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Poverty Reduction through Decentralization: Lessons from the Experience of Kerala State in India

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Abstract

This paper has three parts. The first part is an assessment of the level and type of poverty in Kerala and its characteristics. The second part describes the implications of the recent decentralization initiatives of the State for reduction of poverty, and the third and final part presents the Case Study of Malappuram District—one of the most backward districts in the State—which has attempted a participatory poverty reduction strategy through women and whose experience is now being upscaled to be implemented all over the State with appropriate restructuring to fit into the context of decentralization.

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PART I
ASSESSMENT OF POVERTY IN KERALA

I. INTRODUCTION

Kerala is a relatively small State lying in the southern tip of India. The following table encapsulates the salient features of Kerala's development vis-à-vis the country.

	INDIA	KERALA
1. Area	3287263 sq.km	38863 sq.km
2. Population	846.3 Million	29.1 Million
a) Male	439.2 Million	14.3 Million
b) Female	407.0 Million	14.8 Million
3. Sex Ratio	927/1000	1036/1000
4. Density of population	274/ sq.km	749/ sq.km
5. Literacy		
a) Male	64.13 %	93.62 %
b) Female	39.29 %	86.17 %
c) Total	52.21 %	89.81 %
6. Life Expectancy		
a) Male	60 years	70 years
b) Female	62 years	72 years
7. Infant Mortality	74	13
8. Population below Poverty line	36.3 %	28.4 %
9. Per capita income	Rs.14,682	Rs. 17,756

Kerala's development achievement has often been held up as a model and as an object lesson to countries having relatively low economic development. It is hailed for its equity and is cited as an example of what mass mobilization and public action can achieve when responsive democratic governments are in place. The widespread provisioning of health and educational services has spearheaded the achievement of all round human development.

Kerala has achieved commendable success in attaining good coverage of basic minimum services. Its universal public distribution system provides good food security; its social security systems in the form of pensions to vulnerable groups and welfare funds for various types of

labourers are also reasonably well spread. These have prevented abject poverty. Thus from the capabilities point of view as well as entitlements point of view, Kerala appears to have performed better in comparison with other States of the country, in its tackling of the problem of poverty.

For nearly two decades since 1975 when the landmark study of the Centre for Development Studies, Trivandrum¹ brought out the peculiarities of Kerala's development process, the accent had been on analysing the various aspects of the Kerala model and their significance in contributing to social and human development in spite of lagging in economic development. However, in the last few years, attention is being focussed on the sustainability of the development experience of Kerala and in this context there is increasing emphasis on the persistent poverty in Kerala and on identifying its causes and delineating its features.

Kerala's recent initiatives in democratic decentralisation have brought to the fore issues related to poverty and the role of different tiers of local government in poverty reduction. As participatory micro-level planning is being institutionalised, the need for capturing clear and sharp data on poverty and the question of a socially acceptable method for identifying the poor have assumed importance. It has opened up possibilities of poverty being perceived in its multi-dimensional character and a strategy for multi-pronged attack being formulated. In this context assessment of poverty at the local level can no longer be through vague and crude measures; such assessment would have to be transparent, comprehensive and simple reflecting the perceptions of the people along with those of the experts.

II. TRADITIONAL POVERTY ASSESSMENT

As in the rest of the country the quinquennial National Sample Survey data have been used to identify the extent of poverty in the State with respect to percentage of people below poverty line. It is based on this assessment that central government funds for various Anti-Poverty programmes are released to the State. The figures are summarised below:

¹ "Poverty, Unemployment and Development Policy; A case study of selected issues with reference to Kerala" - UN Department of Economic and Social Affairs, 1975.

Percentage of families below the poverty line

Year	Rural	Urban	Total	All India figure	All India Rank (least poverty)
1973-74	59.19	62.74	59.79	54.88	21
1977-78	51.48	55.52	52.22	51.32	12
1983-84	39.03	45.68	40.42	44.48	16
1987-88	29.10	40.33	31.79	38.86	10
1993-94	25.76	24.55	25.43	35.97	7

The above figures over a period of two decades show that Kerala has achieved the highest decline in poverty levels (- 55.08%) next only to Punjab (-60.54%). Also its relative standing among the States has improved significantly to seventh position from a low of twenty-first. This achievement in spite of low economic growth further validates Kerala's human development focus.

III. OTHER MEASURES RELATED TO POVERTY ASSESSMENT

K.P. Kannan² has highlighted Kerala's human development achievements with reference to other Asian countries. The Human Poverty Index (HPI) using the UNDP methodology (Index of survival deprivation, deprivation of education and deprivation in economic provisioning with respect to safe water, health services and under-nourished children) is 0.15 for Kerala whereas it is 36.7 for the whole country. Similarly the Human Development Index (1995) (Index of life expectancy, educational attainment and income) for Kerala has been calculated as 0.628 whereas it is only 0.451 for the whole country. The HDI and HPI values for Kerala and some Asian countries make interesting comparison.

² K.P. Kannan, "Poverty Alleviation as Advancing Basic Human Capabilities: Kerala's Achievements Compared" in Govindan Parayad (Ed); "Kerala - The Development Experience".

Country/State	HDI Value (1995)	HPI Value (1996)
Kerala	0.628	15.0
India	0.451	36.7
Sri Lanka	0.716	20.7
Thailand	0.838	11.7
Malaysia	0.834	N.A.
Indonesia	0.679	20.8
People's Republic of China	0.650	17.5

Indira Hirway and S. Mahendra Dev³ have quoted Capability Poverty Measures (Index of percentages of under-nourished children, women with non-institutional deliveries and female illiteracy - (CPM-1 using the stunting concept CPM-2 using the wasting concept). The position of Kerala is given below.

	CPM-1	CPM-2	Rank
Kerala	12.0	10.7	1
India	52.3	45.0	1

Only in two States - Kerala and Tamil Nadu - is CPM better than income - poverty.

They have also constructed Human Development Measures - HDM1 to measure capabilities and opportunities at the micro level and HDM2 to measure capabilities and opportunities at the micro level. The details regarding Kerala are given below:

HDM - 1		
Income & Poverty Index	0.642 (1)*	
Education Index	0.909 (1)	
Health Index	0.951 (1)	HDM-1
Housing Index	0.089 (13)	0.636 (1)
Participation Index	0.587 (1)	

³ Indira Hirway and S. Mahendra Dev "Eliminating Poverty in India: Exploring Possibilities; NGO - Academic Paper on Poverty in India". Centre for Development Authorities, 2000.

HDM - 2

Ecology & environment index	1.000 (1)*	HDM-2 0.807 (2)
Basic Services Index	0.646 (3)	
Regional disparity index	0.954 (3)	
Patriarchy Index	0.626 (2)	

*The All India rank is shown in brackets.

