

front cover



Rojiroti: Building a path out of poverty





The Research into Use Programme is a major initiative, funded by the UK's Department for International Development (DFID) www.researchintouse.com

RIU Innovation Challenge Fund Asia

Rojiroti is one of 13 projects supported by RIU's innovation Challenge Fund Asia (in India, Nepal, Bangladesh, Cambodia and Vietnam). All of these will pursue RIU's two key aims: to maximise the impact of previous research on natural resources, and, in doing so, to increase our understanding of how knowledge - informal as well as formal - contributes to innovation

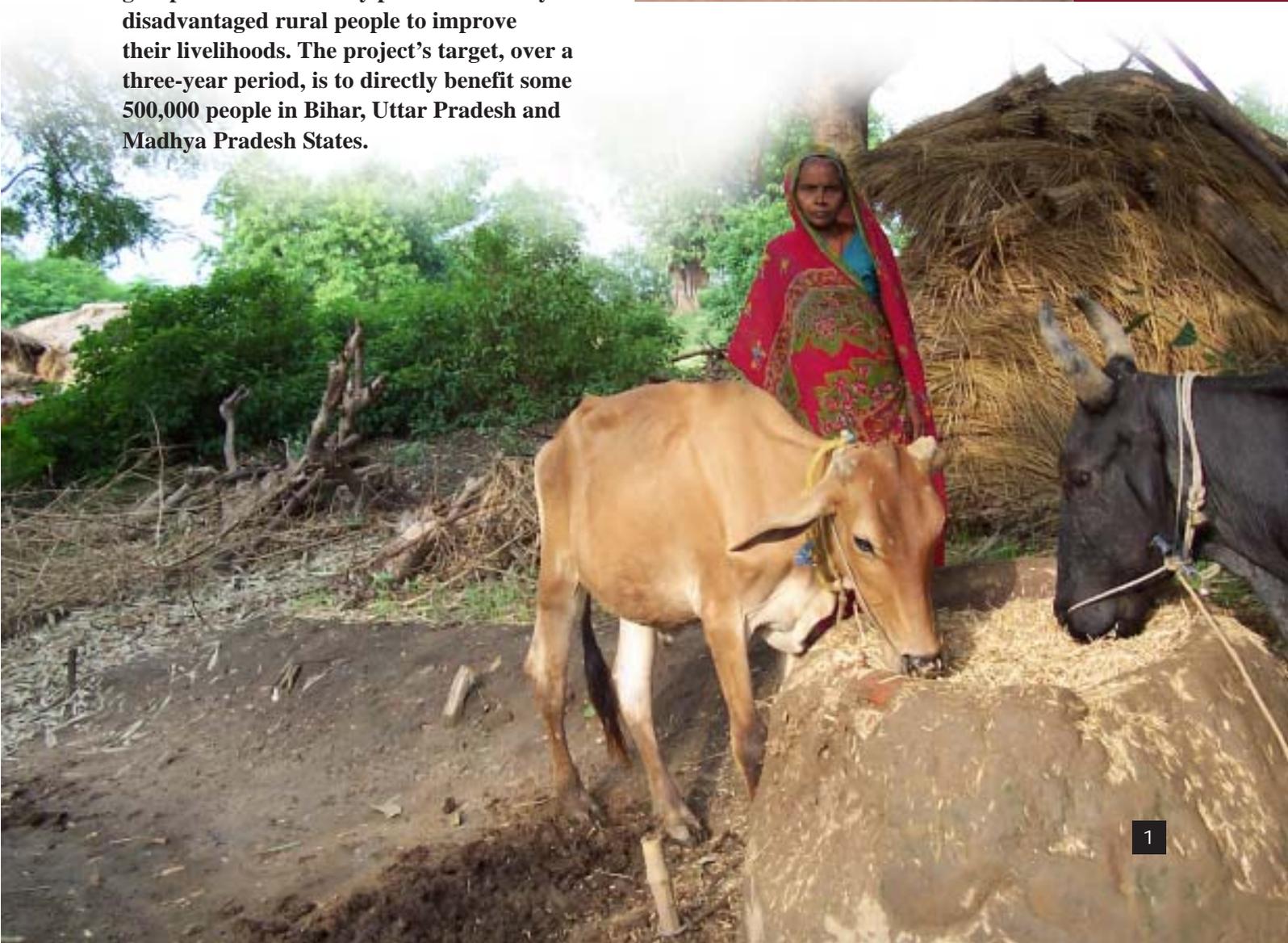
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What is Rojiroti?

