

# Rural India

## Different Meaning to Different People

*Madaswamy Moni* \*

Most of the rural India is yet to accept the idea of an inclusive India. Rural India presents a baffling dichotomy of images: poverty and growing potential of rural markets. The importance of rural sector has been on decline:

- Proportion of the GDP accounting from Agriculture, industry and services have changed from 59: 13:28 (1947) to 24: 25: 51 (now);
- Proportion of the Workforce accounting from Agriculture, Industry and Services have changed from 74: 11:15 (1947) to 57:18:25 (now);

Relative productivity ratios of 1:3.4:4.2 per unit of labour in agriculture, industry and services, respectively seem inconducive to equitable society and economic development. Clearly economic reforms have succeeded in transferring capital from inefficient to efficient sectors, but yet to achieve a corresponding transfer of labour.

We have seen in India, the economic impact of innovation in agriculture in '70s through the Green Revolution. Though it caused some environmental problems, there is little doubt about the stimulus it provided to the national economy. Rural India is in deep and continuing distress, and is crying out for food and work. Economic and political empowerments of Dalits continue to be resisted by non-Dalit castes across the country. This reflects the failure of public institutions and political parties to make the polity democratic and egalitarian.

The industrial slowdown of the late 1990s was largely a fallout of indifferent agricultural growth and the drop in non-farm income generation ac-

---

\*Deputy Director General, National Informatics Centre, Department of Information Technology, Ministry of Communications and Information Technology (Government of India), New Delhi – 110 003. e-mail: moni@hub.nic.in; Views expressed are author's professional views.

tivities in Rural India. Can India achieve 7-8% growth merely on the strength of Services and Export sectors? Overlooking rural-urban linkages amounts to feeble economics and suicidal politics.

### **Igniting innovation for growth - Bharat Nirman**

Enhanced access to quality roads, power and water supplies remains a pipedream, despite all the promises made by successive governments (Pothik Ghosh, 2005)<sup>1</sup>. Living conditions (from kutcha houses to semi-pucca and pucca structures, from biomass to LPG for cooking, etc) in rural India seem to have been improving in recent years, as highlighted by the recent NSSO Survey (59th Round). The Common Minimum programme (CMP) should be seen as a package that promises to make growth more sustainable by addressing a key variable – rural demand. After a decade and a half of reform, we seem close to arriving at the right growth-welfare mix (Editorial, The Times of India, 30th May 2005).

India's increasing urban-rural divide can be effectively dealt with only through the provision of urban facilities in rural areas (PURA), as stressed by the President Dr. Abdul Kalam. The UNCTAD's World Investment Report (WIR), 2005 says developing countries are emerging as favoured locations for the conduct of R&D by MNCs so as to tailor, and dovetail, products and processes that would integrate local production into the MNC's global value-added systems.

India is sitting on the blitzkrieg of becoming a super power and it is the Indian rural sector that is going to drive that super growth. The Government of India has made rural economic development in general, and rural infrastructure development in particular, is a key priority. India has launched the "Bharat Nirman" (Building India) program, which entails investing over US \$ 40 Billion, equivalent to 5 per cent of FY2005 GDP, in six critical areas of rural infrastructure over four years starting from 2005.

### **Rural Education: Universalizing Secondary Education a must**

A firm beginning has been made, complete with a detailed proposal with an outlay of Rs. 81,327 Crore during the 11th Plan, by the HRD Ministry to the Planning Commission, for universalizing the Secondary Education in the country, as it has been done in primary education (Sarva Shiksha Abhiyan).

---

<sup>1</sup>Pothik Ghosh (2005) in the "Beyond the Basic, into Future" column of the Economic Times, 25 February 2005.

## Rural India – Ongoing Water Crisis

Integrated Water Resources Management is based on the perception of water as an integral part of the ecosystem, a natural resource, and a social and economic good (UNCED's RIO Summit, 1992). India is heavily dependent upon groundwater sources for freshwater (e.g. for 80 – 90% of domestic water supply in rural areas); much less upon the other sources – rain and surface water (lakes, tanks and rivers). Failure of governance in managing water resources has led to extensive, unsustainable dependence on groundwater. Groundwater accounts for 50% of irrigation and 80% of water supply. India faces a turbulent water future (World Bank Draft Report, 2005). The only solution is effective management. Demand will have to be brought down to match supply, and the focus will have to swing back to surface water supply system. Part of the solution, John Briscoe (2005)<sup>2</sup> said, lies in demarcating clearly water entitlements, de-monopolizing public irrigation departments, and developing transparent water information systems, apart from building public infrastructure.

