Chapter VII

Measures for Promoting Saving and Investment of Landless BPL families

7.1 Introduction

The measurement and analysis of income, saving and investment behaviours of landless BPL households attempts to suggest some certain policy measures for promoting saving and investment habits among the BPL families. A model can be applied for constructing the safety net to them, with the help of suggested policy measures. Of course, an urgency was felt to deal with certain most deliberately advised and discussed measures as a poverty eradication programme in India.

7.2 The Review of Prominent Measures.

Since the recognition of the problem of poverty, the efforts on various fronts are being undertaken to search out and implement varied poverty eradication measures in India. Number of programmes are being designed and launched as a remedy on poverty. Providing employment opportunities, offering various sources of income, supplying food items at low prices via public distribution system and complementary housing, health, education facilities are some of the prominent measures, so far considered in most of the programmes. Inspite of the continuous efforts undertaken and it’s nationwide publicity intertained at massive scale, even the government recognized institutions (NSSO, CSO) have marked that the space of poverty declining ratio/percentage has been slowed down since mid 1990s.

It address the need of through insight into the previous and present programmes aimed at alleviation of poverty in India. The very limited success obtained by developing lower income group economies in substantial reduction in number of poors, have resulted in increasing the incidence of poverty world over. That forced the World Bank to study and to suggested the policy measures. The World Development Report: Attacking the poverty, 2000/2001 was basically aimed at illustrating the acute nature of poverty and recommending measures to eliminate poverty in all the developing and less developed economies in the world.

The report urges three-dimensional applications of policy measures aimed at attacking the world wide problem of poverty.
Promoting Opportunities for Poor

The lack of opportunities in various spheres locks poor people into a life of poverty. So the poor people should be awarded some opportunities. The opportunities in the spheres of health and education, credit facilities and marketing their labour and products at reasonable prices may help in raising the capacity over commanding maximum sources of income, which ultimately would enable to raise the level of income of poor families.

Facilitating empowerment

By making state institutions more accountable and responsive to poor people, and strengthening the participation of poor people in political process and also involvement in decision making empowers the poor. The empowerment in that area would enable poor people in understanding the facilities, utilities and scope of varied schemes, specially launched by state institutions for raising the economic standard of the poor households. It would help in removing the social barriers and discrimination being made on the basis of gender, religion, caste and social status.

Enhancing security

Lack of capabilities in affording health, education, drinking water, sanitation, electricity and capturing the earning sources adversely affect the poor households. So, effective safety net in those areas helps in mitigating the poverty. It provides strength to overcome the various calamities being faced severely due to their poverty phenomena.

The poverty alleviation programmes got highest priorities in strategical planning since 1970. In the 5th plan ‘Garibi hatao’ slogan was first launched. Since then several anti poverty measures/programmes have been undertaken some of these programmes are enlisted.


On the basis of nature and scope these of programmes, we can classify them into following categories

- Wage employment programmes.
- Self-employment programmes.
- Public distribution system and nutrition programmes.

The main objective of these programmes is directly help the poor people to improve their economic, hygienic and social conditions. The Govt. has funded these programmes under the heads of ‘Rural and Urban
Development’. Various expenditure budgets shows that expenditure on the heads of rural and urban development for poverty alleviation has increased during the reform periods except in 1996-97, 1999-2000 and 2003-2004 years. Though expenditure on all social services and poverty alleviation has increased the it’s percentage to GDP (at current market prices) has fallen from 2 per cent in 1994-95 to 1.8 per cent in 1996-97 and then raised to 2.7 per cent in 2002-2003. In 2003-2004, the figure has reduced to 2.5 per cent. It indicates, especially in post-reform period the Govt. has failed to make sufficient provision of funds considering the requirement. The nature of poverty alleviation programmes were aimed at supporting directly but externally to poor people. That externalities of programmes has just, helped in providing bandage for deep rooted wound of povertyness among BPL households.


United Nations Development programme (1993-96) headed by Amartya sen, Meghanand Desai, Sudhir Anand had established the positive association between human development index and economic growth, and there by showed negative association between human development index and poverty ratio. But Lyne Squire and Michael Bruno (1996) proved that the inverse relationship between economic growth and poverty ratio is not always valid in all countries in the long run.

Ravallion and Datt have submitted their findings. According to them the growth in the primary sector is more effective in reducing poverty than growth in secondary sector.(D Bhowmik et all 2003)

7.3 Measures for Promoting Saving and Investment of Landless BPL Families.

The comprehensive review of suggested policy measures for individual measures to eradicate poverty was exhibited by well known world class institutions, Govt. agencies and also by eminent academicians.

