

NRI Report No: 2748

NRI Project No: V0167

**Rural Non-Farm Economy and Livelihood Enhancement
DFID-World Bank Collaborative Research Project**

Household Access to Rural Non-Farm Livelihoods in Bolangir District of Orissa, India

Report Prepared by ActionAid for NRI

Edited by

Alan Marter

March 2003

*The views expressed in this document are solely those of the authors
and not necessarily those of DFID or the World Bank.*



**Natural
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Institute**

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actionaid
India

DFID Department for
International
Development



World Bank

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Summary

Context

These research findings form part of a wider project concerned with improved understanding and appropriate policy development for the rural non-farm economy. The research is being undertaken by the Natural Resources Institute (NRI) in collaboration with local partners, with funding from the UK's Department for International Development (DFID) under a collaborative agreement with the World Bank.

This study presents the results of a household questionnaire survey in Orissa, which was undertaken by ActionAid in collaboration with the Natural Resources Institute. The fieldwork was undertaken in 2002, covering 400 households in four blocks of Bolangir District (Belpara, Patnagarh, Puintala and Titilgarh).

The objectives of the research were to identify farm and non-farm income sources of rural households and barriers to the uptake of non-farm employment. A second aim was to examine issues of governance, especially the levels of awareness of PRIs and their functions, and to assess the extent to which such bodies are impacting on the RNFE.

The aim of the field study was not to characterise conditions in Bolangir District as a whole, but rather to provide examples of livelihoods, constraints and governance in an area of relatively poor agriculture. This will be brought together with results from other survey areas in Orissa and MP which generally have stronger agricultural sectors.

Livelihood patterns

Overall agriculture remains as the major livelihood activity in Bolangir but the RNFE is of growing importance e.g. representing 40 % of current livelihood activities. In contrast agriculture appears to be in decline. Growth in the RNFE has been mainly focussed in a group of activities relating to construction, whilst those based upon natural resources have stagnated.

Incomes from most RNFE activities are similar to those which can be earned through agriculture, a notable exception being NTFPs where income levels are low. However NTFPs are accessible to all castes and to women, and the small cash incomes that can be earned may be very significant, e.g. to SC and STs and to women more generally, especially where these are earned in the agricultural slack season. Many RNFE livelihoods are confined to specific caste groups, and whilst a few, usually based upon ownership of extensive assets, can yield high incomes, they are accessible only to a tiny minority.

Wage labour is increasingly prevalent in both agriculture and the RNFE. RNFE wage labour is often linked to seasonal migration and undoubtedly leads to exploitation in the case of workers from Bolangir migrating to work in brick making in AP. However not all migration represents a negative experience, and almost a third of respondents in Bolangir noted it as a positive factor in their livelihoods.

Constraints

At the local level there are constraints relating to human and social issues, the natural resource base, finance, infrastructure, and markets. Human resources are constrained by a group restrictions imposed by caste, which interact with social relationships and gender. In Bolangir survey areas the proportion of STs and SCs is high, i.e. around 52% in combination. Members of these groups also have the lowest access to formal education, and higher levels of illiteracy.

Natural resource constraints affect both agriculture and the RNFE. In Bolangir agriculture is limited by fragmentation of holdings, poor and degrading soils and erratic rainfall regimes. A cycle of droughts is leading to progressive impoverishment in the absence of significant irrigation. Common grazing areas and water bodies are often under threat due to encroachment and degradation. Forest areas continue to be eroded, despite conservation legislation and protection regimes.

Formal credit is often of limited for the poor and lower castes because of a mixture of regulations and requirements, sometimes coupled with corrupt practices. However levels of formal credit accessed by other groups are quite high. Informal credit is high cost and generally short term in nature, which means that it is used mainly to meet short term emergency and consumption needs.

The recent rapid expansion in SHGs also provides mechanism for developing credit via initial savings, with subsequent scope for tapping parallel funding from the formal credit sector. However in Bolangir very few SHGs have developed to the stage of providing loans, and both the number and level of loans is very low.

Infrastructural constraints largely relate to roads/transport and to electricity supply. The main concern with road access is the poor state of feeder roads in many locations. Electricity, whilst in theory connected to the great majority of villages, is often little used for a number of reasons including unreliable supply, and disconnection because of past non-payment for supply. Market and marketing constraints include limited access to a range of market information and limits to markets themselves, i.e. village markets are small because of limited local purchasing power.

Governance

Participation in elections and in PRI bodies is relatively high in the survey areas, where the great majority of villagers participate in elections and up to 30% are members of the various village level committees. However, the level of understanding of the system is low and benefits derived are negligible.

Awareness is highest amongst members of general castes compared to others. In terms of issues the PRI functions in respect of infrastructure are fairly well known (e.g. for water and roads), and moderate in some other areas e.g. implementation of government schemes. Significantly however, the area least understood was PRI responsibilities for maintenance of forest resources, which represent a key concern for the poorer members of communities.

Benefits from the PRI system are marginal. Few felt that membership of village level committees provided any benefits, other than marginal gains in status. Benefits from PRI activity were perceived to be negligible especially in terms of economic components, e.g. 96% saw no improvements with respect to either agricultural or RNFE livelihoods.

Activities of Government department fared a little better. Around 40% of households saw a positive role for departments concerned with broadly social issues – e.g. education and health. However mainstream department which can affect livelihoods e.g. Agriculture and Forestry perform less well with between 20% to 30% seeing some benefits. The latter are largely in the form of improved input packages in the case of agriculture. The Department of rural industry is virtually invisible with negligible responses in terms of activity or benefits.

Many major government schemes appear to have had almost no impact at all. Only 2% of respondents recorded receiving benefits from the SGSY, the corresponding figures for the EAS and Jeevan Dhara being 1% and 4% respectively. Benefits from the IAY were slightly higher at 9%.

SECTION I

1 Demographic features

This study was conducted in 8 villages from 4 blocks covering a total of 400 households within Bolangir district. Table 1 depicts the survey sample size, population and its composition, by block. Sample sizes are based upon relative population size for each of the survey blocks – the largest by some way being Titilagarh. The table shows that the average household size varies between 4.0 (Patnagarh) and 5.2 (Belpara and Titilagarh), with an average for the survey population as a whole of 4.9. There is a degree of gender imbalance with on average 1.57 adult males per households, compared to 1.52 females. There is a similar imbalance for children and hence for the overall household. The overwhelming majority of households (95%) are headed by men.

Table 1: Size and composition of Households

Block	Total HH in sample	Av size of Household	Av adult Males	Av adult Females
Belpara	82	5.2	1.63	1.57
Patnagarh	88	4.0	1.44	1.35
Puintala	55	4.8	1.47	1.33
Titilagarh	175	5.2	1.62	1.63
Total	400	4.9	1.57	1.52

The caste composition of survey households in each block is shown in Figure 1. For sample households in the District as a whole, general and upper castes form only a small proportion, 5%, of the total. The largest category is Other Backward Castes (OBCs), 43%, followed by Schedule Castes (SCs) 30% and Scheduled Tribes (STs) 22%. The large numbers in the OBC category arise in particular because of the size of this group in Titilagarh block, which also represents the largest survey sample among the four selected blocks (Table1).

A total of 29 sub cast categories are found in the study area of which *Marwari* constitutes the largest proportion in the general /upper caste category. The *Marwari* represent families which have migrated from the out side of the State and settled in the area for the last 20-30 years. The *Gaud* (milkman) sub-caste constitute the highest category in the OBC group, whilst *Ganda* is the largest sub caste in the SC category. Similarly, the *Gond* constitutes the largest ethnic group within the ST community. A comparatively

larger number of sub-caste groups are found in Titilagarh due to its advantageous location and accessibility.

Figure 1: Distribution of households in each block across various caste groups

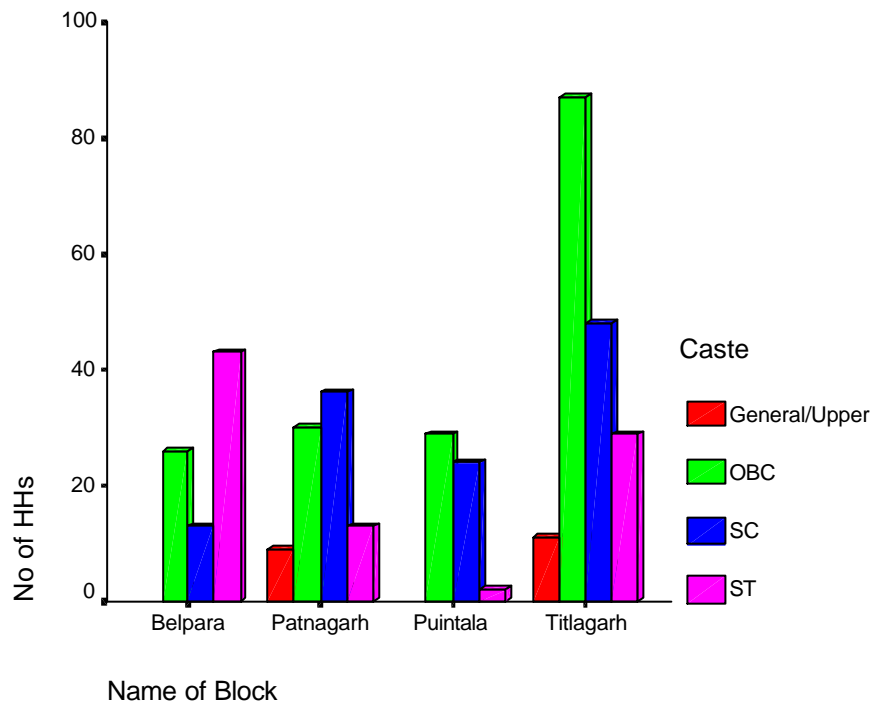


Table 2 shows the average number of income earners and corresponding dependency rates for survey households. The dependency rate overall is 1.5, being highest in Puintala (2.5) and lowest in Patnagarh (1.0). However, the co-efficient of variation indicates that Puintala has the lowest level of dispersion compared to other blocks. Thus whilst there is low number of income earners per household in Puintala, there is a lower degree of inequity between households.

Table 2: Income earners and dependency

Block	Income earners (Per HH)	Coefficient of Variation	Dependency ratio
Belpara	1.93	58	1.70
Patnagarh	2.05	46	0.96
Puintala	1.38	38	2.50
Titilagarh	2.01	51	1.55
All	1.92	52	1.54

2 Education

Table 3 provides data on overall literacy. It is clear from the table literacy is considerably lower in Belpara block, in contrast to Puintala. In the latter rates are high probably in part because of the locational advantages of the block (i.e. its proximity to the district capital). The co-efficient of variation of literacy is also low in Puintala implying relatively even access to education, again in contrast to Belpara, where variation is the highest.

