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30 December 2013

Online at <https://mpra.ub.uni-muenchen.de/55222/>  
MPRA Paper No. 55222, posted 14 Apr 2014 14:44 UTC

# **Drivers of Poverty Alleviation Process: Empirical Study of Community Based Organizations from India**

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## **Introduction:**

Poverty is a disease across the world and a chronic disease in the developing countries like India. Just less than 3 years away from Millennium Development Goals (MDGs) deadline of 2015, 38% people of the total population of 1020 million are below poverty line in 2013. India reduced multidimensional poverty significantly between 1999 and 2006, but the poverty reduction was uneven across the states and social groups. India will take another 41 years to reduce poverty to level zero if the poverty reduction rate and other compelling factors remain constant<sup>3</sup>. Participation and inclusion are central to a new approach to poverty reduction. Participation in economic activities coupled with inclusive growth is paramount to the process of poverty reduction programs. Rather than merely cash transfer schemes and unemployment allowances, the governments are emphasizing on framing policies to create institutions, systems and processes to bring poor people in economic participation. Policies are enabling civil societies and small & medium size enterprises to become participative in poverty reduction programs through empowering communities. Community based organizations like cooperatives, special companies, societies, trust, Self Help Group (SHG) are ideal instruments in such strategy. Such organizations have proven to be key organizational form in building new models to combat social exclusion and poverty. Community based organizations may be self initiated or supported through NGOs, business and government. The organizations may be formally registered as cooperative society or public trust or society under Society Registration Act 1860 or company under Companies Act 1956 or may be informal like Self-Help-Group (SHG). Cooperatives, as a socio-economic business enterprise empower people by enabling even the poorest segments of

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<sup>3</sup> Multidimensional Poverty Index 2013

the population to participate in economic progress; they create job opportunities for those who have skills but little or no capital; and they provide protection by organizing mutual help in communities. NGOs, Trusts and Societies allow creating a platform for development initiatives and bringing together a range of community to foster opportunities for decent work and social inclusion. The members learn from each other, innovate together and, by increasing control over livelihoods, restore the dignity that the experience of poverty destroys. India is home of 500,000 cooperatives and similar number of other type of community based organizations. Many of them are engaged in helping poor community.

### **Research Methodology:**

We aim to analyze drivers of poverty reduction programs run through community based organizations. We have selected case study of 10 illustrious community based organizations registered under different statute, working in different region, different membership base, offering different products and having different governance structure.

We use substantially the secondary data to develop each case study of each organization. We referred available literature and relevant government policies. We have developed two questionnaires to conduct primary survey and are administered at two level, namely; (i) targeted poor population to evaluate socio-economic impact of organization activities on poor people (ii) the executives of each organizations to understand key success factors of the organization. The analysis is deduced to crucial factors for the success classified as internal & external.

### **The Structure:**

We look at those community organizations, which are working on value chain in economy and enhance the growth, reducing inequality amongst the stakeholders and give priority to the poor people in value chain. The first part of the paper sets the tone of its research objective and the context. We also undertake review of poverty reduction state policies framed by Central & State government, poverty reduction plans launched by various governments and enabling legislation. The second part briefly discusses research methodology and the way how community based

organizations are selected for study. The third part depicts case study of 10 community based organizations. Here we describe the circumstances of evolution of the organization, role of promoting leadership, the statute under which organization is registered, people involved, governance structure, product/s, value chain and method of distribution of wealth. The last part first quantifies the extent of benefits transferred to the poor people involved in the organizations and then analyzes the factors which have influenced such transfer. We critically investigate whether organization have reduced poverty through community participation and draw attention to the success drivers as well as the weakness on value chain. We suggest the ways and means for the key stakeholders to be reviewed, advocating state policy and lead for further research.

### **The State Policy:**

In a welfare state, the government (Union, State & Local) continuously attempts to reduce poverty and prepare plans to succor the poor. The society through NGOs and Businesses (Large, Small & Medium Scale) intervenes in the social fabric for the betterment. The civil societies and businesses assists poor people which form community based organizations like cooperatives, Trust, Society or Company to give appropriate organization structure. Time to time Indian government (and state governments) has framed several policies based on the need. Any socio economic activities that create and add value to the society can reduce poverty to an extent. If value creation is equitably transferred, and involving poor people in the process, the organization helps reducing poverty.

Government of India emphasized on poverty reduction program since its first five year plan. The poverty reduction strategies are classified primarily on the basis of rural & urban and agriculture and non-agriculture. Cooperatives in India became a part of the National Development Plans from 1950. The Cooperative movement was introduced in the country to free the farmers from the clutches of money lenders. The thrust was to establish primary credit societies. The Seventh Plan emphasized on people's participation to achieve the basic objectives, with a focus on employment generation and poverty alleviation. Urban Basic Services for Poor (UBSP) working under Urban Poverty Eradication Program of the Ministry of Urban Affairs and Employment, operational in all states helping 10 million urban poor. UBSP focus on participatory process of

planning and action with women from poor neighborhoods to improve health; education; environment; access to credit and improved incomes and other basic rights for their children themselves and their families. Over 130,000 poor women serve voluntarily, working in partnership with city, state, national Government, NGOs and UNICEF. UBSP has a direct impact on poverty reduction, focusing on the effects of poverty and underlying causes like illiteracy, lack of information, lack of access to services, etc. The community structures and collective actions undertaken helped in building confidence, promoting a self-reliant direction for community and individual change. More directly, UBSP has made available programs for skill development. Revolving funds for small loans are administered directly by the NHCs. With the recent introduction of thrift and credit, the previously untapped savings potential among these women is now emerging. The UBSP approach has proved to be a cost-effective community organizational system which is staff and time intensive until groups are formed and understand their potential and undertake successfully. The UBSP approach has inspired other national programs like the Community Based Convergent Services, a district planning system, in the rural areas and Rashtriya Mahila Kosh (RMK), a national credit scheme for poor rural women.

### **The Prominent Community Based Organizations:**

India is a huge country with history of several thousands organizations involved in socio-economic activities. Though it is very difficult to select few organizations out of thousands, we selected those cases which are unique in some way and have impact on relatively larger number of poor people. The uniqueness may be related to the product or services that organization is offering, e.g. we selected Lijjat Papad, being otherwise a common household item has captured market worth INR 5000 million and being run with the help of thousands of women. The paper discusses mutual funds promoted by SEWA<sup>4</sup>, comprised of rag pickers and waste collectors, literally the destitute people community. We selected Self Employed Women Association & Working Women Forum, not being organizations for only woman member, but because they are engaged in capacity building of the women members rather than direct employment. We selected Tribal Cooperatives, Farmers Cooperatives and Dairy Cooperatives. We further included Management of Enterprise and Development of Women (MEDOW), an organization for rural unemployed girls supported by a big business house like TITAN Watch Limited, in our study.