The implemented remedial measures have proved their limited strength in tackling the problem of poverty. The Govt. efforts in this direction have functioned as an external bandage over deep rooted wound of povertyness among the hard-core poor families in least developed rural
area. The institutional efforts (World Bank, Attacking Poverty 2000/2001) pertaining to recommendation for mitigating poverty looks, time lagging, effective only in long run, but least useful to the local poverty stuck families.

The measures and illustrations pertaining to poverty eradication and models by eminent scholars and academicians have remained out of purview of the Govt. agencies. Hence, inspite of spending huge funds periodically and it’s nationwide publicity made by Govt. agencies has failed in raising the rate of poverty declination in India.

It needs to address the problem of poverty and efforts in designing policy in non-conventional manner. We confined our attention in suggesting certain applicable policy measures to improve socio-economic and also empowerment leading towards faster declining rate of povertyness of landless BPL families in least developed rural area. To get ride of poverty stuck conditions of rural landless BPL families, the measures to be implemented should have aimed at attacking their poverty on two fronts. On the one hand, measures designed for the purpose should have positive impact on improving the economic strength of the landless BPL families. Those measures may be categorized as ‘direct’ but they are ‘external’ measures. The measures such as, reforming the minimum wage act linked with inflation rate, increasing wage employment opportunities, enlarging basket of food items and necessary commodities being supplied through public distribution system at lower prices and providing shelter, health and education facilities free of cost can be termed as direct but external measures for poverty alleviation programme.

Along with these direct but externally useful measures some of the indirect but internally strengthening measures may be designed and applied for upliftment of socio-economic conditions of landless BPL households in rural area. The policy measures aimed at cultivating inspiration and motivation for generating the income and augmenting saving and investment may be defined as “indirect but internal” policy measures. The measures such as coverage of self help group movement, micro finance application of inclusive growth model, incentives via separate smooth interest rate package for savings and investment and regular counseling may be practiced as indirect, but internal policy measures, impacting in building insight is the strength of poor families.

Thus, the comprehensive implementation of direct but external and indirect but internal policy measures may strengthen the socio-economic conditions of the landless BPL household in rural area. The socio-economic upliftment of landless BPL families some of direct but externally and indirect but internally effective measures have been suggested as below.
7.3.1 Strengthening Micro-Finance Network.

Recently, the attention for microfinance and its role in reducing poverty was further increased, when Muhammad Yunus received the Nobel Prize for his work in providing credit to hard-core people in Bangladesh via establishing Grameen Bank. The noble committee then expressed that microfinance can help people to break out of poverty. Though the concept of micro credit or microfinance\(^1\) has expanding its roots in Indian economy, its beginning may be traced in establishment of Rashtriya Mahila Kosh and in many informal sector efforts to encourage thrift in micro finance activities. The informal sector efforts in this direction, most widely known of all was the Self –Employed Women’s Association (SEWA) established in Ahmadabad in 1971. The self-help groups (SHG) bank linkage programme of NABARD\(^2\) and Small Industries Development Bank of India’s (SIDBI) fund for micro credit (SFMC) has given a grant to enlarge micro-finance network. The annual reports of NABARD shows that there were 255 SHG’s-bank linkages in the year 1992-93, which had raised to 461478 in the year 2001-02. It indicates that the micro finance movement in India has shown a significant capabilities in covering the SHGs in India.

But the enhancement being given to establish linkage between micro-finance and SHGs and implementation perspectives of microfinance only through SHGs had resulted into limiting its scope in poverty mitigating programmes in India. Hence micro-finance movement must posses elasticity, so that an individual BPL families in general and landless BPL families in particular would be included in microfinance activities. For this, in the first instance, micro finance institutions should begin to identify and measure the number of landless BPL families based on the village wise list of overall BPL families. Afterwards a scheme covering exact number of landless BPL families in each year on the basis of points awarded\(^2\) from minimum to upward direction to such families may be selected to include those families for micro-finance purpose.

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1. It is generally agreed that micro credit or small loans for income generation or consumption purpose are but one component of more comprehensive “microfinance” services. These services includes savings, insurance, money transfers. The term ‘micro credit’ or ‘micro finance’ are used inter changeably. Micro credit/ micro finance is defined as provision of thrift credit, and other financial services and products of very small amount of the poor in rural , semi urban areas for enabling them to raise their income levels and improve living standard.