Table 3 Literacy status

Block	Total HH in sample	Av size of Household	Literacy per household	% of literacy	CV of literacy
Belpara	82	5.2	1.82	35	96
Patnagarh	88	4.0	2.06	51	79
Puintala	55	4.8	2.91	60	59
Titilagarh	175	5.2	2.46	52	70
Total	400	4.9	2.46	59	70

Table 4 shows the status of education in the area. A major proportion of population (almost 47%) is illiterate, a further third of the population only achieve primary education, and less than 10% reach either middle or high school. The numbers educated above high school level are very small indeed. The sharp fall in numbers beyond primary education reflects the poor economic circumstances of many households with an inability to afford education costs, and pressure to take up productive activity within the household.

Table 4: Education levels by blocks

Block	Illiterate	Primary	Middle	High school	Higher secondary	Inter mediate	Graduation	All
Belpara	247	103	23	19	3	1	-	396
Patnagarh	153	131	26	23	1	-	-	334
Puintala	77	86	35	35	3	-	1	237
Titilagarh	354	279	68	94	17	4	-	816
All	831 (46.6)	599 (33.6)	152 (8.5)	171 (9.6)	24 (1.3)	5 (0.2)	1 (0.1)	1783 (100)

3. Household land ownership and access

In most blocks covered by the survey around one third of households are landless (Table 5). The table also shows average data for those remaining households that do own land. The overall average holding size is 2.76 acres, but holdings in Belpara are well above this average, whilst those in Patnagarh are below. The higher average figure for Belpara is partly due to particularly large holdings of non-fertile land. The data are also influenced by particularly uneven distribution of holdings (e.g. one landowner with 40 acres). A more meaningful average for Belpara is therefore provided by the median which is 3 acres. The average holding size for Titilagarh is also affected by uneven distribution – with individual holdings up to 35 acres. The median acreage for Titilagarh is only 1 acre – the lowest amongst the four survey blocks.

Table 5: Land status

Block	Landless Households: % of Total HH	Land owning households : (acres):				
		Mean total	Fertile Land	Non-fert. Land	Min Land	Max Land
Belpara	35	4.79	1.16	3.63	0.50	40.00
Patnagarh	36	1.69	0.77	0.92	0.25	6.00
Puintala	24	2.95	1.97	0.98	0.20	9.00
Titilagarh	37	2.40	1.29	1.11	0.20	35.00
Total	35	2.76	1.26	1.56	0.20	40.00

Holding size generally is not much affected by leasing of land (either in terms of leasing in or out), with typical average leasing in of areas between 7 to 10% of total holding size. Leasing in any case is generally confined to only a few households. An exception is provided by Titilagarh where average leasing in of land is equivalent to almost a quarter of the median land holding, and is undertaken by around 20% of households. This pattern is understandable in the context of the particularly small scale of average (i.e. median) holdings.

Irrigation is of minimal significance in all blocks – only 3 percent of all households owning land have part of these holdings under irrigation. The absence of irrigation emphasizes the vulnerability of households to erratic rainfall patterns. The scale of landholdings is generally reflected in caste categories, e.g. for fertile land the general castes having the largest holdings, followed by OBCs, SCs, and STs. The latter comment is particularly true if allowance is made for a greater inequality of land distribution within OBC, SC

and ST groups – where in each case particularly large holdings by one or two individuals distort mean data.

Along with the agricultural land, kitchen gardens represent additional assets which may be important to household livelihoods. These plots are used for cultivation of vegetables, which may be used for household consumption or for sale. 48% of households possess kitchen gardens, and these tend to be more common in areas where farmland holdings are relatively small (e.g. Patnagarh and Titilagarh). Accessibility of common grazing land and forests by the community are other important components of rural livelihoods, firstly through supply of fodder for livestock and second through provision of access to forest produce (both timber & non-timber) for household consumption and marketing. Access to common grazing is available to 59% of households in the survey areas, where again access is most evident in Patnagarh and Titilagarh. Access to forest areas is confined to Belpara and Patnagarh.

4. Access to credit

Credit is another important access component, which can help rural people undertake various types of income generating activities (both farm and non-farm). Access can be divided into formal and informal credit institutions. Formal institutions include : Regional Rural Banks (e.g. Bolangir Anchalik Gramya Bank), Commercial Banks (State Bank of India and other nationalized banks), Co-operative Societies & Banks, and Agricultural Co-operative banks. Data were also collected regarding accessibility of various informal sources such as moneylenders, local landlords, village level credit organizations etc. Overall access to differing credit sources are summarized in Table 5.

Table 5: Percentage of Households Accessing Loan Finance

Block	Formal Sector				Informal sector				
	RRB	Commercial Banks	Co-operative Banks	Agri.Co-operative Banks	Money lenders	Local land lord	Friends	SHG	Others
Belpara	6	1	8	0	7	0	2	0	1
Patnagarh	10	7	2	0	8	2	0	2	0
Puintala	9	29	4	7	0	0	0	0	0
Titilagarh	1	14	5	1	10	17	3	0	1
Total	5	12	5	1	8	8	2	1	1

Formal sector: 23%	Informal sector: 20%
Total: 43%	

Formal sector institutions as a group were found to provide credit access to 23% of survey households, (Table 5) including 12% via Commercial Banks, 5% via Co-operative credit institutions, and 5% from Regional Rural Banks. It is recognized that credit is a particularly sensitive issue, and reporting both of access levels to credit and the levels of loans and repayment are likely to be under-recorded. This is particularly likely because of past defaults on repayment of loans and the fear that survey information will leak to loan agencies and other bodies. As such the levels of formal credit therefore may be under-recorded. Block level data indicate that Puintala and Titilagarh derive comparatively more benefit from formal credit institutions.

Turning to the informal sector, survey data indicate that 20% of households derive credit from this source, primarily from landlords and money lenders (Table 5). Again it is even more likely that this represents an under-recording of actual loan activity, since respondents are often afraid that money lenders will discover that information has been given out and will then exert various sanctions upon them. Both the numbers in receipt of loans and the scale of loans themselves are likely to be under-recorded.

Within informal sources, moneylenders and local landlords play a leading role despite charging high rates of interest. This feature is partly because of difficulty in accessing alternative e.g. formal credit (see below), but also because of ties that can develop over time between those seeking credit and informal sector lenders (e.g. landowners or traders). Informal sector interest charges are commonly around 8% per month, whilst those in the formal sector range between 12 to 13 % per year.

The probability of under-recording may help to explain some of the features of individual block level data. For example no informal credit is recorded for Puintala – in practice it is extremely unlikely that this reflects the true situation, (although it is also true that formal sector credit is quite common in the block).

Use of credit

From the data available it appears that around 40% of household access credit from all sources (although this is likely to be some way below the true figure). Use of credit is illustrated in figure 2.

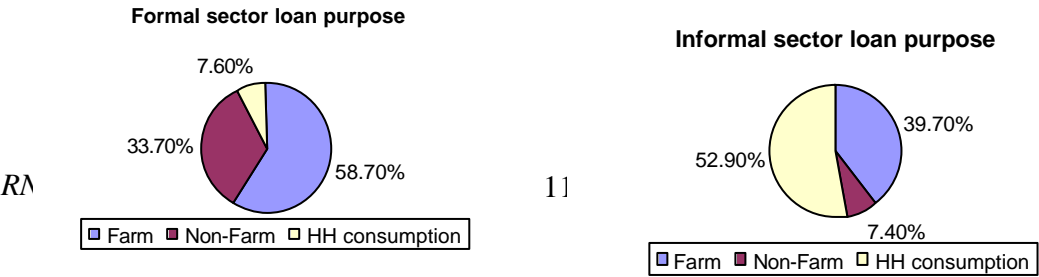


Figure 2: Use of formal and informal credit

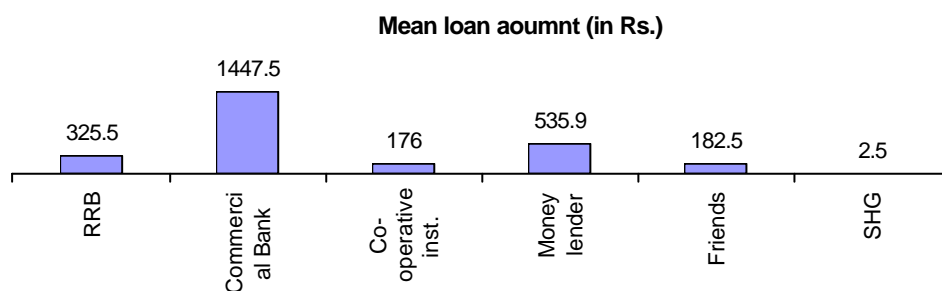
The study reveals that majority, almost 59%, of households have accessed formal sector loans for use in agricultural production, while this is the case for only around 40% of informal sector loans. The bulk of informal sector credit is used for consumption purposes.

Formal sector credit is quite important with respect to investment in non-farm activities, but this type of use is very low with informal loans. The emphasis on consumption use in the informal sector is related in part to the nature of loans available – which is generally short term in nature.

Scale of loans

Figure 3 shows that the average loan for commercial banks is the largest for any source, amounting to Rs 1,447.50 per household on average. The average amount of credit mobilization by moneylenders is Rs 535.9, followed by Rs 325.5 for regional rural banks. It is notable that funding via Self Help Groups is very small i.e. only Rs2.50 per household.

Figure 3 Average size of loans from different sources



Data appear to indicate that loans overall are quite small, hence that they may be relatively inadequate to meet the needs of, for example, investment in non-farm activity. However the caution expressed earlier over likely under-recording needs to be born in mind. Institutions which are more likely to be sympathetic to the needs of the poor – cooperatives and SHGs, appear to be particularly constrained as sources of credit.

Constraints - formal sector:

Table 6 provides a summary of constraints affecting households in accessing formal credit sources.