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<sup>4</sup> Self Employed Women Association

TITAN helps them by providing assembling work of watches they manufacture. Another uniqueness of MEDOW, it is registered under the Companies Act, 1956. Dinesh Beedi being an organization supported by Government of Kerala and is highly diversified organization is also selected. Though Dinesh Beedi employs uneducated workers, the umbrella unit is engaged in modern business like software development. We are studying The Uralungal Labour Contract Cooperative Society Limited, not as it is cooperative of construction worker, but because they manage it. Gambhira Farming Cooperative Society Limited is farmers' society, which by enhancing value of farm produces through modern technology, distribute added value on the (i) basis of land provided by the farmer (ii) on the basis of contributed labour (iii) profit distribution equally. Mumbai Tiffin Box Supplier's Association is a case of rural poor people of Maharashtra, but working in Mumbai, delivering a service through lunch box with home made food to their customers. We also discuss Self Help Group and their linkages with other community based organization.

### **1. Tribal People's Cooperatives Orissa<sup>5</sup>, India**

#### **Organization Structure & Value Chain:**

Tribal People's cooperatives are cooperatives at grass root level and federated through various mechanisms. The members of the organization are tribal people of Orissa state. At primary level cooperative of tribal people is formed and tribal are trained to work in the field so as to their productivity is channelized into marketable produces. Those products are marketed through coordinated effort of secondary level organizations like federal cooperatives and other organizations. NGOs are involved in identifying training needs and imparting training at local level.

Orissa is one of the poorest states in India. Almost 22% of the state population comprises of the tribes. They are the most disadvantaged population living below the poverty line. Sometimes, they are also marginal farmers with an average of only one or two hectares of land per household, with mono-cropping of paddy fields, supplemented by the gathering of minor forest

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<sup>5</sup> Source: ILO Job Creation and Enterprise Development Programme: Cooperatives Branch

products such as *sal*<sup>6</sup> leaves for making leaf cups, *sabai*<sup>7</sup> grass for rope-making, and rearing of silkworms. They face crop failures caused by uncertain rainfall, ecological degradation of the forests, and deforestation. Most of the tribal people are illiterate, many are landless. They farm small paddy fields and live with the constant risk of crop failures caused by uncertain rainfall and degradation of the forests. The tribal people have to cope with the problems in procuring farm inputs at a reasonable cost, marketing their produce at a fair price. With an NGO partner, the Social Science and Development Research Institute (SSADRI), the ILO implemented a pilot project involving ten villages, with a total population of over 3,000 people, starting by holding meetings to identify people's needs. Backed up by socio-economic surveys, this led to a focus on income generation for women. Self-help groups (called Mahila Mandal) are organized in each village by the women, who receives training and start making leaf cups and plates for sale. This led to electrification, setting up of work sheds and installation of machines. Then training courses were extended to silkworm rearing, weaving, marketing, typing and tailoring. The key to sustainability was a revolving loan fund, which reached 46 per cent of the total population. Increased income was invested in industries such as vegetable cultivation, garment making and animal husbandry, and in starting businesses such as groceries, cycle repair and bee-keeping. The extra income generated then led to spending on schooling and medicines. Encouraged by the low default rate on loans from the revolving fund, local banks are now lending to villagers. Trained village support workers from the community are in daily contact with village-level institutions formally constituted as cooperatives and linked together in an apex cooperative, the Multi-purpose Labour Cooperative Society.

Participatory self-evaluations enabled the villagers to take part in measuring progress and identifying impediments to action. The involvement of women strengthened the institutions by transforming previously passive labourers into active organizers. In consequence, women have gained respect and status. From modest beginnings, the cooperatives have stimulated a burst of community activity to help tribal people overcome illiteracy, ill health and the degradation of the local forest and grasslands. The final stage is the gradual withdrawal of support from the project,

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<sup>6</sup> A leave used for human consumption in tribal area

<sup>7</sup> A type of grass used for human consumption in tribal area

which will test the durability of the new community-driven social organizations. The prospects are encouraging, not least because the network of cooperatives has empowered this indigenous community to lead the process of social inclusion while maintaining their own sense of identity and culture.

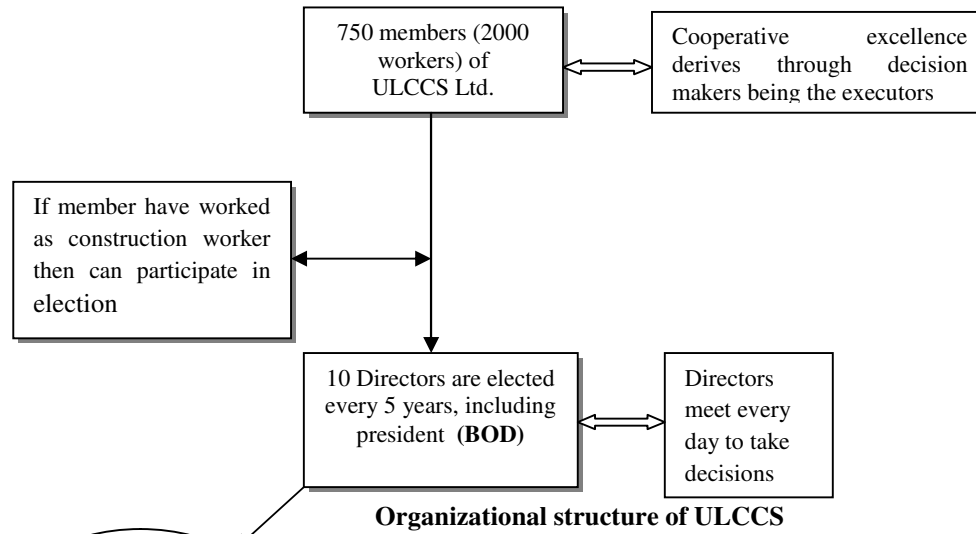
## **2. The Uralungal Labour Contract Cooperative Society Limited (ULCCS Ltd)**

### **Organization Structure & Value Chain:**

ULCCS Limited is a cooperative society comprised of construction workers. The value is created through deploying those workers through coordinated effort in construction contracts. Individual worker may not get employment through out the year, but due to professional managed cooperatives by workers them self, society and workers are getting work throughout the year. The workers are trained in the modern techniques of construction work.

ULCCS Ltd is an ISO 9001:2008 constructions cooperative registered under the Cooperative Societies Act. It has 2000 plus work force including 750 members engaged in the construction work of the society. The society obtains construction contracts through competitive bidding process from Government and other reputed organizations for activities like formation of road, highways, culverts, bridges, and modern building structures. The mission of the society is to deliver quality work in strictly adhering to time limit. The focus of activities is on societal uplifting and nation rebuilding by providing appropriate job opportunities to the downtrodden, through collective initiative of members. Over a period of time, the membership is expanded and venturing into bigger works with higher investments, and procured new machineries for advanced constructions. ULCCS has a well-defined organizational structure to execute the decisions of the board and a consultation wing to associate in making the policy decisions. Each construction worker gets remuneration on the basis of work done by him. Average earning per employee was slightly higher than what other construction worker gets in the same area.