These measures point to the positive features of the development experience of Kerala with its focus on health, education and other public services and the historical bridging of the gender gap. These measures except HDM-2 give Kerala the top position in the country in respect of quality of life and human development

IV. BPL SURVEYS

While central funds for poverty alleviation flow based on NSS data interpretation, at the State level, activities are formulated and funds spent as per the periodic surveys of Below Poverty Line (BPL) families.

With the advent of the strategy of direct attack on poverty at the national level, Government of India directed the State to survey households to identify families below poverty line based on a cut off income limit known as the poverty line. This income limit is calculated on the basis of the income required to have a minimum quality of life particularly in terms of calorific value of food consumption. Surveys were done in 1985, 1992 and 1997. For the 1997 survey the income limit was fixed at Rs. 3930/-per capita per year. The results of the surveys are summarized below:

Percentage of BPL Families

Year of Survey	Percentage of BPL Population
1985	27
1992	36
1997	30

BPL Families as per occupation group (Percentage)

Year of Survey	Agricultural Labour	Non- Agricultural Labour	Rural Artisans
1985	33.4	27.5	5.7
1992	40.8	34.5	4.9
1997	34.4	2.4	2.7

Tentative Results of 1997 Survey

A. Priority Groups

Woman-headed families	3,40,742 (19.77%)
Allotment of Surplus Land	41,271 (2.39%)
Literated bonded labour Families	18,257 (1.05%)
Physically handicapped	
-Full	47,495 people (0.5%)
-Partial	54,832 (0.7%)
Illiterates	7,65,066 (9.41%)

B. Access to Minimum Needs

Landless Families	1,28,68 (7.47%)
Families with less than 25 cents of land	1,34,7810 (70.83%)
Families with no habitable house	9,17,816 (53.25%)
Families without Safe Drinking Water Source within 300 Mts.	49,717 (2.88%)
Families without sanitary latrines	8,05,604 (46.74%)
Families without electricity	10,33,528 (59.96%)

C. Income Group Classification

Less than Rs 5,000 per annum per family	2,40,321 (13.94%)
Rs 5001 to Rs 10,000	7,26,282 (42.14%)
Rs 10000 to Rs 15,000	5,64,335 (32.74%)
Above Rs 15,000	1,92,618 (11.18%)

V. Qualitative Assessment by Experts

Interaction with academic experts, local government leaders, representatives of the poor and key practitioners reveals the following points about the prevalence of poverty in Kerala.

- (i) More important than drawing the poverty line with precision would be identification of layers of poverty, consisting of the decrepit poor, the very poor and the marginal poor. There has to be a prioritisation of the families below poverty line based on severity of poverty, enabling formulation of separate strategies ranging from direct benefits support to facilitation of self-help.
 - (ii) There are several out-liers of the Kerala model who are still very poor and deserve special support. They are the tribals, traditional fishermen, Scheduled Castes and groups of people employed in certain declining traditional industries like coir, cashew, handloom stone-crushing etc. There is persistent poverty in this group.
 - (iii) The number of practically landless poor is very high in Kerala. Since land reforms was implemented more than a generation ago, the homesteads given to nearly three lakh families have now been partitioned or sold out and a large number of the poor have nothing more than their house plots. So the conventional strategy of improving land productivity would not be of any much direct benefit to the poor.
 - (iv) The phenomenon of educated poor is very peculiar to Kerala. A large number of the poor have completed high school education and passed the school final examination. But in the competitive job market they get left out. Wage employment is of no use to them, most of them lack the entrepreneurial talent for self employment and they are not skilled enough for the job market. Capacity building of this group is a major challenge.
 - (v) The falling agriculture labour opportunities and the shrinkage of government job prospects has further complicated the poverty situation.
 - (vi) The quality of the products of twin strategies behind Kerala's development success viz., health and education is on the decline particularly in the public sector. This has placed a lot of burden on the poor and has important ramifications in determining an anti-poverty strategy.
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Thus there is widespread agreement about the prevalence of poverty in the Stat which has certain peculiar characteristics making it difficult to eradicate through conventional strategies. The almost paradoxical persistence of poverty side by side with high human development indicators has convinced experts that the time is ripe for a rounded appreciation of the various factors contributing to poverty and its manifestations so that effective measures could be initiated against them.

PART II

DECENTRALISATION AND ITS IMPLICATIONS OF POVERTY REDUCTION

I. INTRODUCTION

Kerala has embarked on a trajectory of rapid decentralisation. The State has moved ahead at good pace with the transfer of not only functions and responsibilities but also the authority to carry them out along with resources, both human and financial. Though historically Kerala had not achieved anything significant in decentralised development, after the 73rd and 74th Constitutional Amendments, it has carried out certain pioneering reforms worthy of attention and study. The reforms carried out in the State to decentralise governance particularly in the developmental field have been very fundamental. They constitute an earnest attempt to set up genuine institutions of local self government as envisaged in the Constitution.

A special feature of the Kerala experiment is the clarity of vision, which informs whole process. This is very rare to come by in government-led reform processes. The vision which is guiding decentralisation in Kerala is best encapsulated in the words of the Committee on Decentralisation of Powers (popularly known as Sen Committee) which is reproduced below:

"Local Self-Government is essentially the empowerment of the people by giving them not only the voice, but the power of choice as well in order to shape the development which they feel is appropriate to their situation. It implies maximum decentralization of powers to enable the elected bodies to function as autonomous units with adequate power, authority and resources to discharge the basic responsibility of bringing about "economic development and social justice". It is not enough to formally transfer powers and responsibilities to the Local Self Government Institutions (LSGIs). They have to be vested with the authority to exercise them in full, which requires concordant changes not only in the appropriate rules, manuals, government orders and circulars governing development administration, but also in the conventions, practices and even, the value premises of the governmental agencies. Decentralisation does not mean just deconcentration where a subordinate is allowed to act on behalf of the superior without any real transfer of authority, or delegation where powers are formally conferred on a subordinate without any

real transfer of authority. It implies devolution where real power and authority are transferred to enable autonomous functioning with the defined areas.

Decentralisation in its true sense would be democratic decentralisation. With the constitutional recognition accorded to Grama sabhas and Wards Committees, the necessary condition for genuine participatory democracy has been created. The greater the involvement of these people's bodies and the more effective their functioning, the fuller would be the realization of the objectives of LSGIs. So power should flow through the elected bodies and its members to the people and should not be blocked at any level, as power ultimately belongs to the people and it is only legitimate that it is handed over to them.

Thus LSGIs would facilitate exercise of legitimate and legal authority by the people and the elected bodies. It should put an end to the various extra-constitutional power centres influencing the development process at the grass roots level. Often power is seen, felt and recognized by its abuse; at times arbitrary, discretionary exercise of power is found attractive. Power denotes separation and distance from the powerless and is distinguished by typical symbols and trappings. It is not this 'power' that is to be transferred to the LSGIs. It is the power to build capabilities, increase production, reduce inequalities and promote harmony that is to be vested in them a facilitative power as development is basically enhancing the capabilities of people and enlarging their choices.