Table 6: Constraints to access - formal sector credit institutions – Percentage of households facing each constraint

	Belpara	Patanagarh	Puintala	Titilagarh	All
No constraints	2	-	-	6	4
Procedures & formalities	31	39	7	36	32
Distance to Bank/ credit source	34	38	40	7	24
Lack of awareness	77	50	38	50	54
Attitude of Bank staff	59	35	62	45	48
Problem with defaults	10	23	31	27	23
Cultural barriers	16	2	26	8	11
Need for bribes	20	43	62	30	35
Absence of collateral	24	27	16	29	26
Other	9	13	6	1	6

For convenience of analysis total constraint factors are grouped into 8 categories. The most important constraints are lack of awareness and the attitude of bank staff. These are followed by problems with procedures and the need to bribe staff in order to speed up procedures and/or obtain a loan at all. There are quite substantial differences between blocks in some cases, e.g. awareness is more of an issue in Belpara than in Puintala, whereas the reverse is true in the case of the need for bribes. In some cases there are likely to be overlaps between categories e.g. attitude of bank staff and the need for bribes, hence there may be need for caution in reading in too much significance to overall ranking of constraints, and differences between blocks.

Additional factors that are of some significance include physical access (distance) to banks and other formal credit sources. This component would be more significant but for the fact that such access in Titilagarh is much less of a problem compared to other blocks. Further problems arise with respect to difficulties in accessing collateral and past defaults on loans. It is possible that reporting on the latter may be understated due to the sensitivity of the issue.

Informal Sector Loan Constraints:

Table 7 provides summary data on the constraints confronting households with respect to informal credit.

Table 7 Constraints to access - Informal sector credit institutions – Percentage of households facing each constraint

	BELPARA	PATANAGARH	PUINTALA	TITILAGARH	ALL
No constraints	2	-	-	6	3
High interest rate	93	82	98	80	86
Creation of dependency	26	41	22	18	25
Lack and size of collateral	23	55	53	45	44
Small size of loans	44	33	44	32	36
Short-term loans available	61	35	58	43	47
Lack of awareness	24	9	9	7	11
Problem with repayment	-	-	-	2	1
Attitude	-	-	-	1	1
Other	2	-	-	-	2

The constraint of over-riding importance is the high rates of interest charged, which is unsurprising in the context of loans at 8% per month. The characteristics of loans on offer i.e. relatively small size and short-term nature are also important constraints. Interestingly collateral requirements are more important as constraints on informal finance than is the case for formal credit sources. The largest contrast with formal credit is the insignificance of lack of awareness as a constraint – although this is to be expected.

Issues such as attitude and problems with repayment hardly feature as constraints. In practice this result is likely to reflect considerable under-recording, since respondents typically are afraid that information given in surveys will “leak” to those giving loans. Adverse comment on repayment etc is likely to lead to more difficult relations with those supplying informal credit in the future. It is also the case that those providing informal loans pursue their clients more assiduously than is the case for formal sector credit. Repayments are likely to take place, but the burden of such repayment may nonetheless represent a constraint (coupled with the problem of high interest charges)

SHG Loan Constraints within the informal sector

Self Help Groups (SHGs) represent a major current initiative on the part of government programmes. They are designed to take into account the real needs of the poor through a multi-sectoral approach with special emphasis on micro-credit. Group savings provide a basis for lending programmes, and groups also participate in development of group/individual based income generation activity.

The scope for lending through SHGs is however severely constrained, partly because (aside from emergency relief) loans can only be made to SHG members. Survey respondents raised the latter issue as the most important constraint to accessing SHG loans (Table 8). A second feature is the (very) small size of loans on offer (averaging only Rp 2.5), which arises from the limited savings capacity of SHG members. Three other factors comprise lack of trust of group members, lack of awareness, and problems with procedures. The latter arising since although SHGs are informal credit agencies, they nonetheless maintain documentation in the form of books and accounts – procedures that may not always be effectively adhered to.

Table 8: Constraints to access for SHG loans - Informal sector credit institutions – Percentage of households facing each constraint

	BELPARA	PATANAGARH	PUINTALA	TITILAGARH	ALL
No constraints	1	-	-	1	1
Non-membership in the group	82	43	51	61	60
Small amount of loan	51	41	89	15	38
Procedures	33	28	33	10	22
Group members are not trusted	59	30	53	6	29
Lack of awareness	27	25	7	26	23

SHG Loan Constraints in working with the Formal Sector

The financial resources of Self Help Groups can be supplemented via formal sector agencies, especially by the commercial banks, for the purpose of re-financing of funds to

meet credit needs. Formal sector agencies such as banks and cooperative institutions can provide credit facilities to SHGs who then act as micro level providers, and who also ensure proper utilization of loans. However there are some grassroots level problems which prevent self-help groups from accessing formal sector credit institutions. Table 9 provides a summary of issues in this respect.

Table 9: Constraints to access for SHG loans - Formal sector credit institutions - Percentage of households facing each constraint

	BELPARA	PATANAGARH	PUINTALA	TITILAGARH	ALL
No constraints	1	-	-	-	1
Procedures and formalities	11	20	2	3	9
SHG members are defaulters	1	2	7	1	2
Small savings by SHG	48	24	58	11	28
Rating of SHG by banks	42	17	47	7	22
Attitude by Bank staff	46	30	55	2	24
Lack of awareness	48	65	40	89	69

As indicated in table 9 lack of information /awareness on the possibility of interaction between SHGs and the formal credit sector, is the most important constraint. Secondly, the requirements of formal sector institutions, e.g. keeping minimum deposits, credit guarantees, etc are beyond the capacity of cash starved SHGs. Attitudes of bank staff and rating of SHGs by banks are also of significance. Despite these drawbacks groups, and specifically SHGs, appear to face fewer constraints in dealing with formal sector agencies than is the case for individuals.

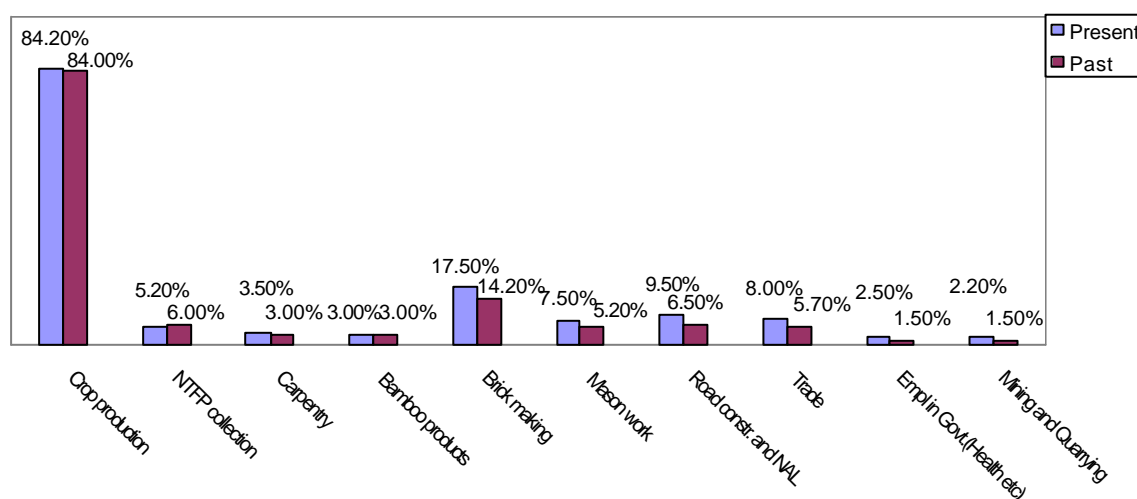
5. Economic profile:

In order to analyze the income distribution in the rural economy, household income earners have been divided into four categories: head of household, spouse, other male income earners and other female income earners. Information was gathered on present and past activities/sources of income. Past activities in this case are defined as those undertaken 5 to 10 years ago. Income data is discussed both in relation to categories within the household and between differing caste groups. The overall aim is to assess income levels, the relative importance of different activities, and changes which have occurred in recent years, especially with respect to the RNFE sector.

Type of activity and nature of involvement:

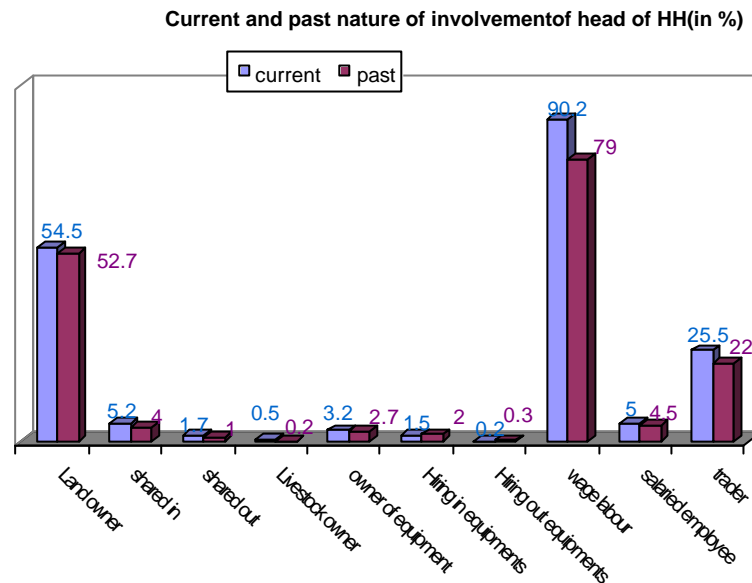
The occupational characteristics of household heads show that agriculture has been and remains the predominant activity in the district (Figure 4). However a variety of other occupations, especially those relating to various forms of construction are of importance. Whilst agricultural activity has remained constant, construction activities in combination (brick making, mason work and road construction), have increased from 26% to almost 35%. Trading activity is also of some significance, and again represents an area of increasing income generation. In contrast, activities of a more traditional nature, notably NTFP collection and production of bamboo products, have stagnated or shown signs of declining. Growth categories of income more than offset those which are declining, with the overall picture one of growing livelihood diversification.