To (Monthly members' General) capacity of the workers, ULCCS Ltd imparts skill training to members at reasonable cost. The society provides education to make them employable. The society has its own facility for building materials and quality testing laboratory, stone crusher, abundant granite quarry, crushing equipments, brick manufacturing unit, mechanical workshop etc. The society also ventures into agriculture sector with the motive of providing employment to its laborers the year round. The society owns farm sizing 33 acres, to cultivate various garden crops like coconut, mangoes spices, tapioca etc are underway using only green manure and nature friendly bio-manures. The society has completed 3722 projects till date and there are 100 on-going projects at present. The members are encouraged to attend monthly meetings, and are expected to adhere to norms like maintaining peaceful atmosphere at worksite. BOD exercises strict discipline by punishing default members, can suspend the members but it cannot remove the members. Only general body has right to remove the member. The society emphasize on establishment of professional governance starting from policy formulation, execution of work and financial management. For various policy decisions it takes consultation from well-known professional bodies including Indian Institute of Management.

As only workers can be elected as director, and each director is assigned responsibility of the project execution, timely completion is ensured. This system is a derivative of cooperative principles and greatly helps in achieving excellence. Members attend cooperative education and various training programs. A worker is free to take appropriate decision as per prescribed procedure; this enables a worker to sharpen leadership skill. A worker gets daily wages for the

work done, which is usually higher than market rates and additional benefits like provident fund, medical allowance, gratuity payment, limited insurance premium, holiday wages, education and marriage allowance. These practices make joint responsibility from bottom to top management, which in turn improves contribution and efficiency by several folds leading to success.

### **3. Self Employed Women's Association (SEWA)**

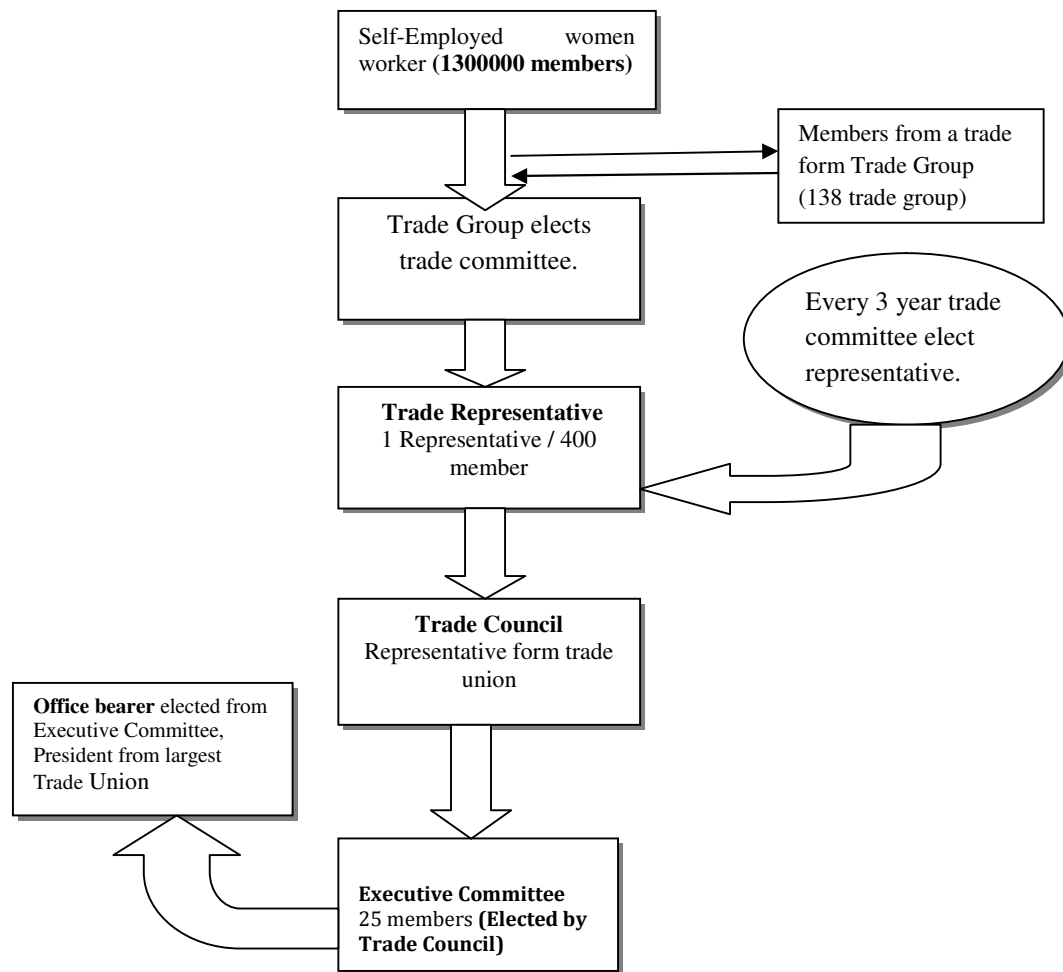
#### **Organization Structure & Value Chain:**

SEWA is unique model of empowering self employed women. Under umbrella of SEWA (Trade Union), several small cooperatives and self help groups are formed. Each entity is incorporated of local community, self managed and to exploit local conditions. By providing service through collective labour, women get their livelihood.

SEWA, Ahmedabad based union comprised of self-employed women was registered in 1972 as trade union under the Indian Trade Unions Act. SEWA is convergence of labour, cooperative and women's movement. The union is open for membership by charging nominal fees to self-employed women workers, currently having 1,300,000 women members. Self Help Group (SHG) & cooperatives are formed of these members. The members are small vendors, home-based producers and labourers working in unorganized sector. SEWA's objective is to offer an integrated plan for developments of self employed women including childcare, leadership training through unique organizational structure of decentralization in governance with a two-tier level of elected representation to govern the union. SEWA have promoted small cooperatives for cleaners, the most downtrodden people in the Indian society namely, Saundarya Mahila SEWA and Karyasiddhi Mahila SEWA Sahakari Mandli Ltd.

SEWA organizes the women workers through the strategy of struggle and development for its two main goals, full employment and self-reliance. Members work in the markets, in their home, fields, forests, on riverbanks and in the desert. The members are Home based, Vendors, Manual labourers or Service providers, to undertake activities like capacity building, livelihood security, marketing services, financial services etc.

Figure-II



**Organizational structure of SEWA**

SEWA’s approach to organize is a need based and demand driven, by identifying the needs and issues of the communities and links them up with government schemes. This helps in leveraging government resources and policy action. SEWA builds the capacities of the members through spearhead teams, so that they become owners and managers of their own trades.

As a measure of decentralization, a district association implements all the activities in the districts. The support provides firm foundation for future growth and leads to collective strength and increased bargaining power of the workers. Flexibility in organizational style and structure encourages experimentation and learning, willingness to take advantage of partnerships with others and hence synergy of fraternity and cooperation.

SEWA as an umbrella institute has formed community based organizations as shown below:

**Table-I**  
**Membership in SEWA**

<b>The type of cooperative/groups</b>	<b>No.</b>	<b>Members</b>
<b>Self help groups</b>		
Craft-based groups	142	2,106
Land-based groups	21	395
Forest producers based groups	11	220
Foodgrain and essential items distribution groups	10	120
Nursery-raising groups	7	140
<b>Social Security Organizations</b>		
SEWA Health Co-operative	155	74,695
Krishna Dayan Co-operative	85	26,285
Shramshakti Dayan cooperative, Kheda	50	5000
Surendranagar Women and Child Development Mandal	--	6000
Sangini Child Care Co-operative	825	3,639
Shaishav Child Care Co-operative	92	1,500
<b>Cooperatives</b>		
Dairy cooperatives	53	5,182
Artisan cooperatives	10	1,200
Service & Labour Cooperatives	10	130,000
Land based cooperatives	7	192
Trading & vending cooperatives	5	1,000

Source: SEWA website, [www.sewa.org](http://www.sewa.org)

Each constituent organization is helping woman to be self employed through capacity building, solidarity and networking. SEWA work on the principle of complete decentralization and local need based business structure.

