

THE LIVELIHOODS AND DEVELOPMENT MONTHLY

JANUARY 2011
Volume 12 Number 1

NewsReach





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Skill, Entrepreneurship and Market Development of the Handicrafts Sector in Western Rajasthan: Learning from the Life Cycle

RAJIB L. PATHAK, KELLIE COPPENRATH, VANITA VISWANATH

Intervening to build entrepreneurship among the women of Barmer engaged in textile crafts, Udyogini moves from direct implementation to a facilitating role.

OVERVIEW

The key issues confronting social businesses today are assessing their scalability potential and developing models that are replicable. Craft artisans, in particular, face these problems, owing to the volatile market, skill and supply constraints, complex logistics, and long and mostly unorganized supply chains. Due to these complexities, the margins in the product sales are low—for the artisans as well as the upstream entrepreneurs. Yet, artisan crafts are an important area of social business in India because the handicrafts sector is the second largest employer, after agriculture, in the country.

Textiles account for almost half the handicrafts sector; other craft segments in their order of significance are cane and bamboo, wood, metal, straw/grass/fibre, clay/ceramics, leather and stone. Market channels include wholesalers, retailers and exhibitions. For products promoted by NGOs, there are alternative sales channels such as small shops (including co-operative societies) and exhibitions organized by craft organizations. The study estimates that these alternative channels, despite having carved a niche in up-market consumer circles, have not built adequate sales volumes, and, therefore, cannot be counted as prominent market players. Some NGOs, working with artisans, have preferred to develop their own alternative value chains in order to gain high returns for the producers. However, cases of success in such instances are few.

Mobilizing crafts people for creating markets for their craft is a long and complex process and most organizations take more than ten years to reach certain scale of returns. In most cases, increasing the supplier base has been a challenge because to sustain results, there is a need to have reliable quality as well as skills. Input and management costs as well as human capacity requirements become high if quality is to be ensured. This makes craft-promoting interventions non-replicable,

especially for smaller organizations. In addition, there are location-specific social and community constraints as well, especially for the home-based working women. These issues combined with the inherent and often rapid shifts in consumer demand increase the costs and the risks for the NGOs involved.

For Udyogini, (an organization that provides development services for training and promotion of poor women as entrepreneurs) the supply and market constraints in the sector—the costs of intervention, the funds required and the long gestation period for developing a producer-owned, fair trade value chain—suggest that for scalability and ‘replicability’, there is need to devise a different model. As part of service provision, Udyogini provides strategic inputs to other organizations on interventions in the crafts arena. It, therefore, becomes incumbent on Udyogini to develop a model which could, in whole or in part, be replicated and scaled in other locations and be sustained without continuous and high-level support by the intervening NGO. Most important, the vision of Udyogini of building management capacity and entrepreneurship among local people, especially women, guides its operations. Consistent with this vision, Udyogini set for itself a five-to-seven-year schedule in prototyping a business model driven by local entrepreneurship.

This study describes the intervention of Udyogini in textile crafts in Pugal block of Bikaner district in Rajasthan since its inception in 2003 up to when it moved from direct implementation to a facilitating role in December 2009.

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LOCATION AND SOCIAL BACKGROUND

Pugal block is 30 km from the Pakistan border. The area is in the great Indian Thar Desert, with an extremely arid climate. In summer, the temperatures rise up to 50° C. Strong, hot, desert winds cause the sand

to cover roads and pathways, and make access to villages in the area very difficult. The villages are dispersed and poorly connected by public transportation. The nearest town, two hours away, is Bikaner. Most of the people in the area are refugees from Pakistan, who came to India during the 1965 and 1971 wars between India and Pakistan. The area has both refugee settlements and indigenous habitations. Many settlers were given land by the government when they came across the border.

However, with the paucity of rainfall and under-developed irrigational facilities in the area, agriculture is seasonal and subject to drought conditions every few years. The women of the Meghwal community, the settlers that came from Pakistan, are highly skilled in traditional embroidery. Others such as Rajputs, Suthars and Jats came from other parts of India and have also acquired some skills in making products of low value, suitable for the mass market. However, restrictions on the mobility of women have limited their opportunities for earning a decent living. The patriarchal structure restricts Rajput women.

The study has found that limited rain-fed agriculture provides income and employment for one or two seasons (3–5 months); families earn additional income from the women’s handicrafts work for another 6–8 months in the year. More important, the women control

the income from the handicrafts sector. There has been a thriving market for embroidery products of Pugal since the settlements were established in 1965. From the beginning, the women undertook job works, supplying products on a piece-rate basis through local traders to wholesalers and exporters located in Barmer district on the Gujarat border. The traders in Barmer—'the handicrafts hub' of Rajasthan—provided the women with fabric, thread and designs for embroidery.

In 2004, the annual turnover of the business was estimated to be approximately Rs 130–150 crores (\$28–33 million), providing livelihood opportunities to roughly 60,000 women in rural western Rajasthan. An analysis of the same market by Udyogini in 2005–06, when it was experiencing a slump, showed that the turnover does not go below Rs 80–100 crores, even during a slowdown. However, this market provides only intermittent work in the form of job works for very low margins per piece. Nearly 75 per cent of their production was (and is) concentrated in home-based work in three to four clusters within Barmer district. Pugal's share in this market was only around 5 per cent. This was partly because there were only a limited number of skilled and semi-skilled suppliers in Pugal (whereas Barmer had a highly skilled producer base), the transportation costs from Pugal too were high, given the distance between Bikaner and Barmer.

The women in Pugal wanted better margins and regular work (for at least four hours per day, 20 days a month and for 6–8 months in the year). They were working for local

Udyogini estimated that in Pugal and the surrounding villages, around 2,500–3,000 women could potentially earn a livelihood from handicrafts.

traders, and they thought that their skills and their bargaining capacity were being compromised because there were no benchmarks for design, quality or price. The women felt unsupported in the area in other ways too.

When Udyogini began work in the area in 2003, the women were not in favour of the formation of Self-Help Groups (SHGs) and internal lending because of lack of mutual trust among the members. The area had not seen any good SHGs despite many SHGs having been started. Most producers saw SHGs as a way to pull in government funds, rather than build sustainable savings and credit associations. There was, and still is, a large default rate of such SHGs in the local banks. And because there seemed to be no great demand for consumption credit, Udyogini, at the inception of the programme, did not take the route of linking income generation work with SHG development.

PROGRAMME OBJECTIVE AND PERSPECTIVE

The objective of the programme was to develop local enterprises and a supply chain in a region that is normally considered inhospitable for such enterprises. The women of Pugal were excluded, socially secluded, had poor access to infrastructure and were considered to have a low socio-economic potential. Udyogini estimated that in Pugal and the surrounding villages, around 2,500–3,000 women could potentially earn a livelihood from handicrafts.

In 2003, only women from the Meghwal caste, who had superior skills in traditional embroidery, were targeted for support. Within a year, Udyogini realized that the

development of an enterprise that focused only on highly skilled producers was unlikely to achieve the desired results. First, their income expectations would require high-end and perhaps export-oriented market linkages that would, in turn, require considerable seasonal adaptation among the artisans, in terms of colours, fabrics and products. This would be self-limiting, in terms of the number of artisans, who could meet these requirements. Therefore, scalability within a reasonable time was clearly going to be a challenge. Moreover, as we now know, niche markets dry up during a worldwide slump, posing fresh livelihood challenges for highly skilled but poor artisans. Second, the cost of developing such a business would be high, requiring large investments in design, product development and brand building over many years without the assurance that the supplier base would be able to meet the requirements of up-market consumers. Third, the sustainability of the model would require a promoting institution. There was need for long-term, more expensive, professional human resources development, for creating and maintaining a value chain for an up-market segment.

Instead, Udyogini decided to focus on systematization, manufacturing capacity, quality and price benchmarks, to supply and expand the market for mid-range products. This would enable a larger number of artisans to be skilled and employed and, possibly, attract the bigger and more organized retailers at a later stage.

