

# Responding to urban opportunity

Can the very poor be part of this?



Markets in peri-urban areas provide an important opportunity for improving livelihoods of poor people but access is really difficult for the poorest women who are landless with no assets and who do not have the motivation to succeed. Many governments and NGOs have developed strategies to help the poor but they usually only succeed with those who have land and some assets. They often seem at a loss as to how to help those without. As one poor woman suggested *“where would I tie goats or cows – to my legs?”* She had no space or resources to raise animals.

Can research help such people by developing innovative ways of achieving sustainable change in their livelihood strategies through the management of natural resources? This is one of the challenges that faced researchers working in the peri-urban interface in the twin cities of Hubli-Dharwad in India.

## Rapid changes

The past 30 years have seen a relentless urban drift in many developing countries and Hubli-Dharwad is typical of a rapidly growing city facing the challenges of absorbing more and more people. Traditionally, poverty has always been thought of as a rural phenomenon but now it is an urban one as well. As the activities of urban areas come into contact with those of their rural surroundings, an interface is created with distinct features that affect natural resources and the livelihoods of those who depend on them. This is the peri-urban interface. Change is its predominant feature and livelihoods become a mixture of rural activities and the opportunities that urban life brings.

Markets may well be a key to improving the livelihoods of the poor but in the peri-urban interface they change fast as the demand for high quality produce increases, competition drives prices down and local commercial businesses enter the market with their economies of scale.



Traditionally NGOs would help poor communities by assessing their resources and skills base to see what they could produce. But even when this led to marketable products they were rapidly overtaken by competitors. There were some successes but this tended to be among those with small landholdings who could generate income from producing vegetables and agro-forestry products, or milk sales from dairy cows. Unfortunately those without land, in particular women, had no such opportunities.

In such circumstances the landless poor, and even the organisations that support them, are losing direction and are finding the forces of the market insurmountable. Government agencies and NGOs are trying help by organising women into Self-Help Groups (SHGs). This has rescued many from debt by showing them how to collectively harness their savings for immediate consumption needs but it has not provided them with financial instruments for new enterprises. In particular, it is not clear how such groups can help individuals to improve their livelihoods in the peri-urban setting.

To meet this challenge researchers set out to rethink earlier approaches and to find new ways that would

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avoid the very poor again slipping through the cracks. Meeting after meeting revealed that poor women did not know what to do and neither did the NGOs. From this they developed an initiative called Market Oriented Value Enhancement (MOVE) designed specifically for the landless poor.

## Marketing not production

Whereas most NGOs concentrate on production, the MOVE initiative looked at marketing and ways of adding value to products. It was designed to open up access to markets for the landless poor by building entrepreneurial capabilities. The skills of marketing management experts were brought together with those of traditional business management colleges and the community-based organisations to train groups of women in the basics of setting up and running micro-enterprises.

From the outset there were no illusions about the complexity of the task involved. For the women and NGOs alike, the market was a mystery. Not only had the women no assets but they also were generally without motivation. They had become reliant on government handouts and had very little time to devote to training (less than one day a week). It was expected that the conversion rate would be slow and small.

The strategy was first to increase the women's motivation and then provide them with the skills to understand the market. Motivating poor women is different from motivating traditional entrepreneurs. Researchers requested help from local NGOs because this is a role that they traditionally do well. However, motivation oriented to the market was needed and this was a new focus, even for NGOs. Initially the women were asked simply to go to the markets and to bring back their observations. Most just brought goods and negotiated a little on price. However, on subsequent visits they were asked to look more closely at various commodities and to compare brands and prices to increase their sensitivity to the products and prices available. From this a training strategy evolved that included:

- Exposure to different markets, rural, city and peri-urban. How to distinguish between them and to identify the best market for their products.
- Skills to identify a niche within the market. Should they look at high quality-high price products or the low quality-large quantity end of the market?

- The value chain. Adding value to products such as selling bread at Rs40/kg rather than selling flour at only Rs8/kg. The women understood this well.
- Changing attitudes. Many women saw production as the end task and did not realise that losing control over marketing could mean losing money. They visited various retail outlets where they could see that people were making money by retailing goods and not necessarily by producing them.
- Negotiating with retailers to understand the role of middlemen and agents.
- The difference between pricing and costing to understand that the price is what the market will bear and not the cost of production plus 10 percent.

## Initial results

MOVE is in its early stages but the results of a focus group discussion with the women and the NGOs were encouraging. Women were beginning to appreciate the difference between production and marketing and they felt that without an understanding of the market, production on its own was a real risk. They understood the principle of adding value to a product but most had not yet reached the stage of coming up with new ideas. They became more conscious of price and the benefits of negotiating (see box overleaf).

## What next

Whilst researchers recognise that good progress is being made they also realise that much more training is needed for poor women to compete effectively in the market place. They need to develop skills to handle fresh perishable produce and maintain hygienic conditions; stock and grade produce in terms of quality



Through training, very poor women began to recognise that *"...being near to the city is advantageous to us. This training has showed us how to utilise the situation"*

and size; price products properly including discounting for bulk supplies and market gluts; learn about the vagaries of individual customers and the administrative needs of larger businesses such as hotels and government offices.

There are many market niches that can be explored, both rural and urban, but rapid change means that these will soon disappear once private capital recognises them. For example, there is a growing niche market in buffalo milk and there is a need to develop aggregation centres for milk to supply the increasing demand from urban hostels, canteens and hotels. Similarly centres are needed for vegetables so that businesses can have an assured supply. The ideal location for these is just outside the city and they provide a clear market niche that women can occupy.

Building the capacities of poor landless women, who live in peri-urban areas, must focus on helping them to take best advantage of this opportunity. There are several key requirements: understanding markets, mobilising women to form groups, facilitating the federation of these groups so women can more effectively deal with other actors in the market, creating new innovative financial instruments, and providing marketing infrastructure.

### Credit is still a challenge

The challenge of credit provision for the poor remains. Government rural credit provision schemes often come to a grinding halt in peri-urban areas, the very place where credit is needed most. Access to formal banks and other financial institutions for the poor is declining in the face of the fast retreat of government programmes as urbanisation spreads and urban municipalities expand. NGOs too must face this challenge by promoting credit instruments within community-based organisations that do more than address immediate consumption and emergency needs.

Bibi Jan Mulla is 55 years old, poor and landless. She lives close to Dharwad city in a village where many traditional rural attitudes prevail. She has seen many changes brought about by urbanisation but she could not see how to take advantage of them.

She joined a group of women who were trained to develop marketing skills. She visited different types of markets and observed *"The difference is clear, in rural markets items are sold at a low price while in peri-urban markets they are higher than in urban markets. Before I started this training I hadn't thought about the different aspects of marketing, which I do now. Taking up income generating activities like making rotis (flat loaves of bread) is now possible."*

Her friends, Bashira and Bibi Jan Narthi add *"Being near to the city is advantageous to us. This training has showed us how to utilise the situation. We should first analyse the market needs and only then start an activity. Being near to the city saves costs and time of travel. We also have easy access to opportunities in the city. Profit making is easy compared to being tied to the village because we can exploit competition and a wider network of customers."*

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