Chapter VIII

SUMMARY AND POLICY IMPLICATIONS

Amongst various rural development programmes, 'Integrated Rural Development Programme' is the largest one in terms of aggregate investment, geographical coverage and number of beneficiaries benefited. This programme is based on the strategies tested and experiences gained from the past programmes. The major emphasis of the programme is on providing sufficient assistance in the form of productive assets to poor so that they achieve minimum socially accepted standard of living. In Himachal Pradesh, like other states this programme is in operation since its inception, but no detailed study is available on its appraisal till now. Moreover the economic and social conditions of hill areas are different than that of plains. Thus the performance of strategies may also vary. In the present study an attempt has been made to highlight the performance of IRDP under situations prevailing in hill areas.

The study was undertaken in Mandi district of the State. It covered all the ten blocks of the district. The findings are based on the interview of 496 beneficiaries provided help during 1980-81 and 1981-82. Further, a sample of another 100 non-beneficiaries was also drawn to examine 'without' project situation and non-participation aspects. Besides, relevant secondary data has also been used in the study.

- 189 -
The programme in the State has been extended to quite a large number of families. The total number of families benefited under the programme accounted for 45 per cent of those identified in the study district. The scheduled caste and scheduled tribes accounted for more than half of the benefited families. This could be regarded as a remarkable progress. However, the distribution among constituent blocks indicated that majority of the benefited families were concentrated in developed blocks/regions. Majority of the beneficiaries were given assistance in the form of single activity; package of activities was also provided, but it was found more in developed regions. Consequently, the average amount of assistance was also more in developed blocks. This was due to higher emphasis on primary sector activities which were more suitable to relatively developed blocks. Categorywise, the SF and MF accounted for about 90 per cent of the benefited families; among land holders the marginal farmers (70%) accounted for the bulk.

None of the blocks has any perspective five year plan, but they had annual action plan for MADP; each block had uniform targets to achieve. The economic activities to beneficiaries were given according to their choice, but majority of the sampled beneficiaries (60%) were provided primary sector activities. Among primary sector activities milch animals was most prominent. Further, the programme was implemented quite haphazardly without any concern for the cluster approach.
As per the income criteria, about 10 per cent of the sampled beneficiaries had family income above ₹ 3500 but majority of the sampled beneficiaries (6.5%) had family income below ₹ 2000. Further about 90 per cent of the beneficiaries were identified through village survey.

The financing institutions were reported to have been taking lot of time in processing of application. It was found that block office forwarded 80 per cent of applications within a month, but banks could clear only 43 per cent of these in a month's time, another 40 per cent were cleared between 4-6 months. Banks' demand for security was also reported by some of the beneficiaries.

Though, the coverage of 45 per cent of identified beneficiaries is remarkable, but how many of them could achieve substantial higher income? The sample analysis indicates that hardly 15 per cent could achieve income level of ₹ 6400 or more; another 22 per cent also registered substantial increase in income but they remained below the PL. The rest of the beneficiaries also exhibited improvement in income but it was marginal. Regionwise, the improvement in income level of beneficiaries was more in relatively developed one due to higher doses of assistance and availability of necessary infrastructure.

Activitywise, performance was of quite a varied nature. As per income mobility criteria, they were in the order of horse and mules, small business, milch animals, rural artisan, sheep/goats and bullocks. In sheep/goats and bullocks none of the
beneficiaries could break through the PL of Rs. 6400. Further, the increase in income of beneficiaries was substantially high when they were provided with a package of activities than the single activity, but most of such cases were found in relatively developed blocks.

The beneficiaries repaid back the loan but payment out of incremental income was very low. Since there was pressure from banks to repay the loan, hence substantial number of beneficiaries (57%) had to sell the assisted assets. Higher maintenance cost of the assets than returns also forced some of the beneficiaries to sell their assets. This situation has very badly affected the impact created by LRDP assistance. Lack of proper monitoring and follow up was also responsible for this situation.

