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Institute for What Works to Advance Gender Equality

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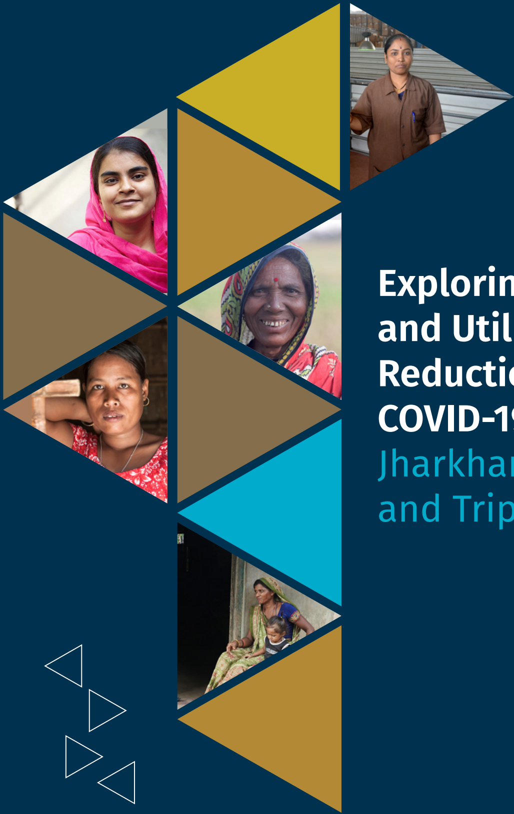

Exploring Strategies, Processes, and Utility of the Vulnerability Reduction Fund (VRF) During COVID-19 - Experiences from Jharkhand, Odisha, Tamil Nadu and Tripura

Background

The Vulnerability Reduction Fund (VRF) was launched in 2016 by the Ministry of Rural Development, Government of India, under the Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM).

VRF is a corpus fund given to Village Organisations (VO) to address vulnerabilities like food insecurity, health risk, sudden sickness/hospitalisation, natural calamity, etc faced by the household(s) or community. The purpose of the VRF is to address the special needs of the vulnerable people, SHG members with vulnerabilities, and also the needs of any destitute/non-members in the village.

Rationale of the Study

The VRF under the DAY-NRLM was established to provide timely financial assistance to vulnerable households through VOs. During COVID-19, the fund was used to address the immediate consumption and production needs of people, following directives from the MoRD. In August 2022, DAY-NRLM commissioned the Institute for What Works to Advance Gender Equality (IWWAGE) to undertake a qualitative research study across Jharkhand, Odisha, Tamil Nadu, and Tripura to examine the systems, strategies, and processes implemented by the states to allocate, disburse, and monitor the VRF during the COVID-19 pandemic.

Study Objectives

- To understand the challenges and mitigation strategies adopted by the states during COVID-19
- To assess the effectiveness of VRF in reaching intended beneficiaries in times of crisis

Methodology

This qualitative study was based on in-depth interviews and focus group discussions with national, state, district, and block functionaries, as well as VO Executive Committees (VO-EC), and beneficiaries. The study was carried out across four states: Jharkhand, Odisha, Tamil Nadu, and Tripura.

Key Findings

- Most respondents were aware that the VRF offered immediate support through low-interest loans or grants to those facing financial hardship.
- Beneficiaries highlighted that the availability of VRF loans, which feature significantly low interest rates and a one-year repayment period, has alleviated their financial stress. The loans were primarily used to address needs related to medical emergencies, education, livelihoods, and nutrition.
- The dissemination of information regarding the VRF was facilitated through multiple channels; however, conversations within the Self-Help Group (SHG) served as a primary conduit for propagating knowledge about the programme.
- Several beneficiaries reported that VRF loans helped them in creating or developing existing livelihood opportunities and supplementing their income.
- The study findings revealed that states adopted a tailored beneficiary identification process based on their socio-cultural contexts.
- The states prioritised catering to the most immediate needs of the vulnerable population during COVID-19. The study reports that Odisha, Jharkhand, and Tamil Nadu allocated VRF for production and consumption needs. Tripura, on the other hand, allocated VRF as 'recovery from any danger'.

Recommendations

- To track and enhance VRF data across states, it is essential to develop and deploy a uniform digital system. This system should be integrated with existing government schemes and databases to ensure seamless information flow and efficient service delivery by enabling identification of overlaps, streamlining fund disbursement, and ultimately benefiting end users through enhanced transparency in services provided.
- Encourage cross-learning among states through forums and peer-learning workshops to disseminate best practices, innovations, and implementation bottlenecks.
- Each state should be encouraged to define vulnerabilities based on local realities in consultation with Panchayati Raj Institutions (PRIs) and collaborate with PRIs to oversee and validate the identification of vulnerable households through VRPs.
- Ensure that social and vulnerability mapping is conducted through Gram Sabhas using democratic and participatory methods to build community ownership.

- Develop and deploy user-friendly, audio-visual aided training modules-tailored to local contexts-for VO-ECs and SHG members to better understand VRF processes.

- Ensure greater participation of vulnerable groups in SHGs and VO-ECs to make decision-making more inclusive and reflective of grassroots concerns.

- Create a comprehensive, user-friendly compendium of relevant interdepartmental government schemes to enhance the capacities of VO-ECs and foster better linkages with other welfare schemes. Additionally, it is essential to translate the content into local languages for widespread dissemination, ensuring that the information is accessible to all community members.

- **To enhance the framework surrounding VRF loans, it is essential:**
    - To implement both a minimum and maximum cap on interest rates.
    - The VRP should explicitly consider the adverse effects of climate change, particularly concerning low agricultural productivity and the potential for crop failures.
    - The protocol must include comprehensive guidance on managing payment delays for individuals with disabilities (PWD) and, in cases of beneficiaries' death, ensuring that support is available for those who may face extraordinary challenges in meeting their financial obligations.

Read the full report

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