India needs dams, a fact borne by two simple statistics: we get 50% of our rain in 15 days and over 90% of river flows take place in just four months. Irrigation goes a long way in improving the lot of a village. Studies show correlation between the percentages of irrigated cropped area and the percentage of population below poverty line (More irrigated area, Less People below poverty line in villages). Augmentation on the supply side may indeed be necessary through: large projects, groundwater drilling and rainwater harvesting (and micro watershed development).

The question of access, equity, and equality in Water Resources gets directly to the use of irrigation water. Has the expansion of irrigation benefited small farmers? Have the inter-class differences in irrigation widened or narrowed? What is the regional (State) distribution of irrigation by farm size? Deshpande et al (2002)<sup>3</sup> point out that the growth rate of all major sources of irrigation was found to be inversely related with the farm size in majority of the states between 1970-71 and 1990-91. Complex issues of equity and social justice in regard to water distribution are required to be addressed.

Rural water supply in India, both the Central and State Governments have achieved, is the largest of its kind in the world and significant progress

---

<sup>2</sup>John Briscoe (2005): World Bank's Report (draft) on India's Water Economy.

<sup>3</sup>Deshpande R.S, Venkatachalam L and Narayanamurthy A (2002): "Policies for Access, Equity and Equality : Physical resources and Human Resources", presented as a Theme paper in the 2nd International Conference on "Sustainable Agriculture, Water Resources Development & Earth Care Policies" organised by Bhoovigyan Vikas Foundation (An Earth Care Foundation), New Delhi on 18-20 December 2002..

due to sustained efforts. The country is facing now, three major challenges in the water sector: (a) slippage of covered habitations, (b) water quality problems, and (c) sustainability of sources and systems (Meenakshisundaram, 2002)<sup>4</sup>. Study Reports also reveal that Ground Water (GW) depletion has aggravated water quality problem (like excess fluoride, arsenic and brackishness), which has resulted in diseases like fluorosis and arsenical dermatitis.

Prior to the green revolution, sustainable use of water resources was commonplace. Water is also necessary for better sanitation, and improved hygiene. Patients from middle class family are suffering from water-borne diseases. India can't uncage its 'tiger' economy or claim to have entered into the 21st century sans better water, sanitation and hygiene (Santosh Mehrotra, 2005)<sup>5</sup>. Moni (2004)<sup>6</sup> makes a powerful plea for an informatics blueprint for integrated water resources planning and management at grass roots level in relation to climate change and sustainable agricultural development.

### **Reaching the Unreached - Public Governance: A Dream so far in Rural Areas**

Over the last decade-and-a-half since India has embraced the path of reforms, there have been several dramatic changes in the economic landscape. Reforms have been largely focused on areas like foreign trade, industrial investments and financial services, with the hope that the trickle-down effect will ensure that prosperity reaches all sections of society.

Despite the notable success of these initiatives in several sectors of the economy, in almost every election (1996, 1998, 2004) the Government that has accelerated reforms has been voted out of power. The clear absence of a substantial enough audience among the electorate supporting reforms has something to do with the nature of the reforms that have been implemented.

Though the effective implementation of the 1991 economic reforms has

---

<sup>4</sup>Meenakshisundaram S.S (2002): "Drinking Water Supply in India: A Strategic Policy Analysis", presented as Theme Paper in the 2nd International Conference on Sustainable Agriculture, Water Resources Development and earth Care Policies", 18-20 December 2004, organised by Bhoovigyan Vikas Foundation, New Delhi.

<sup>5</sup>Santosh Mehrotra (2005): "Is a Water Crisis imminent in India?", The Economic Times, 18 October 2005; He is Regional Economic Advisor, UNDP Centre for Asia.