#### **4. Gambhira Farming Cooperative Society Limited (GFCSL)**

##### **Organization Structure & Value Chain:**

GFCSL, a cooperative society which is providing platform to the farmers and labours of 4 villages in Gujarat. It is unique concept of poverty reduction through collective use of agriculture land, capital and labour. The society was formed way back in 1950s, a time tested model of collective farming in India. The value is created through collective actions and strength in bringing high technology & storage perishable produces. The member get rent of land, wages of labour and dividend out of profit.

Farmers of Kheda District in Gujarat established the Gambhira Farming Cooperative Society in 1953. GFCSL has members from Gambhira, Kothiakhad, Nani-Serdi and Bilpad villages which are in proximity of 45 km. of Anand, a town famous for Asia's largest dairy cooperative AMUL.

The state government distributed 201 acres of land on the riverbed to 176 farmers. The members of the society have been divided into 30 working groups for operational convenience. Each group has eight to 14 members, who choose their group leader, and is allocated 13 to 24 acres for farming. The land and other assets belong to the society and the members do not have ownership rights either on assets or cultivation decisions. The society undertakes primary farming activities including tillage, purchase of inputs, irrigation, storage and marketing of produce. The farming by small farmers is being rendered otherwise unviable owing to downsizing of land holdings, limited resource deployment, farmers' low investment capabilities, limited bargaining power in procurement of inputs including electricity, storage capacity, and changing market conditions in competitive environment. The cropping pattern is decided collectively, inputs are procured collectively and extension and technical help is provided by the society. Members give a half share of their produce to the society. The strategy is based on two fundamental principles; the small size homogenous groups of 10-12 households are a better unit of cultivation than either an individual farmer or a large collective, and if these groups are supported by an infrastructure of high quality by the large collective body their productivity can be enhanced. The society helps to earn livelihood to 291 farmers and have improved their socioeconomic condition. Sales revenue earned in year 2010-11 was INR 32.60 million. A member contributes labour for 150-180 days per year, which is significantly higher than cultivating individually and allows earning of INR 90,000 per annum.

##### **5. Shri Mahila Griha Udyog (Lijjat)**

###### **Organization Structure & Value Chain:**

Lijjat Papd is organization of urban women, for women and managed by women. It provide livelihood to poor housewives & homemakers through decent work at home. The woman member employs her labour in making *papad*, a local traditional food and receives payment for the work done. The implied benefit of member is in the fact that they work while managing their routine house work and taking care of kids & family. Lijjat is a public trust, and whose umbrella branches at various location works to make papad. Central office helps them marketing the

products and procuring raw material at cheaper price. The member woman get labour charges and bonus out of surplus of the trust.

Shri Mahila Griha Udyog, popularly known as Lijjat, a cottage industry, is an Indian women's cooperative engaged in manufacturing of various food items and fast moving consumer goods like detergents. Lijjat was registered in 1966 under the Societies Registration Act. Lijjat's objective is empowerment of women by providing employment opportunities by enabling women to earn decent and dignified livelihood. Lijjat started with small capital informally in 1959 have achieved annual turnover of INR 6500 million in 2010. Lijjat provides employment to 42,000 people through 67 branches. All members of the institution are the owners; every member has the veto power, decisions are based on consensus among members. Lijjat is famous for its products like *papad*<sup>8</sup> and *sasa* detergent powder.

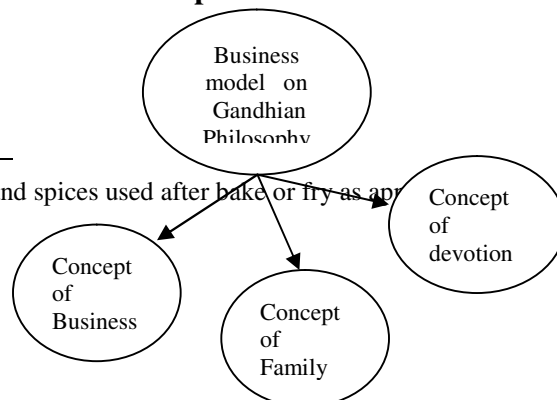
Figure-III



*Papad*

Since inception, Lijjat understands the importance of standardization of quality, it work as a business enterprise, maintains proper accounts and transparency. Only woman can become member, a woman looking for work can approach any of the branches to join the team without any fees, and earn INR 2,000 to 3,000 every month for six hours of daily work from home. Lijjat works on Gandhian philosophy of 'Sarvodaya' & 'Trusteeship', with a typical conceptual business model.

**Figure-IV**  
**Conceptual Business Model**



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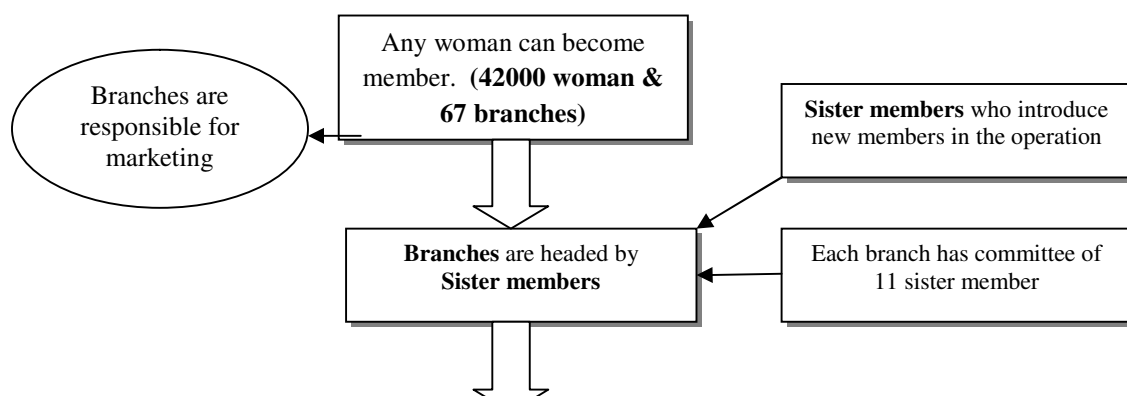
<sup>8</sup> Indian food made of pulse flour and spices used after bake or fry as app

To achieve motive of generating self-employment for women, no machinery is used at the production level, though computers are used in some of the branches for administration, have adopted typical organizational structure. The organization has adopted the concept of business, and it believes production of quality goods at reasonable prices. Lijjat never accepts any charity or grant. The organization has adopted the concept of mutual family affection, concern and trust. All affairs of the institution are dealt in a manner similar to that of a family. Lijjat believes that for members and employees; the organization is a place of worship to devote one's energy not for personal benefits but for the benefit of all.

