Does Devolution Deliver?
Institutional and Political Dimensions of Self-help Programmes in India

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1 Introduction
Governments around the world have for some time been exposed to the forces of globalisation and macroeconomic reform. Within India, efforts to regulate the impact of world and domestic markets on vulnerable populations have shifted from macroeconomic policies aimed at protecting core industries, such as manufacturing, textiles and agriculture, to microeconomic interventions aimed at providing food and cash transfers to groups and individuals affected by market fluctuations and ecological disturbances, such as flooding and drought. Central to this transformation has been a process of decentralisation, in which responsibility for the implementation of centrally funded employment and self-employment programmes has been delegated to lower level units of governance, especially ones at the state and sub-state level.

The decentralisation of social policy in India reflects an effort on the part of governments at state and national levels to ease the impact of neoliberal restructuring (see below) and to manage a series of fiscal transformations, which have been ongoing since the early 1990s. Within India, the liberalisation of trade and investment has expanded the revenues central governments collect through duties, licence fees and tariffs on international commerce (even when the actual levels are being reduced), and has generated large surpluses for the central government (Watts 2005; Garman et al. 2001; Rao and Singh 2005; Sinha 2005; Saxena and Farrington 2003; Nayak et al. 2002). At the same time, growing and ageing populations have increased the demands on ‘concurrent’ (or shared) policy areas, such as health and education, producing a situation where the jurisdictions, which are constitutionally required to invest in the long-term economic viability of their populations (i.e. the states), have become less able to do so without central assistance (Rao and Singh 2005; Saxena and Farrington 2003).

Fiscal pressures to reduce spending on the part of state governments have also led to the removal of long-standing agricultural subsidies on electricity, fertilisers and seeds, creating new vulnerabilities for families and regions that have traditionally relied on agricultural incomes (Christian Aid 2005; Chandrasekhar and Ghosh 2004; Vidyasagar and Chandra 2004; Ahuwalia 2002). Coupled with the liberalisation of domestic credit markets, rising costs and spiralling debt have been blamed for a recent wave of farmer suicides in the Indian states of Karnataka and Andhra Pradesh (Christian Aid 2005; Vidyasagar and Chandra 2004). Other interpretations suggest that although liberalisation may be partially to blame for the fiscal pressures that led to the removal of state subsidies, deregulation of the economy has also provided new and substantial access to export markets, especially in manufacturing and services (Ahuwalia 2002). Here it has been argued that the liberalisation of India’s economy has also led to improvements in overall rates of gross domestic product (GDP) growth (an average of 6 per cent per year in the 1990s) and reductions in poverty (Ahuwalia 2002; Datt and Ravallion 2002).

Public debates about the liberalisation of India’s economy are complicated by the fact that representative institutions at national, state and sub-state levels are elected, and that an estimated 60 per cent of the population is dependent upon agriculture, where growth rates have been less spectacular (Chhibber and Eldersveld 2000;
Ahluuwalia 2002). The campaigns that preceded the latest round of general (national) elections in 2004 were largely concerned with the incumbent BJP (Bharatiya Janata Party) government’s record of rural employment and economic growth. Although none of the major parties seriously questioned the liberalisation agenda, the campaigns did focus very heavily on the kinds of policies a new government would put in place to ease the transition to a more liberalised economy. Along similar lines, incumbent governments were voted out of power in Madhya Pradesh (2003) and Andhra Pradesh (2004), primarily as a result of a voter backlash against the macroeconomic reform agenda being pursued by government in the two states. Within the current context, the pressure to compensate voters (and potential voters) through the use of development programmes has become very strong.