<sup>6</sup>Moni. M (2004): "Informatics Blueprint for Integrated Water Resources Planning and Management at grassroots level: A Quintessential Requirement for Adaptation to Climate Change and Sustainable Agricultural Development in India", Valedictory Address delivered at the National Conference on "Climate Change and its Impact on Water Resources in India", organized by Department of Geography, School of Earth & Atmospheric Sciences, Madurai Kamaraj University, Madurai, Tamilnadu (India), 15-17, December 2004

made the economy and the corporate sector more robust, the reforms have not really impacted the everyday lives of a substantial part of the electorate. These are areas like education, health, child nutrition, drinking water, women's welfare, village autonomy, etc. that are the primary concerns of the common man (Bhat, 2005)<sup>7</sup>.

Moreover, the interface between the citizen and the instrumentalities of the government – the police force, the judiciary, the ration inspector, the RTO, the sub-registrar, the tehsildar, the taxman, the municipal inspector et al – has been largely unaffected by the forces of reform.

Successive governments continue to allocate increasingly larger resources to anti-poverty programmes that account for a large part of the federal and state budgets. There is, however, no evidence to suggest any improvement on the old benchmark of 15 paise / rupee of welfare allocation finally reaches the intended beneficiary. The day may not be far off when policy makers are held squarely responsible for the continuing endemic poverty, given that the means to eradicate it are very much at hand.

The best way to improve the quality of public services is to provide access to more information so that the citizens are aware of the basis of decision-making in government. The work culture has degenerated into one of survival without decision-making since this is the sure path to not being found guilty of wrong doing and hence the clear route to career progression. Scientific and Technical Departments are not exceptional too. It is expected that the Right To Information (RTI) Act 2005 will provide necessary scope and hope to reverse the trend, and usher in “SMART” Government.

### **Rural Healthcare Delivery System – How to make it functional?**

India has 5,03,900 doctors, 7,37,000 nurses, 162 medical colleges, 143 pharmacy colleges, 3,50,000 chemists, 15097 hospitals accounting for 8,70,161 beds, 23,000 PHCs, 1,37,000 Sub-centres serving semi-urban and rural areas, and 3000 Community Health Centres. Non-availability of doctors in PHCs and CHCs is a huge problem in rural India. In addition, PHCs are woefully lacking in basic medicines and other facilities. Mass health and education cannot be outsourced to NGOs.

There exists a sharp disconnect between urban and rural healthcare in

---

<sup>7</sup>Bhat. U.R 92005) : “A budget for Public Governance”, published in The Economic Times, 14 February, 2005.

India, and if we continue to ignore this deepening divide, we run the risk of destabilizing our socio-economic fabric (Kiran Mazumdar Shaw, 2005)<sup>8</sup>. India has 30% of World's TB Population and no new drug during the last 40 years. The Rural – Urban Divide is apparent with a higher elderly population reported in rural households (India Census 2001).

For many people in the remote regions of India, medical help is inaccessible and beyond means. The rural resident has no cash for healthcare, a lack of paying capacity. In fact, the cost of staying alive pushes one-quarter Indians below poverty line. Those who require hospitalization are perennially repaying debts. In fact, rural indebtedness caused by illness is far greater than that caused by crop failure. Developing and maintaining sustainable healthcare delivery for people in the poorest countries is indeed a challenge. There is an urgent need to provide access to affordable healthcare in a sustainable manner.

The only viable proportion is an insurance model that will support millions across India's rural hinterland through a network of hospitals and clinics. Yeshasvini, Karnataka's Health Insurance Plan (premium is Rs. 120 per annum) and Aroky Raksha Yojana – a private initiative for the rural population could be a path-breaking model. According to Dr. Devi Prasad Shetty, Founder of Narayana Hrudayalaya (Bangalore), this scheme worked primarily because of the Government. Dr. Shetty says that we underestimate the power of government and how much trust the poor have in it. Yeshasvini has tapped the power of the cooperative sector. A PPP model is also being developed based on the existing but ineffective Primary Health Centres (PHCs). As Winston Churchill once said: "Insurance brings the miracles of mathematical probability to the rescue of the masses". The time has come to provide basic healthcare to our billion people.

India is currently way off the track from achieving the UN's MDG targets. There is no dearth of information on what is actually happening on the ground. India may be a major IT Power and a Nuclear weapons State, but when it comes to looking after its children, especially girls, it lies the bottom of the heap at 127th on the Human Development. The UN HD Report 2005 makes sorry reading. The statistics are stark: over 2.5 million children of "Mother India" die every year, accounting for one in children deaths across the world. Of these, 50 per cent are girls.