If the experiences of past programmes like SFDA and MFDA are compared with that of LRDP performance, then except a few basic changes, there does not appear much difference. As such the programme does not appear to have made any significant impact on the magnitude of poverty particularly in long run perspective. Further the benefits distribution aspect like in other programmes could not be attended properly. The various policy issues which emerged out of the LRDP performance analysis are summarised in following pages. Immediate attention of the programme administrators is therefore called for, to make the programme instrumental in eradication of rural poverty.

8.1 Planning Process:

None of the blocks had any Five Year Perspective Plan. The district targets and financial allocation were simply divided equally among the blocks without any concern for the
resource endowments, available infrastructural facilities and magnitude of poverty. The Annual Action Plans were mainly based on the allocated targets and were the sum of activities. As such, it gives only the idea of credit requirements, but the provision of the supply of inputs, marketing arrangements, and other infrastructural support essential for successful implementation of the programme had not been spelled out. Further, there was no attempt to establish relationship of so prepared plan with the ongoing developmental activities in the block and hence the integration content of the programme is completely missing. Preparation of the annual action plan (that too on the basis of allocated target) does not serve any meaningful purpose. Since poverty in rural areas is so deep rooted, it cannot be solved in just coupled of years. Thus adhoc kind of planning will not be enough. It is therefore suggested that in future highest priority should be given to the preparation of Five Year Perspective Plans. The Annual Action Plan may thus be derived from the perspective Plan. As indicated in the programme guidelines, the perspective Plan should indicate the magnitude and dimension of the potential for development of various activities, available infrastructural facilities, need to supplement the necessary infrastructure etc. etc. The plan should also spell out its linkages with other programmes and developmental activities.

Since rural areas of Himachal Pradesh have very weak infrastructural facilities and creation of such facilities is also relatively expensive, therefore, attempt could also be made
to create common infrastructure by pooling together the similar programmes like IRDP, NREP, REEP etc. All these programmes are designed for a particular section of rural population and therefore, a combined plan for all these programmes will also be logical. Perhaps, it will also help in supplementing and strengthening the benefits created by each programme. Preparation of such a comprehensive plan can only be attempted by a team of experts. Existing staffing pattern in blocks and DRDA will perhaps not be able to accomplish this. Thus, it will also be worthwhile to set up planning unit in DRDA itself. Further, such a unit should be staffed by duly qualified and trained persons, rather than on the basis of just seniority in the cadre, as is the general rule in public service.

8.2 Target Fixation:

The present practice of fixing uniform target and that too from the above, does not seem to be in consonance with the IRDP philosophy. The poverty profile varies from block to block. Generally, blocks with higher concentration of poverty are also infrastructurally poor. Thus, the impact of IRDP was also more in infrastructurally advanced blocks. It has further widened the gap between backward and developed blocks, which is absolutely contrary to the basic tenets of the programme. To achieve a balanced growth with social justice, there is urgent need to reverse this trend. For achieving this objective, the imposition of target from the above should not be the rule. Instead of imposing programme target from the above, those should be derived from the magnitude of poverty, resource potential and infrastructural profile of the blocks.
Since, majority of the blocks lack necessary infrastructure, therefore as suggested in the guideline, the targets should be phased on the basis of village cluster approach. In view of weak infrastructure, this alternative has pertinent relevance to hill areas in ensuring spatial integration in the programme. To make it operational, the cluster of villages could be identified according to functional approach i.e. the village lying on routes leading to a milk plant could be grouped together to form a cluster for dairy and other allied activities. Similarly, rural artisans living in different pockets can be grouped together as a cluster unit and brought under the preview of IRDP. Initially, the programme should be concentrated in few clusters, later the coverage could be extended by adding more villages around the nucleus clusters gradually. Phasing of programme in this manner can give sufficient time to implement or to assess the infrastructural requirement in adjoining villages which could be supplemented prior to their coverage under the programme. Another advantage of this approach would be to readjust the programme in subsequent phases according to the experience gained in original clusters.