The decentralisation of ‘development compensation’ in India also reflects an effort on the part of politicians, academics and a wide range of social activists to put into practice Gandhi’s vision of rural self-governance, or panchayati raj. In 1993, the Government of India passed a series of constitutional reforms (the 73rd and 74th Amendments, governing rural and urban areas, respectively), aimed at improving the performance and accountability of local government bodies in India. At the village level (which is the primary focus of this article) the gram sabha, which constitutes all eligible voters within a gram panchayat area, and the gram panchayat (the elected village council), enjoy constitutional status (meaning they cannot be abolished by the state governments), and are now used as an important means by which the central government delivers rural development programmes in India. However, studies of decentralisation in India have consistently highlighted the fact that the ability of the panchayats to undertake this function has been undermined by the centralising tendencies of the state governments (Mukarji 1999), the incentive structure of the non-elected bureaucracy (Jha 2000; de Souza 2000) and rural inequalities rooted in land holdings, caste, religion and gender (de Souza 2000; Ghatak and Ghatak 2002; Lieten and Srivastava 1999; Crook and Manor 1998; Mukarji 1999).

Recognising these constraints, and recognising the fact that the decentralisation of social policy varies significantly among Indian states, a central aim of our research was to understand the impact that local governance structures have on the ability of governments to implement social policies in rural areas. Our principal points of entry were employment and self-employment programmes, including food for work (FFW), the Employment Assurance Scheme (EAS) and, the focus of this article, microcredit. Drawing upon 12 months of primary field research, we compared the administration of self-employment programmes in Madhya Pradesh (MP) and in Andhra Pradesh (AP), two states in which administrative and territorial powers of local governance vary substantially. A starting assumption in our research was that the globalisation of trade and investment in India has created new forms of vulnerability, and that the ability of government to respond to these changes will vary with the formal governance structures that coexist within India’s federal system.

Our central findings are twofold. First, the economic impact of government-sponsored self-help programmes was minimal; despite the rhetoric, self-help group (SHG) financing accounted for only a minimal amount of rural debt financing in our study villages. Second, and in some ways contradicting this first finding, the perceived impact (and therefore the political value) of SHG programmes was particularly favourable in AP; among current and prior beneficiaries of SHG programmes, self-help financing was believed to have had a positive impact on rural livelihoods and, in contrast to our findings in MP, were perceived as being relatively free of corruption. Our interpretation of these findings is that differences in performance and perceptions of performance reflect both the political importance that state bureaucrats attach to self-help programmes in AP and the size of the population being served by the state bureaucracy. In particular, we argue that the combination of development populism and more local administration created a situation in which beneficiaries and potential beneficiaries were much more knowledgeable about the functioning and impact of self-help financing in AP.

2 Research context and methodology

This article draws upon research conducted in 12 villages in six districts of AP and MP. A central assumption that informed our selection of regions and villages was that the political structures created by the decentralisation processes in MP and AP were sufficiently different to generate interesting comparisons of the ways in which formal processes of
decentralisation can affect accountability and participation at the village level. First, the government of MP conferred far greater responsibilities to the locally elected bodies, especially at village level. In contrast, the government of AP has worked extensively through the state bureaucracy of the line departments, effectively bypassing the locally elected institutions. A second and crucial difference between the two states concerns the size of the population being served by the ‘intermediate’ level institutions, which sit between the village and the district, and implement the vast majority of government programmes in India. In AP, the intermediate level of administration is the mandal, which serves an average of 10–25 villages. In MP, the comparable point of reference is the block, which serves a much larger population and a larger number of villages. Blocks were originally demarcated to contain a population of around 0.1 million, though many now contain much larger populations, whereas mandals, created by the Telegu Desam Party in AP for efficient delivery of services to rural people, are typically around one-third the size of a block.

A researcher worked in each of the villages for over a year between June 2001 and June 2002. A large sample of 40–70 households (680 in the two states) was selected randomly, stratified by land holdings and caste. Focus group discussions and key informant interviews were designed to understand the extent to which the panchayats and village assemblies were able to affect the implementation of two general types of government scheme: employment generation and self-employment programmes. Focus group discussions were conducted with major caste, class, religious and age groups, as well as in separate groups of men and women. The principal questions were designed to understand:

- How the selection process works (informally), with respect to principal social groups in the villages (e.g. caste, class, gender, religion, age)
- How people perceive the role and quality of the panchayats in general and with respect to their particular group
- Levels of awareness about the nature of the schemes being discussed, how the programmes and panchayats are supposed to function and what rights they are entitled to under these programmes and in relation to the panchayats
- Whether and to what extent they have used formal mechanisms (such as the gram sabha in both states, the right to recall in MP) to ensure accountability of government officials
- Which formal and informal mechanisms have been most effective (if any).

