

MEMORANDUM

To: Tamil Nadu State Rural Livelihoods Mission (TNSRLM)
From: Institute for Financial Management and Research (IFMR), Livelihoods Initiatives
Subject: Key Findings from a case study on Pudhu Vaazhvu Project (PVP) in Tiruvannamalai
Date: 4th March 2014

The Tamil Nadu State Rural Livelihoods Mission (TNSRLM) plans to expand in Tamil Nadu with the same guiding principles as Tamil Nadu Pudhu Vaazhvu Project (TNPVP). The Annual Action Plan of TNSRLM states that the TNPVP will be the “*pilot blocks of TNSRLM and learning from TNPVP will be guiding the TNSRLM at every stage.*” Keeping this in mind, we conducted a case study on Pudhu Vaazhvu Project (PVP) in four villages of Tiruvannamalai district in Tamil Nadu. Though our research was conducted at a small scale, the challenges that we have recognized can make a big difference in the execution stage of the scheme. The following are the key findings along with our recommendations:

- Households that participate in the Participatory Identification of the Poor (PIP) process have a greater likelihood of getting listed in the PIP list (household falling under “very poor” and “poor” categories). At the same time, findings also suggest that households registered in the PIP list in our study region are more likely to be very poor families as the majorities were landless labourers with no asset such as livestock. While it is encouraging to find that poor families are included in the PIP list, findings imply that inclusion in the PIP list does not guarantee benefits for the households. Only half of PIP households had ever received benefits from the project, and majorities of households that received benefits had some kind of connection with the Village Poverty Reduction

Committees (VPRC) members, raising a serious concern that this might exclude women of the most disadvantaged households, particularly those women that face domestic violence and restriction in mobility.

- Only a few beneficiaries (20%) opted for skill development training. We learnt that youths interested in skill development trainings approach VPRC members, and using their connection, they get selected for training. It is likely that youths of households that do not come under disadvantaged and vulnerable households are also contacting VPRC members for skill development training. As our research does not provide enough scientific evidence to verify this, further rigorous study is vital to understand how youths from vulnerable households are actually targeted for PVP's skill development intervention.

- We found that loans were primarily given to those women that have a connection with the VPRC members. Additionally, more than half of the VPRC members had also received loans from the project. However, the community is facing a severe problem of beneficiaries defaulting on loans. This was cited as the main reason for VPRC not being sustainable resulting in low funds for the VPRC.

- Findings clearly suggest that connection with VPRC members is the key to become the beneficiary of the programme, however, in a VPRC committee, we found that not all members are aware of the functions of the programme. The VPRC members were facing problems of reaching the decisions for implementing the intervention. Almost all members suggested that they are active participants, and decisions are based on extensive group discussions, yet, the majorities (84%) reported that the VPRC Head and her followers dominate discussions, implying influential VPRC Head or members close to the Head influencing the decision in their favour. This raises a concern that the voices of those who are less vocal (perhaps those representing the most disadvantaged households) are not heard.

- The PVP guideline suggests a VPRC member to step down after serving the committee for a maximum of two years so that other village members get an opportunity to ensure minimalistic elite capture within the committee. We found that the majorities (72%) have been serving in the Committee for more than two years, and they reported that there are other members who have served more than them in the Committee.

Key suggestions:

- Officials must enforce that VPRC leadership is changed every two years in order to facilitate new ideas and provide the opportunity to all group members to develop leadership skills, reduce the risk of corruption and internal divisions amongst the group. More importantly, if beneficiaries are those that have linkages with leaders (as data suggests), then encouraging new members to be part of VPRC is extremely important to ensure equal and full participation of poor households of the community.
- While the practice of unanimous agreement within a VPRC is ideal as all members will be on board with the decision and the resulting course of action, however, such agreements may be impossible to reach. We noticed that women with a charismatic personality often had more supporters, resulting in their decisions being followed. We recommend that officials periodically provide more rigorous trainings on importance of democratic mechanism of voting to women leaders.
- Past experiences have implied that through better monitoring and intervention of federation leaders and staffs along with the provision of both positive and punitive incentives, groups have reduced loan defaults. Financial experts have argued that soft loans, combined with subsidies, have often faced greater rates of defaults as beneficiaries perceive subsidized loans as grants. Thus, we recommend that when loans are provided, a thorough understanding of the loan clauses must be imparted upon SHG members. Additionally, PVP officials should provide comprehensive financial literacy trainings to improve retention and reduce defaults thereby making the program more sustainable and effective.