

**DEVELOPING A FRAMEWORK FOR UNDERSTANDING INCOME
GENERATION FOR RURAL GROUPS**

Conference on Income Generation in Lesotho

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TABLE OF CONTENTS

Developing A Framework For Understanding
Income Generation For Rural Groups

Preface	2
Acknowledgements	3
Introduction	4
Issue	
I. Definition and Assumptions of Income Generation for Rural Groups	9
II. Categories of Income Generating Groups and Their Activities	11
III. Development and Growth of Income Generating Groups ...	14
IV. Framework for Analyzing Income Generating Groups - Commonalities for Success	21

PREFACE

This paper has been developed for a conference on Income Generation in Lesotho which was conducted by the Lesotho Distance Teaching Centre (LDTC) in February 1984. The Lesotho Distance Teaching Centre through a U.S. Agency for International Development funded project entitled Structuring Nonformal Education Resources has been experimenting with financial and technical assistance strategies to help income generating groups.

The purpose of this paper is to outline broad issues in the field of income generation so as to give the reader a framework by which income generation for rural groups can be understood and analyzed. As such it does not attempt to provide definitive answers to the issues of income generation for rural groups but instead hopes to provide a structure whereby further questions can be raised and hopefully answered.

ACKNOWLEDGEMENTS

A number of people at the Lesotho Distance Teaching Centre have been instrumental in the implementation of its assistance programme for income generating groups. In particular I wish to cite the work of the LDTC Management, and the Service Agency and Research and Evaluation Sections whose persistence and hard work have operationalized the LDTC Assistance Fund programme for income generating groups. This paper is based on their work.

A few sources were used in the development of this paper.

They were:

- The NFE Exchange, Vol 16, No 2, 1979, published by the Nonformal Education Centre of Michigan State University.
- Organizing to Help Rural Groups: Income Generation and Rural Development in the Third World. Richard L. Betz, University of Massachusetts, Amherst, MA., USA, Doctoral Dissertation.

SECTION 1

INTRODUCTION

Malineo is from the village of Ha Khobotle in the southern part of Lesotho. She has a household of eight people including her own five children who depend on her for their daily needs. Malineo was married to a Masotho who would send remittances back to her from the mines in South Africa. Three years ago he died. Since that time she has had to feed and clothe her family on the little she could earn from selling vegetables raised on the plot of land given to her by the village chief and from the sale of sorghum beer. Her Standard three education has not equipped her for any other type of work. She can not get a suitable job in the capital city, if such were available, because she lacks the necessary school certificates and she has trouble increasing her income in the village because she does not have among other things the appropriate and relevant education to generate more income for herself and her family. In spite of such difficulties, Malineo and others in her village with whom she has worked in the past have formed a piquery association to generate more income. Their chances of success appear limited since at present they have neither the financial resources nor educational training to make their group a success.

The above example demonstrates what is becoming an increasingly more common sight in rural areas of the Third World. "Pressured by the demands of a monetary economy that they can not ignore, rural villagers are attempting to earn money to meet their basic human needs through individual and group efforts. Whether their activities are in agriculture, handicrafts, or small industries, these people seek to earn income that will enable them to meet the costs of basic needs" (The NFE Exchange, (16), (2), 1979, p.1). Often this income supplements that earned from agriculture or other sources such as miners' remittances as in the case of Southern Africa. However, for the vast numbers of unemployed men, women, and school leavers, income earned from these activities may be their

only means for survival (NFE Exchange, (16), (2), 1979)

One of the greatest challenges facing Third World countries is to foster income generating activities for their people, especially those who live in rural areas. What should the role of education be in this all-important development effort? In the case of Malineo she benefitted little from her years of schooling beyond her ability to read and write. It has now become clear to many development planners and practitioners that education, which for so long was viewed as the panacea for all Third World development problems, can not by itself solve the problems confronting the rural poor. Education programs can not be concerned solely with the transference of information. In order for rural people to provide all-important income for themselves and their families they need the necessary educational and financial means to create opportunities for themselves. To make learning more than the simple transference of information, education, especially for adults, must be linked to productive activities and it must be designed for the specific and immediate use of rural people.