The management of the organization is entrusted to the elected managing committee of 21 members. Irrespective of seniority or responsibility or type of work, each member gets an equal share of profit. Woman who pledges to adopt the institution's values can become a member and co-owner of the organization and can participate in election. The members who are involved in the rolling of the papads require a clean house and space to dry the papads they roll. Those who do not have house can take up any other responsibilities, like kneading dough or packaging or testing for quality. After a woman has signed the pledge form, which serves as her formal entry and introduction to the formal working environment, she is considered as a sister-member. Production is carried out from hundreds and thousands of individual homes. The branch ensures that every activity happens as per standard. The branch is responsible for all activities from production, testing, packaging, collection, and distribution of profit.

**Figure-V**

**Lijjat's organizational structure**



Core activities like purchase, are centralized to gain advantage of collective bargaining and proper control. Lijjat has evolved good governance structure by giving their centers the autonomous status. Profits remain with the respective branches and are normally used to augment the business after a due share is distributed among members. Lijjat focus on standardization and maintaining quality and division of work among different divisions based on expertise like advertising, marketing, sales promotion and exports. There is greater coordination between different branches and divisions.

Khadi Development and Village Industries Commission (KVIC), a statutory body set up by the Government of India for development of rural industries, recognized Lijjat as a ‘Village Industry’, a unit belonging to the "processing of cereals and pulses industry group" under the relevant Act. KVIC granted it a working capital of INR 0.8 million in 1966 and was allowed certain tax exemptions. Lijjat is taking part in several trade fairs and exhibitions to improve domestic & export sales. Lijjat received the "Best Village Industries Institution" award from KVIC (1998 to 2000), "Businesswoman of the Year" award (2002), 'Brand Equity Award' (2005) and several other prestigious awards. The earning of working woman in Lijjat is dependent on labour she has put, in terms of ‘papads’ she rolls. The charges are pre-determined on the basis of city/town in which she works, but on average a woman earn INR 4000-5000 per month.

## **6. Working Women’s Forum – India (WWF)**

### **Organization Structure & Value Chain:**



WWF is a strong 85,000 working women cooperative which functions in tandem with sister concerns; Indian Co-operative Network for Women (ICNW) and National Union of Working Women (NUWW). Mission of WWF is poverty reduction and strengthening of economic, social and cultural status of poor working women through micro-credit, training, social mobilization and other interventions. WWF and its credit outfit ICNW has commendable task of serving its members in South India. WWF enhances the social as well as financial independence of poor women through its credit wing and provides loan at low interest rates encouraging their entrepreneurship. The women members get self employment due to collective strength, capacity building initiative and credit support.

WWF is characterized by a grassroots orientation, with a feminist approach and based on promotion of leadership among the working class women through a cost-effective large-scale outreach. As a movement of grassroots women, WWF's purpose and objective is to raise awareness and promote collective action for social change and sustainable development. The organizational structure is innovative and is based on the group dynamics model. The aim of WWF is to integrate its target group of marginalized and vulnerable women at all levels in its institutional framework, using them as an effective delivery mechanism to reach other poor women extensively. At the apex level of the structure are the members of the Forum. Membership at WWF is based on the group principle. Generally 5-10 members, irrespective of their occupation, form a group and elect a group leader. The group leader is responsible for the repayment of loan by the group and as an incentive, a higher amount of loan to the group leader. Each member vouches for the other members and is a "guarantor" for each other. Area leaders are next in hierarchy. They are the link between WWF and the members. A unique feature of the organizational structure is that it paves the way for members to move up the hierarchical ladder and reach the position of a Vice President. There is also facilitation of free flow of information from the President to the members and vice versa. WWF provides an organized platform, access to credit, education, healthcare, training/orientation towards promoting social and financial independence to fight poverty and gender discrimination. The credit program of ICNW has extended credit to 410,545 poor entrepreneurs of approximate INR 1203 million; the recovery rate of credit is as high as 98.66%. NUWW, WWF's trade union wing facilitates the poor women in their struggles to fight for labour, land, housing, other human rights issues like female

foeticide, child prostitution labour etc. The woman working in unemployed sector or self employed are coming out of poverty with the help of WWF.

## **7. Mumbai Tiffin Box Supplier's Association (MTBSA)**

### **Organization Structure & Value Chain:**

MTBSA is registered society employing more than thousand rural uneducated workers in urban area. These workers are employed in transpiration of lunch boxes through collective action in city of Mumbai. The people working in Mumbai city offices located in down town receive lunch boxes made up of food at their own home located in suburban of Mumbai.

The Mumbai Tiffin service originated by dabbawala in 1880 was informally unionized in 1930 and registered in 1956 as Nutan Mumbai Tiffin Box Suppliers Trust under Bombay Public Trust Act. The commercial arm of this trust was registered in 1968 as Mumbai Tiffin Box Supplier's Association. Every day approximately 5000 Dabbawalas deliver homemade food to about 200,000 customers in every corner of Mumbai, very densely populated city with huge flows of traffic and congestion. Dabbawala is a person in the Mumbai whose job is to carry and deliver homemade food in dabba (lunchbox) from their home to the work place. Office-goers in Mumbai usually leave early in the morning and get back after the evening. Most of them commute from suburbs of Mumbai and travel south to the main commercial area of Mumbai. The railway network during the peak hours is jam-packed with commuters cannot carry the lunch box. Homemade hygienic lunch is preferred over expensive outside meal. By delivering to office-goers his lunch filled with food prepared at his home, the dabbawalas provide a viable solution. Depending on the location and collection time, dabbawala charge for delivering lunch box, a small amount in range of INR 150 to 300 per box/month.

MTBSA is a three-tier organization (i) the governing council with nine directors and office bearers (ii) the *mukadams* (supervisor) and (iii) the dabbawala. Under the supervision of four *mukadams*, dabbawalas are divided into small groups, which is responsible for day-to-day functioning. A committed and dedicated worker can be member of the association. The member has to invest small capital of INR 5000 to bring bicycles, wooden crate for carrying lunch boxes,

white cotton clothes (*kurta-pyjama*) and Gandhi style cap. MTBSA regulates activities of all members and solves conflicts between members, customers or authorities. The *mukadams* has the authority to impose reasonable fines on dabbawala who commit repeated errors. The group is financially independent but coordinates with other groups for deliveries of lunch box. The process is competitive at the customers end due to low fee and based on cooperative efforts till the delivery. All members are treated as an equal and regardless of the work done; one gets paid about two to four thousand rupees per month.

The success of the operation, a 'six sigma' standard<sup>9</sup> is due to extreme certainty, predictability of the operation, simple design and with low cost. The dabbawala pick up lunch box, appropriately coded and are sorted at each suburban as per location of delivery. Although the number of transactions per day is large, each person handles a limited number of transactions. The external container that houses the lunch box inside is of standard shape & size. The containers are placed in a single file in a wooden crate with the lids of the entire lot visible. The dabbawalas never lose custody of the wooden crate throughout the delivery process. Area wise crates are loaded in train and unloaded as per code at its destination, where another dabbawala collect and deliver lunch box to the building of the client, who himself identifies his dabba based on his personal markings on the box, and puts back after the lunch. The local dabbawalas and population know each other well. Dabbawalas are generally well accustomed to the local areas they cater to, and use shortcuts and other low profile routes to deliver their goods on time. Though dabbawalas are virtually illiterate as per recent survey, there is only one mistake in every 6,000,000 transactions. MTBSA carries 'ISO' and other certificates awarded for high quality work of dabbawalas. Dabbawala is recognized all over the world for excellence in supply chain management, time management, commitment, honesty and integrity.