Key informant interviews were conducted with elected representatives (sarpanch, upa-sarpanch, all ward members), non-elected officials, and villagers, selected on the basis of caste, class and gender. Alongside the household surveys, which involved 680 households, a total of 91 individuals (38 villagers, 21 officials and 32 panchayat representatives) were interviewed in this stage of the research. Questions were principally designed to find an understanding of: 

- The political, administrative and fiscal powers that the panchayats and gram sabha have to ensure the appropriate and accountable delivery of employment and self-employment schemes
- How the selection process takes place, especially among panchayat members (representing different wards and therefore different caste constituencies) and the non-elected bureaucracy
- The extent to which the PRIs (Panchayati Raj Institutions) have the power to ensure that programmes are implemented according to the letter of the norms, rules and laws under which they were meant to be governed.

Until the change of government in 2003, MP was portrayed as a pioneer in the field of decentralisation (Behar and Kumar 2002; Manor 2001). In 1999, an important reform, the ‘Right to Recall’, gave the gram sabha (the village assembly) the power to dismiss the panchayat chairman (the sarpanch) in the event of wrong-doing. Between 1994 and 2003, the government of MP passed a series of institutional reforms, designed to enhance the power of the gram sabha and the accountability of the gram panchayat (the village council). This process culminated in 2001, with the legislation of gram suaraj or ‘village self-rule’ (Manor 2001; Johnson et al. 2005).

In contrast to MP’s ambitious ‘experiment’ in direct democracy, the AP government has been associated with a system of governance that undermined the
panchayats in favour of line departments and ‘parallel bodies’, such as water user groups, joint forest management committees and SHGs (Manor 2002; Mathew 2001b). A principal vehicle in this process was the AP government’s well-publicised jannabhoomi programme. Introduced in 1997, jannabhoomi aimed to reduce poverty through the establishment of community development programmes, such as watershed rehabilitation, joint forest management, thrift and credit (Manor 2002; Mooij 2002; World Bank 2000). Central to the programme was the idea that poverty reduction is contingent upon the active participation of poor people, both in terms of self-employment through subsidised credit but also in terms of contributions in kind, such as voluntary labour (World Bank 2000). The assumption here is that poor people require both the resources and the incentive to lead healthy and productive lives.

Whether or not it was able to achieve these aims, jannabhoomi is believed to have undermined the autonomy and functioning of the panchayats in two important ways. First, it has been alleged that the AP government diverted public resources intended for centrally sponsored schemes into the jannabhoomi programme, thereby ‘starving’ the panchayats of funds which were rightfully theirs (Manor 2002; Reddy 2002: 877). Second, jannabhoomi is perceived to have used the gram sabhas as a means of organising and identifying beneficiaries, undermining the autonomy of the local democratic bodies (World Bank 2000: 50; Reddy 2002).

Alongside jannabhoomi, one of the government’s most important programmes was the DLUCRA (the Development of Women and Children in Rural Areas). Manor (2006: 25) cites government estimates, which suggest the existence of as many as 475,646 DLUCRA SHGs in AP, many of which were established after 1997. Merged with the centrally sponsored SGSY (Swarnjayanti Gramin Swarojgar Yojna) programme in most other states (including MP), DLUCRA in AP is a low-interest microcredit programme aimed at encouraging collective savings and microenterprise investment among group members. DLUCRA is implemented by the Rural Development Department, and managed by the District Rural Development Agency (DRDA) (Mooij 2002: 36–7). Payments to the SHGs come directly from the mandal, and are managed by the mandal and village development officers. Mandals developed officers (MDOs) are ultimately responsible for the implementation of rural development programmes including DLUCRA. Within the local administration, MDOs receive applications from prospective SHGs, which are compiled by field level officials, and forwarded to the DRDA for approval.