2. The recent survey (2002-03)undertaken to identify below poverty line families had practiced the methodology of awarding maximum total points upto the limit of 52 to the family by considering the educational status, monthly income earnings, drinking water facilities, social class, land ownership, housing pattern, clothes food security, sanitation, source of livelihood etc. of the family. The families securing 16 or less points were identified as BPL families.
Then by availing them an orientation programme for getting impressed in the mind, the concept of micro-finance, such families shall prepare themselves to undergo the micro-finance scheme.

By recognizing the need of enterprising activities being performed by landless BPL families, size and pattern of micro-finance may be determined by micro-finance institutions. The independent cell for monitoring the utilization of micro-finance and time to time feed-back from beneficiaries may help in efficient and purposeful utilization of funds by those families. It will also develop a culture of timely repayment of loans among the families.

The inclusion of landless BPL families in micro-finance would certainly help in strengthening those families both direct but externally and indirect but internally. It would result into cultivating the investment behaviour, searching for varied sources of income, which would generate additional income to those families. It would ultimately lead towards augmenting saving behaviour. Thus, the access to credit can contribute to a long lasting increase in income by means of a rise in investment in income generating activities. Which would also help in capturing diversified sources of income. Especially, the micro credit can contribute to an accumulation of assets and reduce the vulnerability due to illness, drought and unemployment situations.

7.3.2 Expanding Coverage Area of Self-Help Group Movement.

One of the policy measures, need to be heavily addressed, belongs to enlarging the coverage area of self-help group (SHGs) movement. The survey was conducted for inclusion of landless BPL families in SHGs movement in Khatav taluka, which reveals that hardly not more than 5 per cent families were included in SHG movement. The ongoing SHG movement has concentrated on above poverty line (APL) families in general and women headed families in particular.

The roots of SHGs movement may be traced, in the scheme entitled the Development of Women and Children in Rural Areas (DWCRA) launched in 1982-83. Under the scheme an outright grant of Rs.25000 was provided to the group as a revolving fund, which could be utilized by the members to undertake income – generating activities. Every member was encouraged to set apart at least Rs.1 per day as savings. Since the initiative role of NABARD and directives of RBI to banking sector, SHG programme has captured good deal of speed in India. Through its recognition in Union Budget, the Government of India has accorded national priority to the programme. Nearly 80 Lakh poor households, in terms of outreach, has been covered by SHG movement. It is largest
number in any single country. It reflects potential capabilities of movement in tackling the problem of poverty.

But still, it is seen that the programme in rural area has bended towards above poverty line (APL) families in general and women headed families in particular. The survey conducted for present research revealed that hardly not more than 5 per cent landless BPL families were covered in SHG programme. It indicates the need of expanding coverage area of programme. At present there are three models for SHG linkage.

A) SHGs formed and financed by banks.
B) SHGs formed by formal agencies (commercial banks, regional rural banks, co-operative banks)
C) SHGs financed by banks through NGO’s.

**SHGs Model for Landless BPL Families.**

For having maximum inclusion of landless BPL families in SHG movement, and present structural perspectives of ongoing models, an attempt has been made to suggest independent model for their development.

<table>
<thead>
<tr>
<th>Present Models</th>
<th>Model for landless BPL families</th>
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<tr>
<td>APL+BPL families (mostly women headed Families)</td>
<td>Only landless BPL families headed by male and female members of family.</td>
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2. **Social category.**

SHG formation without Social discrimination. In one, SHG, families from different social categories can be covered.

Independent SHG formation based on social category of landless BPL families.

3. **Activity Status.**

Generally the families Belonging to various types Enterprising activities are Being covered/included in single SHG

Separate SHGs based on the enterprising or non enterprising activities performed by similar families.
4. Training and counseling
No permanent provision mostly informal type training and counseling is practiced.
Time to time training and counseling on the permanent formal base.

5. Selection Procedure.
No clear cut selection procedure is being observed.
On the basis of economic activities and points awarded in identifying BPL families.

Micro financing institutions Head of SHG+BDO office
Micro financing institutions Head of SHG+BDO office+ local government.

7. Finance and Marketing
Major role is played by banking sector pertaining to microfinance and no provision of protected market to products of SHG by state agencies Higher rate of interest.
Banking sector +Local government+ State can play contributory role in microfinance and an auxiliary grants and or subsidies , state should provide marketing facilities and Protected market to products of SHG.