Present and past Important sources of income of head of HH



The nature of involvement of household heads is shown in Figure 5. This indicates that landownership is of ongoing importance, with a small increase over time. However

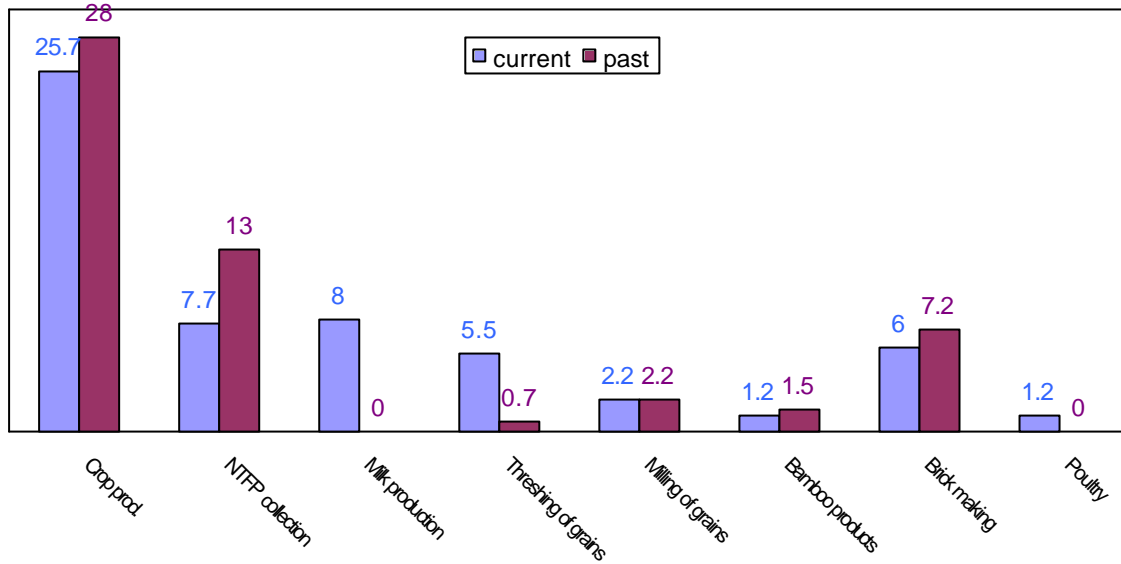
wage labour represents the overwhelming important form of engagement and one that has grown significantly. Following on from data in Figure 4, it is clear that trading activity is of importance even more in terms of the numbers engaged than in respect of income.



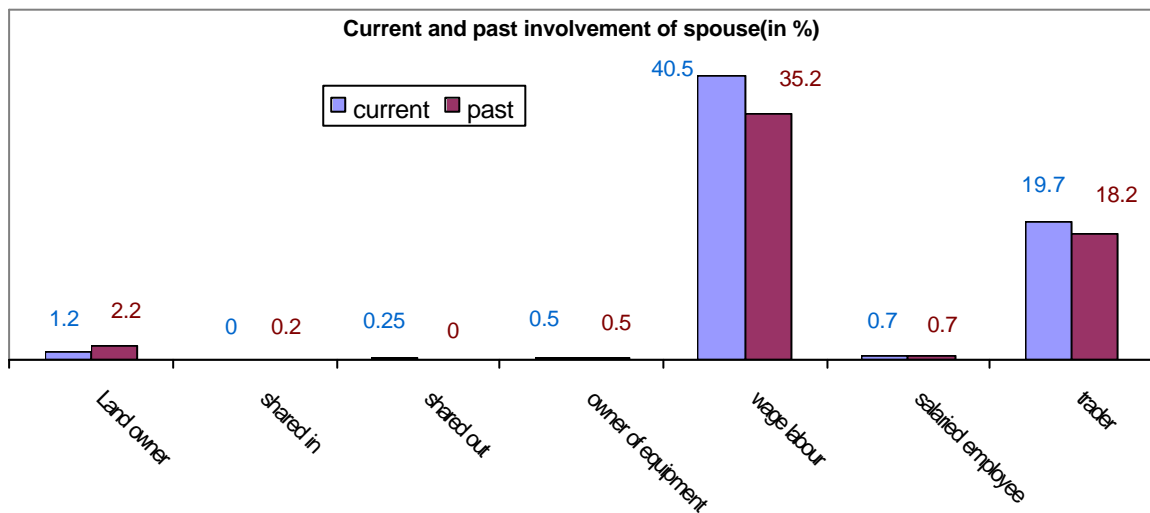
With respect to agricultural activity it is clear that a significant proportion is undertaken not as landowners. A number of household heads are involved in leased in /out, and wage labour work. In figure 5 wage labour includes both work in agricultural and non-agricultural activity.

Figure 6 shows income sources of importance to the spouses of household heads. To some extent these income sources reflect those of heads of households, but there are also some interesting differences. Whilst agriculture remains the most important income generating activity, the gap is smaller in relation to other activities. Unsurprisingly (since spouses are women), because of the heavy nature of the work, construction related occupation are much less significant than for household heads. Instead, livelihood diversification is largely in relation to further agricultural processing and livestock, and with respect to natural resource based activity, especially NTFP collection. These two groups of activity show contrasting trends. Those relating to agriculture and livestock have increased significantly over time (e.g. the total for milk production, poultry, threshing and milling increasing from 3% to 17%). In contrast NTFP collection has declined quite sharply from 13% to below 8%. Overall there is again a net gain in terms of growing diversity in income sources.

current and present main sources of income of spouse (in %)



Looking into type of involvement (figure 7), spouses are almost never landowners, but the nature of occupational involvement otherwise shows a number of strong similarities with those of the household head. As for household heads, wage labour is also easily the most important category for spouses, followed by trading activity.



Growth patterns are also similar with strong growth in wage labour and some expansion in trading. It is clear however that trading activity is relatively more important for spouses than for household heads. The form of this activity for spouses is in small-scale vegetable vending, and selling of household items etc within the village.

Other male members of the household may also supplement total income. In this case agriculture is again the most important and also an increasing component in activities, with expansion from below 17% to above 23%. As for the case of household heads, the next important and growing area is in building related activities, for example with an increase from 4% to 6.5% in brick making. In both major and minor activities there is a trend towards increasing diversity. As for household heads the most important occupational form for other males is wage labour, followed by land ownership. In the case of the other female income earners within the household, crop production again constitutes the major source, followed by brick making. The range of activities undertaken by women is increasing – in common with other household members. Wage labour is again the main form of employment.

Both heads of households, their spouses and other household members are therefore increasing engaging in diversified livelihoods. For men, after agriculture, activities associated with building and trading are of greatest importance. For spouses and other women, diversification is increasingly through agricultural and livestock based activities. For natural resource based activities (e.g. NTFP collection) and a number of more traditional occupations (bamboo products, carpentry), the picture is one of decline or stagnation. Wage labour represents easily the most important type of engagement for most categories within the household, and the one showing the most signs of expansion.

Levels of Income

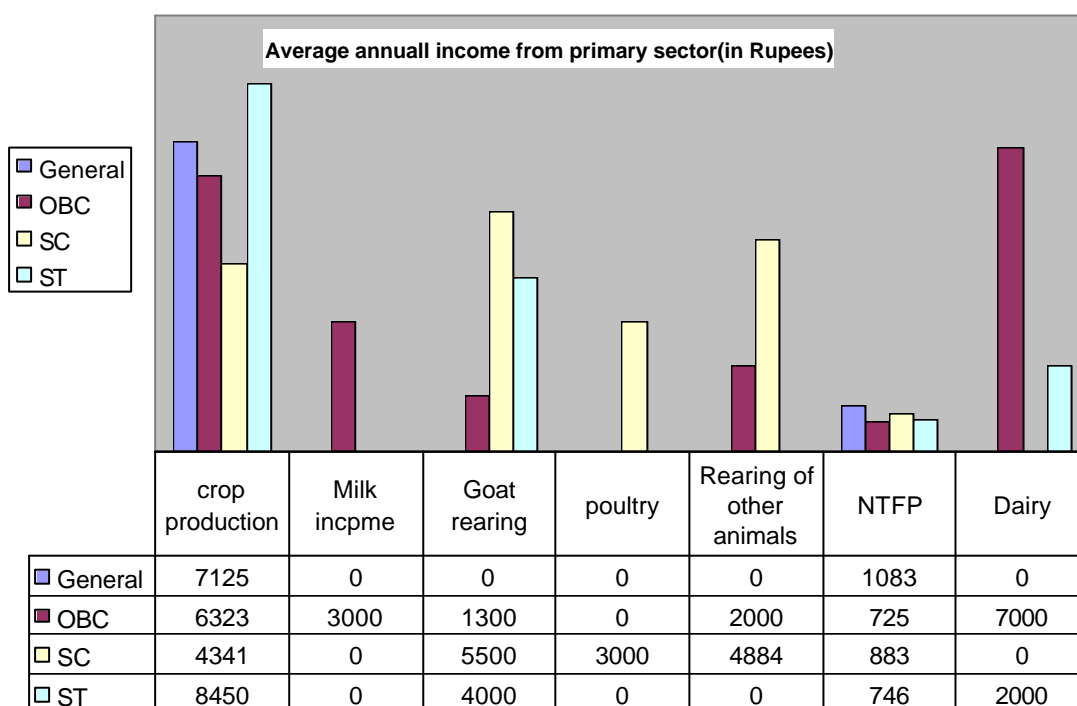
Income generating activity has also been analyzed in relation to differing sectors – primary, secondary and tertiary (i.e. agricultural and natural resource based, manufacturing and production, and service activity respectively). These data also provide insights into earnings for differing caste groups. A point to bear in mind is that whilst income levels can reach high levels in the secondary and tertiary sectors, the numbers of people involved are small, especially in the case of the highest incomes.

Figure 8 shows average incomes derived from primary sector activities, together with a breakdown of averages for the major caste groups. It needs to be stressed from the outset that the use of average (mean) figures can be quite misleading in some cases since there are a few individuals e.g. in the ST category, who own assets (land) and derive incomes far in excess of the norm for the group – for this reason median incomes are also quoted in the text where this is appropriate.

Figure 8 shows that certain activities, notably crop production and NTFP collection, are open to and undertaken by all castes. In contrast a significant number of other activities are constrained by caste boundaries, notably those do with livestock and associated products (e.g. milk and dairy produce, goat and other animal rearing).