The Rojiroti project is funded by the Research Into Use (RIU) Programme, a major initiative of DFID that aims to improve access to knowledge and technology for poor people whose livelihoods depend on natural resources. Rojiroti promotes an innovative approach to supporting community-level self-help groups that enables very poor and socially disadvantaged rural people to improve their livelihoods. The project's target, over a three-year period, is to directly benefit some 500,000 people in Bihar, Uttar Pradesh and Madhya Pradesh States.





Partnership

The project is implemented by a *coalition for delivery* consisting of three partners:

GY Associates Ltd, UK: overall project direction, design of monitoring and learning processes, and support for communication strategy.

Centre for Promoting Sustainable Livelihoods, Bihar (CPSL): delivery of the community development and service provision elements of the project, and capacity-strengthening to support the volunteer network.

Indian Council for Agricultural Research (ICAR) Research Complex for the Eastern Region, Patna: support on agricultural technologies and participatory technology development, and development and implementation of the project's communication strategy.

The project will build a *coalition for scaling up*, a much broader partnership via which outputs of the project can be extended to many more beneficiaries than will be reached directly via the project itself. Key members of this coalition will be:

Organisations in the formal banking and microfinance sectors: Current members include BASIX, ICICI Bank and Indian Bank. This coalition is likely to evolve over the life of the project as it leverages credit from the sector and new partners provide finance.

Insurance organisations, through which we aim to develop mechanisms to secure loan recovery in the case of death of a borrower and to explore the scope for insuring against other events that put credit at risk.

Non-government organisations: We are already in touch with more than 50 NGOs of Bihar that are partially or fully adopting the model of community development that the project promotes. The project seeks to catalyse a dynamic partnership with local and national partners in service provision.

At the state level, the Bihar Innovation Forum: The Forum has recognised the achievements of CPSL by awarding it a prize in 2007 for its innovative work in promoting self-financed community financial services. The project will maintain close contact with the Forum with the aim that its experience will continue to inform Forum members.

Development projects with a rural livelihoods focus: The Madhya Pradesh Rural Livelihoods Project (MPRLP) and the Bihar Rural Livelihood Project (BRLP) are important partners

Government organisations: These partnerships will be developed over the life of the project and will build upon important relationships established in the first DFID project.

The Dialectic Approach

The driving force behind Rojiroti is an innovative approach to community development: the *Dialectic Approach*. This is a method of group organisation and management that encourages community members to make their own decisions about their lives and finances with support rather than direction from outsiders. It has proven its capacity to engage people who are normally beyond the reach of microfinance programmes. It puts the power to improve livelihoods in poor people's own hands so that they learn to help themselves and each other.

The Dialectic Approach was pioneered in two linked projects of the DFID Natural Resources Systems Programme in 2001-2005¹, in which the partners now implementing the Rojiroti project all played a role. The principle of the approach is that it is non-intrusive. Its starting point is that development agency workers make an "unspectacular entry" to a village. Instead of a high-profile event to advertise their intention to work in the locality, they involve themselves in village activities and, in doing so, identify candidates among the community members to be trained as Village Volunteers. These Volunteers then spearhead the formation of self-help groups (each consisting of about 10 members of similar caste or social group). The members are responsible for organising and managing their own group, analysing their livelihood and financial needs,

and sharing information. The Volunteer may introduce new ideas, but ultimately the livelihood strategies that emerge reflect the interests of individual group members. Our experience is that villagers are more responsive to the community-based Volunteers than to professional outsiders.

The approach is also extremely cost effective. As the project grows and scales up, the goal is for it to become sustainable and largely self-financing.

¹ Project R7830/R7839

Integrated management of land and water resources for enhancing productivity in Bihar and Eastern Uttar Pradesh.

See <http://www.research4development.info/SearchResearchDatabase.asp?ProjectID=2832>

Innovation in microfinance

The core activity of self-help groups is weekly saving. Volunteers do not specify the minimum amount to be saved; rather members are given the freedom to decide what level of savings best meets their needs (and their capacity). Amounts saved have ranged from Rs.0.50 to Rs.10 per week per member. In contrast to typical development programmes, which encourage groups to deposit savings in a bank account, the Dialectic Approach encourages groups to use their savings as a loan fund to meet their immediate needs. As the group funds represent the members' own money, loans are



made for any purpose agreed upon within the group. Often loans are used to pay off or replace those from informal sources at usurious rates. Loans are also commonly made for meeting health care needs (including emergency treatment), for education, house repair, and even for social purposes (e.g. wedding and funeral expenses). The approach rejects the conventional wisdom, which regards such purposes as “unproductive” and thus not suitable uses of borrowed funds. To the contrary, such borrowing can have a major impact on a poor household’s livelihood if it is able to reduce reliance on credit from moneylenders or to prevent sale of a productive asset (such as a cow or a piece of land) in order to pay for emergency medical treatment or to meet a social obligation.