Increased attention is being given at both the national and international level by planners and practitioners to working with groups as a means of generating income and increasing the local accumulation of capital. It has been suggested that programs that work with groups are able to reach more people with fewer resources; there may be an opportunity with groups to raise the standard of living of all; and, through self managed groups,

monopolistic exploitation by individuals may be reduced. Some planners also view groups as potential catalysts for other development activities and argue that the confidence and sense of communal support gained from working in groups can be an important step toward developing independence. In addition, groups provide members with an opportunity for skill sharing and support.

While the problems of poverty and unemployment pervade the rural areas of the Third World, the rush to encompass the income generating concept in its entirety must be tempered by a realistic and pragmatic view of what it can do. While self managed income generating groups may very well play an important role in the elimination of poverty and unemployment, a careful analysis and delineation of the concept of self managed income generating groups and the role that education and in particular nonformal education can play in their development must be undertaken.

Numerous questions about income generation need to be asked and answered. For example:

- What is an income generating group? Is the simple generation of income the only thing that is important or do we need to consider such things as the fair and equitable distribution of profits among all group members?

- Who has actually benefited from the formation of self managed and owned income generating groups?

- Is a group structure an appropriate way to generate income for rural people? Are there more effective ways? What determines the most effective structure for an income generating activity?

- What kinds of problems are faced by potential income generating groups?

- What factors influence the successful development of income generating groups?

- What should be the role of an assisting institution in the development and growth of income generating groups?

- How can revolving loan funds best be used to help income generating groups? Is there one administrative structure for a revolving loan fund which is most suitable for assisting rural groups?

- What are the nonformal education approaches and techniques which are most effective in the development of these groups and how can they best be utilized?

Through the involvement of all the participants at this conference some of the answers to these and other important questions will be found. The following pages represent some preliminary conclusions of the LDTC as it attempts to provide answers to a few of the above questions. Hopefully what is presented will cause you to think about your own work in the field of income generation. More indepth presentations and discussions will be held over the course of the week. In particular, information concerning the following areas will be presented:

1. A Framework for Understanding Income Generation for Rural Groups
2. The Stages of Growth that an Income Generating Group Undergoes to Meet Its Objectives
3. Different Structures for Income Generating Activities
4. Successful Income Generating Activities for Rural People in Lesotho
5. The Leadership Pattern of Income Generating groups
6. Helpful Training for Income Generating Groups
7. The Cost Effectiveness of Assistance Approaches to Income Generating Groups
8. Networking to Assist Income Generating Groups
9. Factors that Influence the Successful Development of Income Generating Groups.

ISSUE 1

DEFINITION AND ASSUMPTIONS OF INCOME GENERATION

The original intention of the concept of rural-based and locally controlled income generating groups is to provide groups of poor villagers with basic technical, entrepreneurial, and managerial skills and the financial credits (plus, in some cases, with prior literacy and numeracy skills if necessary) which will be utilized in the cooperative production of some salable good for the marketplace. This would increase income and eventually capital formation as money is accumulated by the groups. Gradually and ideally unemployment and poverty conditions would lessen as more and more people would enter the marketplace as producers and consumers.

Many income generating activities are conducted through a group structure which strives for a direct comprehensive democracy in the economic, political, and cultural unit which affords to all participants in the production process democratic representation. Such a group structure is sometimes referred to as an association, a collective or a cooperative. Cooperatives are organizations in some manner commonly owned and run by their members in order to provide pre-determined benefits to the members. Many income generating activities include a combination of individual and group efforts. This is especially true of certain types of associations where certain activities are done

in a group effort while other activities are done individually.

The other major type of income generating activity is solely individual effort. For the purposes of this paper I will concentrate on the income generating activities which involve either total group effort or a combination of individual and group effort.

It appears from literature that groups may be more receptive to risk taking and to change than individuals due to support sharing mechanisms such as confidence and communal support. External resources may also be more effectively used with a group than with individuals. At the local level, a group may tend to reduce monopolistic exploitation by individuals while providing a base for other community development activities. At the macro level, groups, unlike individuals, may provide an effective vehicle for articulation of local needs. Groups may also be more consistent with human psychological needs and pre-existing cultural factors. This issue of group versus individual effort will be examined further in Issue II.