The programme most comparable with DLUCRA in MP is SGSY. Like DLUCRA, SGSY aims to improve the incomes and assets of ‘below the poverty line’ families through self-employment and microcredit. Introduced in 1999, SGSY merged six centrally sponsored self-employment programmes, including DLUCRA and the Integrated Rural Development Programme (IRDP). SGSY targets small and marginal farmers, agricultural labourers and rural artisans below the poverty line. Within this group, 50 per cent is reserved for scheduled castes and tribes, 40 per cent for women and 3 per cent for the physically handicapped (Nayak et al. 2002). In MP, responsibility for the coordination of SHGs and allocation of loans rests with the Block Coordination Committee. Each Block committee covers 80–90 panchayats, spread over 300–400 villages. Unlike DLUCRA in AP, the formal guidelines for SGSY stipulate the involvement of the gram sabha and the gram panchayat, whose representatives and constituents are empowered to oversee the selection of beneficiaries and the performance of the SHGs (Sjoblom et al. 2006).

Scholarly assessments of SHGs in AP and MP and in other parts of India point to the challenge of targeting below the poverty line families. Problems commonly associated with the implementation of SHG programmes in India include:

- Manipulation of beneficiary selection by sarpanches and other powerful local patrons (CARD 2002a,b)
- Manipulation of the investment decisions of SHGs, often resulting in the purchase of goods and services that benefit richer members of the group (Sjoblom et al. 2006)
Cases in which single group members collude with bank officials and abscond with group savings (Eklavya team, pers. comm., 28 June 2002)

Cases in which SHGs are established, but are unable to secure additional funding, unable to pool their savings for the requisite period or both (Mooij 2002; Manor 2006, and see below).

Questions have been raised about the sustainability and impact of DUUCRA programmes in AP. Mooij (2002: 37), for instance, cites figures which suggest that only 25 per cent of DUUCRA groups ‘meet regularly, keep their accounts well, give loans to members (and) have some kind of bank linkage’.4 Concerns have also been raised about the political motivations and activities that underlie the establishment of SHG programmes in AP (Mooij 2002; Manor 2006). Developed largely in response to a campaign among rural women against the sale of liquor, DUUCRA provided an important means by which the AP government could enhance its image in local and international settings (Mooij 2002: 36; Manor 2006: 24–8). During state elections in 1999, for example, many SHGs were allegedly formed only to obtain access to gas connections, provided through the government’s highly populist deepam scheme (Mooij 2002: 37). Drawing upon elite interviews conducted with officials, academics and NGOs in AP, Manor (2006) argues that large transfers of finances to DUUCRA SHGs between 1997 and 2004 overwhelmed the ability of many groups and officials to spend the funds in ways that would lead to productive and sustainable forms of investment. In the rush to establish new SHGs, he argues, the government was forced ‘to abandon many older DUUCRA groups’ (Manor 2006: 26), eliciting very strong feelings of resentment and frustration towards the government of AP.

The findings we present in this article provide ample evidence to support Manor’s general assertion (2006) that the rush to establish DUUCRA SHGs in AP led to the establishment of many non-functioning SHGs and to the displacement of previously established SHGs. Of the six villages we studied in AP, only one reported having a functional DUUCRA SHG. Moreover, our household surveys and focus group discussions in all of the villages suggest that DUUCRA SHGs had been established in the past. However, and this may help to explain the ‘psychological and social’ (Manor 2006: 25) impact of DUUCRA programmes, especially before 2004, the perceived impact (and therefore the political value) of SHG programmes was particularly favourable in AP; among current and prior beneficiaries of SHG programmes, self-help financing was believed to have had a positive impact on rural livelihoods and, in contrast to our findings in MP, were perceived as being relatively free of corruption. Our interpretation of these findings is that differences in performance and perceptions of performance reflect both the political importance that state bureaucrats attach to self-help programmes in AP and the size of the population being served by the state bureaucracy. In particular, we argue that the combination of development populism and more local administration created a situation in which beneficiaries and potential beneficiaries were much more knowledgeable about the functioning and impact of self-help financing in AP.

