Participants

S. No	Name	Institutions
1.	Dr. A. Bhattacharya	Department of Financial Services, Ministry of Finance, GOI
2.	Dr. Amar Singh	Ministry of Rural Development, GOI
3.	Sukriti Likhi	Department of Financial Services, Ministry of Finance, GOI
4.	A K Srivastava	National Bank for Agriculture and Rural Development (NABARD)
5.	Manoj Gautam	Small Industries Development Bank of India (SIDBI)
6.	Pradeep Jha	Small Industries Development Bank of India (SIDBI)
7.	N S Dhillon	General Insurance Public Sector Association (GIPSA)
8.	Islam Hussain	National Minorities Development & Finance Corporation
9.	Rajaram Dasgupta	National Institute of Bank Management, Pune
10.	Anoop Kumar	HDFC Bank
11.	Prakash	HDFC Bank
12.	Rahul Ramagundam	Jamia Milia Islamia
13.	Dr. Sujit Kumar Paul	Visva Bharti University
14.	Tanmay Raj	Dept of Basic Education
15.	M.S.B. Deva Bala Singh	Bullock-Cart Workers Development Association (BWDA)
16.	Ali Asghar	Roshan Vikas Foundation
17.	Arbind Singh	NIDAN
18.	Nilanjana Das	India Development Foundation
19.	Arpita Sen	Bandhan Financial Services Pvt. Ltd.
20.	Ganesh Pandey	Shramik Bharti
21.	Surendra Kumar Das	Adhikar
22.	Jaipal Singh	Centre for Micro Finance (CMF)
23.	Kalpana Pant	Chaitanya
24.	D. Narendranath	PRADAN
25.	S. Patara	Development Alternatives
26.	Rahul	Development Alternatives
27.	Falguni Rajkumar	IAS (Retd)
28.	Iqbal	Tribal Activist
29.	Kala	Tribal Activist
30.	Neerja Rajkumar	IAS (Retd)
31.	Ankita	GTZ
32.	Rebecca Gardner	American Embassy
33.	Sanjay Deshkal	Journalist and Activist
34.	Sreelatha Menon	Business Standard
35.	Subodh Ghildiayal	Times of India
36.	Aarti Kumari	Report Writer
37.	Archana	PSC/CST
38.	Rajkumar Sharma	IPAS

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