CATEGORIES OF INCOME GENERATING GROUPS AND THEIR ACTIVITIES

There are numerous categories or types of income generating group activities. They range from animal husbandry, food and crop production, to handicrafts, small industries and services, to entertainment. Rather than categorize income generating groups according to what they produce, it may make more sense to look at income generating groups and their activities as representing a continuum.

Most income generating activities are composed of three distinct elements or phases:

- (1) an Input Phase which involves the procurement of raw materials and other things necessary to produce a product;
- (2) the Production Phase itself; and,
- (3) the Selling Phase, which involves all marketing and selling activities

In given situations and in different group activities, some phases are conducted by individual members while other phases are conducted by all members working as a group.

This can best be visualized in the diagram on the following page:

Structure for Income Generating Activity:

Sole Control by Individual	Control Shared by Individual & Group	Sole Control by Group
(Buys Inputs) (Produces) (Sells Outputs)		(Buys Inputs) (Produces) (Sells Outputs)

If we consider income generating groups that we know, we can see that these groups can be placed at different points on this continuum. A communal garden, for example, most likely would have all activities in the hands of the group. The group would buy seed and fertilizers, tend the garden, and sell vegetables as an entire group. This group would be placed on the right side of the continuum. A dairy association, on the other hand, may buy cows, feed, and medicines as a group for distribution to individual members. The care and feeding of the cows would be done individually. The sale of milk would be done by the group on behalf of the individuals. This dairy association would have its activities in the centre of the above continuum - control shared by individuals and the group.

It seems that the product to be produced and its associated costs may determine the mix of individual and group work. An income generating group that is engaged in the sale of milk may leave the actual production of milk with the individual members who own and can best care for their own livestock. However, these

individuals may use the group to obtain production inputs such as feed, other supplies, veterinary services, and to sell the milk. The group structure may be much more cost effective in the collective purchase of production inputs and in the bulk sale of outputs.

On the other hand, a handicraft group which makes school uniforms may keep all three phases in the hands of the entire group. This may be done because of the nature of the activity but it may also be done due to the fact that members are too poor to each own their own sewing machines.

Such knowledge - the type of productive activity and the ability of members to individually afford equipment determines the mix of group and individual effort - is extremely important for institutions assisting income generating groups. Institutions can thus be more flexible in what an income generating group should look like. There is more than one effective way that a group can be structured to generate income. Groups can be better assisted once the group's mode of production is recognized.

DEVELOPMENT AND GROWTH OF INCOME GENERATING GROUPS

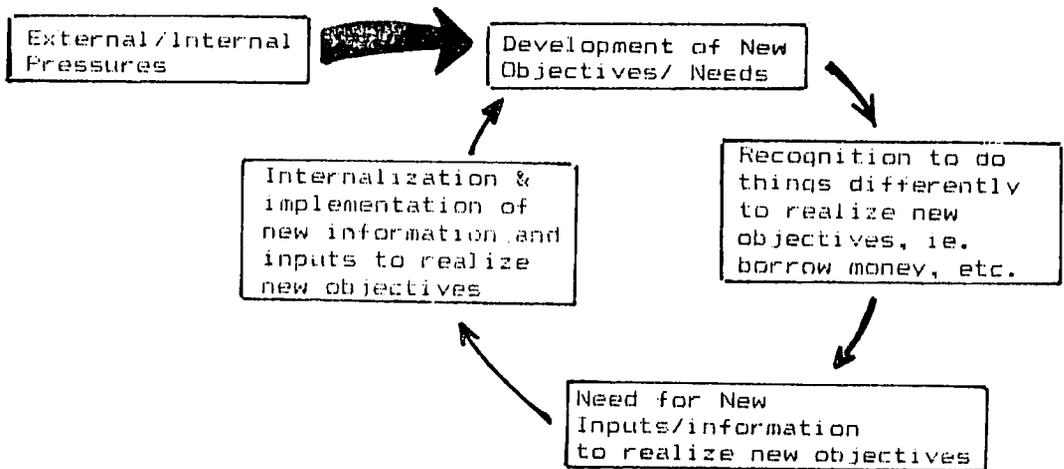
To gain a better understanding of income generating groups, it is useful to look at the dynamics of group development. Obviously, groups are not static institutions. Like people they are constantly in a process of change. They change and grow as a result of either outside forces and/or internal changes.