3 Decentralisation and debt: the impact of SHG programmes and government credit

Our household surveys asked respondents to list the main household expenditures they had incurred over the past three years, and to identify the revenue streams they had used to finance these expenditures. According to our responses, 75 per cent of our sample in the MP villages and 60 per cent in the AP villages were in debt during the three-year period. In MP, the average amount of debt, at Rs27,600 is almost 140 per cent more than the average annual income which, given the lack of regularised and secured mortgage products, was very high indeed. Levels and frequencies of debt were highest for cultivating caste groups, reflecting the high seasonal capital requirements of agriculture.

Across the sample of 680 households, 67 per cent of expenditure was financed by moneylenders. Over the three sample years, our respondents borrowed Rs8,500 per household from moneylenders. The remainder of non-routine expenditures was financed by personal savings (Rs4,500), from family loans (Rs1,500) and other sources (Rs700 each), including credit societies, selling land, selling livestock, or borrowing from a friend. Selling jewellery or a house, and formal sources such as bank loans, or kisan credit cards contributed less than 0.3 per cent to household financing. The four poorest quintiles in our surveys had no access to formal sources, and were least likely to use their own savings to finance non-routine expenditures (e.g. illness, dowry, etc.). Moreover, the three poorest quintiles were highly
dependent on moneylenders who financed over 80 per cent of their expenditure (90 per cent for scheduled castes).

Perhaps the most important sources of government subsidised credit in most villages were the agricultural cooperative and credit societies (SSS) which provide seasonal subsidised loans for farmers’ inputs. They also provide premium market rates to buy output. These are one of the main mechanisms by which government provides price support. Interest rates for these inputs are low, typically 1.5 per cent over the six months in which the loan should be repaid. Loan amounts can reach Rs20,000 but are typically Rs2,000–4,000. These loans, while paid out in fertiliser and clearly for productive use, are highly fungible (usually through resale via the village shops) given the high market interest rate and strong demand for fertiliser in the villages. Access to these resources is, in theory, open to all, but access is limited. First, the minimum size and late timing of payments exclude the smaller farmers who need smaller amounts and need to be paid for output sales immediately. Second, quota systems are in operation for purchase and these are politically controlled and distributed by the board of the SSS. If a sales quota is refused, then no other benefits are allowed, not even the subsidised seasonal credit.

Compared with informal sources of credit, centrally sponsored self-employment programmes (i.e. DUICRA in AP and SGSY in MP) in both states accounted for only a minor source of rural debt financing. Only one village in each of the AP and MP villages had a functioning SHG, and SHG financing accounted for less than 2 per cent of the SSS. If a sales quota is refused, then no other benefits are allowed, not even the subsidised seasonal credit.

In what ways, however, did past and present beneficiaries of these programmes understand the impact of these and other rural development programmes?

4 Perceptions of government-sponsored programmes

Alongside questions about participation in government-sponsored programmes, our surveys asked respondents to assess the ability of government programmes to meet their household needs. When asked to state which government schemes had provided the most tangible benefits, responses in AP were overwhelmingly in favour of DUICRA. Women in all of our study sites reported that they had participated in DUICRA, and that the loans provided to the SHGs were fair (interest rates were negotiated among group members, not imposed), the funds enabled them to invest and participate in new enterprises such as dowry insurance, and that the government provided training (in bookkeeping, saving, etc.) which they could use in other walks of life. Even those whose groups had disbanded reported the transfer of important skills and the confidence to engage in collective activities in the village. Moreover, despite the fact that documentation is required for DUICRA membership (DUICRA members are required to produce three passport photos, as well as a ration card or income certificate), we encountered no reports of the bribery we found with other poverty programmes, such as FFW and the EAS (Deshingkar et al. 2005).

Finally, and this is somewhat different from public works programmes, many DUICRA groups in the AP villages were multi-caste.