And the transfer of power has to be more in the vertically downward direction than in the horizontally sideways direction. In other words, the powers of the State to bring about development are to be handed over to the LSGIs and not just the powers now exercised by the functionaries of the State at the corresponding level. Horizontally, the power to decide what to be done, how to be done, and the priorities of doing, will move to the elected institutions. The officials will retain their professional power to advise but they have to act as per the decisions of the elected bodies. The role of the departments henceforth would be, not to take decisions by themselves, but to help the people to take decisions and then carry them out. Their professional role would expand while their administrative role would shrink.

Decentralisation is a process and cannot be achieved in one stroke. It has to undergo a continuous process of redefining, adapting and adjusting. So it is essential to closely monitor the working of the new system and to take measures to improve it as and when required."

Every step made in the process, every policy decision taken in the matter and every system designed and every procedure prescribed, attempts to translate this vision into practice. That has been the mission of the decentralisation initiative.

II. THE OBJECTIVES OF DECENTRALISATION

The Kerala economy had been facing severe problems since the mid 70s. The much acclaimed Kerala model of development aimed at bringing about human development, started facing the sustainability crisis. It became difficult to maintain the level and quality of governmental services. These problems were further compounded by the sharply adversarial political relations in the State. It was felt that decentralisation could shake up the system and help in a thorough overhaul. In this context the objectives of the decentralisation experiment in Kerala could be listed as follows:

- (i) To improve the quality of investment by allocating resources for priorities fixed by the local people.
- (ii) To facilitate emergence of local solutions to developmental problems through improved planning, better implementation, use of traditional knowledge and appropriate technology etc.
- (iii) To exploit local production possibilities.
- (iv) To enable people's participation leading to better vigil in execution of schemes, followed by better upkeep of assets.
- (v) To provide the enabling environment for people to make contributions in kind and cash for development programmes identified by them for priority action.
- (vi) To bring about a convergence of resources and services to tackle development problems with greater vigour.
- (vii) To unleash public action resulting in a demand led improvement in the delivery of developmental and welfare services.

In the process of realising these objectives it was felt that it would lead to a new politics of development emerging out of dialogue and consensus rather than conflict and collusion and help forge a realistic approach to development, based on a clearer understanding of problems and issues at the grassroots level.

III. THE STRATEGY OF DECENTRALISATION

Kerala has followed an unorthodox strategy of decentralisation. It reverse the traditional paradigm of gradualist transfer of powers to local governments in accordance with perceived improvement in their capacities to exercise them. It opted for a big bang approach by transferring functions, authority and resources in one fell blow and then attempting to build the capacity of local governments to perform efficiently. This methodology first transferred powers and then set up umpiring systems; it devolved funds and then structured procedures and systems. It facilitated learning by doing and at the same time was backed up by a system, which responded quickly to the ups and downs of the process. In a sense this reversal of the conventional sequence, placed an onus on Government to ensure that the right environment was created for the local governments to function well. At the same time the local governments were pushed by the new responsibilities to carry out their responsibilities to the best of their ability. Hind-sight proves that it was a very wise move strategically, as it is well nigh impossible to transfer power in degrees.

To operationalise decentralisation, Kerala chose the path of participatory local level planning as the entry point. This succeeded to a considerable extent in harnessing public action in favour of decentralisation. In order to push the system and force the process a campaign approach was followed for decentralised planning - known as the 'People's Planning Campaign'. This campaign created a powerful demand factor for decentralisation to be guided along the right path. To a large degree the campaign has succeeded in setting the agenda for decentralisation.

IV. STEPS IN DECENTRALISATION

The major steps in the decentralisation process are summarized below:

- (i) **Legal entitlements of local governments.** The legal entitlements of local governments were brought in through new legislations setting up a three tier local government system in rural areas and a single tier local government system in urban areas. In rural areas the three tiers consist of 991 Village Panchayats at the grassroots

level having an average population of about 30,000, 152 Block Panchayats at the intermediate level having an average population of about 200,000 and 14 District Panchayats having an average population of about 2.25 million. The Acts also define the functional domains of each level of local government.

- (ii) **Transfer of Institutions and staff.** All the development institutions and government offices dealing with developmental matters at the district level and below have been transferred to the concerned local governments along with staff.

The quantum and quality of decentralisation as delineated in laws and prescribed in government orders can be gauged from the following statements:

- (i) In the Health sector all institutions other than medical colleges and big regional speciality hospitals have been placed under the control of the local governments.
- (ii) In the Education sector, in rural areas the high schools have been transferred to the District Panchayats and the primary and upper primary schools have been transferred to Village Panchayats; in urban areas, all schools have been transferred to the urban local bodies.
- (iii) The entire responsibility of poverty alleviation has gone to the local governments; all the centrally sponsored anti-poverty programmes are planned and implemented through them.
- (iv) As regards Social welfare, barring statutory functions relating to juvenile justice, the entire functions have gone to local governments. The ICDS is fully implemented by Village Panchayats and Urban Local Bodies. Care of the disabled, to a substantial degree has become a local government responsibility.
- (v) In the Agriculture and allied sectors, the following have become the de facto and de jure local government functions.
 - (a) Agricultural extension including farmer oriented support for increasing production and productivity.
 - (b) Watershed management and minor irrigation.
 - (c) Dairy development.
 - (d) Animal Husbandry including veterinary care.

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- (e) Inland fisheries.
 - (vi) Barring highways and major district roads, connectivity has become local government responsibility.
 - (vii) The whole of sanitation and almost the entire rural water supply have moved over to local governments.
 - (viii) Promotion of tiny, cottage and small industries is mostly with the local governments.
 - (ix) All the welfare pensions are administered by the local governments.

The above list more than proves that in terms of governance, interfacing the citizen nearly two-thirds is with the local governments.

- (i) **Transfer of financial resources.** Traditionally Kerala had only the Village Panchayats and the Urban Local Bodies. They used to get grants-in-aid from Government which were hardly enough to meet the obligatory functions and establishment costs. A few government schemes were also transferred to local governments for implementation as agencies of Government. However, in 1996 a landmark decision was taken to allot more than a third of the State's Plan resources (i.e., funds to be invested on new development ventures) to the local governments, with the rural local governments getting an 85% share in accordance with the rural population. The noteworthy features of Kerala's financial devolution to local governments are listed below:
 - a. The quantum of Plan funds earmarked for local governments is the highest in the country.
 - b. Around 90% of the Plan funds is given in a practically untied form to the local governments to prepare their own schemes and implement them within certain broad policy framework, which stipulates that at least 40% of the funds should be invested in productive sectors, not more than 30% should be invested on roads and at least 10% should be earmarked for gender sensitive schemes and which has fixed a consensual upper ceiling for subsidies in different categories of schemes.