## **8. Management of Enterprise and Development of Women (MEDOW)**

### **Organization Structure & Value Chain:**

MEDOW is unique organization made up of rural uneducated girls in state of Karnataka. The girls are working under the umbrella of a leading watch company. This social initiative in form

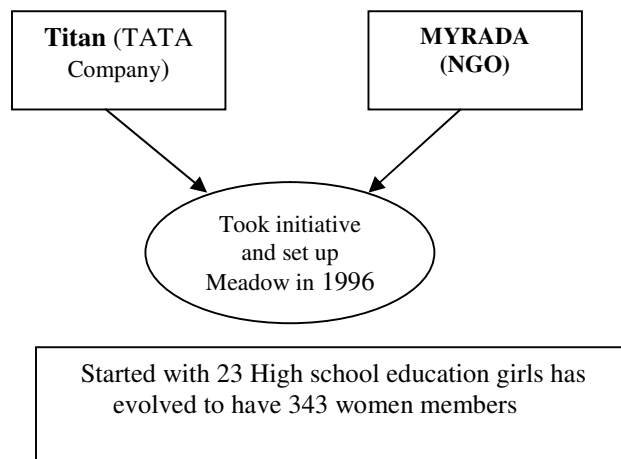
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<sup>9</sup> Forbes Magazine 2002

of a company is joint effort of NGO and a business house. Rural girls get employment through working in watch factory.

Titan and MYRADA set up project Meadow in 1996, with the aim of providing employment opportunities to young women. By redefining societal attitudes MEDOW has given wings of social and economic empowerment to rural women of Karnataka, The profits are shared equally among working members with a significant amount being added every year to the corpus fund. This takes care of the company's various needs and also benefits the employees' families. Titan has its manufacturing facility in the Krishnagiri district of Karnataka. The district is a drought-prone, backward area suffering from multiple social problems, low literacy, gender inequality, child labour etc. To address these issues, Titan has been working since 1992 with MYRADA, an NGO that facilitates women's self-help groups, to combat gender inequality.

Figure-VI



**Meadow (Management of Enterprise and Development of Women)**

Titan extensively trained the women in the required skills and also in material accounting and documentation procedures. They were provided worktables and tools, and also introduced to the SAP system. The company collaborated with Meadow to create the infrastructure by contributing 50 per cent of the initial investment and provided the technical training and expertise to run the business.

By 2005, Titan's jewelry division began outsourcing to Meadow some of the key activities in the manufacture of studded jewelry. The women were trained intensively by Titan to hone their skills in jewelry making. Starting with the single task of bracelet link assembly, the women have

acquired skills to undertake 16 different tasks at multiple locations. This brings win-a-win situation for workers & TITAN. The spirit of building livelihoods while doing business has enriched Titan with the satisfaction of empowering rural women to form a micro-enterprise and run it effectively. At the same time this engagement has led to the establishment of a cost-effective, reliable and flexible skill base for the company.

#### 9. The Kerala Dinesh Beedi Workers' Cooperative Society (KDB)

##### Organization Structure & Value Chain:

KDB is workers cooperative society supported by Government of Kerala. The workers are employed in rolling *bidi*. Under umbrella of KDB, there are several other manufacturing & service activities are carried on to employ more people. The workers of KDB get labour charge and dividend out of profit of KDB.

Beedi is poor people's cigar in India. The Kerala Dinesh Beedi Workers' Cooperative Society is originally a home industry comprised of workers of Kerala Dinesh Beedi, but now a diversified group engaged in various modern industries. Beedi is local homemade thin cigarette filled with tobacco flake and wrapped in a *Tendu* leave.

KDB was formed out of several unions of beedi workers with different political affiliations to bring workers together to overcome prevalent issues of unemployment and to achieve a concrete developmental task through team spirit and worker solidarity. State government of Kerala implemented Cigar and Beedi Workers Act in 1967 to support beedi workers. A prominent private firm, Mangalore Ganesh Beedi, closed down all production operations in 1968, rendered 12000 workers jobless. Due to this crisis and with active support of the Government, KDB was formed in 1969, is the fourth largest beedi firm in India.

Figure-VII



## *Bidi*

With the mission of the upliftment of weaker sections of the society, it started new ventures to create employments like coconut milk extraction, curry powder, pickle and fruit processing unit. Dinesh Umbrella, a division of KDB was started as diversification program with wings of operations like Dinesh Apparels, Dinesh Software, Dinesh Foods, Dinesh Umbrella, Dinesh Beedi and Dinesh Auditorium. KDB provide full time direct employment to 12,000 workers through its functional units of beedi rolling, food processing, umbrella assembling, garments manufacturing and Information Technology. KDB offers more benefits to workers than the state law, and provides other benefits like holiday wages, medical allowances, maternity benefits, retirement and death benefits, pensions and thrift loans. KDB do not employ child labour, and provide improved work environment by construction of work sheds, provision of water and sanitary facilities, adequate floor space, ventilation and benches with backrests for beedi rollers.

Raw material purchase in bulk is centralized like raising and managing financial resources and marketing. KDB coordinates and supervises the primary cooperative societies. The majority of the board of directors of the central society is workers. The surplus is distributed to workers and paid out as a reward for work rather than as dividends. Beedies are manufactured by all 18 primaries under one brand. Sound economical and financial management and efficient marketing have opened the doors to real improvements in the living and working conditions of members. KDB pays wages amounting to INR 250 million to workers who rolls 1800 million bidis annually. KDB has adopted a piece-rate system of wages to provide a built-in mechanism to encourage output. Along with poverty reduction of workers employed, the centralization of certain activities has allowed the KDB to maintain an effective balance between the distribution of surplus and the need for investment for the future.

### **10. TRIPTI (Targeted Rural Initiatives for Poverty Termination and Infrastructure)**

#### **Organiation Structure and Value Chain:**

Targeted Rural Initiatives for Poverty Termination and Infrastructure is collective effort of development agency like World Bank, local government and NGO through community working. TRIPTI works on bottom of pyramid approach, helping poor people, making them skilful and

employing in employment generating economic activities. The community earn through their labour in their own field and villages. The intervening agencies help them in capacity building, credit facilities and marketing activities.