---

<sup>8</sup>Kiran Mazumdar Shaw (2005): "Healthcare for a Billion" published in The Times of India, 23 October 2005; She is CMD, Biocon Ltd.

The Human development Index (HDI) is a summary measure that incorporates into one index (i) Life expectancy, (ii) adult literacy and gross enrolment in primary, secondary and tertiary education, and (iii) per capita income. The UN's HD Report 2005 places India at 127th out of 177 countries (as of 2003).

It's doubly ironic that India, attempting to a global healthcare hub, has got it so terribly wrong inside its hearth. The downward spiral that the index showcases this year must be addressed immediately, and tackled on a war footing. The Report concludes that "but, overall, the evidence suggests that the pick-up in growth has not translated into a commensurate decline in poverty" and "it will take India until 2106 to catch up with high-income countries".

Fundamentally, India can wipe out disease by attacking the root cause – poverty and malnutrition. According to the Micronutrient Initiative Report (2005): "Controlling Vitamin and Mineral Deficiencies", "the Country needs to invest less than Rs. 5 per child every year to tackle the problem of micronutrient deficiencies".

We in India have the necessary infrastructure but the services are not operative and not effective. Technical knowledge and an effective public health system also may not be always the answer. Sometimes, understanding the social determinants of disease can help in its prevention (Michael Marmot, 2005)<sup>9</sup>. Awareness and "partnership" with the civil society can check disease. The ambitious National Rural Health Mission (NRHM) of the Union Health Ministry has envisaged ASHAs (Accredited Social health Activists) as the central component of the Mission, who would be the first port of call for health related demands including basic curative needs. In addition, the NRHM also seeks to introduce systematic changes in the health care delivery systems by improving the quality, access and demand aspects of health services. The NRHM has been set up with an allocation of about Rs. 6,700 Crore, consistent with its NCMP to step up public expenditure in the healthcare from 0.9% to 2 – 3 % of GDP. The success of NRHM depends upon the motivation levels of the Activated Social Health Activist (ASHA).

Success in the long-term battle against diseases is increasingly becoming dependent on education and efficient infrastructure by leveraging IT. Telecom and IT have a major role in healthcare management. The importance of

---

<sup>9</sup>Michael Marmot 92005) : "India needs to make health system effective", published in THE Hindu dated 15 September 2005. He is the Chairman of the WHO Commission on Social determinants of Health. And Director of the International Institute for Society and Health, University College, London.

telemedicine and electronic data capture in providing enhanced medical information for diagnosis and treatment is key to building an efficient model. Additionally, building data bases and disease registries will enable such insurance programmes to evaluate the incidence and diversity of diseases at an epidemiological level. e-Health System is an essential requirement at Panchayati level.

## **Rural Energy**

Rural electrification is a vital programme for socio-economic development and for bridging the urban-rural divide. Apart from improving the quality of life and aiding activities like education, it is an essential input for rural economic activities such as agriculture and rural industries.

Over 86 Million Indian Housewives, covering nearly 40% of our population, use liquefied petroleum Gas (LPG) for cooking. To add to their comfort, the Government-owned Oil marketing companies, at heavily subsidized rates, is distributing domestic LPG, thus insulting to a very large extent from the steep rise in international prices. Moreover, most of the burden of subsidy, running to over Rs. 10,000 Crore a year, is borne by the Public Sector Oil Companies. What will be ratio of Rural-Urban divide in LPG subsidy?

As the energy crunch looms large, fossil fuel stocks are falling. Many countries are switching to biofuels. India is importing crude oil worth of Rs. 1,17,000 Crore and bio-diesel production will help in saving foreign exchange. The power of wind is free, no expensive drilling for oil, no bruising the countryside to displace thousands of people for building a dam. Only wind turbine is required to spin power out of thin air. It can be in our backyard or hilltop. While wind blows, power can be generated. It is essential to harness the potential of wind into an energy source for homes and industries.