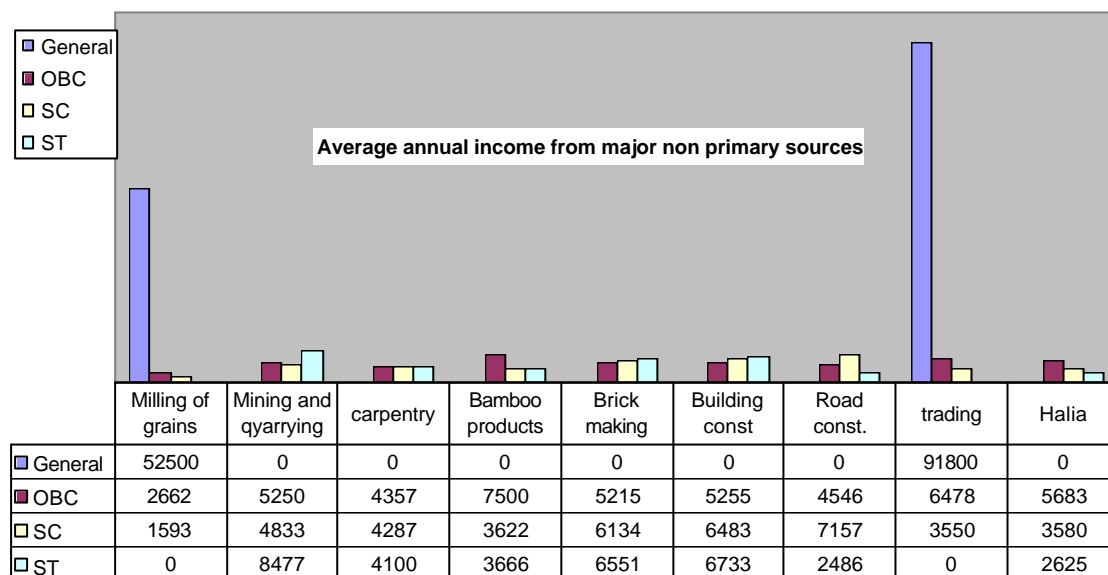
Overall crop income is the most important category for most caste groups, but it is important to point out that the average figure for the ST category is misleading, since it is heavily biased by a single individual, owning 40 acres of land with an annual crop

income of Rs 70,000. In contrast the median income for the ST group is Rs 5,100, compared for example to the median income of general castes of Rp 7150. Given this information it is clear that crop incomes generally follow an expected pattern with higher incomes achieved by the general castes in comparison to other caste categories. The difference in income levels is however, not especially large in terms of mean or median values. On the other hand there is a wide degree of dispersion within groups with some households earning very low crop incomes. NTFP collection is also spread across caste categories, but it is notable that incomes from this activity are the lowest in the primary production group as a whole.



Milk and dairy production is an activity confined by caste membership as indicated in figure 8. Dairying in particular appears to offer a reasonable income earning opportunity, but the number undertaking the activity is small, and average data are therefore susceptible to atypical individuals. Livestock rearing under the caste/jajami system generally prevents certain groups e.g. the OBCs from participating. SCs are commonly engaged in herding of animals for others rather than as livestock owners. Again numbers are small and hence not too much can be read in to average income data.

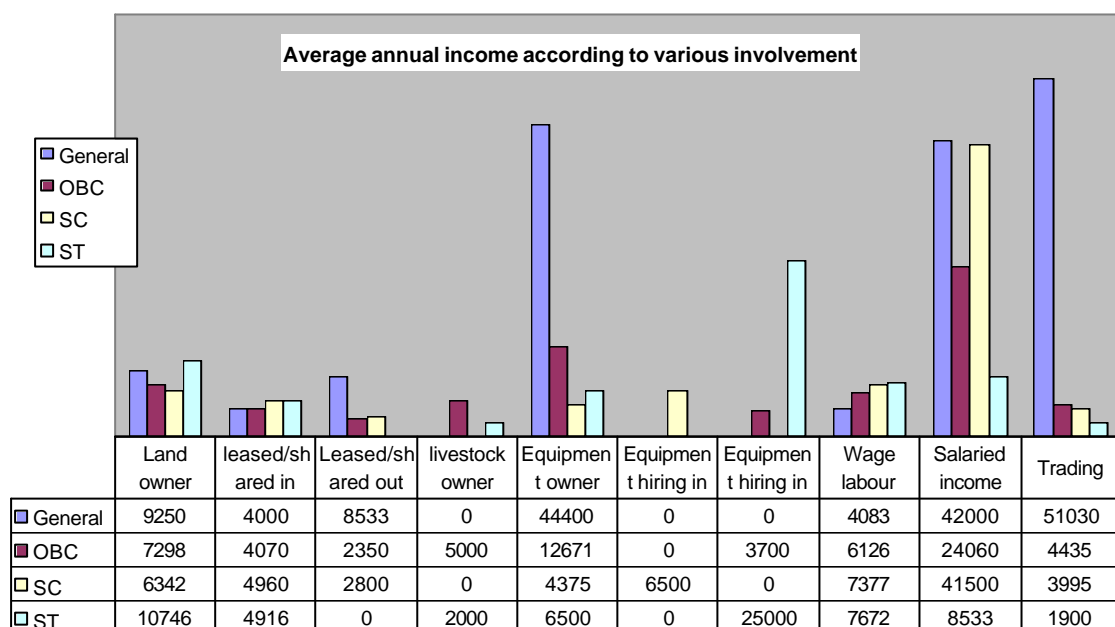
Figure 9 provides average income data on production activities other than those based upon primary agricultural production and extraction of NTFPs. Most of the activities in this group are largely confined on caste grounds, e.g. with the exception of milling and trading, these are not areas in which the general caste categories participate.



Milling and trading clearly provide very substantial incomes to a small number of individuals in the general caste category. For milling, participation of OBC and SC groups is in the form of wage labour, hence the low average income earned. In the case of trading, the figures illustrate the differing income levels possible – with those earned by petty trading amongst the OBC and SC categories being far below the more substantial trading activities of the general castes.

The table shows that amongst the OBC, SC and ST groups, for a range of occupations associated with construction, income levels are broadly comparable if not better than those which can be earned from crop production. It is also the case that dispersion of incomes in these categories is less than for others. This feature probably arises because the majority of participants are working as wage labourers, who earn similar incomes for these occupations. These activities provide particular opportunities for the landless – who are often synonymous with the SC and ST groups. Incomes earned by OBC members are often below those for SC and ST categories, this occurs because occupations such as brick making and road construction are often the sole or major livelihood of SC and ST households, whereas they are more in the nature of supplementary income sources for many in the OBC category.

Figure 10 shows income by categories of employment. Particularly large variation in incomes arises for those owning or hiring equipment, salaried employees and in trading. The figure also indicates that salaried employment represents the highest paying category for lower caste categories. It is likely that at least some of this employment is under reservation categories e.g. for SCs and STs. It is also the case that the numbers in the samples are small, and therefore (as noted earlier) not too much should be read in to the average income data.



Overall, income disparity tends to be highest in those occupations where there is a need for initial capital, since the great majority of rural people do not have access to the latter. Access to credit/finance is therefore an important component in overall income disparity.

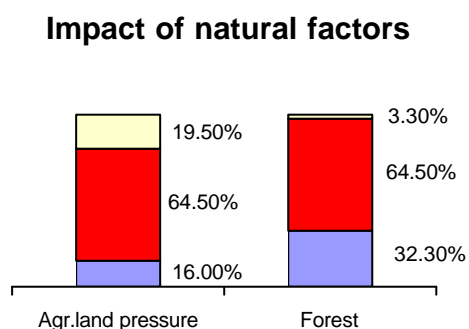
SECTION-II

Changing Factors in the Rural Economy

This section examines people's views on factors underlying rural livelihoods, including access to natural resources, infrastructure, and socio-economic issues. The aim is to identify key areas where constraints may operate, and to relate these to the differing circumstances in the four blocks covered by the survey. Even more importantly it also examines views expressed by different caste groups within the population.

Natural Resources

The two key natural resources available to households in the survey area are agricultural land and forest areas. Figure 11 shows local peoples perceptions of the impact of these factors. Availability of agricultural land is seen as a constraining factor by a substantial proportion of households, i.e. 65% perceive shortage of agricultural land as a negative



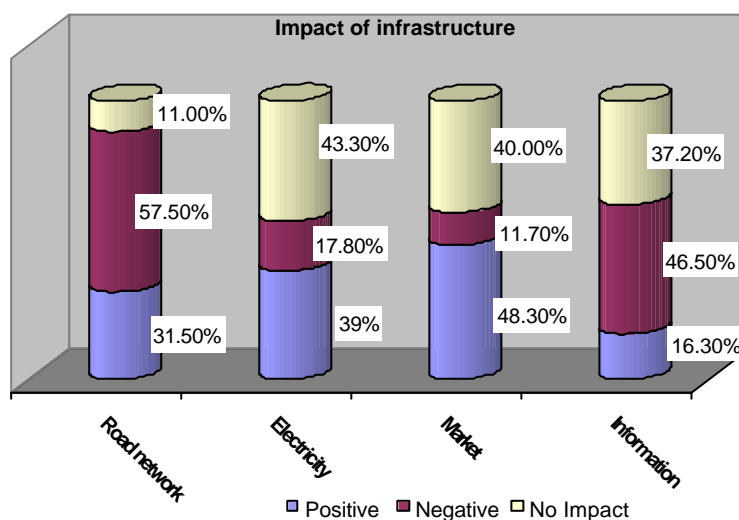
factor in people's livelihoods. A further 20% did not express a view because of their landless status. Limitations to land availability in the context of population growth, lead to smaller land holdings per household, which in turn lead to diminished food security, underutilization of labour or unemployment. Between blocks covered in the study, Patnagarh was the area where land constraints were found to be the most acute.

A minority of households perceives such shortages as an advantage, either because they encourage movement into non-farm activities which may be more profitable, or because it encourages a move towards more intensive agricultural practices (e.g. the use of improved seed, fertilizer etc) and hence increased output per unit of land.

Forest resources were perceived by respondents to be constrained in a similar manner to agricultural land. Again 65% of households perceived limits to forest resources as an issue, especially in Puintala and Titilagarh blocks, where forest cover is small. Elsewhere the positive role that can be played by forest resources was stressed e.g. as a source of NTFPs, wood, fuel, fruits, fodder, medicines and other items. In caste terms the OBC, SC and ST groups stress the negative impact of diminished forest resources most. In contrast, general castes do not indicate this as a constraint.

Infrastructure

Infrastructure such as roads, electricity supply, access to markets and access to information were covered in the survey and the respondents views on the impact of these factors are summarized in figure 12. With respect to roads, access as a whole is poor, with 58% of respondents citing this as having a negative impact. Patanagarh is the block where the least constraints felt, despite the large forested area within it. The negative impacts arising from limited road access include both social components (limitations to access to education and health) and economic aspects (access to markets). It is noteworthy that upper castes do not regard access to roads as a constraint, implying that they are located in areas of better access, or have the means to overcome limitations that can be imposed by poor roads.



Electricity supply is a major potential resource in rural peoples livelihoods, although at present may do not utilize it as such. Overall the impact of electricity supply is rated in relatively positive terms (Figure 12). A minority of households (around 18%) do not have access to electricity. For the remainder, especially amongst upper castes, the majority view is that it has a positive impact upon livelihoods.

Market access is also broadly rated as either a positive or neutral factor in livelihoods. Access in this context is defined as access to markets outside of the immediate village community. Only Belpara block is relatively poorly served in this respect. In contrast,

whilst Puintala has poor road access, it is well located in respect of markets. There is little variation in perceptions between different caste categories.