TRIPTI is World Bank assisted livelihood project to be implemented in the state of Orissa. It works through SHG by credit facility and capacity building of rural women in 38 blocks of 10 selected districts of Orissa. TRIPTI focus on institutional building empowering women and their livelihood. The objective of TRIPTI is Socio-economic development of the rural poor in the target area, especially women, through micro-credit and by creating sustainable livelihood opportunities through streamline federations and reinforce their capacity for financial management including credit distribution, capacity building of SHGs and loan tracking. It helps building skill of rural women so as empower them sustainable livelihood. At village level the women organize Self Help Group under the guidance of TRIPTI. Based on outcomes of the need assessment, it will plan structured training programs, exposure visits in the relevant areas. The federation shall be formal organizations registered under the most appropriate statutes like Societies Registration Act 1860, Orissa self help cooperative Act 2001, Cooperative Act 1962, Company Act 1956 or Mutual Benefit Trust 1882. In the target area there are villages where the numbers of SHGs are more so the village and cluster level SHGs will be formed and the representatives from that federation will form the village level federation. The networking structure and working style in TRIPTI is unique.

### **What works for a community based organization in reducing poverty?**

We divide the factors affecting the organization's role in reducing poverty broadly into two categories. External factors, which are outside the control of the organization and factors, which are internal, and under the control of the community, based organization.

#### **External Factors:**

**Statute (Legislation) under which the organization is registered:** As said at the outset, community based organizations are registered under diverse statutes, viz, Cooperatives Societies

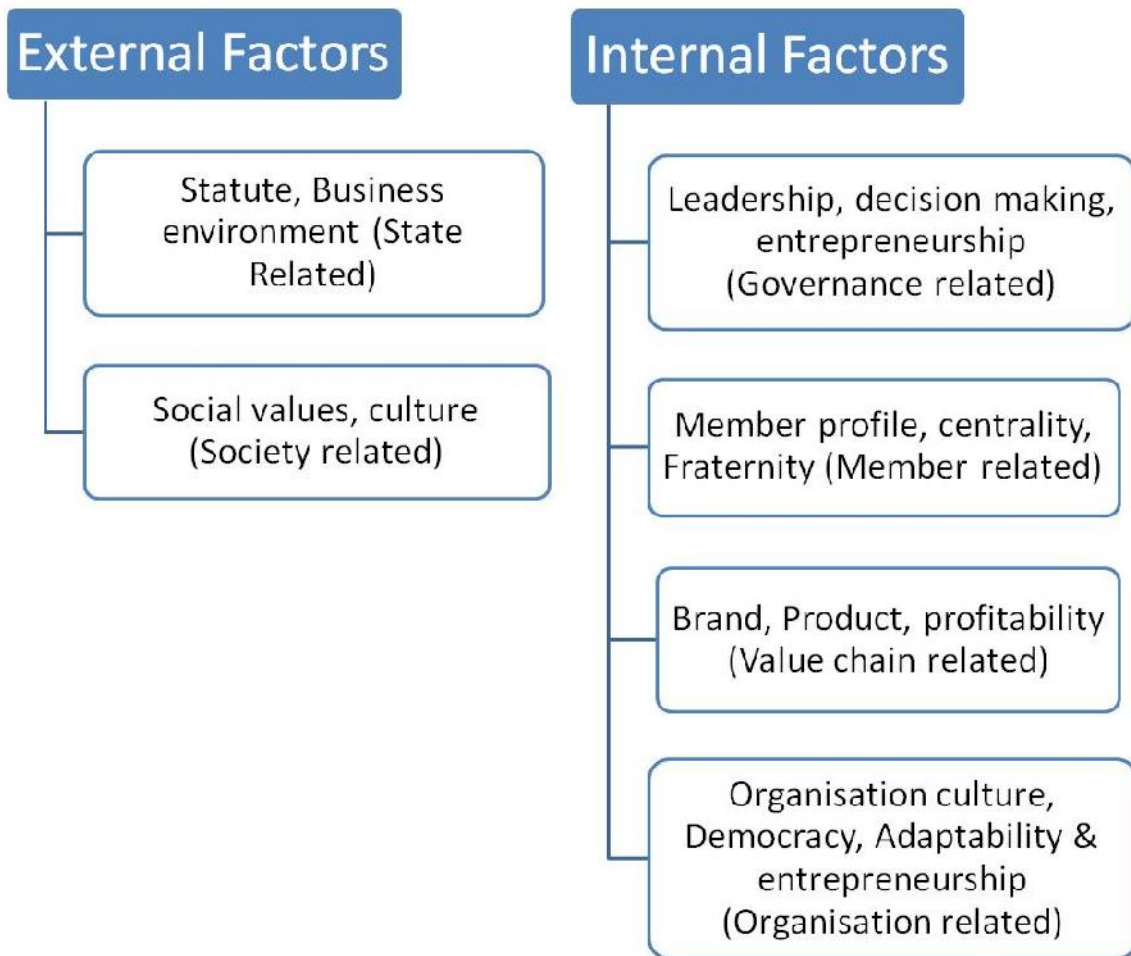
Act, Companies Act, Public Trust Act, Society Registration Act and Trade Union Act. Each statute differently determines the power, scope, obligations, limitations and procedure to be followed by the organization registered under it. Company Act allows declaring the dividend as members' choice, while under Cooperative Act dividend can be declared subject to the specified limit. Other statutes do not permit declaration of dividend. Income tax law gives special benefits if organization is registered under Cooperative Law. Income tax is levied on surplus arises from revenue after expenses are set off. Tax law permit salary as deductible expense if firm is registered under Cooperative Law and it can use distribution of salary as buffer tool to make legitimate tax planning. Cooperative law gives voting rights on the basis of membership in form of one member – one vote, and not equity holding.

- 1.** In non-cooperative businesses, economic voting rights are determined on the basis of equity holdings regardless of what role an individual may have played in economic activity of the business. Under the Companies Act, private company can have maximum 50 members, and private company can be started by minimum 2 members while to start a cooperative society, minimum member required is 11. Trade Union Act do not provide express authority to carry any business, and hence, SEWA incorporated separate Self Help Group (SHG) and Cooperatives comprised of trade union members of SEWA by creating clusters of specific 138 trades. MTBSA is registered as Public Trust and under its arm; the commercial wing is registered as Association. Cooperative law empowers government to control, intervene and assist cooperative societies; therefore government's constructive or restrictive intervention determines fate of the society.



Figure-VIII

Relevant Factors in Success of Community Based Organizations



2. **Circumstances of evolution:** Organizations comes with a purpose and as a result of several environmental forces. If the people need to unite because of compelling circumstances, the cooperative get a boost to succeed. These organizations are formed for socio-economic benefits. If the potential members perceive such benefits, chances of success of cooperative will be higher.
3. **Localization:** These organizations are of the people, by the people and for the people, generally born as a result of local demand. Either input or process or output must be matching the local flavour. Local support is *sine-qua-non* for the cooperative to succeed. Success of MTBSA is due to local business environment compel office goes to have lunch box services. ULCCH carries construction work in the surrounding regions. KDB workers engaged in production and raw material is grown in local regions.

- 4. Social value:** These are social enterprises and are emerged due to socio-economic need, primarily to provide employment or capacity development to take employment. Rather than the profit, providing salary, wages & livelihood to the members are prime objective. Strength of SEWA is creating bargaining power & capacity building of self-employed women. WWF provides platform to the women so as to raise their capacity, safety and socio-economic status. GFCSL aims at providing livelihood to small farmers by collective farming, otherwise unviable. The foundation of MEDOW is based on social upliftment of local population of backward district.