India has started with a 5% ethanol blend with petrol, which can be increased to 10 & 20 % progressively. The fact is that Indian sugar mills make ethanol from molasses, a by-product. This circuitous route can never generate the high volumes required, at the right price. Instead, what is required is that the industry produces ethanol directly from cane, as it is done in Brazil. One tonne of sugar produces 100 kg of sugar (worth of Rs. 1000) and 50 kg of ethanol (worth Rs. 900). But the entire one tonne of sugarcane, if fed directly into a distillery, can produce 500 kg of ethanol (worth of Rs. 9000).

---

It, therefore, makes good commercial sense to produce ethanol as a main product in an independent distillery, rather than as a byproduct in a sugar factory. Such distilleries can pay double the price of a sugar factory to farmers.

But sugarcane is an irrigated, water intensive crop. What about a dry land farmer who depends on rainfed crops? Fortunately, new technology is available to produce ethanol from grain and stem juice of crops like sweet sorghum (meethi jowar), barley and maize, which are starchy. A distillery can extract 380 litres of ethanol (worth of Rs. 6680) from one tonne of such crops. The distillery would be willing to pay double the price to a dry land farmer compared to what he gets from his crops today. In this way, ethanol can usher in rural prosperity.

In the first place, cane needs to be grown mainly in Bihar and Eastern UP, along the Gangetic Plains, for sound agro-climatic reasons. It is plain wrong to have water-intensive cane in drier Maharashtra. The sugarcane crop would provide valuable flood-resistance in flood-prone eastern UP and northern Bihar, apart from boosting incomes in the region.

The day may not be far when the world starts importing ethanol from India, just as it imports crude oil from the middle east (Arun Firodia, 2005)<sup>10</sup>. The Central Government is likely to come up with a clear-cut Bio-Diesel Policy by early 2006, after the Energy Policy Committee submits its report to the Government by November 30, 2005. The Central Government is also likely to set up a committee to promote the cultivation of jatropha and other tress, which can be used for the production of bio-diesel, by involving Panchayats. There were about 2.5 Lakh Panchayats in the country and if each of them cultivated Jatropha in 50 acres, the production would meet the growing demand for oil in the country (Mani Shankar Aiyar, 2005)<sup>11</sup>.

### **Targeting the right beneficiaries: Rural Poor**

In recent years, there appears to have been a resurgence of interest in what may be called “Gandhian Economics”. Gandhi advocated the percept of limitations of wants to take care of one’s need and not greed. This is relevant in the era of long-term sustainability of ecosystem. The basic problem is not solved because it was not taken up at all. Gopinathan Nair (2005)<sup>12</sup> quotes ”Mahatma Gandhi had said that the lowest stratum of society had to be

---

<sup>10</sup>Arun Firodia (2005): “Junk Petrol for Ethanol : The Alternative fuel needs a better tax regime”, published in the Times of India, 15 September 2005.

<sup>11</sup>Mani Shankar Aiyar (2005): “Panel to promote Jatropha Cultivation”, The Hindu 6 November 2005.

<sup>12</sup>Gopinathan Nair.P (2005) “Gandhian values a panacea”, THE Hindu, 6 November 2005.; He has been awarded the Jannalal Bajaj Award 2005.

uplifted first. But until now, this has not been done”. Gandhiji was emphatic in placing the needs and concerns of the Poor at the heart of any economic development, and also advocated that wealth beyond the needs of self should be carefully used to benefit the weaker sections. His approach was opposite of the ‘trickle-down’ thinking, which says that if economic growth is fast enough, its benefits will sooner or later percolate to the poor as well (Bharat Dogra, 2005)<sup>13</sup>.

Joan Martinez-Alier (2005)<sup>14</sup> postulates that the negative environmental impact of economic growth is felt much more by the Poor and Powerless than by the rich and powerful within nations as also across nations. Poverty Alleviation Programmes (PAPs) are seen as in developing countries as means of overcoming the imperfection of factor markets. An individual is poor due to factors such as: lack of skill lack of assets, lack of credit and information, obsolete skill non-existence of market, and other infrastructure.

In developing countries, one can observe two categories of people in rural areas – the farms and non-farms. The non-farms are again sub-divided into skilled and non-skilled. On an average, the non-farms constitute about 40-50% of the total rural population. The SITRA Evaluation Report (2005) of the Union Ministry of Rural Development reveals that (a) targeting the more disadvantaged could achieve greater reduction of poverty, (b) poor rural artisans from backward social groups readily use improved toolkits to raise their income from craftsmanship, and (c) the strongest impetus to poverty alleviation comes from economic growth and human capital development.