Such findings were very different from the responses we encountered in MP. In all of our villages in MP, we encountered no evidence that government programmes had produced either the kind or scale of benefits associated (among our respondents) with DUICRA in AP. When asked whether government programmes had helped women in the MP villages, not only did our respondents reply that they were not aware of programmes which had helped women, but many actually stated that existing government schemes in the village had done nothing to improve the status of women. SGSY loans were skewed towards the richer castes. According to our interviews, applications for SGSY funding in MP entailed a series of ‘charges’, which were imposed for selection, paperwork completion (particularly if...
illiterate), delivery to the block development officer (BDO) and payment of ‘processing charges’. Unlike DWCRA programmes in AP expenditure of the loan was highly restricted to a limited set of tenders who were able to charge high prices and provide poor-quality or inappropriate goods, such as ill-adapted livestock, diesel instead of electric pumps, or high-cost wholesalers for grocery supplies.

In short, DWCRA programmes in the AP villages were believed to have had a positive impact on rural livelihoods and, in contrast to our findings in MP, they were perceived as being relatively free of corruption. How do we account for these discrepancies?

First, and this has bearing on our understanding of governance in AP, the sarpanch had little or no authority to decide the selection of beneficiaries and the determination of interest rates for DWCRA, as she/he does in MP, and as she/he does with other rural development programmes, such as FFU and the EAS. In the former, the targeting and selection of beneficiaries are under the authority of mandal/block and village development officers. Unlike FFU and the EAS, there is little formal, and from our interviews, informal, scope to manipulate DWCRA programmes without achieving the connivance of mandal and district level officials. The only evidence we found of DWCRA manipulation in AP was a case from Medak, in which the sarpanch and a number of local notables tried to convince a SHG to use their loan to purchase tractors, which – it appeared – would have enriched the individuals in question. Significantly, the SHG in question had sufficient autonomy – created in part by the unelected bureaucracy – to withstand this pressure. In MP, the gram panchayat and the sarpanch were instrumental in deciding eligibility.

Second, and quite simply, DWCRA provides far less opportunities for construction, road building, and other forms of personal enrichment.

Third, intermediary (i.e. mandal) officials in AP were routinely more involved in the allocation of DWCRA programmes than were their counterparts in MP (BDOs). All of the DWCRA beneficiaries we interviewed in AP reported that they had joined the SHG after a mandal level official (either the mandal or village development officer) had encouraged them to do so. These interviews also revealed that mandal officials worked in close cooperation with the DWCRA leaders in the village. When asked about their performance – and to whom they were accountable, field officers revealed a strong sense of upward accountability. Mandal development officers (MDOs) are ultimately responsible for the implementation of rural development programmes, including DWCRA. Within the local administration, MDOs receive applications from prospective SHGs, which are compiled by field level officials, and forwarded to the DRDA for approval. According to all of the MDOs we interviewed, final selections were made on the basis of eligibility (BPL, women) and availability of funds. These decisions were taken at the district level. The District Collectors’ power over the mandal rests in the ability to monitor, transfer and suspend officials in the mandal office.
Fourth, levels of participation in village meetings (mostly ones concerning janmabhoomi) were significantly higher in AP than they were in MP; our survey responses revealed that rates of attendance and participation in the gram sabha (a very crude indicator of political inclusion) were substantially higher (73 per cent) than those for MP (48 per cent), a state in which the gram sabha has been vested substantive powers and responsibilities stemming from the ‘gram swaraj’ reforms of 1999 (Table 1).

Such findings are reflective of a more systematic presence at village level on the part of mandal level officials in AP. When asked whether they had met the block- (or in AP mandal-) level officials within the past 12 months, a total of 22 per cent of our respondents in AP reported that they had either met mandal officials on their own or in a group (Table 2). In contrast, 98 per cent of respondents in MP reported that they had had no dealings with the block level officials in the past 12 months.

Such findings can be explained partly in terms of the closer spatial proximity between mandals and villagers in AP. However, we would argue that the high levels of interaction also reflect the incentives created by a state government and, within it, a populist political party, whose political fortunes have been determined at least in part by the ability to pursue – if not achieve – a development agenda that serves the interests of politically important (caste and gender) groups in rural areas. During the so-called ‘janmabhoomi gram sabhas’, villagers could apply to be included on the list of beneficiaries selected for the programme. In MP, our findings suggest that access to block level officials was far less frequent and less common than it was in AP, creating a situation in which sarpanches and other local notables were often the only means by which ‘ordinary villagers’ could obtain access to the bureaucratic state and the benefits provided through various schemes and programmes.