8.3 Identification of Economic Activities and Scheme Formulation for Individual Beneficiary:

Programme guidelines envisage to identify economic activities according to the physical resource potential, available infrastructure and intentions of the beneficiaries, but this has not been followed in the study district. The activities were identified according to the option indicated by the beneficiaries and its consistency with the standard activities approved by the
Government. Thus, the crucial aspects like resource potential and available infrastructure were overlooked. Identification purely on the basis of option indicated by the beneficiaries, perhaps, is not desirable because these options are not derived from careful factual analysis. Further, these options, very often are based on what programme can offer and what others are indicating. Thus it may lead to concentration of a particular activity in an area. Higher proportion of milch animals in total activities and low capital output ratio has been its results. Consequently, the proportion of expected income realised was also low. Moreover, the identified activities could benefit the blocks (developed) where better and more infrastructure was available.

In view of these deficiencies, it calls for a radical change in activity identification. To realise the expected benefits from the activities and help the poors to come above the poverty line, the activities should be identified according to the resource potential, available infrastructure and capability of the beneficiaries.

Regarding the formulation of schemes/projects for individual beneficiaries, it has been done in a very casual manner. Major drawback in formulation of schemes lies with the limitations in economics of the individual activity adopted. While formulating schemes almost uniform returns were assumed in all the blocks and categories of the target group. Broadly, returns from an activity vary from block to block and category to
category due to internal and external economies and diseconomies. As a result of formulating schemes on uniform economics, the estimated credit requirement or activity or package of activities were far less than the actual requirement necessary to break through the poverty line. This partly explains why majority of the beneficiaries could not realise substantial incremental income. To really help the poors, provision of sufficient assistance is essential. Thus for a fair estimation of the credit requirements of beneficiaries, there is need to use economics of activities under prevailing circumstances.

Formulation of package of activities was used in a very loose sense; around 70-80 per cent cases were single activity finances. Further, the percentage of cases given assistance in the form of package were more in relatively developed blocks. However, in view of the higher incidence of poverty in backward blocks, this trend should have been otherwise. Provision of single activity (to majority) suggests that the programme delivery system considered all poors in one category without bothering about their viability. This cannot be accepted because some are potentially viable while others are not. Thus, there is need to distinguish between these two and offer assistance accordingly. All these issues are crucial in determining the performance of the programme. Hence, systematic and immediate solution is called for.

8.4 Identification of Beneficiaries:

The programme guidelines envisage to ascertain the economic and social status and income of target group through a detailed household survey. The guidelines further suggest that
after the household survey all identified families be classified on the basis of their annual income and provide IHDP assistance on 'Antodaya Approach' i.e. the families falling in lowest income group were to be covered first under the programme. Household survey was conducted in the district but it could not avoid leakage of the assistance. However, according to land base criteria, there was no leakage. Regarding the adoption of Antodaya approach, it confirms to the guidelines if land base criteria is considered, but according to economic status there were some variations. Perhaps, this difference arose due to difficulties in computation of income and gap in understanding about the approach to be adopted in identification of beneficiaries. Thus, it calls for making the officials aware that meaning of land base criteria is just to give an idea of the resource potential of individual beneficiaries (which can be helpful in identification of activities), but for identification purpose total family income is the only criteria. There is also need to provide suitable methodology for computation of total family income.

8.5 Processing of Loan by Banks:

As the banks were found to have been taking considerable time in processing of the loan applications, the delay at Bank was noticed due to unsound proposals forwarded by the block offices. This situation arose because of non-involvement of Banks in identification of productive activities and beneficiaries. This is a very serious gap and have considerably affected
the performance of the programme. The most easy and practical solution to fill these gaps could be involvement of banks in identification of beneficiaries and in deciding the activity/package of activities under the programme. Banks were found financing beneficiaries located near the bank. Thus poors located away from bank are denied the opportunity to participate in the programme. This also needs attention of programme administrators for uniform implementation of the programme.