Although the majority of household's rates market access as broadly positive, access to information is not. Overall 47% of households rate it as a constraint. Information here can mean access to data on prices, information on market networks, or specification of products required in particular markets. Information also relates to government programmes and activities – where constraints can limit access to opportunities arising from such programmes in terms of employment, credit and other factors. In caste terms upper castes again have contrasting views, since they feel information is not a constraint. This again may be an indicator of their access to more effective networks providing information, and/or the capacity to pay for such access. In contrast the ST group are those most affected by lack of access to information.

Socio economic factors

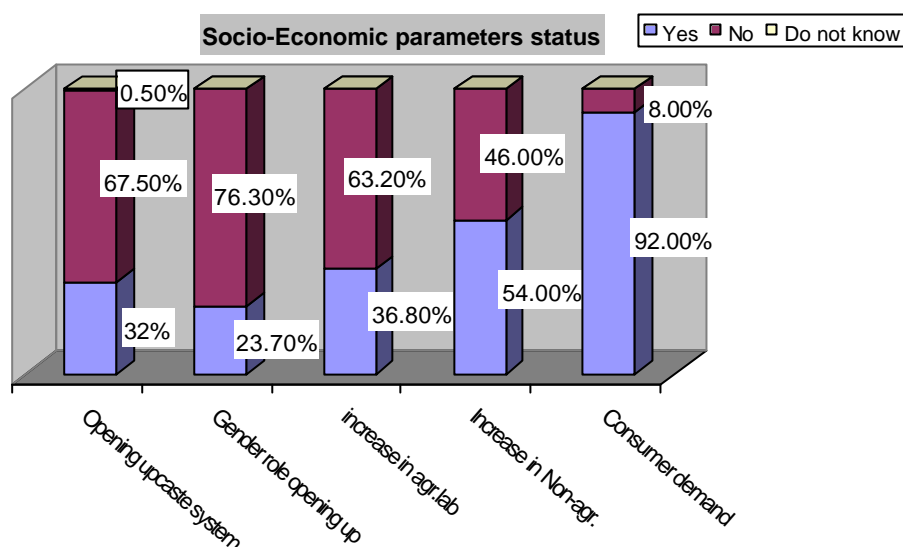
Socio economic factors that can impact upon livelihoods include caste, gender, access to agricultural and non-agricultural labour opportunities, migration, urbanization and the effects of consumer demand for differing products. Respondents views on the significance of these factors are shown in Figures 13 and 14.

The caste system is fundamental in many social and economic relationships, and it is generally assumed that caste structures are more rigid in rural areas. Respondents indicate that the system is still firmly entrenched, with 68% holding the view that the system is not changing and that it represents a major constraint, e.g. with respect to taking advantage of new income earning opportunities. Negative views are especially strong in Belpara and Patnagarh blocks (which represent less accessible areas). It is also very significant that the view the caste system has not changed is most strongly expressed by members of the SC and ST groups, whilst general castes express the belief that the system is more flexible.

Gender relations is a further key area where social practices limit the participation of members of the community – i.e. women – in both social and economic activities. The great majority of respondents, 76%, indicated that gender roles were not opening up. Constraints on economic activity are particularly strong in the area of marketing, and represent a major constraint upon diversification of income earning opportunities for women. Such discrimination also prevents women from taking up opportunities that are available in training in various fields. In this case the constraints are viewed equally strongly among all caste categories.

Respondents regard migration with mixed feeling. Whilst a third have no real view, 40% regard it as a negative factor. This arises because migrants are often forced to act out of poverty, incomes earned may be low and working conditions very poor. The situation is often made worse because of exploitation by middlemen, which sometimes leads to further indebtedness. Migration may also lead to negative social outcomes e.g.

with respect to children's education. However, migration is not always seen as a negative factor and outcomes vary between differing sectors and circumstances. Thus almost a third of respondents regard migration as a positive element in livelihoods.

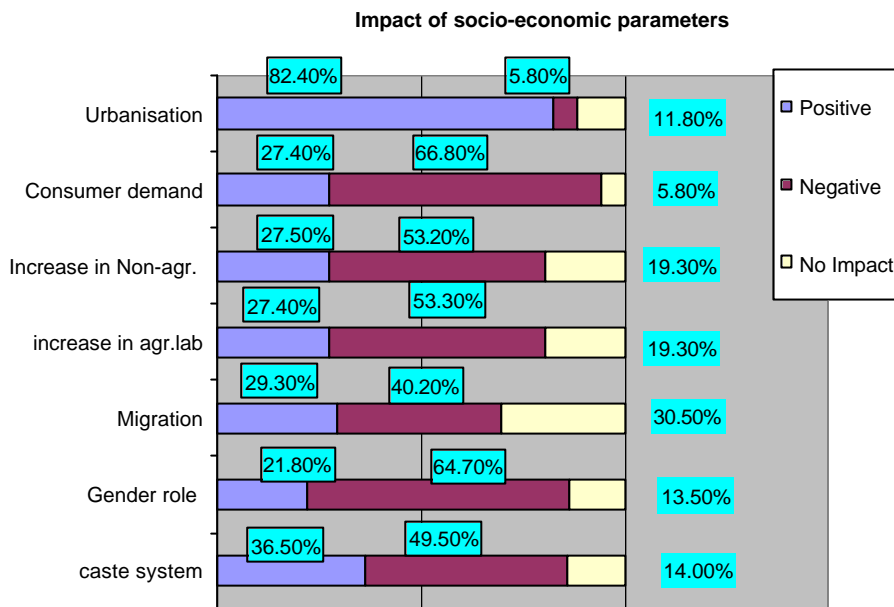


The opportunities provided by wage labour in agriculture are generally not regarded as a growth area (Figure 14). Whilst pressure on land may push people into agricultural wage labour, opportunities in the sector may be limited by constraints to production and by the instability created by frequent droughts. With increasing labour available and diminished or static agricultural activity, the effect can be to lower wage rates hence adding to the overall negative assessment of respondents. Areas where such negative feelings are particularly strong are Belpara and Titilagarh.

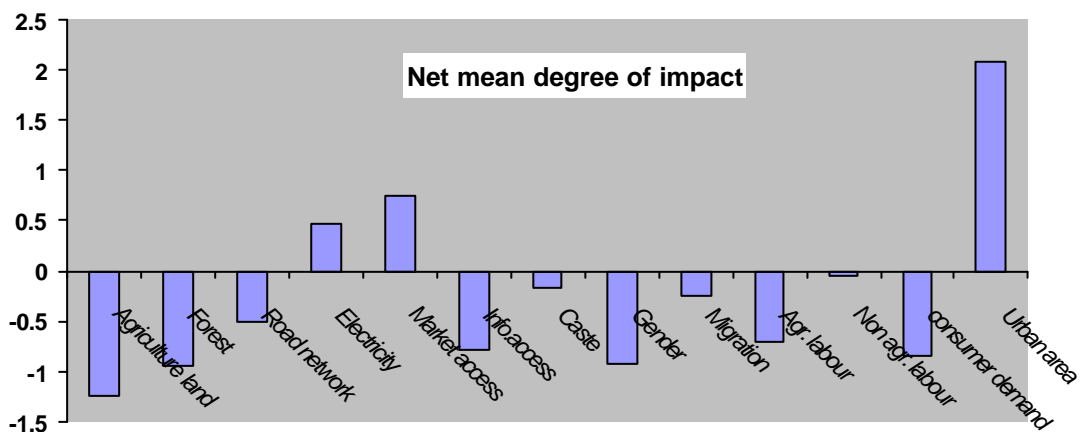
Non-agricultural wage labour may present an alternative, and respondents viewed this as a stronger area in terms of growth potential compared to agriculture (Figure 14). However the impact of such labour is perceived as very similar to that for agriculture (Figure 15), i.e. negative on balance. Particular negative feelings were expressed in Belpara and Titilagarh, where people are often forced to migrate through lack of local labour opportunities as a whole. Thus, whilst non-farm labour can reduce dependence and risk associated with agriculture, the returns to such labour are viewed negatively overall.

Consumer demand is regarded as a strong growth area (Figure 14), but one which generates broadly negative effects (Figure 15). On the positive side increased consumer demand can assist in the growth of non-farm activities, and these in turn may have indirect but positive effects on local agriculture. However, negative aspects more than offset such potential benefits- since increased demand is widely regarded as resulting in

higher prices, where rural consumers are placed at a disadvantage because of low levels of cash income.



Urban growth is the factor that generates the most positive response by far in terms of socio-economic factors. (Figure 15). It is regarded as a source of employment, and also as a growing market for both agricultural and non-farm produce. It also provides a source of inputs and materials. A very small minority perceive urbanization in a negative light, essentially because of perceived imbalance in bargaining power, e.g. with urban traders.



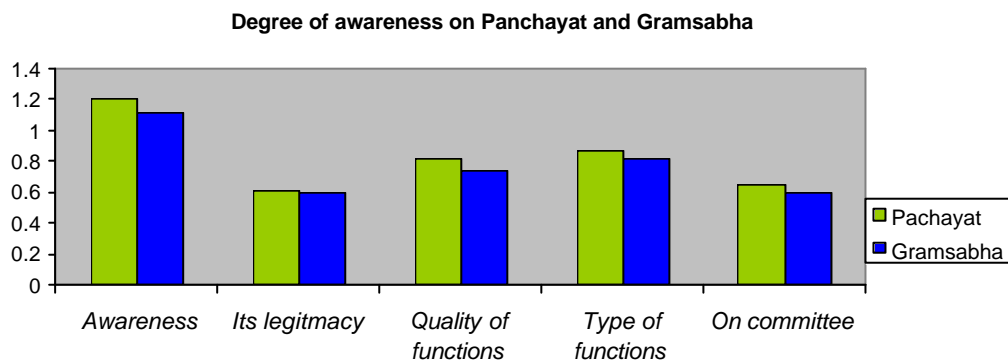
SECTION-III

Rural non-farm economy & Local governance:

Governance can have a critical impact on the local economy, including the effects of decentralization of authority implemented through legislation in the 1990's. PRI bodies in particular can (in theory at least), articulate the needs of local people and provide a forum for more effective planning and project activity at community level. This section looks first at the levels of awareness of PRIs before examining levels of participation and the extent to which people perceive benefits arising from the activities of these institutions. The role of government programmes at the local level is also examined, including interaction between government agencies and PRI bodies.

Level of awareness

Analysis of levels of awareness amongst villagers of the status and functions of PRI bodies is summarized in Figure 16. The figure has weighted responses on the scale 0,1,2, i.e. responses of not aware 0, somewhat aware 1, and fully aware 2.