Fifth, and related to this last point, gram sabhas in AP followed a more rigid and systematic schedule than did their counterparts in MP. Sarpanches, ward members and villagers in Chittoor reported that the gram sabha would convene on the fifth of every month, and that gram panchayat councillors would attend meetings at the mandal office every three months. In Medak and Krishna, gram sabha meetings appear to have been somewhat less frequent, although representatives, officials and villagers all reported that gram sabhas would operate according to a fairly rigid schedule.

Sixth, and crucially, DWCRA is a programme that has fostered a strong sense of entitlement (Mooij 2002). Central to the performance of the DWCRA programmes we encountered in the AP villages was an informed understanding of what these programmes were meant to provide and an expectation of the conditions under which they were meant to be delivered. Moreover, the fact that SHG members are required to pool savings for one year gave beneficiaries a strong sense of ‘ownership’, which tends to mitigate against the kind of corruption that plagues many ‘state-owned’ programmes in India.
5 Conclusion

The findings presented in this article suggest that the economic impact of government-sponsored self-help programmes in AP and MP was minimal; of the six villages we studied in AP, only one reported having a functional SHG. Moreover, the levels of financing provided by SHG programmes in both states were extremely low in relation to informal credit sources, especially ones provided by informal moneylenders. That said, perceptions of SHG programmes in AP were favourable. How do we account for these findings, and what implications do they have for the impact of decentralisation on social policy?

Lacking longitudinal data that would compare the statements of our respondents with earlier involvement in DWCRA programmes, it is difficult to assess the validity of the assertions we encountered about the performance of past programmes. However, the responses were consistent across major socioeconomic groupings within the villages, and across the AP villages. Moreover, the perception that DWCRA programmes in the past had delivered tangible benefits to villagers who were no longer members of DWCRA groups is highly consistent with the historical account provided by Manor (2006). In the absence of reliable baseline data, we can therefore assume that the perceptions of our respondents were valid, and consistent with other comparative and historical accounts.

The findings presented in this article suggest that effective government programmes were established on the basis of interpersonal relations between citizens and bureaucrats, and that these relations were not necessarily dependent on the kinds of direct and democratic participation often valued by decentralisation scholars (e.g. Crook and Manor 1998; Mathew 2001a,b; Manor 2001; 2002). In the case of DWCRA, the devolution of responsibility to mandal development officers provided an important source of information and recourse to potential beneficiaries. Moreover, the incentives put in place by the state bureaucracy and by the ruling party appear to have motivated field level bureaucrats in ways that other rural development programmes did not (see below). In MP, by contrast, the channels provided by DWCRA in AP were largely non-existent, creating a situation in which sarpanches and line department officials were the only means by which poor people could obtain information about and access to important state-provided benefits.

What makes these findings particularly interesting is that the same officials who were involved in, or at least implicated in, the corruption of public works programmes, such as FFU (Deshingkar et al. 2005), were instrumental in ensuring the successful functioning of DWCRA. Beyond the fact that DWCRA programmes do not offer the type or scale of rent offered by public works programmes (see below), we would argue that the ‘relatively’ clean functioning of DWCRA can be explained in terms of the state government’s desire to transmit an image of a government that was committed to principals of efficiency, transparency and accountability. Whether it actually achieved these aims is somewhat less important in this context than the fact that the government was creating strong incentives to ensure that its flagship programme was reaching its intended beneficiaries. Coupled with the widespread understanding of how and when DWCRA was meant to work, these incentives appear to have produced tangible benefits for the rural poor.