The financial position of target group is so weak that sometimes financial institutions doubt their repayment capacity and thus they demand security for the loan. It was noticed more in activities having relatively higher per unit cost. Demand for security is contrary to the standing guidelines of RBI and this was found inhibiting the target group to participate in the programme. This anomaly needs immediate attention of the programme administrators, and if not checked in time it will have wider repercussions on future participation of target group in the programme.

8.6 Provision of Assets:

By and large the IRDP assistance is given in kind. The assets are purchased through a purchase committee. Although, the beneficiaries reported their satisfaction (of course, with reservation) with the purchases, but mass purchasing has its own limitations. Purchasing on a large scale at a particular place are likely to artificially inflate the prices of assets, of which the major benefit goes to traders or intermediaries. Thus,
the poor beneficiaries have to pay more than the real worth of
the assets. Sometimes, in such purchases, the assets do not
come up to the expectations. As such the IRDP assistance
instead of helping poor becomes a liability. In such circum-
cstances the beneficiary is left with no alternative other than
selling it, which is contrary to the very spirit of the pro-
gram. To avoid situations like this, large scale purchasing
and that too at a particular place, should be avoided to the
maximum possible.

After delivery of the assets, there was no proper
follow-up regarding their maintenance. Milk Cooperatives of
beneficiaries had not been organised. After delivery of
assets the beneficiaries were left to themselves to sell the
milk. As such, the beneficiaries find it hard to sell their
milk at remunerative prices. To make the assistance(particu-
larly milk) really meaningful, it will be worthwhile
to organise cooperatives of beneficiaries and link it function-
ally with the milk plant. Perhaps, it will be able to ensure
necessary forward and backward linkages.

8.7 Repayments of Loans

Although, majority of beneficiaries repaid their loan
component in time, but repayments out of the incremental income
was very low due to higher capital output ratio and higher
propensity to consume. Quite a large number of beneficiaries
sold their assets just to repay the bank loan. This suggests
that the incremental income was for a very limited period, and
which slipped back to the original level shortly thereafter.
This climate has developed mainly due to higher expectations of benefit from activities and derivation of repayment schedule thereof without any provision of required infrastructure to achieve them.

In order to maintain/ensure regular flow of INAP benefits, beneficiaries should be encouraged to repay loans out of incremental income only. This is possible if and only if the necessary infrastructure is created or repayment schedule is derived from the prevailing economics of activity in a particular area.

8.3 Follow-up and Monitoring

The programme guidelines envisage to introduce proper follow-up and monitoring of the programme, but nothing has been done in this regard. Large scale selling of assisted assets by beneficiaries may be due to the lack of proper supervision and follow-up. Perhaps, this is the reason that the problems faced by the beneficiaries in the maintenance of the assisted activities could not find place in programme planning. In view of the findings of some major studies some changes have been made in the programme. Accordingly, the programme intends to extent second dose of assistance to old beneficiaries whose incremental income (as the result of first dose) fall short of the poverty line. This is a welcome step and this study also confirms the need for this change. However, in view of the absence of proper follow-up and monitoring of the programme, one wonders how it is being given practical shape. To be realistic in achieving the intended objective of this change, it is
necessary to ensure that assistance reaches the target group. This is possible only if the programme monitoring system is introduced and geared to meet the requirements for such changes. In the absence of follow-up and monitoring system in the programme, these changes may not serve any meaningful purpose. Therefore, it is suggested that the implementation of these changes should be postponed till the programme monitoring system is properly implemented and geared to meet the requirement necessary to implement such changes. Otherwise, it will be difficult to check the leakage of assistance.

To conclude, the IRD programme continues to be the major policy instrument of eradicating or reducing poverty in the Seventh Five Year Plan. Therefore, a serious thought on all the gaps in program delivery system, suggestions put forth in this study and subsequent remedial measures are essential to make any significant dent on rural poverty.