THE FINANCIAL EXPRESS

Putting rural economy back on track

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The process of revitalising agriculture has begun. Now we must take action in a way that yields measurable outcomes and creates a virtuous cycle of demand, growth and prosperity.

Rural India has been gifted a big bonanza in the Budget. With the spotlight on rural infrastructure and the distressed agriculture sector, the announcements have gladdened the hearts of economists cutting across political affiliations. Schemes for crop insurance and irrigation as well as allocations to boost organic farming and pulses production are welcome. Efforts initiated to help farmers get remunerative prices for their produce through the creation of an online national agriculture marketplace would go a long way in strengthening rural economy.

Rural India's share of national income and expenditure is significant. ICE 360° Survey (2014) reveals that rural India contributes over half of the country's income (55.4%), has a share of 56.1% in consumption expenditure and its 179.5 million households have a share of 52.3% in India's surplus income. While most bottom-of-income-pyramid families live in rural areas, around half of upper income households are also located there. The good news is that rural poor have increased their consumption more than urban poor. The bad news is that there is a huge income disparity between the rich and the poor in rural India, which continues to widen.

But, as they say, the devil is in the detail. Translating the budgetary allocations into gains for different segments of rural communities spread across the length and breadth of the country will require a commitment to development and precision planning. A major challenge will be in ensuring that the benefits are equitably distributed in rural India. An overwhelming 56.7% of India's rural population lives in smallest villages (with population of less than 1,000), nearly a quarter (23.3%) are residents of villages with population sizes of 1,000-2,000, and 16.1% of rural Indians hail from villages with a population size of 2,000-5,000. A significant aspect of Indian villages is that smallest villages in terms of population size are the ones that are relatively poor and backward. It's not surprising, then, that these are also the villages that have poor road connectivity—only 35% of small villages have access to pucca roads within a kilometre radius, compared to 70% of all large villages. A majority of large villages are connected with all-weather roads, compared to 64% small villages. The average distance from the village to the nearest railway station is 15 km for large villages and 35 km for the small.

Also, 40% of villages sell their farm produce to retailers. A little less than a quarter (23%) of Indian villages can do business with wholesale traders and only 20% sell directly in the mandis. The average distance to the nearest commercial bank is 10 km. About 44% villages have PDS shops; of these, only 30% of smallest villages boast of PDS shops while 89% of the largest ones can access them inside the village boundaries. These are the rural segments that need to be focused on, in terms of access to the goodies that have been announced by the finance minister.

The other important feature of rural India—which often gets sidelined in debates and discussions about agricultural economy—is that half of all rural households do not have any landholdings. So even as we applaud the government for turning its attention on the farming community, let's not forget that rural income is no longer synonymous with farm income. The hard fact of the matter is that while 46.2 million households in rural India depend on income from cultivation of land, almost twice that number (76.2

million) earns their income from non-farm activities. There are another 39.2 million who depend on a combination of farm and non-farm income for their livelihood.

A key challenge for the government will be to ensure that the benefits of rural credit are made available not only to large landholding farming households, but to distressed small and marginal farmers. It is well known that rich farmers are appropriating rural credit by borrowing large amounts at subsidised rates. What's more, of the 43% of pure-farm households that are indebted, 45% have taken debt from the informal market (moneylenders, relatives and other sources). Among the 32% non-farm households that are in debt, nearly 70% have raised money from informal sources. To plug these loopholes, we need to rejig the financial services system and make it more transparent, accountable and targeted at reaching credit to those currently being left out of the ambit of formal banking. Thus, prioritising measures that will provide small farmers with the resources and support to enhance their productivity and earnings should be top of the agenda.

Few people realise that a significant section of rural households (25.1%) are salaried income earners. Even in the remotest corners of rural India—or the underdeveloped rural clusters—8.8% households earn their income from salaries. In the developed rural clusters, only 6.9% are pure farm households which have no income from non-farm activities.

This changing landscape has to be factored in when schemes are implemented at the ground level. It would not be amiss to point out here that the process of planning needs to be taken up rigorously to identify the most vulnerable sections of the rural population, and to do that the most current research data has to be taken into consideration. It is a cause of concern that economists and analysts including policy-makers are still relying on 2011-12 data, even though there have been enormous changes in the household scenario over the last five years. In this context, PRICE's ICE 360° surveys are a small initiative in generation of most updated information on pan-India household data.

The refocus on 'bijli, sadak, paani' shows that while progress has been made on these basic amenities, more needs to be done, especially in terms of connectivity for small hamlets and villages. Electrification, for instance, is fast nearing the universal mark and yet quality and volume of supply continues to fall way below the mark. Most villages in India receive just about 10-12 hours of power and only 44% households are satisfied with the quality and quantity of electricity they receive.

Connecting small villages through the road and rail network and improving their access to electrification and other basic amenities will go a long way in boosting rural economy and giving an impetus to overall consumer demand. The allocation for the Pradhan Mantri Gram Sadak Yojana has been upped by 25% to R19,000 crore. This is significant for a number of reasons. Apart from connecting remote villages, it will open up new avenues for job creation, provide markets for farm produce and contribute to rural income. Alongside, private sector participation could be encouraged—in building agro-processing infrastructure, in developing cold chains for transport of farm produce to markets, and in development of communication technology.

The Budget's big push for agriculture signals the willingness of the powers that be to address a whole host of issues that impact rural growth and household well-being. As has been pointed out by experts, improving agricultural productivity is a long drawn process that requires a mix of various inputs, including better irrigation, improved seeds and technologies to harness these at the farmer level. The key is not to look at it as a single game-changer kind of initiative, but to take up the redevelopment of agriculture in a sustained and thought-through manner. The process of revitalising agriculture has begun and the effort should be to take necessary and upscalable action in a manner that yields measurable outcomes and creates a virtuous cycle of demand, growth and prosperity.

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