Overall awareness is moderate or poor for the categories shown, with slightly better responses for the panchayat compared to the Gram Sabha, although these differences are not particularly large. It is clear however that awareness is much lower for certain areas, notably the legitimacy (i.e. legislation underlying the system), together with how the system functions and what those functions are.

More detail is provided in Table 10, which shows awareness by block location. It is evident that awareness is much higher over all in Titilagarh, and to a slightly lesser degree in Belpara also. Better awareness in Titilagarh is likely to arise from its advantageous location and greater accessibility.

Table 10: Panchayat and Gramsabha Awareness

Block	Awareness		Legitimacy		How Function		Types of functions		Committees	
	Panchayat	GS	Panchayat	GS	Panchayat	GS	Panchayat	GS	Panchayat	GS
Belpara	1.0	0.95	0.78	0.70	0.86	0.76	0.86	0.76	0.75	0.68
Patnagarh	0.82	0.82	0.43	0.56	0.59	0.65	0.60	0.64	0.36	0.40
Puintala	0.69	0.7	0.12	0.12	0.52	0.43	0.70	0.63	0.43	0.40
Titilagarh	1.60	1.47	0.77	0.72	1.01	0.86	1.05	0.99	0.82	0.73
All	1.20	1.11	0.61	0.60	0.82	0.74	0.87	0.82	0.65	0.60

* 0 - not aware, 1 - somewhat aware, 2-fully aware.

Table 11 shows awareness levels by caste. The table is of fundamental importance since it clearly shows the higher levels of awareness of upper castes in comparison to others. Of special significance is the low level of knowledge and understanding amongst the SC and to a lesser extent OBC groups, for issues such as the legitimacy of the system and the means by which it operates through various committees. ST members indicate a slightly higher level of awareness in some cases, but it is the General caste category that clearly has the highest level of understanding.

Table: 11 Mean degree of awareness

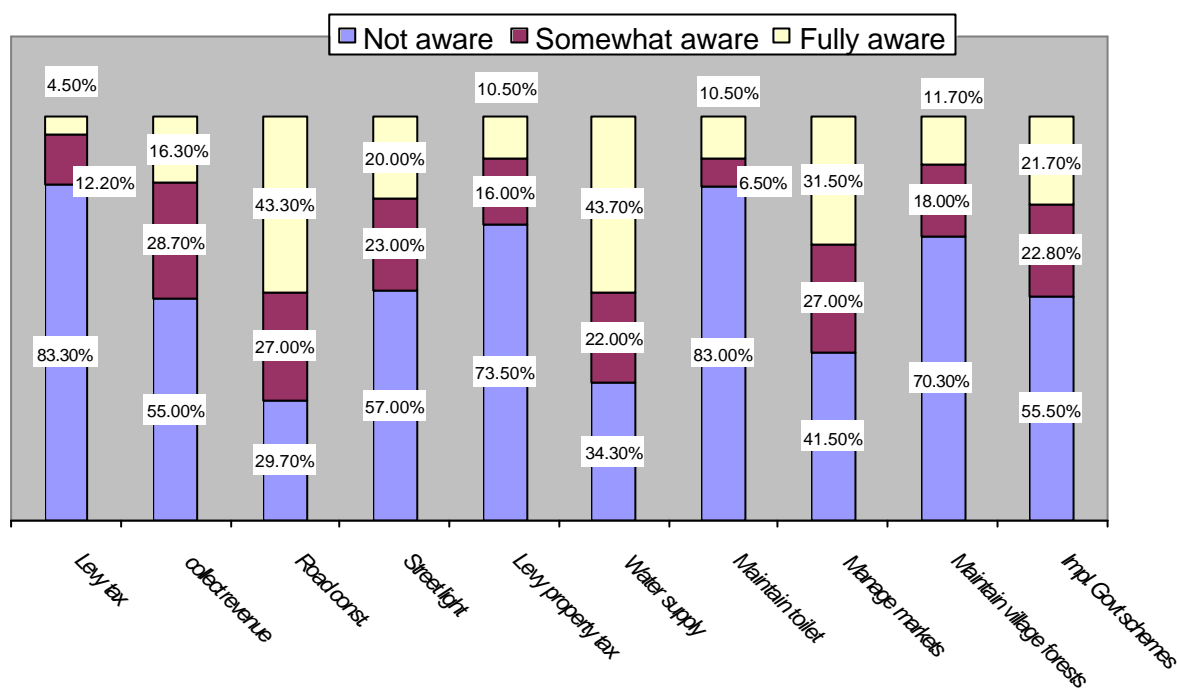
Block	Awareness		Legitimacy		How functions		Type of function		Committees	
	Panchayat	GS	Panchayat	GS	Panchayat	GS	Panchayat	GS	Panchayat	GS
General	1.55	1.30	0.95	0.90	0.80	0.75	1.15	1.10	1.05	0.90
OBC	1.23	1.16	0.59	0.58	0.86	0.74	0.94	0.86	0.68	0.66
SC	1.10	1.0	0.42	0.48	0.75	0.73	0.76	0.77	0.52	0.47
ST	1.17	1.03	0.81	0.73	0.83	0.74	0.79	0.74	0.70	0.62
Total	1.20	1.11	0.61	0.60	0.82	0.74	0.87	0.82	0.65	0.60

*0 - not aware, 1 - somewhat aware, 2-fully aware

Awareness on specific functions:

Figure 17 provides an analysis of peoples awareness of the functions of the Gram Sabha. Awareness of some functions is relatively high – these relate essentially to infrastructure and service provision, e.g. roads and water, plus market management. There is more limited knowledge of other areas e.g. responsibility for implementation of government schemes and for revenue collection. Interestingly the least knowledge of functions arises in the case of tax and maintenance of forest resources. The capacity to tax is clearly of

fundamental importance in generating local autonomy (as opposed to revenue collection on behalf of state/district government). Equally the livelihoods of the poorest are often dependent on natural resource based activity e.g. NNTP's), but this is one of the least understood areas of responsibility.



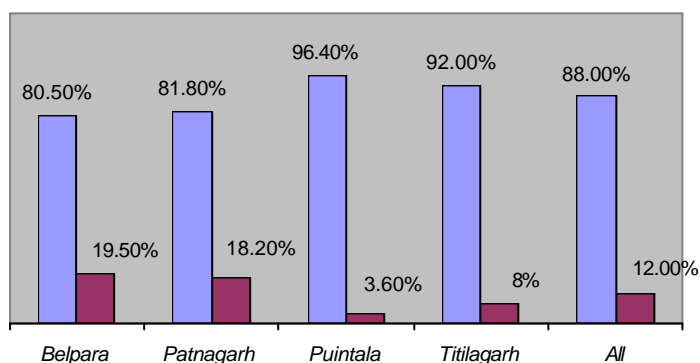
People's participation and links with panchayats

Although peoples understanding of the functions and legitimacy of PRI bodies is often low, especially for the lower castes and ST groups, their participation in elections has been high (at least to date).

Figure 18 shows participation by block in panchayat elections. Participation is especially high in Puntala and Titilagarh. It may be that lower education levels in Belpara and Patnagarh contribute to lower participation in elections.

Regardless of relatively low understanding of functions, people also have at least some connection with the system through knowledge of members of the Gram Sabha. 70% of households know of at least one member, whilst 13% know all of the members.

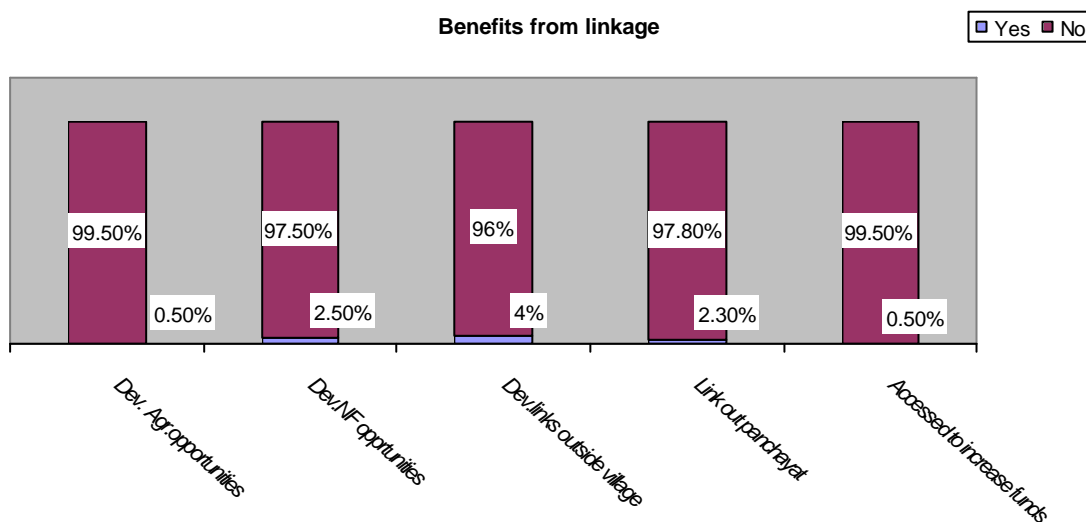
Participation in Panchayat election



Benefits from linkage

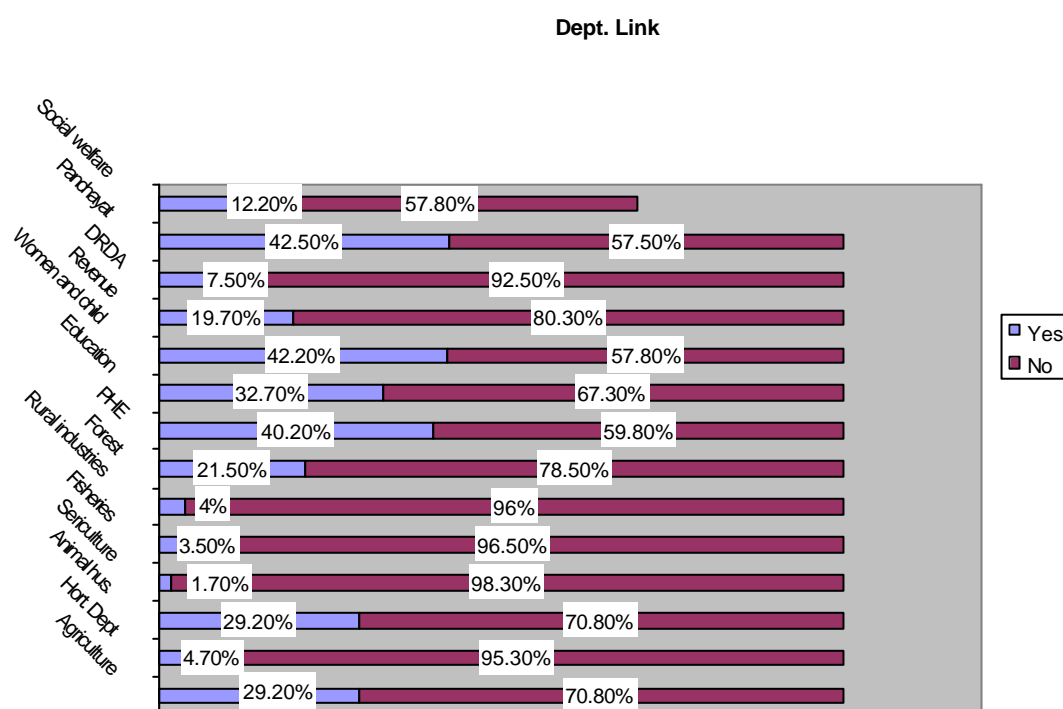
The benefits arising from activity of the Gram Sabha appear to be very limited, based upon the perceptions of villagers in the survey. Although the Gram Sabha is empowered (in theory at least) to take part in planning, implementation of projects, protecting natural resources and providing infrastructural facilities to rural people, the people themselves generally did not perceive benefits arising in these areas.