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- c. The entire Plan grant is investible. This can be called "pure money", as it does not carry any staff salaries or other administrative costs. (Normally at the State level 20 to 25% of the plan is taken away by such commitments.)
 - d. All the Plan grants due to local governments are separately budgeted in a document given as Annexure IV of the State Budget. Since it is passed by the Legislature it is non-divertible for other purposes by the executive.
 - e. Contrary to universal practice, it is the Village Panchayats which get the bulk of the Grants with nearly 70% of the rural share going to them and the District and Block Panchayats only sharing the remaining 30% more or less equally.
 - f. Every single rupee devolved to local governments whether under Plan or other categories is given as per a transparent formula and there is no room for patronage or partisanship in allocation of resources to local governments.
 - g. A flow of funds procedure has been designed. The funds flow in four instalments. A local government has to spend at least 75% of its allocation during a year failing which the shortfall would be reduced from the next year's allotment.
- (ii) Operationalising decentralised participatory planning. The People's Planning Campaign has succeeded in providing a concrete methodology for participatory planning for local level development. The salient features of this methodology are described below, stage by stage.
- a. **Needs identification:** Through a meeting of Grama Sabha, i.e., the ward or the electoral constituency of a Village Panchayat Member, the felt needs of the community are identified. There is a period of environment creation to mobilise maximum participation in the Grama Sabha. Statistics reveal that about 10 – 12 % of the rural population has participated in the Grama Sabhas held as part of the People's Planning Campaign. The Grama Sabha meetings are held in a semi structured manner with plenary sessions and sub group sessions dealing with specific developmental issues. The decisions are
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minuted and forwarded to the Panchayats. Each Grama Sabha is chaired by the elected member and has an official as its Co-ordinator

- b. **Situation analysis:** Based on the demands emanating from the first special Grama Sabha and based on developmental data, both primary and secondary, exhaustive Development Reports have been prepared and printed in the case of every Panchayat Raj Institution in the State. These reports describe the status in each sector of development with reference to available data, analyse the problems and point out the directions for further development. This is an one-time exercise and the Reports will be revised before the next five year plan.
- c. **Strategy setting:** Based on the Grama Sabha feed back and the Development Report, a one day seminar is held at the PRI level in which participation of experts, elected members, representatives nominated by Grama Sabhas, practitioners from among the public is ensured. The development seminars suggest the broad priorities and general strategies of developmental projects to be taken up for a particular year.
- d. **Projectisation:** The ideas thrown up by the above three stages are translated in the form of projects by Task Forces at the PRI level. For each PRI there are about 12 Task Forces dealing with different sectors of development. Each Task Force is headed by an elected member and is convened by the concerned government official. The Vice Chairman of the Task Force is normally a non-government expert in the sector. The projects are prepared in the suggested format outlining the objectives, describing the benefits, explaining the funding and detailing the mode of execution and phasing of the project.
- e. **Plan finalisation:** From among the projects, based on the allocation communicated, the concerned PRI finalizes its plan for the year and this plan is submitted to the District Planning Committees (DPCs) through the Expert Committees. The Panchayat is free to take up any project, irrespective of its

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- cost, subject of course to the resources actually available and within the sectoral limits.
- f. ***Plan vetting***: The Expert Committees at the Block or the District level vet the projects for their technical viability and conformity with the mandatory government guidelines on planning and costing and forward them to the DPC. They cannot change priorities or projects; they can only ask for rectification.
 - g. ***Plan*** approval: The DPC gives the formal approval to the plans after which the PRI can start implementation. It is to be noted that the DPC also cannot change the priority of a PRI. It can only ensure that government guidelines are followed. Administrative approval for implementation is given project-wise by the PRI. Every PRI has unlimited powers of Administrative sanctions subject only to the limits of its Financial resources.
- (iii) Setting up appropriate systems. Several innovative administrative arrangements have been put into place to improve the quality of decentralised governance. The major administrative reforms are listed below:
- a. Providing for total transparency of all records relating to developmental matters with the right to any citizen to demand and access information from local governments.
 - b. Setting up of Committees of Experts at the intermediate and district level to provide technical advice, technically vet the projects prepared by local governments and to accord technical sanction for public works particularly construction of roads, buildings, irrigation structures, water supply systems and extension of electricity lines.
 - c. Accreditation of eminent NGOs to take up construction works on behalf of local governments.
 - d. Participatory selection of beneficiaries in the presence of all applicants and all voters of each ward of the local government with well defined sets of
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eligibility criteria and prioritisation criteria, the latter having marks for each criterion out of a total of 100.

- e. Identifying 'beacon' local governments and encouraging them to share their experience with other local governments.
- f. Launching a massive capacity building exercise in a cascading fashion with about 600 Key Resource Persons at the State level, 10,000 District Resource Persons and 100,000 local Resource Persons being trained under the auspices of the Kerala Institute of Local Administration, an institution set up jointly by the local governments in the State.
- g. Setting up independent regulatory institutions like :
 1. The State Election Commission for conduct of elections.
 2. The State Finance Commission to give five-yearly awards for transfer of resources to local governments.
 3. Ombudsman for Local Governments to check malfeasance.
 4. Appellate Tribunals to take care of appeals against the decisions of local governments taken in exercise of their regulatory role like issue of licence, grant of permits etc.
 5. State Development Council consisting of the State Cabinet, the Leader of Opposition, Presidents of District Panchayats and Representatives of other local governments to discuss policy issues in decentralisation.
 6. Audit Commission to audit local governments
 7. (The legislation for creating this is under preparation)

V. IMPLICATIONS OF DECENTRALISATION FOR POVERTY REDUCTION— INITIAL EVIDENCE FROM THE FIELD

A. The Achievements

The experience of the first few years of decentralisation has proved that in providing basic minimum needs infrastructure like housing, water supply, sanitation and connectivity, the Local Governments have performed creditably. The speed and extent of coverage as well as efficiency in implementation in respect of provision of minimum needs has been superior to that of Government.

The details of local government achievement in poverty related programmes in the last three years are summarized below:

A. Asset distributions for economic development (Major items)

Cattle	2,74,572 Nos.	(Of which 86792 under Special Component Plan (SCP) for Scheduled Castes & 10520 under Tribal Sub Plan (TSP) for Scheduled Tribes.
Cattle sheds	74,636 Nos.	(11,570 SCP/ 1047 TSP)
Poultry	18,67,517	(310653 SCP/ 24305 TSP)
Sewing Machines	53,472	(15766 SCP/ 732 TSP)

B. Basic Needs.

1	House Plots	15099	(10079 - SCP 7115 - TSP)
2	New Houses	3,06,288 Nos.	(103040 SCP/ 14133 TSP)
3.	Upgradation of Houses	1,18,019	(51511 - SCP 6634 - TSP)
4.	Wiring of houses	10,07,717	(41138 SCP 4577 TSP)
5.	Toilets	4,13, 174	(80941 - SCP 9567-TSP)
6.	Drinking Water Wells	87, 591	(19,637 SCP 1647 TSP)
7.	Drinking Water Taps	32,503	(6432 SCP 1131 TSP)
8.	Additional space created in schools	93,548 sq.mts.	
9.	Additional space created in hospitals	90,021 sq.mts.	
10.	Additional space created in public markets	56,328 sq.mts	
11.	Roads upgraded	17,188 kms.	