STRATEGY AND OPERATIONS

Handicraft Genre and Skill Development

Udyogini took a high-volume, low-margin, per piece approach that would involve a large number of low- to medium-skilled women or even unskilled women, in order to reduce the

barriers at entry, which up-market focus would have imposed on the organization and the artisans. The women in Pugal worked for very low rates and unskilled women did not earn their livelihood from the craft at all. These were women from the Rajput and other castes, not Meghwals. Instead of focussing on product development and related marketing investments, the intervention by Udyogini focussed on improving the efficiencies for the existing market through improved quality, productivity, benchmarking and systems for the existing range of products and designs. This, they felt, would enable greater standardization. Two existing low-end craft genres—appliqué and silk-thread embroidery—were developed for the purpose. This process, Udyogini believed and hoped, would lead to a self-sustainable cluster model within five years, which could become largely independent of the promoting institution within 6–8 years.

Market research showed that there was a demand for appliqué work in a range of market segments, depending on the quality, the design and the fabric used. On the supply side, standardization of quality was possible because of the minimalist forms of appliqué work (white on white colour palate and simple designs). If the quality of workmanship were high, the margins would also be high, depending on where it was sold. On the other hand, for products of silk thread with mirror-work embroidery, the returns would go up only marginally with an improvement in workmanship because of the market positioning of this product. Nevertheless, for the low-skilled and newly skilled women, this would generate some income at times when agriculture was not productive, for example, through the drought years.

Thus, Udyogini increasingly supported a larger number of women in Pugal with skill development in appliqué. The strategy change resulted in rapid coverage and within one year more than 500 women developed or upgraded their skills whereas, prior to this, Udyogini had managed to support only 75–100 women with skills required for an up-market segment. Within six years, Udyogini had trained nearly 1,000 women in basic and high-quality appliqué and upgraded their skills in silk thread embroidery, making them all eligible for employment in the mid-market segment. About 250 women were highly skilled and could make up-market appliqué products. The differential earnings over a period of time were a result of market fluctuations, irregular orders and quality inconsistencies, and not just because of the skills of the women. Some women did earn more because of the consistency of the quality of their work and their strict adherence to schedules. Apart from Rajputs, Jats, Suthars, the programme also included Muslim women, who had never been employed earlier. By the end of 2009, there were 70 Muslim women working on orders brought by Udyogini.

The choice of the market segment and the corresponding skill development facilitated the development of clusters fairly rapidly, covering 80 per cent of eligible women in contiguous villages in a single craft genre. Three such clusters, Pugal, Shivnagar and Adoori, were developed and became 'trademark' appliqué clusters. The latter two are Rajput-dominated and have been recognized by the Government of Rajasthan

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under its Cluster Development Programme, and funds were earmarked for this from the Industries department. This was the first recognition of its kind for a group of villages in the Pugal block.

Business Process and Supply Chain

Upgrading the quality of a 'lower-grade' craft helped the existing traders supplying to Barmer to obtain better quality from Pugal than earlier. In 2004, in terms of size, micro-firms (with an annual turnover of less than Rs 10 lakhs) in Barmer dominated the production landscape. In fact, 53 per cent of the firms belonged to this category. However, they contributed only 8 per cent of the volume of the sector. On the other hand, 7–10 large firms, which accounted for only 4 per cent of the total firms, captured 51 per cent of the market share. They continue to be the important linkages for the mid-market segment of Pugal. There are low barriers to entry and exit for local traders supplying to these firms and, therefore, there are always opportunities for new entrepreneurs from Pugal to take advantage of this market.

By not changing the market, Udyogini reduced the costs of product development and used, instead, the existing job work mechanism to build incremental quality and skills improvement. Local people were trained to oversee production and quality; hence, there was no need for professional designers. The traders themselves trained the women to improve their skills. The incentive to improve their skills was the ability to offer better quality to the market and, therefore, earn higher returns. This was

a significant contribution to the existing market because for niche markets, product development and related skill development are key investments.

Along with the skills training, Udyogini organized Grassroots Management Trainings (GMTs), that enabled artisans

to understand the product manufacturing process as well as costing and pricing. This knowledge helped the artisans bargain for better rates because the quality of the product had improved. The traders already working in the area, who produced goods that matched the new benchmarks, were able to continue to do business and those whose products did not measure up stopped working. Of the 25 traders that worked in the area, only four remained five years after Udyogini began working there. Udyogini began work in 10 villages initially but expanded to 30 villages by 2009. The two-appliqué clusters of Adoori and Shivrinar are 15 and 45 km away, respectively, from Pugal town. The farthest cluster of villages, to which business development service (BDS) is provided, is 60 km from Pugal. In order to enable efficient operations across such distances (characterized also by poor connectivity by public transport), it was important to link these villages to a central production and distribution centre in Pugal.

Each village or cluster of villages also needed a distribution and collection centre from which women could take the raw material and return the finished goods. These served as production centres only for women of the village in which the centre was located because seclusion limited the others to home-based production. These centres also served

Udyogini-trained entrepreneurs were given villages to develop as clusters, to ensure that at least 80 per cent of the eligible women in the selected villages became skilled, graded and involved in production.

as training centres for management and technical skills for women. Udyogini identified local persons to work as production supervisors (called business development service providers, or BDSPs) and carefully nurtured a few to take on more entrepreneurial roles, that is, visit

Barmer regularly to get more links and orders, get exposure to the market by participating in exhibitions, and manage the BDSPs working in their cluster. In order to infuse business principles into the operations as early as possible, Udyogini ensured that there was a gradual reduction in salary-based work of the BDSPs so that within a year or two of a woman being employed as a BDSP, she would shift to a commission-based system, in addition to her salary.

The Udyogini-trained entrepreneurs were given villages to develop as clusters, to ensure that at least 80 per cent of the eligible women in the selected villages became skilled, graded and involved in production. These entrepreneurs themselves became proficient in reaching out to non-Barmer-based wholesalers and brought in numerous orders for the employment of a range of skilled women. They also managed the production of such market-differentiated goods in their clusters as well as the distribution and collection through the Pugal hub and their assigned village centres. By far, the single biggest cost in this distribution and collection chain was transportation (15 per cent). Udyogini subsidized this cost during skill development and business process establishment and consolidation phase that lasted five years. Udyogini considered this a necessary concession because the market had

already contributed the major cost of skill development. Women artisans had stayed with the programme and despite their average earnings, the BDSPs accepted the shift to salary plus commission-based remuneration (although they did not prefer it). Transportation costs were incorporated into the price of the product from the sixth year onwards. This did not have an impact on the viability of the business because simultaneously there was a shift to a cheaper mode of transportation, a switch to an entirely commission-based compensation system for the BDSPs as well as some changes in the arrangements for the supply of raw material and the procurement of the finishing services.

Entrepreneurship and Producer Institution

Udyogini-created entrepreneurs began working under the overall supervision of an institution called UJAS, a registered Society of artisans, established in 2004. The bringing of all the producers under the umbrella of UJAS helped establish a brand identity for the products. With the initiation of branding, UJAS-manufactured products were separated from those made for other buyers dealing with low- to mid-range products. Producers were differentiated according to their skill, that is, those who were better skilled would make the branded products. With the increasing visibility of the better quality products and orders from more up-market buyers, UJAS-branded appliqué cushion covers, bed covers, dress and running material were made for inventory and mainly sold in exhibitions. The same high-quality products were also supplied against orders to retailers and wholesalers dealing in this market segment. UJAS continued to supervise the job-work for silk-thread embroidery cushion covers and some

appliqué products, providing employment to lower skilled and newly skilled women.

In the early stages of the life cycle of the organization, job-works constituted 80 per cent of the employment generation for women trained by Udyogini. It came down to 40 per cent of the portfolio of UJAS by 2009. The identity of UJAS grew stronger with trained entrepreneurs working under its umbrella; it became better known in Rajasthan, particularly in government circles, than Udyogini! The entrepreneurs gained knowledge and established contacts during the training and marketing support. Each entrepreneur was made in charge of her/his own production cluster and this gave them lessons in management. Three entrepreneurs qualified for social venture capital from a South India-based institution and made Udyogini their first partner in Rajasthan.