Questions were asked with respect to a range of potential areas of benefit (Figure 19). It is clear that in all cases the impact is negligible, including key areas of the local economy such as development of opportunities in the agricultural and non-farm sectors. A similar picture arises with respect to developing linkages outside the village, and, crucially, accessing external funding. In all cases 96% or more of responses noted no significant benefit.



Linkage and Benefits from line departments:

The field surveys for this study also looked at the extent of linkages with government line departments, and the level of benefits derived from their programmes. Figure 20 provides a summary of findings. From the figure it appears that the greatest level of linkage is with the Panchayat department and with other departments which have a social or service function, e.g. education, health and the needs of women and children. However even in these cases it is only a minority of respondents (around 40% or below) who perceive linkages and benefits. Mainstream production related departments such as Agriculture, Aquaculture and Forestry all fare worse – with links and benefits perceived by between 20 to 30% of respondents. It is notable that the Department of Rural Industry has one of the lowest perceived levels of benefit, (along with fisheries and sericulture). As such the prospects for direct support to RNFE activity are very slim.



Turning first to the mainstream production related departments, the department of agriculture was found to benefit only a modest percentage of households have derived benefits and of these only 2.5% derive substantial benefits. The types of benefit on offer include High Yielding Variety (HYV) seeds at subsidized rates, recommendation for financial and technical support, and access to crop loans and crop insurance. The

performance of the livestock department is quite similar to that of agriculture, with less than 4% of households indicating that they have derived benefits from its activities. The proportion of households indicating linkage with the forest department is somewhat lower than for agriculture and livestock, but a somewhat larger proportion – 8% - of households derives significant benefits. General and upper castes have fewer linkages in comparison to OBC and SC groups because the forest dwelling community is comprised of lower caste groups. Unsurprisingly, benefits are concentrated in the two blocks with significant forest reserve areas – Belpara and Patnagarh.

As noted above, service departments such as health, education, and women and children's' needs have a better degree of linkage with the village population. This situation appears to have arisen because decentralized systems have created at least some opportunities to develop more participatory programmes. However the proportion of households receiving substantial benefits is still relatively small, e.g. 9% in the case of the Panchayat Raj Department and 6.5% for education.

A number of production related departments have very limited impact e.g. those for horticulture, sericulture and fisheries. Horticultural department activity is supposed to promote use of fallow lands and develop orchards, but only 1% of households indicate significant benefits in this respect. The situation with fisheries is similar with around 1% of households gaining significantly from its activities, whilst sericulture is hardly practiced throughout the survey areas.

Finally the department of rural industries is supposed to promote financial and technical support to rural people to undertake small and cottage industries. Services include provision of small investment support, training; and orientation on entrepreneurial development for educated, unemployed rural youth. The objective is to promote engagement in the non-farm sector as an alternative to the agriculture. However only 4% of households reported any link with this department and very few benefit to a significant degree.

Overall the impact of departmental activity is weak. This is partly because there is a focus on provision of services rather than interventions that can directly assist people's livelihoods. This is reflected in the finding that only 3.5% of households think that departments can assist in developing new income earning opportunities. Even where there are support measures for productive activity, these are mainly in the form of recommendations for access to finance, rather than more comprehensive assistance.

Panchayats and the farm and non-farm economy

This section analyses the role of Panchayats in various aspects of rural livelihoods, and especially with respect to any effects on the RNFE. Overall survey data show that there is little perceived impact, i.e. only 9% of households responded positively. Whilst Panchayat activities include some that directly impact upon livelihoods, e.g. promotion of agricultural and other marketing, and improving access to NTFP, these generally

promote wage employment rather than the provision e.g. of infrastructure to improve production and marketing more directly. Opportunities for self-employment are a lower priority, and/or relate to recruitment of individuals to various government schemes (including welfare programmes). Other areas where some impact are felt cover social and service functions, notably welfare support, nutrition and health care. The latter arises in the context of the range of Panchayat committees that interface with government programmes and schemes. Overall there is little sign of activities assisting in resource management and marketing, and effects on the RNFE are negligible.

The role of village level committees

There are a wide range of committees operating at village level including the village development committee, and committees for forest protection, joint forest management, watershed community management, schools, parent-teacher, water and sanitation, culture and youth clubs. In addition to these there are also self help groups (SHGs). Of the various groups the most widely recognized are the SHGs, which significantly are also those with a specific mandate to improve social and economic development. Lower castes e.g. the OBC SC and ST groups are more aware of committees covering forestry and watershed management, in comparison to general caste categories.

Most committees have membership of up to 5% of the community – the exception being SHGs where membership is larger. The higher profile of SHGs and the greater involvement of people in their activities stems from their wider ranging mandate and a relatively more participatory approach in their operation. In contrast other committees are dependent upon government sanctions and resources and are generally focused upon a single issue. Around 30% of villagers are participating in one or other of the various committees, and 20% perceive at least some benefits from membership. However, the bulk of such benefits are in the form of perceived improvement in status. Only 7% of households indicated benefits in the form of improved livelihood status and a further 2% in terms of increased income.

Overall the majority of households (70%) are unaffected by committee operations, or perceive no benefit from them. One of the key reasons for this situation is the minimal resources that are generally available to specific committees. A second factor is the control that may be exerted by specific interest groups or castes over the operation and activities sponsored by committees. Most villagers reported that they felt they had little or no control over committee activity. Again the conclusion is that committee operations have little effect upon livelihoods, including those based upon RNFE.

Which is better- panchayat or village level committee?

There are two categories of committee operating at community level – those through the PRI system and those operated by line departments. Panchayat bodies are characterized by elected membership and common responsibilities, regardless of the specific location

within which they operate. In contrast members are selected rather than elected for committees operated by line departments, and functions can vary depending upon the circumstances of specific locations within which they operate. In practice around half of the survey population perceive differences between the two types of organization, whilst the remainder either see no difference or feel unable to judge. The majority (59%) believes that there is no working relationship between the two groupings. On balance government department committees are favored by a small margin compared to PRI bodies since it is felt that they are more accessible. On the other hand PRI committees are seen as having greater access to funding resources.

Accessibility to Govt. programmes:

The surveys also obtained peoples views on the effectiveness of a range of government programmes. These include the SGSY, which consolidates the activities of three former schemes – the IRDP (Integrated rural development programmes) in which selected beneficiaries undertake various primary and non-primary based income generation activities with the technical and financial assistance by the government, the TRYSEM (Training of Rural Youth for Self Employment) and the JRY (Jawaharl Rojgar Yojana) programme. Surveys found that only 1.5% of respondents had benefited under the three earlier schemes (IRDP, TRYSEM and JRY). In fact no households had benefited from the JRY scheme. The level of beneficiaries under the consolidated new scheme (SGSY) is very similar, at just under 2%.

There are also a range of other programmes e.g. the Indira Awas Yojana (IAY) is being implemented to provide housing assistance to those below the poverty line. This scheme has affected around 9% of households who felt they had benefited, although not in terms of household income. The scheme to assure employment, EAS, has benefited only 1% households, and even some of these feel that benefits are negligible because of the limited number of days of employment on offer in practice (e.g. 6 to 7 days in comparison to a theoretical total of 100days per household per year). The Jeevan Dhara scheme provides wells to farmers as a means to increase agricultural incomes. This scheme has reached 4% of respondents, who generally felt there had been a positive impact in terms of income. Only 2.5% of households have benefited through credit /subsidy schemes (e.g. for loan facilities to develop agricultural activities such land improvement, seed supply, crop loans, and non – agricultural activities like small scale manufacturing and trading). Other schemes like widow's allowance and old age pensions, also only 2.5% of households.

As a whole it is clear that the array of government programmes is having a minimal impact on the rural population in the survey areas. Under these circumstances it is unsurprising that people generally rated NGO bodies as more effective (38%), compared to government agencies (31%). An additional reason favoring NGOs is their greater degree of accountability to local communities and their use of more participatory approaches. The preference ratings for other categories of local institutions were:

financial institutions like banks (18%), community organizations (4%), Self Help Groups (5%) and private persons like politicians (2%), and other private persons /agencies (2%).

Local people had a variety of views on ways in which PRI bodies have a positive impact on livelihoods, specifically by improving the RNFE. In the first instance it was noted that PRIs could promote wage employment and self-employment. Second improvements in infrastructure, e.g. roads, electricity and marketing linkages, have an important impact on the non-farm economy. Third, PRIs can assist in improving the quality of the natural resource base through conservation and protection measures. Finally dissemination of information on marketing of farm and non-farm produce and improving credit availability. In essence most of these functions are facilitatory rather than examples of direct intervention, the exception being employment generation.

A variety of factors help to explain the poor performance of PRI bodies to date. In the first instance elected representatives are not aware of their roles and responsibilities. Second, once elected they often fail to represent the interests of those who elected them, especially the needs of the poor. Instead they tend to meet the needs of vested interests within the community. Third, members are often unaware of the operational aspects of PRI activities and as a result they fail to take a leading role in development initiatives. The Sarpanch often makes unilateral decisions which may again not be in the interests of the community. Other constraints include lack of effective monitoring by the panchayat members and competent authorities, and untimely receipt of funds by the PRIs which prevents them for effectively promoting the development of the Rural Non farm Economy (RNFE).



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