Linkages with the banking sector

Typically, banks and other institutions (including NGOs) with a remit to provide microcredit present several barriers to serving very poor people:

They risk excluding the poor because they encourage groups to accrue a fund held in a bank account to justify receiving loans. The poor (and often the less poor) are unable to tie up financial resources in this way or bear the transaction costs involved.

They focus on income-generating activities rather than basic food, health and social needs. However, very poor people need money to meet their basic needs and possibly to release themselves from informal debt before they can invest in income-generating activities. Thus microfinance programmes and institutions often fail to benefit the most extreme poor and socially disadvantaged.

They are unable to administer the very small loans (of as little as Rs.100–500) that poor people sometimes require in the early stages of their engagement with formal microcredit.

To overcome these barriers, Rojiroti’s approach starts with group saving, and subsequently groups receive loans from the project’s funds via the Centre for Promoting Sustainable Livelihood; and finally the project promotes linkages with banks and other formal institutions that are ready to make loans to Rojiroti’s beneficiaries on the evidence of their creditworthiness (embodied in the records of group loans and repayments).

There is a large demand for loans. Over the life of the project CPSL aims to leverage £1.27 million (Rs 95 million) of credit derived from the private sector, and a projected £13.6 million (Rs 1020 million) over the 8-year period 2007-2015. Rojiroti therefore faces the challenge of developing partnerships in the microfinance sector to meet the needs of its self-help groups and members.



Reaching the poor

Conventional approaches to promotion and financing of self-help groups do not encourage the poor to improve their livelihoods using their own initiative and their own resources; rather they impose an agenda on the poor. For example, making agarbatti or opening a dairy farm are activities that may well result in real improvement to the livelihoods of some poor people. But such activities represent an imposed agenda, and they are not grounded in an understanding of the needs of the poor. Engaging with very poor people via development initiatives that meet their needs is a difficult task; almost all microfinance institutions recognise that their reach is limited and that providing financial services to very poor, socially and economically marginalised people is almost impossible.

So what is it that meets the needs of the poor? If a poor person falls sick, and needs money to get treatment, he/she may get a loan from the landlord on the condition that he/she will plough in the landlord's field till the loan is repaid. In this way he/she falls into the grip of a money lender. When that person turns to a self-help group, he or she may, at first, require a loan for the purpose of repaying the loan to which onerous conditions or interest payments apply. Then that person may decide to migrate or do share cropping, or take land on lease. For these purposes he/she requires continuous but small amounts of loans – the very type of loan that is not viable for traditional financial institutions to provide. Other examples of loans which poor people find productive but which are conventionally not regarded as viable are:

Many poor people keep livestock on share basis; but once this asset becomes productive (e.g. a cow reaches the lactating stage) price for the animal gets fixed by the owners and they usually take it away from the poor share-keeper. A loan to purchase livestock they have reared on a share basis would transform the livelihood of many poor share-keepers, but even informal credit may not be available to them.

Poor people also take small amounts of land on lease or on share basis (typically half or one fourth of an acre, as they do not have the capital to manage a large area). For such purpose (to buy seeds, fertiliser and other inputs) they also



need credit. These poor farmers also need advice on the use of inputs – for example on rate of pesticide application. For this purpose Rojiroti aims to promote service centres which are easily accessed by very small tenant farmers and sharecroppers.

Poor people are entitled to purchase essential goods at subsidised prices from PDS shops. However, PDS shops open at restricted times and payment must be by cash. Thus to take advantage of PDS prices and entitlement, people need to have money in their hand on the date and time at which they will find a shop open.

Rojiroti aims to provide such small loans to poor people but faces tough competition from the informal sources in terms of provision of services. Therefore, to compete, the team includes local people in the decision-making process and provides answers to frequently asked questions, identifies Village Volunteers, plans weekly practical training and links the Volunteers with income through the services they provide to the community. The Volunteers are not only sustaining the groups but also providing capacity building support to many of our clients.



Impact

Rojiroti predominantly serves the poor, the extreme poor, and women. Encouraging very small weekly savings and admitting loans to be used for purposes such as medical treatment, food and other essentials are effective means of preventing distress sales of assets or of accepting a form of bonded labour in exchange for a loan. Thus loans are initially used to reduce vulnerability. But as groups mature, members typically invest in income-generating opportunities such as leasing agricultural land instead of sharecropping, building stocks of handicrafts to sell at the best location or time, and funding family members to travel to take jobs in metropolitan centres.