UJAS was conceived as an institution that would be owned and operated by artisans. However, the mix of castes that Udyogini-trained artisans represented and the low market awareness of the participating women posed a challenge to the creation of a strong UJAS within the schedule of five years that Udyogini had set for such consolidation. The growth of business operations was primarily the result of entrepreneur efforts.

Hence, some contradictions of individual entrepreneur growth and producer-institution ownership inevitably came to the fore in the later phase of the life cycle of the institution. One entrepreneur left UJAS after a three-year tenure (that had begun with her appointment as a BDSP) and consolidated her position in the cluster she had been given by UJAS. Whereas she had left UJAS to grow on her own, another left because her capacity and risk-appetite did not match the requirements

of growth. Nevertheless, UJAS continued to train more women (and men) BDSPs to increase its own management capabilities. It also began to incorporate social security measures for women, particularly child care. In 10 villages, crèches for young children were established. The teachers and helpers in the crèches were also trained and called BDSPs to signify the essential link between improved artisan capability and effective social security.

The crèche programme is a government-funded programme and is the first grant that the UJAS society has directly received.

Udyogini's three-pronged market development strategy comprised encouraging better paying and, hence, surviving traders; Udyogini-trained entrepreneurs worked on their own; and entrepreneurs and BDSPs worked with UJAS. This produced a combined turnover of around Rs 50 lakhs in 2008–09 for 900–1,000 women. Because the share of UJAS in this turnover was a little over one-third, Udyogini was clearly more successful in market and local entrepreneur development than in strengthening UJAS as a business organization. Overall, the women are estimated to have increased their income from between 2 and 40 per cent.

The resilience of UJAS in the face of better business performance by those outside the organization, even as Udyogini moved into a facilitating role, is encouraging for the sustainability of the institution. Indeed, it has developed leadership among the entrepreneurs in a way not seen before. UJAS has been able to raise small funds from the

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government and attract the attention of two leading socially inclined private firms from the state that supply the products to up-market domestic customers and higher-end export markets. One of them has expressly stated that she wishes to strengthen UJAS by buying from the institution rather than from one of the entrepreneurs in the area. UJAS member artisans complete these new orders (that reach FabIndia, a prominent crafts retailer) and receive better margins than from the earlier buyers. There has already been one repeat order from the market, suggesting that UJAS has a better grip on servicing this segment than before.

More significantly, UJAS is introducing value-added skills for its members that were earlier outsourced, such as cutting, pasting and tailoring (to take place mainly in the Pugal hub). It has also been allotted a retail outlet in Bikaner by the district government. UJAS has begun to pay a modest fee to Udyogini for its BDS, demonstrating thereby its continued commitment to business principles that were introduced early in the life cycle of the project. Cluster development seems to have triggered an interest and motivation among artisans to form SHGs, which are now strengthened with NABARD funds, and is closer to qualifying for support from banks.

CONCLUSION

Udyogini built its intervention by harnessing the strengths of the existing market operating in Pugal. It focussed on widening the markets for the products and opportunities for the artisans, thereby increasing the earning for

the women not only through UJAS, the producer institution, but also through the entrepreneurs from the area and outside. By 2009 end, 1,100 women in 30 villages were filling a variety of orders and supplying to a diversity of markets.

The initiative, however, continues to face challenges because trained BDSPs and entrepreneurs want to leave UJAS and work on their own. Udyogini, however, views this as sustainable market development that can strengthen employment opportunities for local women artisans. At the time of writing this, there are five or six local entrepreneurs based and working in the area, giving appliqué and silk-thread embroidery work to women trained in the skill by Udyogini. Sunita, the first entrepreneur to be developed under UJAS (and also the first one to leave it), has a turnover of Rs 12 lakhs per annum. If the competition from Sunita and the others

continues to catalyze UJAS to improve its governance and capabilities, the overall benefits to all players, across a range of market and skill segments, will continue to widen and deepen. It will also lead to the creation of economic wealth and greater empowerment of the women in area.

The modest investment and high returns strategy all along the chain, starting from Udyogini, has largely paid off and has resulted in socio-economic returns on a scale that the organization had set for itself. Admittedly, some aspects, such as the UJAS business model, could have been strengthened much faster but that would have required higher quality and better paid professionals willing to live in the area. This continues to remain a serious challenge given the location as well as Udyogini's cost considerations and its commitment to inculcate entrepreneurship principles amongst its professional managers.

Kudumbasree Exposure Visit: A Report

BINJU ABRAHAM

Aiming for the prosperity of the family, the Kudumbasree project, led by women, seeks to address the basic needs of less privileged women, thereby providing them a dignified life and a better future.

PRADAN professionals visited Kerala in August 2010 to see how the Kudumbasree programme, a poverty alleviation intervention by the state government, is run. The purpose of the visit was to understand another social mobilization approach led by women for poverty alleviation. The visit was motivated by (a) a need to develop programme strategies in PRADAN-operated states, especially in view of the upcoming rural development scheme—the The National Rural Livelihood Mission, NRLM—of the Government of India and (b) to look internally at how PRADAN's SHG-led poverty alleviation model can be improved in the light of the Kudumbasree experience.

BACKGROUND

In 1991, the Government of Kerala and UNICEF initiated the Community-based Nutrition Programme (CBNP) in Alleppey town, to improve the health and the nutritional status of children and women. CBNP facilitated the collective action by forming and developing the capacity of three-tiered Community Development Societies (CDSs), the members of which are exclusively women. Women, from families identified as poor, using a 9-point non-income-based index, were organized into Neighbourhood Groups (NHGs) comprising 15–40 families. Each NHG elected a five-member committee called the Neighbourhood Group Committee (NHGC), to co-ordinate and facilitate action at the NHG level. The NHGs were federated at the ward level of village *panchayat* (which typically has a population of around 1,500–2,000) into Area Development Societies (ADSs). The ADSs in the village *panchayats* were then federated at the municipal level into a registered body called the CDS. Each NHG, ADS and CDS has five volunteers carrying out different functional roles.

Based on the positive experiences in urban Alleppey, and subsequently in rural Malappuram, the Government of Kerala scaled up the CDS strategy to the entire state in 1998, under the name of Kudumbasree. The State Poverty Eradication Mission (SPEM) implements Kudumbasree through the Department of Local Self

What is Kudumbasree?

The word 'Kudumbasree' means prosperity (*sree*) of the family (*kudumbam*). Kudumbasree is one of the largest women-empowering projects in the country. It was launched by the Government of Kerala in 1998 to wipe out absolute poverty from the state through concerted community action under the leadership of LSGs. The programme has 37 lakh members and covers more than 50 per cent of the households in Kerala. It is built around three critical components—micro credit, entrepreneurship and empowerment. The Kudumbasree initiative has succeeded in addressing the basic needs of less privileged women thereby providing them a more dignified life and a better future. Kudumbasree is a joint programme of the Government of Kerala and NABARD and is implemented through the CDSs of poor women, which serve as the community wing of local governments.

Kudumbasree was formally registered as the 'State Poverty Eradication Mission' SPEM, a society registered under the Travancore Kochi Literary, Scientific and Charitable Societies Act 1955. It has a governing body, chaired by the state minister for LSG. There is a state mission, with a field officer in each district. This official structure supports and facilitates the activities of the community network across the state. Kudumbasree differs from conventional programmes in that it perceives poverty not just as the deprivation of money but also the deprivation of basic rights. The poor need to find a collective voice to claim these rights.

At the grass roots of Kudumbasree are the NHGs that send representatives to the ward-level ADSs. The ADSs send their representatives to the CDS, which completes the unique three-tier structure of Kudumbasree. Today, there are 1.94 lakh NHGs, over 17,000 ADSs and 1,061 CDSs in Kudumbasree. It is this network that takes women to the *gram sabha* in which they bring the needs of the poor to the attention of the local government. The CDSs are also very active in implementing government programmes and play a significant role in development activities, ranging from socio-economic surveys and enterprise development to community management and social audit. Through its efforts to engage the women in civil society in development issues and opportunities, Kudumbasree, in association with the LSG of Kerala, is charting out new meaning and possibilities for local economic development and citizen-centric governance.