When we look at one of the LDTC case study groups, the Khobotle Piggery Association, we will notice its initial goal was to buy production inputs collectively, but to raise pigs individually and then to sell these pigs collectively. An internal group decision, to have more pigs to make more money, and the need to have the newer hybrid pigs introduced by the extension agent changed the objectives of the group. This necessitated that the group do things differently. This need to do things differently required new types of information. After a while the group at Ha Khobotle will have internalized this new information into its operations. Thus a cycle will be complete. A group goes through a cycle every time its objectives change. While the group changes due to a change in its objectives brought about by combinations of internal and external pressures, such change is not always in an upward movement. Changes in the group, especially with inappropriate information and assistance, can result in group development which is negative and can lead the group in a

direction which does not benefit its members.

A diagram of this group development process is presented below:

Group Development:



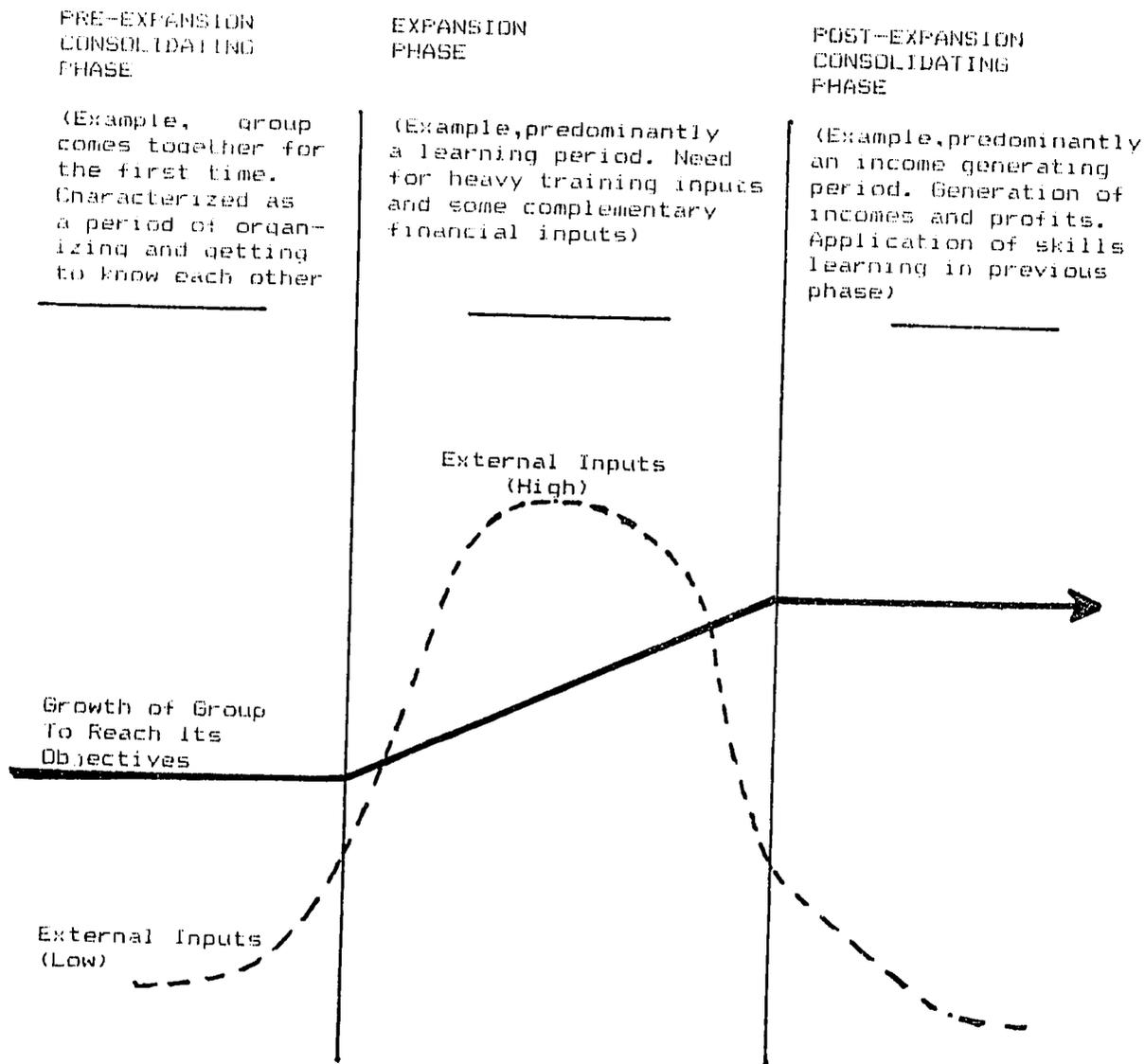
There are numerous outside factors which influence the development of income generating groups. This paper will not attempt to prioritize these factors. However, an assumption is made that training along with financial assistance can play significant roles such that viable income generating groups would be unable to develop if these two factors were absent. The factors listed here are all seen as important in the development of income generating groups. They are;