The suggested model for inclusion of landless BPL households in SHG , if implemented rigorously, would help in uplifting the economic status of those families . The comparative effectiveness of this particular SHG model than existing models is in its scope . It follows piecemeal approach. The existing SHG models aims at generating economic capabilities among the BPL families, by considering the poverty perspectives in bunch or cluster form . Instead of it, present models aims at dealing with an individual components form. As a stone mason ,while making small pieces of hard and large stone, follows the logic of observing it’s inner formation and then first hits on very weaker part of that stone. The problem of poverty can be resolved by following the same approach. The total poverty phenomena can be classified into various pockets based on number of determined norms . The present SHG model for landless BPL families deals with the problem of poverty in pocket form.

7.3.3 Promotive Interest Rate Package
As mentioned earlier, strategically measures for tacking the poverty problem should posses simultaneous applicability on two fronts.
Along with the direct but external measures, some of the measures effective in strengthening internal capabilities of hard core poor families can be essentially designed to raise the resistance of such families in dealing with poverty phenomena. The separate promotive interest rate package to them belongs to this class. The review of monetary policy reveals that, Govt. and RBI has adopted tight and soft interest rate measures to achieve targeted goals and objectives, which are considered essential to overcome even temporary phenomenal perspectives in the economy. If mitigation of poverty problem has been remained the permanent objective of economic policy, it is quite advisable to set an independent and effective interest rate package specially designed for landless BPL families.

The savings promotive and investment inspiring interest rate schedule may help in cultivating the habits of saving and investment on the one hand and it would enable to conferate themselves in banking and non-banking financial institutional network. One of the objective behind opening and enlarging the post-offices network was to facilitate, promote and basically cultivate small saving habits among the rural poor people. But the phenomenal interest-rate schemes on small savings offered by Post-Department reveals that interest rates on small saving schemes have declined trend in recent past. Banking sector also offers equal interest rates on the savings made by highly rich and deeply poor communities. In fact the marginal savings activities performed by chronic poor person has far higher consumption sacrificing value than the person belonging from highly rich class. Thus, both banking and non banking sectors not having poor friendly saving interest rate package. They have resulted into negligence of poor families in involving saving activities and preserving the saving into holding the cash in hand.

The poor are mostly in need of credit supports. They can not perform various types of enterprising activities in substantially large scale and on the permanent base due to the shortage of capital. The present umbrella of SHG and micro finance is far away out of their reach. So, by considering the individual family norm and need of such families pertaining to credit supply, by charging nomimal stationary cost, credit facilities should be made available to them. Credit recovery linked subsidies and incentives scheme may help such families in proving themselves credit worthy. If the Govt. can make provision of awarding huge fiscal and monetary incentives to already economically strong and stout segment of society, it has nothing to loose but have favourable result in providing credit facilities at possible upto zero interest rate charges to mostly needed hard core poor. The experiment of Grameen
Bank in Bangladesh in this regard has confined this approach successfully.

7.3.4 Redesigned Wage employment Programme.

In the present study, data on the composition of work-participation rate and number of marginal male and female workers reveals that landless BPL families face the problem of finding out enough employment opportunities. It addresses the need of redesigning of the existing wage employment programmes aimed at providing employment opportunities to BPL families. The existing structural nature of wage employment programmes reveals that there is no separate, independent wage employment programme specially aimed at providing employment opportunities to the landless BPL families in least developed remote rural area. Whatever programmes are being launched, have promised to provide employment opportunities not more than 120 labour days in the year. Secondly, the wage structure of these programmes reveals that they are not substantially competitive compared to wage rates in certain organized and unorganized sector functioning as sources of employment opportunities in rural area. It is seen that rural poor have got involved in employment crisis, that appears in front of them on the one hand, wage rates in existing rural institutional structure are generally lower than the state sponsored employment programmes, but it enables poor labour in obtaining inciting advance payment whenever required against their work due perform in future period. Some of the employment opportunities available in unorganized rural sector have more assurance of employment and less labourous hard work than state sponsored employment opportunities. On the other sides, the state sponsored employment schemes renders higher wages, don’t assure employment for longer period on a permanent base. One peculiar nature of present wage rate structure in private unorganized sector and state sponsored employment programmes reveals that it has not linked with the impact of inflationary trends in the economy. Thus, the poor families got involved in crisis of lower wage rates and assured employment opportunities.

It enhances the need of redesigned wage employment schemes of govt. agencies and employment perspectives in rural area. We have confined our attention to design applicable and effective wage employment model for landless BPL families. The following items can be considered while designing the wage employment model.