What implications do these findings have for the study of decentralisation and local governance reform? First, we would argue that the comparison of development policy outcomes in AP and MP suggests that the size of population being served by local administrative institutions and vertical incentives within the state bureaucracy can have an important bearing on the ability of local populations to understand and act upon local development initiatives. Our interpretation of the differences we encountered in the two states is that differences in performance and perceptions of performance reflect both the political importance that state bureaucrats attached to self-help programmes in AP and the size of the population being served by the state bureaucracy. In particular, we argue that the combination of development populism and more local administration created a situation in which beneficiaries and potential beneficiaries were much more knowledgeable about the functioning and impact of self-help financing in AP.

Coming back to the wider issue of electoral politics and macroeconomic reform, we would argue that the evidence documented in this article suggests that government efforts to compensate or counterbalance the impact of macroeconomic restructuring by supporting the formation of SHG programmes in rural areas, were successful; the women we interviewed in these villages had positive...
views about DWCRA, and these views were associated with the government and with the party. However, as Manor (2006) has pointed out, the ability of the Telugu Desam Party to sustain the electoral support of women was directly dependent upon the ability of the government to provide through DWCRA (and through other means) benefits that would have a tangible impact on their livelihoods and their lives. The evidence presented in this article suggests that although the government may have been able to deliver tangible benefits in the past, its inability to sustain DWCRA groups in all but one of our study villages suggests that the local bureaucracy was overwhelmed by the kinds of pressures described by Manor (2006).

A second observation which we draw from our analysis is that the dissemination of information about public services can strengthen entitlement. Although the dissemination of information about DWCRA in AP was inspired in large part by political/electoral motivations (Mooij 2002; Johnson et al. 2005; Manor 2006), the crucial point here is that the content and function of the programme was widely understood in rural areas, and that this strengthened people’s capacity to demand and expect a certain quality of service.

Finally, and perhaps less optimistically, the evidence presented in this article highlights the notion that DWCRA programmes in AP were less prone to corruption simply because they offered fewer opportunities for construction, road building and other forms of enrichment. FFW, by contrast, offered more resources and therefore more incentives to corrupt the delivery of social policy programmes. Whether this last factor justifies calls for smaller and therefore less enticing programmes is an interesting point to consider. Saxena and Farrington (2003), for instance, have argued that pro-poor policies can more effectively reach poor people if their benefits are sufficiently small to deter the interest of local elites. Indeed, ‘self-targeting’ (in which the quality of the benefit is such that only poor people would want to obtain access) is a widely used application of this idea (cf. Deshingkar et al. 2005). The problem this entails of course is that programmes with small benefits will also produce small outcomes (Saxena and Farrington 2003). One of the arguments in favour of using public resources to fund public infrastructure, for instance, is that the investment provides important multiplier effects in the form of subsidiary markets, better transportation, better connectivity, etc. (cf. Deshingkar et al. 2005). To ensure that projects of larger size and complexity also benefit poor people (e.g. through employment and other transfers of public resources), extensive rights of access – and the enforcement of these rights – will be vital. The evidence documented in this article provides some evidence to suggest the establishment of proprietary rights can provide a means by which such outcomes may be achieved.

Notes

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1 Although efforts to deregulate the Indian economy started as early as the 1960s, substantial macroeconomic reform initiatives did not begin to take hold until a balance of payments crisis in 1991, which entailed a structural adjustment loan from the International Monetary Fund (Jenkins 1999; Denoon 1998). Macroeconomic reform efforts were subsequently directed towards the privatisation of state-owned enterprises, the deregulation of foreign trade and investment and, to a far lesser degree, public sector retrenchment.

2 The study on which this article is based was conducted before the incumbent parties in Madhya Pradesh (Congress-I) and Andhra Pradesh (Telugu Desam Party) were voted out of power, in 2003 and 2004, respectively. For an extended treatment of the historical and political factors that led to differences we find in the two states, see Johnson et al. (2005).

3 As Mooij (2002: 36) points out, the so-called ‘thrift’ element of DWCRA was not introduced until 1993, apparently in an attempt to ‘encourage bonding’ among group members.

4 Here it should be stressed that 25 per cent represents 100,000 SHGs. More important, DWCRA is an entitlement whose benefits, functioning and eligibility are widely understood in rural AP (Mooij 2002).
References


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