1. developed transportation system

2. effective communication system (telephone, radio, etc.)
3. a stable market
4. access to new innovations and appropriate technologies
5. access to production inputs/ raw materials
6. affordable financial credits
7. responsive local and national government agencies
8. immediately usable training
9. access to land

The diagram on the following page was developed in an attempt to put into a systematic framework the seemingly confusing mixture of various group needs and activities such as skills development and income generation. The diagram may be useful to understand this process of group development and growth and the role that outside factors, especially training and finances, can play in the development of income generating groups.

LDIC Model of Group Growth/ Evolution:



Variables:

1. Structure for Income Generating Activity - different combinations of group and individual structure which vary from phase to phase.

2. Time Period - length of each phase varies from group to group.

In this model, groups are either in one of two different phases:

1. Pre-Expansion Consolidating OR Post Expansion Consolidating Phase

This phase is characterized by a stress on internal group processes and a large degree of self reliance and autonomy with minimal outside involvement. These group processes can be directed, for example, to forming the group or later income generation.

The external inputs during this consolidation phase lessen in importance. There are still external inputs during this phase. These inputs are most likely in the form of support from extension agents and in the pre expansion phase it involves some training to get the group organized. However, especially in the post expansion phase, most time is spent utilizing the training and financial inputs received during the expansion phase in the production and sale of a product.

2. Expansion Phase

This phase is characterized as a growth period. This can take the form of learning needs (how to care for chickens, where to sell eggs, etc.) as well as physical expansion needs (buying chickens, building chicken houses, etc.). Income is generally of secondary importance during this phase.

The relations of the external inputs to the internal dynamics of the group in this expansion process are important. No group

exists in a vacuum. All groups are exposed, positively or negatively, to outside influences. In times of group expansion these external influences are critical to the success of the group. Similarly, the magnitude and number of influences increase during this period. During this expansion phase the effectiveness and ability of groups to generate income for its members may suffer as the emphasis is on the learning process.

At some point in the future the group may shift its objectives as a result of internal and/or external pressures. At this point it will enter another expansion phase and go through the same processes as just described. It is important for organizations that work with income generating groups to ascertain whether a group is in the expansion or consolidating phase in its development. This will help the outside organization decide on the type and intensity of assistance as well as to how the group will behave. An understanding of the phase that a group is in will also help an institution to know what results to expect from a group. If a group is in an expansion phase (learning new skills), the assisting institution should not expect significant increases in group income. For example, up until two years ago the Khobotle group was in a consolidating phase. Outside inputs were limited to occasional visits by extension agents. No outside financial assistance was given and there were limited outside contacts. In the past two years the objectives of the group have changed. The group is expanding its operations.

Considerable time is spent on learning new skills and on expanding the physical size of the pig sties. This has required increased assistance. Such assistance has focused on financial assistance and on broad training issues such as financial management. An outside agency should also realize and be sensitive to an evolving, somewhat eclectic management structure in this expansion phase. The group is learning new approaches and skills. As a result the directions of the group and its internal mechanisms are in a fluid state and should not be judged too critically.

In summary, the expansion phase is a time for knowledge and capacity building - learning what is required to achieve group objectives. The phase stresses basic learning about group and community dynamics and even learning what the relevant questions are through a learning by doing, problem solving approach. The consolidating phase is characterized by an emphasis on applying what was learned in earlier stages.

ISSUE IV

FRAMEWORK FOR ANALYZING INCOME GENERATING GROUPS - COMMONALITIES FOR SUCCESS

To better understand income generating groups we need to develop a criteria for success against which our efforts to assist in the development of income generating groups can be measured.