Governments (LSG), formed and empowered in 1992 by the 73rd and 74th constitutional amendments. The convergence of various government programmes and resources at the CDS level, participatory anti-poverty planning and implementation, the formation of thrift and credit societies, and the

development and support to micro-enterprises are the key strategies of Kudumbasree.

The most radical feature of the implementation of the NREGS in Kerala is the central place given to Kudumbasree. Under

Kudumbasree, 15–40 families below the poverty line are organized into an NHG at the local level, with each family being represented only by a woman.

The ADSs have been entrusted with the task of organizing public works under the NREGS. They maintain the muster rolls and records, provide implements to labourers, and monitor and ensure the transparency of the programme. They also provide welfare amenities to workers. Because ADS is an organization of the poor and is a woman's group, there has been a greater sensitivity to the needs of the people, which has led to increased community participation in the implementation process.

A CDS has sub committees for different activities (including NREGS, social development and micro-finance). The Village Extension Officer is the member-secretary of the CDS. CDS chairperson receives Rs 1,500 per month as honorarium and his/her travel costs from the Mission. CDS also gets Rs 3,000 per month as an administration grant.

NHGs receive grant funds from the CDS to be used as a revolving corpus. Needy members may borrow from the NHGs at the rate of 15 per cent per annum. The Mission has standardized a cash-cum-minute book for NHGs; it costs Rs 100 and is paid for by the NHGs. The dividend in NHGs is distributed at the time of Onam; the amount is usually marginally higher than Rs 1,000 per member.

The convergence of various government programmes and resources at the CDS level, participatory anti-poverty planning and implementation, the formation of thrift and credit societies, and the development and support to micro-enterprises are the key strategies of Kudumbasree.

A CDS plays a very important role in implementing NREGS; it identifies the work to be undertaken, the labour budgeting, assesses the watershed and land development orientation of the community/staff, and conducts social audit. It also involves other departments and supervises the convergence of different schemes and projects.

The Azhnoor CDS has trained some of the community resource persons (women) as site supervisors for MNREGS; they are now recognized and employed by the government.

A Joint Liability Group (JLG) of five members belonging to different NHGs started a food unit at Kayamkulam, with financial support from the Mission and a Bank loan taken by a group of women. The unit makes nutritional food packets, including wheat flour which it sells to *anganwadis*. It gets its orders from the government.

The Nedumpana Apparel Park in Kollam is a marvelous example of innovation, leadership and convergence. The village president set up an apparel unit in the village, to help provide employment to more than 40 families, who are also the owners of the unit. It receives funding from the *panchayat*, the Bank, the Swarnjayanti Gram Swarozgar Yojana SGSY and Kudumbasree.

STRUCTURE OF KUDUMBASREE

1. The outreach of Kudumbasree is extensive, reaching 3.7 million families (more than 50 per cent of the total number of poor of the state). What is

remarkable is that such a large outreach has been achieved without significantly compromising the quality of the delivery and also ensuring that the community at the bottom of the structure sees the programme the way it has been envisaged by the people in the Mission. In addition, the fact that the programme handles multiple development goals of governance, gender equality and the building capabilities of people and their livelihoods is also commendable.

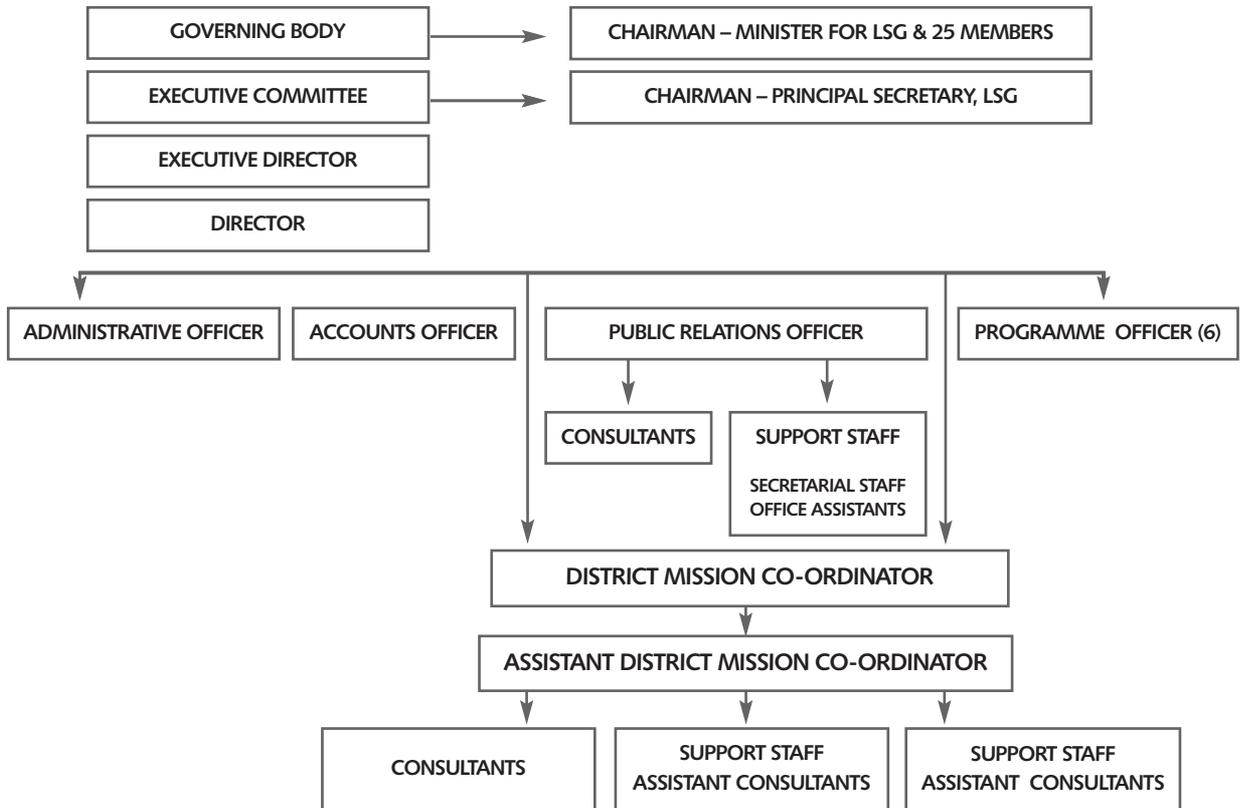
2. The programme is being rolled-out with systematic preparation at all levels. It has a governing body chaired by the state minister of LSG. There is a state mission with field officers in each district. This official structure supports and facilitates the activities of the community network across the state.
3. The programme is well supported by the other departments (in the LSG ministry); thus, the CDS structure has been able to find its space and link itself within the *gram panchayat* structure. The fact that CDS has its own legitimate office space and has received recognition by the *gram panchayat* and other government agencies has given a lot of confidence to the women.
4. There are very clear and uniform bye-laws at all levels (NHG, ADS and CDS) that guide the functioning of the organizations. The *gram panchayat* guidelines and planning guidelines have also been changed to include the CDS structure in the planning and governance to support the

Several women shared that being involved in an economic activity was a 'healing experience'. They felt both physical as well as mental well-being after they became part of the Kudumbasree movement.

organizations. A clear division of power among the three tiers of the *panchayats* helps the organization prepare action plans. A very systematic meeting schedule, at the NHG level, is followed.