Next to minimum needs, the local governments have done reasonably well in natural resource management particularly in utilisation of water resources for productive purposes. As regards the productive sector there have only been isolated successes where agricultural production and productivity have been increased manifold.

However in providing services like health and education, success stories have been relatively less in number. Of course outreach of health services as well as remedial coaching for laggard students has definitely improved and the infrastructure for health and education has rapidly been upgraded. But management of professionals and other staff to provide better quality services requires further effort.

On the whole an encouraging feature is the fact that in most of the sectors relating to poverty reduction there have been viable models evolved by individual local governments. A major challenge would be to upscale and replicate them. It is pertinent to note that funds spent on poverty reduction programme by local governments significantly exceeds earlier investments. This is suggestive of the higher priority given to anti poverty programmes by local governments. The spread of this investment is also much wider and generally more equitable.

Another significant area relating to poverty reduction where the local governments have performed well is the implementation of social security schemes like pensions. The coverage has improved and the targeting has been fairly satisfactory.

The good governance aspect of decentralisation particularly transparency as well as the opportunities for participation have improved the quality of anti poverty programmes formulated and implemented by local governments. There is considerably less leakage and definitely the identification of beneficiaries is better.

What holds the biggest promise for poverty reduction is the attempt to develop a network of self help groups of families below the poverty line (BPL), each represented by a woman. Essentially, it is based on a community based identification of BPL families on non monetary indicators which are transparent and which are reflective of social perceptions of poverty. Identified families are organised into Neighbourhood Groups (NHGs) of 20 - 25 members who are federated into an organization called Area Development Society (ADS) at the Panchayat Ward/Grama Sabha level and further networked into a registered NGO of poor women called the Community Development Society (CDS) at the level of the Village Panchayat. This experiment which has been tried out in the most backward district of Malappuram has now been expanded to cover the entire State (The details are given in Part 3 as a case study).

B. The Potential

In terms of poverty reduction, decentralisation has certain definite advantages which are evident from practice. They are -

1. Resources have flowed into every nook and corner and if the formula of devolution and distribution is a progressive one with earmarking of funds for the disadvantaged groups, greater equity can be achieved.

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2. The outreach of a developmental services has improved a lot.
 3. There is less of sectoralism in decentralised programmes. Greater convergence has contributed to reducing the ratchet effect of poverty. Local Governments particularly Village Panchayats, tend to view problems holistically and come out with a solution first and then only decide on the agency of implementation.
 4. In view of the financial constraints and skill limitations there is greater emphasis on locally appropriate, affordable solutions.
 5. There is great realism in tackling problems of poverty. There are no tall promises. The problem of poverty is perceived in its stark reality. It cannot be submerged in academic debates or hidden in statistical sophistry.
 6. The innumerable opportunities for participation which has been structured into Kerala's decentralisation process has helped the poor in gaining confidence and in moving from lower levels of participation into higher forms of direct social action like management of facilities, creation of demand for services and so on.
 7. The participation of people has definitely improved accountability.

Decentralisation affords opportunities to the poor to grow in strength by continuous participation (learning by doing), constant observation of the exercise of power (learning by seeing) and accessing more information (learning by knowing). As barriers are weaker in the local situation, the poor can hope to break them with some effort.

C. The Limitations

There have also been certain problems, which are enumerated below:

1. The outliers like Scheduled Tribes are still to gain from decentralisation. In scenarios where one section of the poor lives off another section, then decentralisation has certain inbuilt limitations.
 2. The poorest among the poor need social safety nets particularly for food and health emergencies. This cannot be provided by local governments.
 3. The management of services particularly health and education have not been more efficient than before and these services have direct implications for poverty reduction.
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4. The flow of bank credit into local schemes for poverty reduction has been rather limited resulting more from bankers' reluctance to deal with local governments than from inadequacies of project formulation. This has resulted in higher subsidies.
5. In a State like Kerala where the number of educated poor is very high there is an inherent limitation in local government action against it. Linkage with job markets through skill upgradation or identification of self employment opportunities or small scale production activities with assured markets are all functions which can be done better at higher levels. Thus the problem of vertical integration of anti poverty programmes is a crucial one.

Anti-poverty initiatives at the local level seem to be characterized by incrementalism and there is a clear need for a long range vision to reduce poverty.

VI. TOWARDS INSTITUTIONALISATION OF THE DECENTRALISATION INITIATIVE

The decentralisation process in Kerala has moved from the experimentative phase through a corrective phase and has now entered the critical institutionalization phase. In the first stage which was based on trial and error, several mistakes were made and several new areas discovered. At this stage adhoc systems were designed to facilitate operational flexibility at the local level. Now from the campaign mode decentralisation is entering the systems mode. This is the time for weeding out worn out procedures and systems and planning modern systems, which are simple, transparent, fair, providing easy upkeep while at the same time ensuring accountability of the highest degree. The Peoples' Planning Campaign has been sustained through a host of activist volunteers. Soon these volunteers would move out of direct leadership and play the role of facilitators. Regular support systems appropriate to local government functioning would be in place.

The local governments which are by now reasonably adept in preparing plans are expected to further improve their capacity to implement them efficiently and economically. A major challenge ahead would be to build capacity in the local governments to manage provision of various services to the people. Participation of the people needs to be further institutionalized and the question of integration of plans among the tiers needs to be dealt with. From incremental annual planning, the local governments are expected to switch over to five year planning from the year 2001. For this purpose they have to be conditioned to develop a strategic vision. In this phase they have to graduate from creation of infrastructure to promoting local economic development. While doing so

they have to increasingly rely on local resource mobilization as well as innovative methods of financing projects. In sum they have to provide responsible responsive and good governance.

PART III
PARTICIPATORY POVERTY REDUCTION IN MALAPPURAM
A Case Study[⊗]

I. Back ground

In the early years of planned development in India, it was felt that overall development would trickle down to the poor and help them come out of poverty. The on set of the green revolution brought about prosperity in several rural areas of the country. However, it was soon realized that the 'trickle down' theory had not worked and poverty was in fact increasing. This brought about a sea change in the development policy of the government which started what is called the "direct attack" on poverty through programmes meant exclusively for the poor.

