THE FINANCIAL EXPRESS

Rural India’s dark underbelly

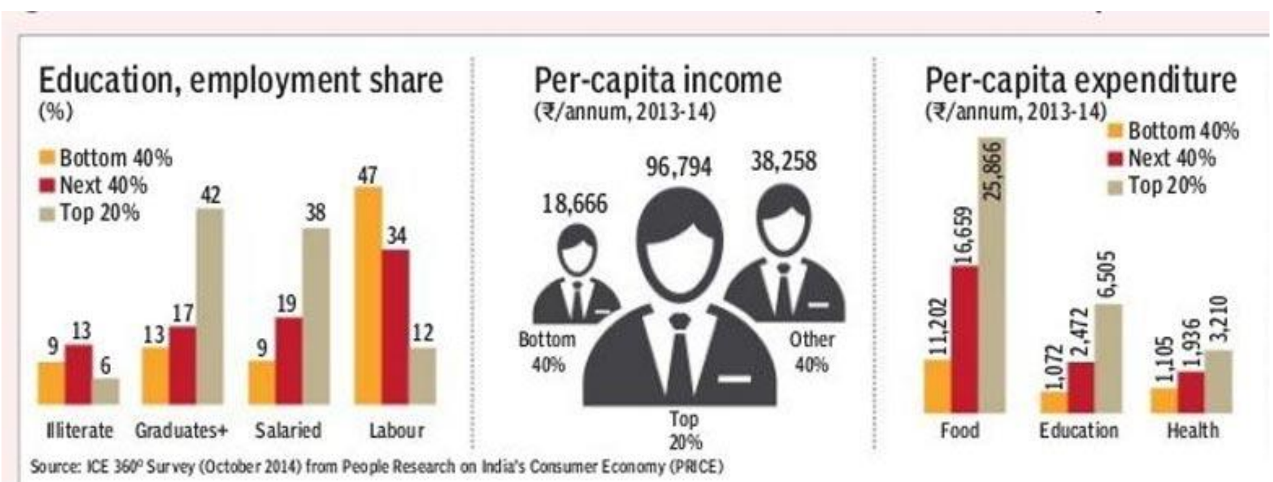
Rajesh Shukla | The Financial Express | August 13, 2015 9:49 am

Policy-making should take into account the diverse needs of the bottom quintile rather than adopt a one-size-fits-all approach

In 2010, a Bollywood movie Peepli Live explored the offbeat topic of farmer suicides and the politics of debt. The story revolved around the plight of two brothers who are on the verge of losing their small plot of land due to an unpaid loan. A local politician mockingly suggests that if one of the brothers—Natha—were to commit suicide, the family could then claim cash from a government programme that doles out money to distressed families whose members had committed suicide. The movie, a scathing commentary on the politics of debt, still finds an echo among nearly 92 million households (equivalent to a population of 500 million) who belong to the poorest 40% in the country.

To get a better understanding of the profile of this segment, let’s consider some figures. An overwhelming majority of these households (56% in the bottom 40% quintile) are to be found in the dark underbelly of rural India. In fact, 80% of such households are to be found in the Underdeveloped Rural district clusters such as Kalahandi, Araria, Nadia, Ranchi, Darbhanga, Jhabua, Purulia, etc, in the BIMARU states, while only about 4% would be in the Developed Rural clusters.