5. The intention of the Mission is to help each CDS to become financially independent, to the extent of meeting its own running costs by collecting application fees, annual membership fees and running small enterprises or shops. However, it continues to provide administration grant for its operations. A lot of investment has been made, particularly in the initial stages, on the capacity building of the women members at all levels. In most of the districts, the NHG-ADS-CDS structure was put in place within 3–6 months. Changes in the *gram panchayat* rules were also made through an executive order by which the *gram panchayats* were mandated to include CDS representatives in their committees.
6. At Kudumbasree, there is a strong focus on building people's institutions at different levels. The NHG is the building block; it has a Secretary, a President and representatives for community health and Infrastructure.
7. The second tier is the ADS, formed at the ward level by federating all the NHGs in the ward. The activities of the ADS are decided by the representatives of the women elected from various NHGs.
8. At the panchayat/municipal level, a CDS is formed by federating all ADSs in the *panchayat*. The CDS is the representative structure of the vast

ORGANOGRAM



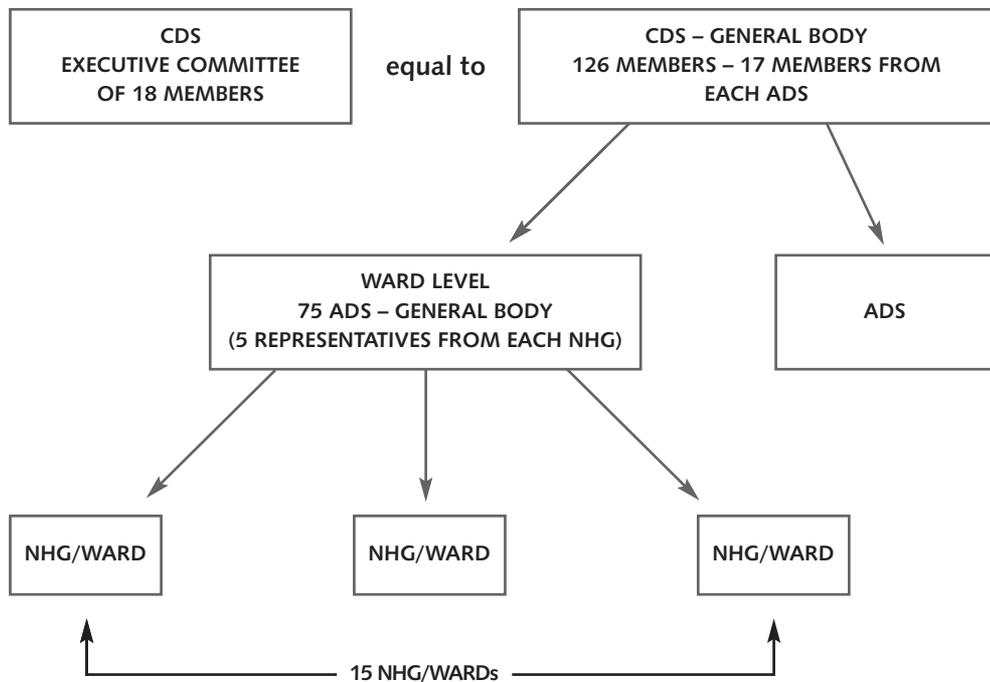
network of NHGs in the *gram panchayat*/municipal areas. It works in close liaison with the LSG and serves as both a dissemination organ for the government programmes and an enunciator of the community's needs in governance issues.

9. These institutions, the *panchayat* at the municipal level, have been built with facilitators for organizational building, a formal election process and with 10 per cent of the plan fund allocation of CDS.
 - a. High convergence: The Kudumbasree is an inter-departmental initiative, making it a good model of a multi-sectoral response to

poverty alleviation. The programme modalities, the officials, including the consultants, and the funds allocation support the big schema of the plan made by the Kudumbasree bodies. For example, the *panchayat* head, who came up with the idea of setting up an apparel unit in the *panchayat* itself, formed a group of 40 women in the village and organized funding from the SGSY, commercial banks, Kudumbasree and other schemes available in the district.

- b. Welfare/Subsidy for the poor: Kudumbasree has also flagged the

STRUCTURE OF KUDUMBASREE



need for a subsidy component, for the poor to be able to sustain themselves in their activities. Kudumbasree leads the MGNREGS programme in each *panchayat*. Much innovation has taken place within the MGNREGS in Kerala. There are many areas, especially where manual labour is required such as collective farming on common land, distribution of fodder, inter-culture in coconut trees, cleaning, grass cutting and ploughing; these have been taken up under MNREGS.

10. To promote self-sufficiency in rice production for Kerala, a farming subsidy

is given, based on the coverage area and the production volume of the paddy crop.

11. From the Kudumbasree model, we at PRADAN, learn that involving women in governance can change the public expenditure decisions of an organization. A large number of welfare activities such as a school for the differently abled children/adults, slum development, special women development programmes, Destitute Identification, Rehabilitation and Monitoring Project, children's *panchayats*, holistic health programmes, housing for the poor and a few others have been introduced and led by Kudumbasree.

- a. Development training service providers: Besides the institutional tie-ups made with established training agencies, the services of Kudumbasree's training enterprises are utilized for conducting training programmes. Pools of resource persons have been developed at different tiers, with specific orientation to deal with capacity building at their respective levels. Services of Kudumbasree's training enterprises such as EKSAT and KAASS are utilized for conducting training programmes for entrepreneur development and financial services. The revenue for these training enterprises comes from the various government programmes.
- b. Magical combination of success: The enabling environment, especially decentralization and the concurrent devolution of finances to the local government bodies (LGBs) has been critical in scaling up Kudumbasree. The CDS structures are now considered as a further step to decentralization. Because the CDS structures are affiliated to the LGBs, their financial sustainability is ensured through various modalities, for example, convergence, women's component plan and earmarked assistance to women.
- The unique context of Kerala, coupled with the leadership of a

The enabling environment, especially decentralization and the concurrent devolution of finances to the local government bodies (LGBs) has been critical in scaling up Kudumbasree.

- few motivated and innovative officials are the key in both the decentralization and the scaling-up process. Such a combination of success factors is difficult to find in eastern states where PRADAN is working. So, the starting point is different for Kerala and the eastern states of India. This has to be kept in mind when we attempt to translate this experience elsewhere.
- c. Inclusion of women in governance: The conventional local self governance and the people's planning processes in Kerala had largely bypassed women across sections. Kudumbasree seems to have recognized this gap in the socio-political space and has attempted to bridge it. As per the modified bye-laws, the CDS has to prepare and implement a 'CDS Action Plan'. This has to be a demand plan, consolidating the status of interventions in the areas of micro-finance entrepreneurship, farming, social development activities, etc., and indicates the quantum of need in each of these areas. The CDS Action Plan has to be integrated with the development plans of the LSGs. The micro-demand plans of the NHGs are consolidated at the ADS and the CDS levels, to form the CDS Action Plans. After a process of consultation with the LSG Standing Committees and Evaluation Committees, the CDS

Action Plan is formally approved by the LSG. The Evaluation Committee monitors the implementation of the plan.

- d. Understanding the economic activities: In most cases, it is not the economic benefits for the participating members that keeps them together but a feeling of collective strength and the sense of pride that they (women) are also contributing to the family income. It is this sense of empowerment, which bonds and inspires these women to work together. In spite of Kerala's socio-economic growth, it is still a male-dominated society; most women at various levels (individually, NHG, ADS, CDS, district meetings) voiced this. The NREGS workers, agricultural labourers and micro-enterprise owners in rural Kerala are all women. Women, who were idle at home, leased their land and became involved in cultivation, which they rarely had the opportunity to do earlier. Men rarely join the NREGS (mainly because the wage rates outside the programme are higher). Many women clearly articulated that the economic activity they are involved in is mainly to exert their 'sense of contribution' to the

In many cases we thought that the promotion of the economic activity was not as rigorous as we see in PRADAN. The interventions mostly flow from the casual/ immediate understanding/needs of the growers than a value proposition understanding of the 'practitioner'. The promoters seem to be merely giving 'provisions' on the demand of the growers.

family rather than just an income generating activity. Thus, the economic activity provided them a platform to realize and raise their hitherto hidden potential. Several women shared that being involved in an economic activity was a 'healing experience'. They felt both physical as well as mental well-being after they became part of the Kudumbasree movement.

12. In many cases (though not all), we thought that the promotion of the economic activity was not as rigorous as we see in PRADAN. The interventions mostly flow from the casual/ immediate understanding/ needs of the growers than a value proposition understanding of the 'practitioner'. The promoters seem to be merely giving 'provisions' on the demand of the growers. There are some aspects that we think need significant improvement. For example, there is concerted stake-holder collaboration around services, a focus on reducing production risks, a monitoring of the growers' production and price realization, the developing of an understanding of the value-chain, and a business plan in case of subsidy withdrawal.
13. Innovative pro-programmes such as the Integrated Child Development Services (ICDS) feed mixture, the apparel unit and waste disposal projects were taken up after closely observing the need for such interventions.
- a. Integration of Kudumbasree into the government operating structure:

At Kudumbasree, it is becoming mandatory for *gram panchayats* to send their Secretary to attend CDS meetings along with other *panchayat* officials. Therefore, the legislations in place not only help women participate but also let the administration know that the structure (NHG, ADS, CDS) is not working in isolation but is a legitimate structure recognized by the government.