For the purpose of identifying the poor the poverty line was constructed reckoned on the income required to provide food having a calorific value of 2100 calories per person per day and other minimum necessities. The anti-poverty programmes targeted at the families below poverty line were broadly in two categories—one category of schemes providing wage employment to the poor through public works programmes and the other category providing subsidized financial assistance for self employment.

The national strategies and programmes were followed in Kerala also. Though poverty levels dropped considerably, persistent poverty in certain locations and among particular groups of people worried the policy makers. It was widely recognized that a top-down approach to poverty reduction depending on isolated schemes delivered separately to individual families or artificial groups of families, had failed to yield the desired results. A participatory mode on the basis of self-help and convergence of resources with women as the key actors was identified as the way out.

A pilot project was launched in the Malappuram District of Kerala in end 1994. Malappuram was chosen for the experimental project as it was found to be the most backward district of Kerala. Certain basic features of the district are given below:

[⊗] The Malappuram programme won the gold medal for best practice in Public Management, instituted by Commonwealth Association for Public Administration and Management (CAPAM), for the year 2000.

1. Area:		3548 Sq. Km.		
2. Population (1991 Census)		3,096,330		
Male	Female	Total	Socially groups	disadvantaged
1508289	1588050	3,096,339	255,731	

3. Social indicators vis-à-vis State average:

	District Average	State Average
Population Growth Rate	28.87 %	13.10 %
Infant Mortality rate	2.2	1.3
Women Literacy	65 %	86.17 %
Average Family Size	6.49	5.3
Families Below Poverty Line	45 %	26 %

II. Elements of the Malappuram Experiment

A. Identification of the poor

It was realized that the identification of the poor suffered from two basic deficiencies – firstly as it was based on income there was much under-reporting and the officials conducting the survey had a lot of discretion in the absence of hard verifiable data; secondly the identification was used only to provide direct assistance under a single programme known as integrated rural development programme. It was felt that a non-monetary set of indicators which are easily understood by the community and realized by them to determine poverty would be more reliable and acceptable. Based on trial and error in Alappuzha Municipality of Kerala a nine point risk index was developed consisting of the following elements which had high correlation with poverty:

1. House
2. No access to safe drinking water
3. No access to sanitary latrine
4. Illiterate adult in the family
5. Not more than one earning member in the family
6. Getting barely two meals a day or less
7. Presence of children below the age of 5 in the family
8. Alcoholic or drug addict in the family
9. Scheduled Caste or Scheduled Tribe family
(i.e. belonging to socially disadvantaged groups)

The families attracting four or more elements from this set were to be classified as poor. Thus a community based transparent identification of the poor was attempted and it represented a fundamental departure from the existing practice and a significant innovation.

B. Organization of the poor

Hitherto the Poverty Alleviation Programmes focussed on the family, and by design or default, on the male member Programmes were delivered without any lateral linkages or convergence and no attempt was made to see the target groups as a community and provide a suitable basket of services and schemes. A conscious attempt was made to get over these problems in the Malappuram project.

All the identified families were organized into Neighbourhood Groups (NHGs) of 20 to 30 families at the local level, each family being represented by a woman. These NHGs of women were networked into Area Development Societies (ADSs) at the level of the Ward or electoral constituency of the lowest level of local government viz., Village Panchayat or Municipality. These ADSs were federated into a Community Development Society (CDS) at the Village Panchayat or Municipality level. There were also higher levels of networking at the level of the intermediate local government tier viz., the Block Panchayat and at the District level.

C. The function of the System

- 1). **Neighbourhood Group (NHG)**. The basic building block of the community based organization is the NHG and this grassroots level body, democratically elects five volunteers from its members who function as bare-foot experts performing the following functions
 1. **President** - She presides over the weekly meetings and will impart necessary leadership and guidance to the group members.
 2. **Secretary** - The proceedings of the meeting are recorded by the Secretary and necessary follow up including motivation and team building are the responsibilities of the Secretary.
 3. **Community Health Volunteer** - She looks after the various health related issues of the group members including children, women and the aged. Convergence of

various programmes undertaken by Health and Social Welfare Departments is the responsibility of the Community Health Volunteer.

4. **Volunteer for Income generation activities** - The collection, consolidation and maintenance of books of accounts and registers in connection with thrift mobilization is looked after by this volunteer. Necessary training is imparted by the National Bank for Agriculture and Rural Development (NABARD) for building their capacity.
5. **Volunteer for physical amenities** – Gaps in the availability of critical physical amenities are identified by this Volunteer who tries to integrate the resources of various programmes of this government. She is to liaison with the local governments and act as a catalyst for local development.

Each NHG prepares a micro plan for its development based on the needs of the members as identified through surveys and discussions.

2). **Area Development Society (ADS)**. This is formed at the Ward level of the Village Panchayat or Municipality by networking NHGs, normally 8 to 10 in number. ADS functions through three distinct bodies.

1. **General Body** - consists of all Presidents and Secretaries of federated NHGs along with representatives of Resource Persons selected from that area.
 2. **Governing Body** - constituted by electing a President, Secretary and five member Committee from among the General Body and is having a development promotion role.
 3. **Monitoring and Advisory Committee** - In order to integrate with the activities of local governments, this Committee is formed under the Chairmanship of the elected member of the Village Panchayat or Municipality representing that ward. Since the Ward is the basic unit for laying down priorities for local level development, the ADS acts as a lobby of the poor in the preparation of development plans by local governments. The ADS puts together the micro plans of the NHGs into what is called a mini plan.
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- 3). **Community Development Society (CDS)**. At the level of the Village Panchayat or Municipality the ADSs are federated into a registered non-government organization called the Community Development Society (CDS). Like the ADS it has also three sub systems.
1. **General Body** - It consist of all ADS Chairpersons and ADS Governing Body members along with representatives of Resource Persons, Officers of the local government who are involved in implementing various Poverty Alleviation and Women Empowerment Programmes.
 2. **Governing Body** - The Governing Body consists of President, Member Secretary and five selected Committee Members. The President is to be elected whereas the Member Secretary is the local Officer in charge of anti-poverty Programmes. Other Government Officials and representatives of Resources Persons are nominated to the Governing Body.
 3. **Monitoring & Advisory Committee** - Municipal Chairperson/President of the Panchayat is the Chairman of the Monitoring & Advisory Committee which is convened by Municipal Secretary/Panchayat Secretary as Convener.

The CDS is co-terminous with the Village Panchayat or Municipality and it prepares development plans at the local government level by consolidating the plans prepared by the ADSs. The CDS is recognized as an agency to which local governments can entrust execution of small public works through community contracting. The CDS is visualized as a subsystem of the local government taking care of the interests of the poor through its womenfolk thereby bringing in automatically the gender dimension.

There are CDSs at the Block level and District level, which serve the purposes of co-ordination as well as feed back and take up higher order development activities.