- Structuring separate wage employment programme for landless BPL families in rural area.
- Wage rates moderately higher than the wage rates determined in the employment programmes for general /overall BPL families.
Revision of wages linked with inflationary trend.
Shouldering responsibility on village Panchayat Committee pertaining to its review, publicity and preparing progress report.
Assured employment opportunities for not less than 240 days in a year.
Awarding the ‘Landless BPL employment card’ to each such family.

Accrediation of villages on the basis of implementation of wage employment programmes for landless BPL families and awarding fiscal incentives linked with progress made by village panchayat in it.

By considering the grass-root level realities pertaining to wage rate structure, existing work opportunities, availability of skilled labour in rural areas, systematically designed wage employment programme for landless BPL families shall offer a best solution over mitigating the chronic poverty phenomena in rural area.

7.3.5 Training and Consoling Programmes.

The high incidence of illiteracy (50.51 per cent) found among the landless BPL families has resulted into carrying out various types superstitions, costly religious functions and negligence towards improving educational health status and capturing income earnings activities. It has adversely impacted into lower income size, not enabling them to perform varied savings and investment activities.

It addresses the need of changing and building up inner socio-psychological approach of landless BPL families by managing various types of training and consoling programmes periodically for such families. The training programmes for acknowledging the government sponsored employment programmes, educational, health, shelter facilities and scope of certain enterprising activities can be performed by them, may help in changing mind set of such families, which is long confined on the assumption of ‘Thevile Anante Tai saichee Rahave’. The consoling programmes for BPL families in rural area aimed at awakening regarding impact of alcoholism, optimistic approach towards better life, self-confidence building measures strengthening the hygienic status for landless BPL families may result in generating high moral values and positive understanding towards better future life. It will be inspiring to such families for capturing maximum sources of income, augmenting saving and investment.*

* The experience of M.S.Swaminathan Research Foundation (MSRF) and honeybee network,Ahmedabad may be put as a guiding milestone in this regard, The MSRF’s experiments in electronic knowledge delivery to the poor have received wide commendation for its uniqueness, innovations and user friendly information technology packages (R.Radhakrishna et all,2006)
Thus, the training and consoling programmes will help in achieving the aim of reducing nutrition and human poverty of landless BPL families in rural area.

7.3.6 Facilitating Social Status.
Consistence heavier load of povertyness being carried by BPL families, higher income group society tends to reject with contempt those families. This has led in avoiding to award social status to such families. That has tended to generate inferiority complex among the families, resulting into least involvement in upper income group society in rural area. Hence, along with the measures aimed at improving economic status, the measures assuring social status must be considered for facilitating social status to the rural landless BPL families. The measures such as cultivating self-respect, awarding freedom from sycophancy, dignity to them may be enhanced to rule out infirmity in BPL families. Especially, in least developed rural area, sympathetic and sensible behavioural approach of non poor class towards the ultra poor (LBPL) families would help in awarding social status to such families. That would result into generating ambitions and understanding regarding the importance of need of performing efforts in fullest strength to raise economic status in such families.

7.3.7 Other Measures
The BPL families in general and landless BPL families in particular are found deprived of political empowerment. That results into least acknowledgement of various programmes launched by state agency aimed at their alleviation of poverty. So, they should be awarded representation at least in village level panchayat bodies. One of the representative from landless BPL families, if included as co-opt member by rotation every year in Grampanchayat bodies would help in awarding political empowerment. This would result in understanding and knowing the schemes and programmes of poverty alleviation. That would be act as supportive for awarding the social status. Amartya Sen has also insisted it (Development As Freedom). The strengthening of social protection measures for minimizing the risks and vulnerability of the poor must be one of the objective of certain poverty eradication programmes. Anti-poverty measures have to be designed in a manner, that local institutions can have a choice to change it as per local requirement and economic environment. Private investment in remote rural area can offer employment opportunities to poor families in various forms. The poverty alleviation programme should be concentrated in larger scale in the villages having less than 2000 population.
The problem of long existing poverty in India, has placed itself at the centre of triangle in which government agencies, non poor society and institutional networking are three responsible angles. The trend and direction of these three angles and also comprehensive determinant nature of efforts performed by them on the front of mitigating the poverty, determines its effectiveness. The honest efforts in these direction by these three angles can help in raising the income level and promoting the savings and investment behaviour of landless BPL families in least developed rural area.