The mission of Kudumbashree is “to eradicate absolute poverty in ten years through concerted community action under the leadership of local governments, by facilitating organization of the poor for combining self-help with demand-led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty, holistically.” Whether it fulfills its goals is for us to see.

Matiyas—A Changed Person

SURAJ SHEKHAR MURMU

Transforming the doubt and suspicion of the villagers into trust, their inability to capability, and poverty to self sufficiency requires patience, perseverance and perspective...Matiyas' is one such story.

INTRODUCTION

A *gram sabha* meeting is on in a remote village; suddenly a man calls out in a harsh voice, “*Ni hodo ko loan re phasowako aar ko seno ga, kabua abu ko.* (These people will trap us with a loan and they will move on)” And the meeting is over. That was the first time that I heard Matiyas' voice. I thought he was impressive—a person who just speaks once and a meeting is called off. What was going on over here? It is all over within a minute. I had not even brought up the word 'loan' in the *gram sabha*.

One-and-a-half years later, on a Saturday, at Bandgaon bazaar, I heard the same voice saying, “*Dada tisin do aam ke mithai jom kate sen howa ga!* (Today you have to eat sweets and then only you can go anywhere!).” I smiled and went with him to the hotel.

What a transformation in one-and-a-half years! Matiyas had changed. Let's trace what happened.

MATIYAS' TERRAIN

Matiyas is considered to be a very influential person. He lives in Tuyugutu (a remote village, barely connected by road). This village falls under Erki block of Khunti district. Erki is one of the poorest (by government estimates) blocks of Jharkhand. The terrain is hilly and 90 per cent of the area of this block is covered with *sal* forests.

The population of this block is mainly dependent on forest-based produce. Due to the high undulating slopes, 80 per cent of the land comes under the category of forests and uplands. The other 20 per cent is categorized as homestead, medium lands and lowlands. The major problem of the terrain is the runoff because the land is largely uplands. The water holding capacity of the uplands is low and the water flows from the high slopes to the lowlands. There is, thus, lack of water in the uplands and the medium lands after the rainy season, and the land is

unproductive. The Jharkhand Tribal Development Society (JTDS), a wing of the Government of Jharkhand, introduced a watershed project here so that the water holding capacity of the uplands and the medium lands may increase. One of the villages chosen for the project was Tuyugutu.

THE WATERSHED PROJECT IN THE GRAM SABHA

In June 2007, the JTDS gave clearance for a watershed project and we, the team of PRADAN, began visiting the villages to talk about and explain the concept. The nodal point of a village is the *gram sabha*, and that is where we began. At the first *gram sabha* meeting in Tuyugutu, we talked about the concept of Integrated Natural Resource Management (INRM). Some of the villagers seemed convinced about its viability. At the next meeting, we explained how to operate the watershed project we were going to begin. We convinced some of the villagers (the opinion leaders) about going ahead with the project. But where was the money going to come from was the question in the villagers' minds. They invited us to open an SHG in the village. At the third meeting, we arrived with the necessary cash books and pass books. But when we reached the meeting venue, we faced a different *gram sabha* that day.

During the meeting, one of the villagers said, "We need wells for drinking water." I replied, "That is possible." Another villager said about us, "They will take the ownership of the well after completing it because they are spending the money." I said "Let's take a trip to the other villages and see how they are working this out." But they were not sure and said, "If we agree, you will sell us in the market."

That is when a villager shouted, "*Ni hodo ko loan re phasowako aar ko seno ga, kabua abu ko.*" These were the first words that Matiyas spoke in three *gram sabha* meetings, and immediately people began to leave the meeting. Such was his power in the *gram sabha*.

I was shocked when the meeting ended so suddenly. I thought nothing more could be done and began walking towards my bike. Yakub (another villager) came up to me and said, "Don't get angry. I will talk to them." He explained to me how some of the villagers were suspicious of NGOs. "They have made up their minds that NGOs make money for themselves and the villagers remain in the same condition." I wondered if the villagers would ever understand how PRADAN, our NGO, works.

Joseph, from a nearby village, came and tried to explain to them about the watershed project. Matiyas shouted at Joseph, "You are getting money from the NGO and that's why you are talking in their favour." Joseph said that he would never come to this village again because he did not want to be insulted. I agreed that it was tough but I knew that it was only because they did not know how PRADAN works.

We convinced the villagers, after two more meetings with the *gram sabha*, to form two more SHGs. At the same time, we spoke with Matiyas' wife regarding the SHG, the watershed project and PRADAN's work.

Matiyas' family—his wife, four sons and a daughter—live in the hamlet of Gugripiri in Tuyugutu. He is a converted Christian by religion. His house has two rooms and a kitchen. People know him as a person who drinks every day and does not do much for

his family. His eldest child gave up studies in the 8th class and now loiters around in nearby villages. Besides his house, Matiyas owns four acres of land. His only other assets are three oxen. His wife and daughter go to the forest to collect *mahua*, *karanj* seeds and tamarind to sell in the market. Matiyas engages in paddy cultivation and is always in a financial crisis. Whenever he needs money, Matiyas sells some trees and, thus, manages to feed his family.

PRADAN'S INTERVENTION WITH MATIYAS AND FAMILY

I was buying some fruits at the Khunti market when someone asked me, "Dada, how are you?" I turned and saw Matiyas. I was surprised and replied, "I am fine, how are you?" He replied "Things are not okay. My son had an accident." I went with him to the hospital to see his son who was lying on his mother's lap. I spent some time with them at the hospital. Although, from then on, Matiyas' attitude to me seemed to be softening, we had a tough time convincing Matiyas to join us. However, his wife supported us.

That was our key strategy—to influence Matiyas' family! We knew that it was necessary to convince Matiyas because he could influence people. We asked Matiyas' wife to cultivate tomato during the *kharif* season and to convince Matiyas to do this. Tomato cultivation had never been done in this region. This was our chance to prove that we stand by what we say. We started the cultivation of tomatoes with Matiyas on 10 decimals of land (1/10 of an acre) in three phases. Some other farmers in the area were also encouraged to plant tomatoes. Everything went well the first month. The problem began when fungus attacked the crop. We controlled it by using

an anti-fungus spray. By then, some of the plants had died. Matiyas was upset. We told him to have patience and that this happens during cultivation. We took protective measures to save the tomato plants from damage.

It went well until the fruit came. As they ripened, the lower part of the fruit began to rot. We had to throw away 40 per cent of the yield. Matiyas became angry and said he had no more patience and that he was going to cut all the plants because he was not going to earn anything from these plants and that it all had been a waste. We persuaded him to wait and see what his income was from the tomato cultivation. After 10 days he went with his wife to Bandgaon market to sell his produce. One trader bought all the baskets of tomato at Rs 18 per kilo. That day he earned Rs 1,800. This was his first income from the tomato crop and he was very happy. After four days, he met me in Bandgaon market and took me to a hotel. He said his income until then was Rs 3,100. I asked him what he would do with this money and he replied that he would deposit Rs 2,000 in the post office for next year's tomato cultivation.

That year, over three months, Matiyas earned around Rs 20,000.

Matiyas never looked back. He cultivated crops—tomato, brinjal, chili, cabbage and cauliflower—round the year and earned Rs 38,000. He is now one of the leading farmers in the area and people also consider him a progressive farmer. He owns a water pump. Using machinery to irrigate his fields, the next year he earned around Rs 45,000. We do not go to Matiyas' house too often now because

he can plan for crops round the year himself, and does not require too many inputs from us. His whole family is engaged in vegetable cultivation. His son says that he is going to cultivate vegetables only. It is really heartwarming for me to see a boy, who was wandering around aimlessly a few months earlier, confident enough to do something for himself and the family. His mother smiles and is happy.