There are numerous criteria which can be developed. Several years ago the LDTC produced a fairly extensive list of what it felt constituted a functioning income generating group. This list was evolved in the course of its work with the development of the LDTC Intensive Training Model. The list includes the following:

1. The group has clearly identified goals with which all members agree and are committed.
2. The group has a functioning committee (chairperson, treasurer, etc.) whose members know their duties.
3. All members know their duties within the group.
4. A communications system exists within the group which keeps all members of the group informed. Example - written record of all group meetings.
5. All members of the group have an equal voice in the affairs and decisions of the group.
6. The group has a detailed plan of action to realize group goals.
7. All members equally contribute labour and/or money to the group's work.
8. The group has clearly understood rules and procedures.
9. The group has one person who can keep an accurate and up to date record of all money spent with receipts, all

money taken in, as well as at least a monthly balance to show how much money is left. In addition, all other members should have a basic understanding of the group's book keeping system so that they can review the work of the treasurer.

10. Members share equally in the benefits of the group or according to time spent on the work of the group.
11. The group achieves its objectives
12. The group maintains its membership
13. The group uses all available local human and physical resources

In the course of developing an evaluation plan for assessing the impact of the LDTC approach to assisting rural income generating groups, the LDTC narrowed the above list to four criteria. Using its experiences, these four criteria are still in a process of evolution as the LDTC determines if in fact these four criteria are the most important. The four criteria are:

1. The income of individual group members will increase;
2. Members' ability to manage income producing activities will increase;
3. All members will participate in the decision making process as well as other activities of the group; and,
4. Members' confidence in their ability to manage and earn income will increase.

Generally, LDTC assistance to income generating groups is directed toward doing what is possible to ensure that the above four criteria are met. In a number of cases, LDTC assistance has been directed only at nos. 2,3,,and 4. The actual generation of significant individual income occurs only after LDTC training and

Financial assistance has ended. With an institutional policy of fostering self-reliant income generation, the LDIC has provided only the basic training and financial assistance that is required to make the groups successful.

* * * * *

Based upon a review of the LDIC experience with income generation and based upon an examination of literature in the field of income generation, the LDIC has made some tentative assumptions of what constituted an effective group. The next step in the process is to compare this list against the findings of other institutions involved with assisting income generating groups.

The eight dimensions outlined on the following pages have been developed by the LDIC to establish a general direction for assisting in the development and growth of income generating groups. They provide a broad framework for planners and practitioners to follow. However, they do not by themselves provide specific information by which effective programmes can be developed to assist such groups.

To further understand the issues involved in the development of income generating groups, the LDIC has obtained detailed information from the LDIC assisted groups which has been analyzed and published. These particular cases are especially relevant because the groups have been in existence for a considerable period of time and they provide information on the dimensions of

income generating groups just cited which should enable a full discussion of all aspects of the programmatic and human elements of the groups.

Commonalities for Examining Income Generating Groups

DIMENSION	CHARACTERISTICS
1. Indigenous Origin and Growth	(1) Based upon indigenous social groupings. (2) Growth of group relatively slow, orderly, and sequential.
2. Self Determined Objectives	(1) Determined by group. (2) Concrete goals achievable within specific limited time period.
3. Democratic and Non-Hierarchical Organization	(1) Informal, evolving (2) Decisions made with input by most group members (3) Relations less hierarchical (4) Structure is understandable by all members
4. Open Membership	(1) Usually limited not by social or economic standing but by numbers

(2) Kinship or friendship base for membership

5. Participative Leadership and Management

(1) The leadership function is diffuse

(2) Leaders emerge in the context of informal group activities. The leaders command the support of the members because they have proven themselves. Often they are natural rather than formally elected leaders.

6. Self Determined Services and Activities

(1) All members are equally involved in the activities and resulting benefits of the group through labour or resource commitments.

(2) Where some members must contribute extra labour or resources they are compensated.

(3) The income activity is chosen by the group based on available economic feasibility information.

7. Democratic Decision Making

(1) All members have an equal voice in the affairs of the group.

(2) The group has clearly understood rules and procedures.

B. Self Reliant External
Relations

(1) The group is not dependent on continued outside assistance for its survival.

(2) External agencies do not attempt to control or limit the development or direction of the group.