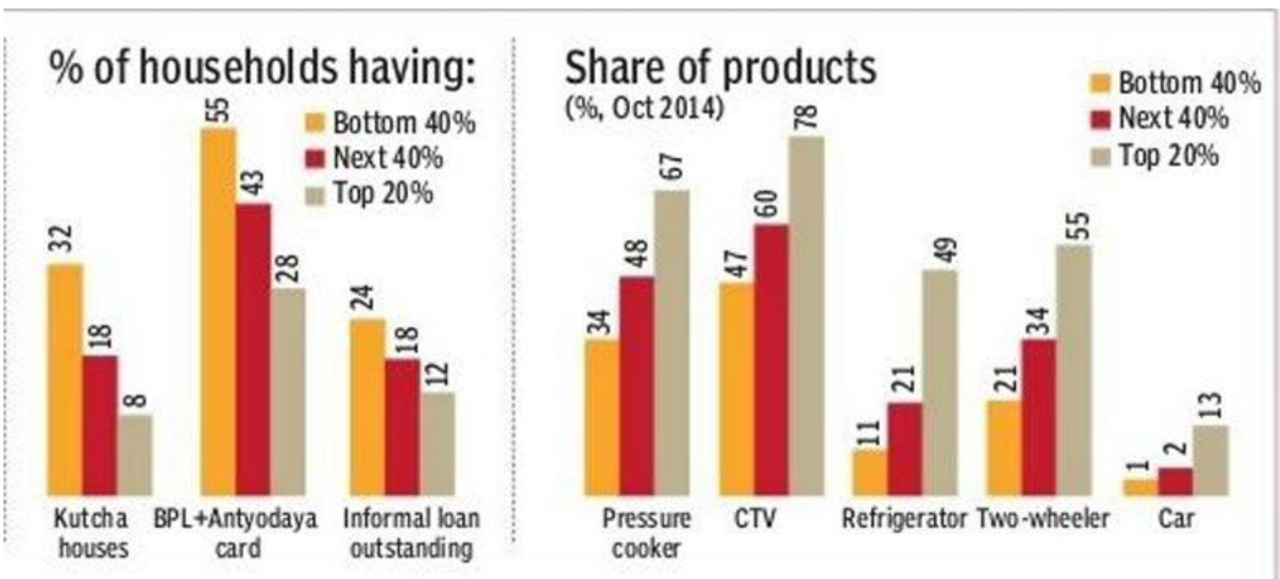
Education is not a priority for these households. While at the national level about 21% of Indian households have at least one family member who is a graduate (or has higher educational qualification), just 13% of the poorest households claim to have a graduate family member. For nearly 70% of such households, the highest education level reported is ‘below matriculation’ (or Class X). A majority earn their incomes from small and marginal cultivation, non-agricultural labour and agricultural labour. The annual per capita income of the bottom 40% quintile of the population during 2013-14 was R18,666, compared to a corresponding figure of R96,794 for the top 20% quintile, or the richest.



Source: ICE 360° Survey (October 2014) from People Research on India's Consumer Economy (PRICE)

These are the households that are typically eligible for government doles and subsidies. But given the leaks and loopholes in the system, only a small percentage of the target group is able to avail of these much-needed benefits. As many as 55% of such households hold below poverty line (BPL) and Antyodaya cards, while 32% can only afford to live in kutcha houses, often without access to toilets or potable water within their premises. About half of the households own MGNREGA cards and 80% of them have used the cards to avail of the benefits. Significantly, nearly 40% are dissatisfied users of MGNREGA schemes. Similarly, 16% of such households own Kisan Credit Cards (KCC). Among the 80% of KCC users, nearly 40% are unhappy with the way the schemes are run.

A large proportion of the earnings of these households—as much as 57%—is spent on food, while just 5% of their total expenditure is disbursed on education. Such households borrow about R6,000 to meet their routine and non-routine expenses annually. Many of the pro-poor initiatives undertaken by governments to benefit the dis-empowered rural populations fail to take into account this debt-profile of rural Indians. Grand announcements of loan waivers often end up benefiting the wrong segment of the population. According to NSSO report Situation of Agricultural Households in India, 80% of credit from institutional channels found its way to households with over 10 hectares of land. Only between 15% and 50% of lending provided by these channels is made available to marginal farmers with less than 1 hectare of land. With no access to formal sources of borrowing, the desperately poor fall prey to moneylenders and other sharks, and are forced to work in inhuman conditions that rob them of not just a decent income but also their dignity. A society that fails to provide succour to the financially distressed, while enabling the rural rich to evade taxes by showing their incomes under the 'agriculture sector', only ends up skewing the overall well-being of the nation.



Thus, there is an urgent need for policy-making that takes into account the diverse necessities of rural Indians rather than adopt a one-size-fits-all approach. Clearly, the "Sabka Saath, Sabka Vikas" slogan would have different implications for different population segments. It is the Underdeveloped Rural areas that demand urgent attention.

Simultaneously, it is also important to concentrate on the population in these rural areas which accounts for an estimated two-thirds of the entire labour force in the country and is thus a key constituency of growth. Can we afford to marginalise this huge workforce which plays a critical role in the nation's development?

Escalating inflation and financial austerity in the short term is perhaps inevitable in order to achieve a steadily increasing rate of growth and fiscal stability. This necessarily entails some measure of inequality between the higher and lower income quintiles. Economic growth of the upper sections of the income pyramid will lead to a trickle-down effect and positively impact the lower segments too by allowing the latter to optimise their growth potential. The need of the hour is to focus on higher fiscal growth and give a fillip to infrastructure development, especially in Underdeveloped Rural areas, as these will lead to job creation. Let us not forget the Nathas of our underdeveloped areas because their well-being would ensure enormous dividends: decline in inequality and poverty.

The author is director & CEO, People Research on India's Consumer Economy—ICE 360°