MATIYAS' TRANSFORMATION

During a training of leaf plate making that took place behind Matiyas' house, a man, whose mother was in the training, came and threatened to destroy the leaf making machine. Matiyas said to him, "It is because of PRADAN that we are able to work in the watershed project and get money and rice. You are threatening to destroy this machine that is for us. What are you angry about?" The man simply went away. Matiyas was a transformed person.

Matiyas never looked back. He cultivated crops—tomato, brinjal, chili, cabbage and cauliflower—round the year and earned Rs 38,000. He is now one of the leading farmers in the area and people consider him a progressive farmer.

Matiyas invited me to the *lota pani* (engagement) of his daughter. He also invited me home during Christmas. He now has respect for PRADAN.

MY LEARNING

One of my major learnings from his experience is that when dealing with a community, we should have patience. The community may be harsh, at times, but

ultimately, if you persist, things will improve. During this journey with Matiyas, I did not know where we were headed and what we would get after investing so much time, but it all turned out well.

One of my most memorable moments was when he asked me to have sweets in Bandgaon bazaar and held my hand and said, "Let's go."

My journey with Matiyas has been memorable. From being completely against the NGO, he became one of its staunchest supporters. Our efforts and persistence bore fruit.

Telecom and Rural India: The Story So Far

ADTIYA KUMAR

Despite the apparent explosion in the use of mobile phone technology, only a small percentage of the rural people have gained from its use; the challenge lies in reaching out to this vast untapped section of society, through ways that take into consideration their ground realities—their needs, strengths and limitations

Access to technology in rural areas has always been problematic, especially telecommunication. Despite the tall claims of Indian telecom operators of India being one of the most lucrative markets of the world, the rural Indian market is in a sad state of affairs when it comes to mobile phone connectivity. By the end of March 2010, India had 584 million mobile subscribers. This accounts for 53 per cent of the total Indian population. However, if we look at the distribution of the mobile subscribers across India we find that 81 per cent of the total number of mobile subscriptions are in the cities, including the metros and the tier 2 and tier 3 cities. The contribution of mobile subscribers from the rural areas is a dismal 19 per cent of the total subscribers whereas the rural population forms 72 per cent of the total Indian population. This means that 28 per cent of the total population contributes to 81 per cent of the total number of mobile subscriptions. And despite almost three-fourths of the population being oblivious about mobile communications, we claim to be the telecom giants of the world.

The government recently auctioned the 3G spectrum with an expectation of raising Rs 35,000 crores. It was in a surprise when the auction brought in Rs 67,710 crores. 3G has been pitched by the government as the gap filling technology that will help provide access to various mobile services to the rural India. In order to understand the impact of 3G and analyze it, we must understand the following terminology first.

MVAS: Or simply called VAS, it stands for Mobile Value Added Services. As the name suggests, these services add value to a mobile's basic service of talking over the phone. Therefore, it includes every other service that a mobile provides. Some of the most common VAS services, are caller tunes, ring tone downloads, Internet, Global Packet Radio Service, or GPRS, cricket scores and much more. In fact, even the text SMS comes under the purview of VAS.

Table: Access to Mobile Phone Technology in Different States

Top 15 States in Terms of Rural Mobility	Rural Mobile Connections (in Millions)	Total Rural Population (in Millions)	Penetration in Rural Areas (in %)
Punjab	2.24	10.83	20.69
Himachal Pradesh	1	5.85	17.09
Kerala	2.66	10.63	
Haryana	1.66	16.27	10.2
Gujarat	3.2	34.42	9.31
Tamil Nadu	2.8	32.86	8.52
Andaman & Nicobar Islands	0.02	0.27	8.27
Rajasthan	3.27	48.66	6.72
Maharashtra	3.79	59.67	6.35
Karnataka	2.25	36.56	6.15
Andhra Pradesh	3.27	59.27	5.52
Jammu & Kashmir	0.43	8.24	5.21
West Bengal	3.01	62.48	4.81
Orissa	1.28	33.06	3.88
Uttar Pradesh	4.6	147	3.13
Total	35.51	580.47	6.12
All India (Rural)	39.46	802	4.92

*Data as per the reports till December 2009

IVR: Integrated Voice Response is the most popular and effective system. Many of us may not know what an IVR is but all of us use it regularly. An example of IVR is when we call the customer care service of a bank, and a pre-recorded voice guides us to various options. This is most effective because the user just has to press a few buttons and he/she is able to access the information that he/she needs.

2G and 3G: 2G stands for 2nd generation mobile technology whereas 3G is the 3rd generation mobile technology. We are currently using second generation mobile technology. In mobile communication technology, the mobile handset has to communicate with a mobile tower and a transmission of data between the two takes

place. Here lies the difference between the two technologies. 3G offers higher speeds for this transmission as compared to the existing 2G technology. With 3G technology, the transfer of data can be achieved at a rate of 2 megabits per second. Or in other words, we can download a song in less than 3 seconds! It also enables a user to make phone calls and transmit data simultaneously. Some of the most awaited services of 3G are:

- **Mobile TV:** A user can see popular TV channels on his phone.
- **Video on demand:** The user can download and watch videos as per his wish.
- **Video conferencing:** Users can have live audio-visual communication with each other.

- ♦ **Tele-medicine:** A medical provider can monitor and provide advice to the potentially isolated subscriber.
- ♦ **Location-based services:** A service provider can provide localized weather reports, traffic conditions, market reviews, etc.

Many of these services have been introduced and withdrawn, and due to this irregularity in mobile services, which had huge potential, the technology is losing credibility among rural mobile users.

It is not that currently mobile operators are oblivious of the rural market. The government-owned BSNL has partnered with National Fertilizers Ltd. (NFL) to launch a pilot project, offering information on crops, weather forecasts, soil testing and health in local languages through mobile phones. According to reports, the pilot project will be run in Madhya Pradesh and Chhattisgarh. BSNL, associated with the state government and the mobile VAS provider OnMobile, will launch a pilot project that offers a 'Mandi OnMobile' service in Uttar Pradesh. Airtel launched Kisan Sanchar with IFFCO in 2008. It already caters to over 15 lakh users across 18 states. Reliance communications formed a joint venture with Krishak Bharti to provide customized farmer-specific, mobile-based, value-added services in rural areas.

Tata Consultancy Service's MKrishi went even further. Because the villagers are illiterate, providing reading material to them over a mobile phone hinders the effectiveness of the service. Therefore, they launched voice SMSs through Tata Indicom by which villagers could hear the audio message instead of reading it. Tata partnered with Ossian and launched the Nano Ganesh service that would automate agriculture and irrigation services for farmers in Sojitra village in Gujarat. Tata Indicom also began offering a service called Sahayak,

which provided weather forecasts and local market prices in Bijnor district in UP. But this service was a complete failure and had to be withdrawn.

Reuters, Biostat India Limited and Aga Khan Foundation's rural support

programmes were clubbed together to reach farmers in Gujarat. They developed a service providing crop information and called it Reuters Market Light. It was launched in Punjab, Haryana, Maharashtra, UP, Gujarat, Rajasthan and Madhya Pradesh too. Another service called Krishi Voucher card was launched with Idea Cellular. Nokia tied up with EnableM for launching an educational service that would help rural mobile users to learn English. BSNL was the mobile partner for the service.

Reliance communications and BBC news partnered to broadcast news and weather reports in Hindi, Tamil, Urdu and Bengali in rural India. It also offered solutions that will help to monitor water levels, and gather data for milk and agriculture-based cooperatives, fisheries, poultry and soil analysis.

In October 2008, the mobile VAS provider Handygo tied up with the Indian Meteorological Department and enabled a service through which farmers could be provided with meteorological inputs. Another service provided them with details on sourcing bank loans and market rates of crops and other produce on a local scale. These services were launched as IVR and GPRS in several districts of Punjab and Haryana, and the information was specifically designed in the local languages. Handygo also joined hands with Indian National Centre

for Ocean Information Services (INCOIS) to develop services that will help fishermen with information on potential fishing zones, wind speed, wave height and the suitable weather for fishing.

Many of these projects were launched on an ad-hoc basis without extensive market study. Most of them have not reached across India. Many of these services have been introduced and withdrawn, and due to this irregularity in mobile services, which had huge potential, the technology is losing credibility among rural mobile users.