### **Internal Factors:**

- 1. Leadership:** The most crucial factor is leadership, particularly at time of inception; strong local leadership may provide robust foundation to the cooperative. Cooperatives attach importance to cooperation & institutional values; adherence to those values distinguishes them from other profit-oriented enterprises. Successful cooperative leader is visionary, entrepreneur & good human being. Success of Lijjat is based on leadership role with strong humanity & entrepreneurship. The role of the cooperative leader thus is not only to ensure that the economic goals of the cooperative are met, but that they are met keeping in view the underlying values and the principle which form its very basis. Success of MTBSA is based on having imbibed cooperation in business operation, having a strong local acquaintance. Local leader know the local business environment and people around it, one should only lead the group if he is one among them. The success of GFCSL is based on strong local leadership. Leader who create environment of trust and fraternity amongst its member can provide strong cooperative culture. Successful leader is perfect blend of cooperator & entrepreneur. His capacity to undertake business risk within given resources is critical to create & maintain trust of its stakeholders. Success of ULCCCH & KDB is based on leader's entrepreneur skills. To establish strong cooperative require democratic governance system; build appropriate organization structure, transparency and accountability. He must be able to build sentiment of *spirit- de- corps* & fraternity amongst the member and promote member centrality. Success of SEWA is based on creating environment of fraternity amongst the members. Good leader is open minded, quick learner and expert in number and maintains

economic interest of the society and members. The successful leader is expected to focus on sole objective of poverty reduction.

2. **Resources:** Any organization succeeds if the organization has capacity of arranging resources necessary to run its operation; like capital, technology, land & building, machinery and human capital. A worker cooperative's main strength being human capital; their member-workers may become the pivotal of success.
3. **Membership:** Sustainability of cooperative organization substantially depends on homogeneous members and mutuality in interest of the members. Homogeneous members have similar social & economic status, which leads to understanding each other in better way.

*Member centrality:* Economic importance of the cooperative in member's life is enormous, higher the economic return to the member, higher his involvement and commitment towards the cooperative.

*Esprit de corps:* When the members of organization are homogeneous, member understands each other well. If there is an also common compelling factor to join the community organization with the common objective of poverty alleviation, there is greater chance of success. If the members maintain belief in an institution goal, the cooperative will succeed. A common enthusiasm, devotion and sense of unity of common interests and responsibilities are critical for the smooth and successful functioning of the organization.

*Fraternity:* The essence of cooperative is to give and take cooperation. This kind of mutuality of member is possible, when there is feeling of fraternity amongst the members and members consider all equal. Mutuality, equality and fraternity bring harmonic and peaceful relation in the organization.

4. **Governance:** Governance is the system of defining role and responsibilities of stakeholders so as to achieve objective of the organization. The governance of community based organization includes; board or governors selection practices, composition, director's terms, compensation, responsibilities, director evaluations, education, reporting & measurement practices, member and stakeholder relation

practices. Better the governance, better the stability and chance of success is higher. The quality of governance ensures organization's survival and growth. Unless a it develops a culture of accountability across the value chain, it will not be able to sustain the complexities of good governance. In competitive environment, fittest survive; the community based organization has to be fittest to succeed. Those who exercise good governance practices have a greater chance of success.

**Decision Tree:** Decisions are the means by which organizations turn ideas into action and a decision can leads to success or failure. Decision tree has stems and roots in shareholders who from inception to be vigilant in selecting competent directors. Directors need continuous training in their duty as entrepreneur, trustee, manager and cooperator, cooperative value and principles, legal obligations and business skills.

**5. Product:** The existence of any organization is based on product it serves to the customers. Selection of product/s, which gives edge over competitor, is the crucial factor in success of a business. Main asset of community based organization is their human capital. They should select a product in which their members are expert to produce, however product should be of demand in the market and cooperative should be able to produce within acceptable cost. Lijjat's *papad* and other products are daily consumables and have small prices. ULCCH have support from the government as their major customers. MTBSA has monopoly product in form its service of providing lunch boxes at nominal cost. KDB have support of the government as entrepreneur. MEDOW has support of providing work by industrial giant TITAN, while ULCCH has support of government by providing construction work. The quality of product must not only be standardized but also continuously improved. Lijjat papad, & ULCCH have been awarded prestigious awards.

## **6. Organization Culture:**

**Democratic culture:** Business entities, be they partnerships or corporations in their various forms, generally equate political power with equity ownership. This cannot occur in a worker cooperative, within which all members get only one vote. If community based organization is governed by democratic process and by giving due importance to

the objective and interest of their members and so as to elect competent & honest board members, chances of success is higher.

***Culture of Innovation:*** The organization to be sustainable requires constant changes in product & processes. In competitive and changing environment, the customers demand new product and new approaches in business. MTBSA uses cost effective approaches by choosing routes, using local train, small vehicles and coding system. Lijjat has continuously expanded its papad varieties. KDB has expanded its umbrella by bringing modern industries like software. ULCCH has bought modern machinery to construct bridges and high-rise building.

**7. Entrepreneurship:** Self sustainability is sine-qua-non for the community based organization. As business enterprise, it gets life and value by supplying products and services to customers. To be successful enterprise, the organization must satisfy needs of the customers through value creation. What value it gets from the customers for supplying products and services (Output) must exceeds the cost involved in converting input into output. In highly competitive business environment, organization must be innovative in product design & processes and in changing scenario it must be adaptive. To make enterprise sustainable must have conducive organization structure with appropriate blend of centralization & decentralization of authority. Careful selection of managerial workforce, delegation of power and appropriate control can assist planned operations. Lijjat has successfully delegated authority for managing local affairs at branch level while purchase & finance is centralized. Branches are also accountable for local marketing. GFCSL has delegated authority to decide crop pattern at group level and accordingly small piece of land is handed over to the group. Marketing of farm produces are centralized to get scale of economies. SEWA has decentralized activities at group level. ULCCH has centralized work procurement, but group headed by director manages the implementation of project. WWF has successfully created group for lending credit, and all group members are reciprocal guarantor, while leader of the group is given incentive for the recovery of group.

***Adaptability:*** To be sustainable, any organization needs to be adaptable. Community based organizations are not exception to this. They must be adaptive to

understand and absorb changes that are happening in its environment. MTBSA is 130 year old organization, within long span people, the city and business environment has seen several changes. With little education, members of MTBSA are adaptive to understand customers demand, transport system and quantum of business.

- 8. Profitability:** Businesses operate on a profit margin. There is an economic justification for worker cooperatives to exist even if they do not make a profit so long as they provide an economic benefit to their member-workers in the form of a salary. Within prevailing business environment, a worker cooperative has the advantage, with all other things being equal; a cooperative can reduce the price of its products in comparison with its competitors, and adjust the salary and benefits of its members in comparison with comparable employees, as long as the expenses incurred remain within the confines of competitive business environment. ULCCH, GFCSL and KDB have maintained acceptable profitability in the business operations. MTBSA and Lijjat pay additional salary in form of bonus to their members as per available surplus.
- 9. Collective Bargaining & Economies of Scale:** The inherent benefit of community based organization is economies of scale at different level, e.g. procuring material, labour, production, marketing etc.

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