The achievements of the earlier project in reaching members of socially and economically disadvantaged groups have led to ambitious targets for Rojiroti. Some 50% of group members will be of scheduled caste/scheduled tribe, 80% will be landless (or with marginal landholdings), and 1% obliged (bonded) labourers. 70% of group members will be women (in women-only groups), and 5% widows.

These targets are being achieved. From analysis of 203 self-help groups already formed by October 2008, having 2,176 members, all of them are landless, and more than 1,200 are from scheduled castes. A preliminary analysis of the use of loans indicates that more than 70% of the loans (totaling Rs.2,16,000) were used for the purpose of purchasing food or medical treatment. This pattern of loan use is similar to our previous experience. Although loans for such purposes are characterised by most microfinance organisations as non-productive (and so disallowed) our experience suggests that this pattern indicates we are reaching our intended audience (the poor and socially disadvantaged, especially women) and that as their immediate needs are met self-help group members will begin to use loans to invest in assets (including land and livestock) and to provide start-up costs for a range of income-generating activities. We believe that the approach adopted by the Rojiroti project will make it almost uniquely successful in impacting the livelihoods not only of poor people but of the extreme poor, socially disadvantaged and marginalised.



What Rojiroti means

SURVIVING AN EMERGENCY

During the 2008 flooding in Bihar, much of Supaul District faced rising flood waters. Fourteen members of a men's self-help group in Madhubani decided to evacuate but needed money for safe transportation. The group, which had 20 members in total, agreed to give Rs.500 each to five members who had not received loans previously, while eight members of this group who had loan repayments due were told to keep the money to use for their survival until they could return.

A few members remained in the village in an attempt to save their livestock and used the money that remained in the group's cash box for their survival.

All of these group members' homes were severely damaged, and many livestock died. But the self-help group helped all of its members save their lives and those of their families – some 60 people in all.

LABOURING ON THEIR OWN LAND

In Madhya Pradesh, the Saharia tribals who had been provided land by the State Government, were not using their land as they did not have capital to invest in farming. Thus they were giving land to the better off farmers from whom they were at the same time taking loans for survival. This forced them to work virtually as wage labourers on their own land in order to service their debts. However, CPSL's intervention through Madhya Pradesh Rural Livelihood Project helped them to pay off old debts, take credit from funds provided by the Project and start farming on their own.

ESCAPING BONDAGE

One group member's husband worked as a halwaha, a form of bonded labour where a big farmer gives a small piece of land to a landless or near-landless person in exchange for work at a low daily rate (approximately Rs.12) and for credit. In order to release the family from dependence on the landlord's credit to buy daily needs, the wife took small loans from the group to buy wheat and rice from a government programme at a subsidised rate. She then borrowed Rs.4,000 from CPSL and used part of this to repay the family's debt to the landlord. With the remainder of the loan, the husband took land for



farming on share basis and in the first year was able to repay the remainder of the money owed from sales of produce. Then in the following year they borrowed Rs.5,000 in order to take some land on lease, in addition to the sharecropped land. (Farming leased land is much more profitable than sharecropping because, having paid rent in money, the harvest all belongs to the farmer). The family also purchased some livestock.

So having freed her husband from bondage, the member and her family are now independent tenant farmers working land on share and lease basis.

The member also took a loan of Rs.4,000 for her daughter's marriage, helping the family choose a suitable groom. Another loan provided additional tuition support for the couple's 12-year-old daughter to catch up with schooling.

FEMALE EMPOWERMENT

Credit from a self-help group has improved one widow's position as head of her family. She has three sons, two who live and work in Delhi and another who lives with her and does cultivation on a share basis.

Initially the member took small loans for repairing her house, and eventually, with the maximum loan of Rs.4,300, she built a pucca (i.e. concrete) house.

She also borrowed money to buy seeds and fertilisers for her son, and he was able to take more land for share cropping. The member also used self-help group funds to buy a second bull and a thresher.

The member plays a crucial role in making important decisions related to cultivation and purchases. In the absence of her two sons, she is managing a big family on her own.

NEW EMPLOYMENT OPPORTUNITIES

Sometimes loans from self-help groups allow a family to take more risks in securing employment. In this case, a woman's husband went to Delhi to find a job, knowing that his wife would not go hungry because she could turn to the group for money to buy food.

The husband later returned to his village and started a musical group with support from the self-help group. He started earning good seasonal income, during marriages and other cultural functions. The same family bought a cow with a loan from the group. They plan to sell the mature cow at a profit and invest the earnings in a grocery shop.

The family has increased its sources of income and is attaining consistency and regularity in generating income.



Rojiroti is funded by the Research into Use Programme and is implemented by an international coalition of partners. www.rojiroti.org



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