To sum up -

the key features of this organization of the poor are –

- (1). It covers every family below the poverty line.

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- (2). Each poor family is represented by a women adding to the quality of the programme in terms of feed back on poverty, sensitivity to problems of the poor, commitment to alleviation and taking care of the gender concerns.
 - (3). The whole system is democratic and encourages full participation through periodic discussions and rotation of the volunteers every two years.
 - (4). The volunteers are natural leaders and have ample opportunities to develop leadership qualities.
 - (5). The democratic hierarchy of the organization facilitates interventions at different stages of the local development planning process.
 - (6). The representative character of the organization enables it to be powerful interest group representing 30 to 35 percent of the population.
 - (7). Since decisions are taken based on analysis of the field situation and through discussions, the plans of the systems represent felt needs and priorities.
 - (8). The hierarchical organization with the higher levels “nesting the representatives of the lower level” affords goof channels for quick and effective communication.

Regular weekly meetings are held and the discussions and decisions are recorded in gist. These meetings serve as fora for sharing of information, development of a consensus on felt needs, discussing possibilities of collective action for common good and so on.

A major function of the organization is to act as an Informal Bank of the Poor. Small savings of the women are collected regularly at the weekly NHG meetings. The Area Development Society is authorised to open accounts in the Banks, to deposit the savings. So far in Malappuram Rs.26.7 million has ;been collected out of which Rs.20.6 million has been circulated as loans among the members mainly for immediate needs like medical treatment, educational expenses, repayment of old debts etc. About 70% of the disbursements are for consumption purposes, warding of indebtedness. The remaining disbursements are for economic development activities either for strengthening of existing activities or taking up new activities. Since the whole process is transparent and functions well the repayment has been 100 percent.

In order to ensure accountability a simple community financial management system has been designed and it is operated by the Secretary of the ADS. This ensures proper accounting and monitoring of repayment.

The ultimate objective is to go beyond mobilizing thrift from members to attracting credit from commercial banks. It is expected that with the strengthening of the system the banks would lend nine times the savings without any guarantee. The NABARD has already provided credit to 808 NHGs. The loan repayment is 99.98% as against 51% for the traditional anti-poverty programmes.

D. Enabling the Organization

The Government acts as a proactive facilitator. At the district level there is a full time co-ordinator for the programme appointed by the government who acts as a catalyst without infringing the autonomy of the CDS system.

A massive capacity building exercise was undertaken with the formation of the CDS system. Experts as well as Key Resource Persons selected from the community give the training. The rigorous cascading type of training has achieved the results summarized below:

- 13,000 volunteers trained in identification of risk families.
- 106,000 community volunteers trained on concept, strategy and operations of the project.
- 4,645 volunteers trained on community health management.
- 2000 training courses conducted on community finance management.
- 20,000 volunteers trained for preparation of development plans, implementation and monitoring.
- 3,000 volunteers trained in Participatory Learning and Action (PLA) techniques.
- 850 volunteers trained on Micro-enterprise Development.
- 99 Awareness camps against alcoholism conducted.
- 1700 Training Camps on Immunization held.

III. Physical achievements of the system

The CDS system has certain impressive physical achievements and they are summarized below:

A. Environmental Sanitation and Drinking Water

- 5,600 household sanitary latrines
- 53 toilets in schools
- Development of a low cost model for sanitary latrines.
- Rural Sanitary Marts in 14 Blocks
- 20 Bore Wells
- 15 Open Wells
- Rainwater harvesting techniques developed
- 200 women masons trained and equipped

B. Education

- Additional facilities created in pre-primary and primary schools.
- Formation of Mother-Teacher Associations in primary schools
- Reduction in drop out rate
- Remedial Education for under-performing students from poor families
- District Primary Education programme extended to marginalized groups.

C. Community Health

- Improved use of medical facilities.
- Convergence of health programmes.
- 100% coverage in immunization against Polio.
- Reduced incidence of poverty diseases – Cholera, Typhoid, Malaria and Diarrhea.
- Better out reach of Reproductive and Child Health (RCH) programmes.
- Participatory implementation of AIDS control programme.
- Opening of Rural Health Depots for First Aid and ORS

D. Development of Micro-enterprises

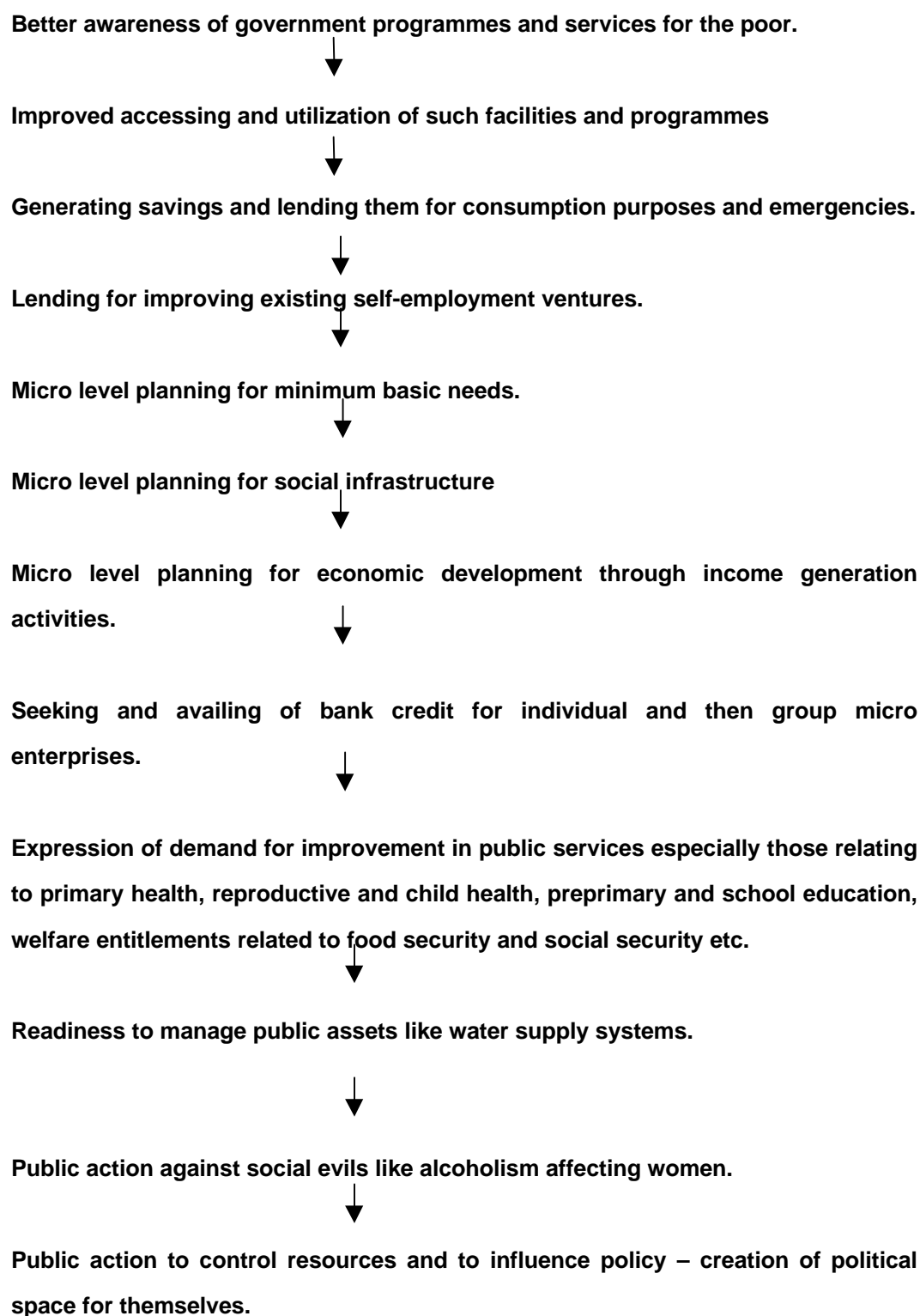
- 12,322 micro enterprises set up and assisted through Revolving Funds
- Direct Marketing groups sell consumer goods set up
- Festival markets organized through group action
- Micro Enterprise Consultants trained and positioned for continued support.
- Variety of activities ranging from Solid Waste Management to Computer Centres.