Then arises the question as to how does 3G help the Indian people and the people in the villages, in particular. Now that the service has been made operational by various private operators, there is a flood of different types of products and services. However, in rural areas, relevant services are crippled by the fact that the reach of broadband Internet services is almost negligible because of the low accessibility of computer systems, the erratic supply of electricity and the unaffordable costs of computer hardware.

Mobile services have better reach and affordability in rural areas and could fill the gap. Not only do these provide several services that were inaccessible to the rural people but they also provide quality services. Just imagine if a villager is able to access medical help through his mobile when someone in his family has fallen sick. Or if he is able to access information on the rainfall patterns and forecasts before sowing seeds for the season. Or if the government needs to broadcast information about new schemes,

Private mobile operators have not been encouraging the rural markets before this, having concentrated totally on urban markets; this is why the rural market has been dominated by BSNL.

it can do so through mobile videos. A villager can access information about NREGS through the NREGA website and file grievances over the phone from his home. There are myriads of ways in which services can be provided. As far as the market is concerned, the urban market is saturated. Mobile service

operators have to think about an untapped market; the rural market is the way to look forward. The estimates are that 70 per cent of the total future growth of telecom in India will come from rural India and 40 per cent of new mobile users will be from rural areas. This has also made the government claim that 3G technology will reach the rural areas by the end of 2012.

However, these are all tall claims. Private mobile operators have not been encouraging the rural markets before this, having concentrated totally on urban markets; this is why the rural market has been dominated by BSNL. Mobile operators have already paid a very high price for obtaining the license for 3G spectrum, for which the final bid was Rs 67,710 crores—90 per cent higher than expected. The operators, naturally, will seek to recover these costs. This will deter the operators from taking risks in experimenting with the rural markets. They will try to recover all the money they have put in as fast as possible and attain the breakeven point. They will look to the urban markets first, which has a ready user base and an assured cash flow. The rural sector does not have an existing user base and, therefore, the operators will not focus in the beginning on creating a user base. Therefore, the inauguration of 3G in the rural sector might be delayed a little longer.

Another deterrent to the advent of 3G services in rural areas is the technology of the mobile phones. In an average village, a Rs 2,000 phone is considered a status symbol. The villagers cannot afford expensive mobile phones. Producing mobile phones with 3G technology at such low prices is a real challenge for mobile phone manufacturers. Setting up the communications infrastructure itself is another challenge. However, this issue can be resolved by forming strategic alliances on the sharing of the already existing infrastructure. It will be interesting to see how the private operators arrive at an understanding over the issues that arise on sharing of the infrastructure, especially the costs incurred.

The biggest problem, however, lies with the mobile user under consideration. The average villager is not well conversant with the complicated features of an advanced mobile phone and prefers to use a phone that is simple and easy to use. A 3G mobile phone will definitely be complicated and its usage will often require intelligent inputs from the user. Understanding the service and how to operate the phone will be a huge task for the uneducated villager and he/she may not be able to perceive all the benefits of the phone. Therefore, the villagers may reject the service and the phone itself. Even if mobile services are made extremely user friendly and mobile phones are less costly, the big challenge will come from the pricing of a particular service.

The VAS industry almost entirely works on a revenue sharing system. To understand this, we have to understand the players of this

We may conclude that the acceleration of telecom services in rural markets can only be driven by the government's vision and policies that may provide subsidies and compensatory packages, thus making both the businessmen and the mobile users happy.

industry. There are three categories of the players in VAS industry: mobile operators such as Airtel, BSNL and Reliance; the VAS service provider; and the third-party content providers.

The VAS service provider is the partner to the operator, who provides VAS technology and content to the operators. Usually, VAS providers take third-party content providers and share the revenue generated out of the service. The operator always takes the lion's share of the revenue generated because he/she provides the channel, infrastructure and the reach. The operator has the power and position to demand up to 70 per cent of the total revenue. The remaining 30 per cent is shared by the service provider and the third-party content provider. On an average, a service in rural areas is charged at Rs 1 per day, that is, Rs 30 per month. Without considering the service tax, the revenue earned by operators per user is Rs 21 per month and the balance of Rs 9 is shared by the service provider and the third party. The industry, therefore, has to work on large volumes because a share of Rs 9 per user per month is neither encouraging nor lucrative. This also indicates how crucial the pricing of a particular service is in the success of VAS in rural areas. If the pricing is too high, the user won't be willing to pay. If it is too low, the service provider won't get anything out of it.

The VAS industry in India was estimated at Rs 5,780 crores by June 2008. The VAS industry, which began in 2000, has still not broken even. We cannot expect the industry to compromise on revenue; it will continue

to plan and implement projects based on profits. All in all, the telecom revolution, despite having vast potential in rural areas, is set for a delay and we may not see its rise for another decade. We may conclude that the acceleration of telecom services in rural markets can only be driven by the government's vision and policies that may provide subsidies and compensatory packages thus making both the businessmen and the mobile users happy. Therefore, the telecom players in India must wake up or else it may be too late because many western European countries are talking about 4G and in some countries 3G is already a thing of the past. We would not want the telecom potential in India to become obsolete and outdated on the international stage.

Looking at this opportunity from the development point of view, the biggest deterrent proves to be the technology. It has already been established that it will take almost a decade to install necessary infrastructure to provide 3G services in the rural sector. It will take real effort by the development sector to understand the benefits offered by this technology. But it will be a real challenge to inculcate the knowledge of the usage of this complicated technology and generate awareness among the rural people. An average villager can barely write his name. It will take some training to make him understand the working of a 3G phone. It is no different from implementing a new activity such as INRM or any other livelihood activity. The only difference is that rural people cannot directly relate 3G technology to their daily lives because it is just a means to an end.

Obviously from a development perspective, 3G has promising potential that must not be ignored. One of the most lucrative and potentially viable services that 3G will offer is the video on phone. Through videos, a villager can be informed about several developmental activities. It can compensate for the non-availability of both the television and the Internet in the rural areas. For the many illiterate people, it is far more effective to provide them an audio-visual service than text-based services. The development sector must keep a track of the latest developments in the rural telecom sector and have a vision about the application of this technology in this sector; alongside, emphasis should be laid on exploiting the existing technology and use it for the development of the rural sectors.

Although the penetration of mobile services in rural sector is dismal, the sector can no longer be ignored by service providers. It is expected that well before launching 3G services the service providers will launch relevant pilot projects. Development workers should check out those services when they are launched and create awareness among the rural people. The major purpose that it will solve is to create a platform for 3G technology and when it arrives at the grass-roots level, people will be encouraged to use it as something that is beneficial to them and not something alien and unheard of. This process may be slow and will involve much 'waiting and watching'; however, when 3G does arrive in the rural areas, the sky will be the limit.



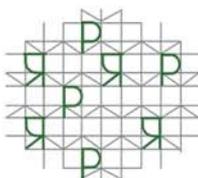
The objective of the Udyogini programme was to develop local enterprises and a supply chain in a region that is normally considered inhospitable for such enterprises. The women of Pugal were excluded, socially secluded, had poor access to infrastructure and were considered to have a low socio-economic potential. Udyogini estimated that in Pugal and the surrounding villages, around 2,500–3,000 women could potentially earn a livelihood from handicrafts.



Pradan is a voluntary organization registered in Delhi under the Societies Registration Act. Pradan works through small teams of professionals in selected villages across eight states. The focus of Pradan's work is to promote and strengthen livelihoods for the rural poor. It involves organizing the poor, enhancing their capabilities, introducing ways to improve their income and linking them to banks, markets and other economic services. The professionals work directly with the poor, using their knowledge and skills to help remove poverty. *NewsReach*, Pradan's monthly journal is a forum for sharing the thoughts and experiences of these professionals working in remote and far-flung areas in the field. *NewsReach* helps them to reach out and connect with each other, the development fraternity and the outside world.

NewsReach is published by the National Resource Centre for Rural Livelihoods, housed in the Pradan Research and Resource Centre.

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Supported by the Aga Khan Foundation through the European Union co-financed SCALE Programme