IV. Significance of the Malappuram model in managing poverty reduction

The first five years of the Malappuram experience has yielded several lessons which are of relevance in managing poverty reduction. The important lessons are captioned below:

- 1). Community based determination of the poor through simple transparent criteria has resulted in better identification of the poor. Since the criteria are congruent with the perceptions of the public there is greater objectivity and reduced patronage in classifying the poor families for various benefits.
- 2). As was described earlier, the organization of the poor has provided a powerful social safety net against vulnerability. The poor have got a well defined role in public life particularly in the development process right from the planning stage. The internal dynamics of the organization often help it to develop organically with cohesion and purpose. The highly democratic and participatory structure of the organization has helped in its becoming the acknowledged representative of the poor. There has been a gradual but perceptible improvement in the confidence levels of the poor so that they have begun articulating their demands. And from 'voice' they go ahead and use the power of 'choice'. The 'freedoms' have been enlarged and the 'capabilities' enhanced in small but significant degrees
- 3). The Malappuram experience represent a conscious empowerment of the poor through a gender sensitive process. It has given a new dimension to the role of the State. By actively promoting awareness creation among the public and in building capacity of the community and in designing self-management systems, it has been proved that the State can facilitate the empowerment of poor communities through a conscious policy decision. The Community Development System has been authorised to select and identify the beneficiaries of various developmental programmes of the poor sponsored by the State as well as the local governments. Also the CDS is encouraged to take up implementation of public works through community contracting.
- 4). By focussing on the social dynamics of the organization and by encouraging thrift, the culture of self-help has been inculcated. This is in sharp deviation from the earlier practice of providing doles and freebies.

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- 5). The quality of interventions for reducing poverty has improved particularly through the participatory planning undertaken by the CDS system. Rapid gathering of essential data, interactive prioritization of developmental needs, collective identification of economic development opportunities have all contributed to the preparation and implementation of improved poverty reduction schemes at the local level.
 - 6). The transparent functioning of the CDS system has promoted trust among the poor and has enabled them to identify the neediest persons with precision and grace moving away from ungainly jockeying for benefits and crude dependence inducing patronage systems.
 - 7). The experiment has contributed to bringing about more responsive governance by virtue of the following:
 - Improved outreach of developmental software.
 - Better accessing and utilization of public services.
 - Cost reduction in delivery of services.
 - Improved accountability and transparency in the developmental systems.
 - Quick and effective feed back to Government.
 - Improved targeting of programmes and services.
 - More efficient management of public assets like water supply systems.
 - Greater convergence of governmental resources and services through a demand led process.
 - Better value for money in investments.
 - 8). The Malappuram experience show that the empowerment of the poor is an unfolding process with clearly discernible phases having sequential progression. Based on the evidence from below, the stages in the empowerment process could be presented as follows:



The above sequence more or less holds true in a majority of cases though it is possible to leave out or combine some of the stages. Certainly there is need for handholding in earlier stages, facilitation in the middle stages, encouragement in the final stages and, probably tolerance in the last stage.

V. Conclusion

Having realized that the Malappuram experience shows the way for tackling the various dimensions of poverty both causative and symptomatic, the Government of Kerala has decided to replicate this all over the State. For this purpose a State Poverty Eradication Mission has been created specially manned by officers selected from various development departments on the basis of proven capability and commitment, working on a mission mode at the State and District levels. The Poverty Eradication Mission otherwise called 'Kudumbashree' is charged with the responsibility of laying down the guidelines carrying out capacity building, identifying market niches for micro enterprises, providing technology inputs and upgrading managerial and technical skills, arranging for flow of credit from banks, mediating with various government departments and monitoring the process.

As a policy the community organization of poor is seen as the next step in the decentralisation process going beyond local governments to local communities. The CDS structure is envisaged as a sub system of local governments as part of the decentralised set up. The CDS system will have a direct role in the conceptualization and implementation of anti-poverty programmes in the identification and selection of beneficiaries of such programmes and in performing social audit functions as a watch dog of the public.

The above mentioned system of creation of a community based organization of the poor through its women representatives has had several positive spin-off effects, the importance of which are listed below:

- 1) Awareness about various programmes and services has increased resulting in improved accessing of such programmes and services.
- 2) The outreach of various services of Government has improved in scale as well as in effectiveness.

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- 3) There has been a gradual but perceptible improvement in the confidence levels of the poor so that they have begun articulating their demands. And from 'voice' they go ahead and use the power of 'choice'.
 - 4) Group activities have led to greater cohesion serving as a social safety net in times of crisis, reducing the feeling of vulnerability.
 - 5) The habit of thrift has sunk in and considerable savings have been generated resulting in formation of "Informal Banks of the Poor" sui generis. The credit from these Thrift Banks initially flows into consumption expenditure and expenditure on emergencies. Later it helps in expanding existing economic development activities and finally, albeit in a few number of cases, it has promoted new micro enterprises by attracting bank credit based on the strength of the savings.
 - 6) The 'freedoms' have enlarged and the 'capabilities' have been enhanced in small but significant degrees.
 - 7) The participation rate of women from this set up in the Grama Sabhas is significantly higher. The groups have shown a capacity for micro level planning for development facilities. Gradually they are developing into lobbies for the poor within Panchayats. In rare cases the women groups have shown the potential for public action against social and economic injustice.