The rural poor can be a giant profit centre if tapped correctly and ethically. Prahlad (2005)<sup>15</sup> discusses about how the future will develop from the serving the Poor as the innovations developed will be superior – top quality, low price, high volume and world-scale.

## **Rural Employment: Improving Productivity & Earnings**

The demand for extending policy of reservations to the private sector has created confrontation between a section of political class and captains of industry represented by FICCI and CII. Unemployment is on the rise. While job opportunities are expanding in high technology sectors, the manufactur-

---

<sup>13</sup>Bharat Dogra 92005) : “Gandhii’s ideas are not outdated” , The Economic Times 1 October 2005.

<sup>14</sup>Joan Martinez-Alier (2005) : “Environmentalism of the Poor – A Study of Ecological Conflicts and valuation”, OUP, YMCA Library Building, jai singh Road, new Delhi – 110001.

<sup>15</sup>Prahlad C.K. (2005) : “the Fortune at the Bottom of the Pyramid : Eradicating Poverty through profits”

ing sector is not able to absorb new entrants in the job market. Moreover, decrease in capital investment in agriculture in the '90s has hit job opportunities in rural India. The supply of unskilled and unemployable is very high and so the wage they can command is very low. We have to train our labour so as to enable them earn higher wages, through greater productivity (Shubhasis Gangopadhyay, 2005)<sup>16</sup>. Can the existing ITIs be used to undertake training in rural areas?

The National Rural Employment Guarantee (NREG) Act 2005 provides enhancement of livelihood security, giving at least 100 days of guaranteed wage employment in every financial year to every household, whose adult members volunteer to do unskilled manual work. Panchayats at districts, intermediate and village levels will be the principal authorities for planning and implementation of the scheme. Improved communication technologies and the proposed ICT kiosks in every village can be used to better inform people about the NREGS.

The NREG Act 2005 can provide the basis of a permanent social security system and even act as an instrument for planned and equitable rural development. Right To Information (RTI) Act 2005 can be used for transparent and effective implementation of the NREG Act 2005. While the NREGS aims at generating employment for the poor, Bharat Nirman has at its core the idea of improving infrastructure in the rural areas. It is highly unlikely that Convergence of NREGS and Bharat Nirman will take place. A Universal EGS offer a chance for rural reconstruction and for establishing a society that respects the dignity of life (Shiva Kumar, 2005)<sup>17</sup>. The National Advisory Council (NAC) has suggested to the Central Government to consider growing trees on private wastelands to enhance income of farmers and produce biomass, and also include wasteland development under the NREG Scheme.

### **Employment Opportunities: Need for Developing a Retail Distribution Network**

ITC's partnership with the Khadi and Village Industries Commission (KVIC) to source and distribute KVIC's agabattis signifies a lot more than the lofty ideal of a private corporation supporting a predominantly rural enterprise. To boost manufacturing, organized retail must grow. Lessons

---

<sup>16</sup>Shubhasis Gangopadhyay (2005): "Improving Productivity & Earnings", The Economic Times, 17 February 2005.

<sup>17</sup>Shiva Kumar, A..(2005): "Charting a New Course for India", The Economic Times, 15 October 2005.; he is also a Member, National Advisory Council.

from ITC's Khadi tie-up are that ITC shall become Wal-Marts and the Tesco, epitome of modern retailing, in India.

Foreign Direct Investment (FDI) in retail is welcome and the benefits of organised retail far outweigh the costs: millions of jobs, lower prices and greater tax compliance that the organised retail would create. Modern retailing sharply reduces the intermediation costs of connecting the producer to the consumer. This saving, even if shared by many, means that the consumer pays less while the producer gets more (Editorial column, *The Economic Times*, 9 February 2005). At present, developing a retail distribution network is an expensive, risky business in India.

### **Land Reforms measure based on the Malaysian Model**

The Planning Commission Review has recommended strong land reforms measures – conferring of ownership of forest land and distribution of surplus land – to improve the lot of Dalits and Tribals in the poverty stricken Koraput – Bolangir – Kalakhandi (KBK) Region of Orissa. It has suggested a national authority be set up to acquire land as a state pool and distribute it to the SC/STs on the lines of the Malaysian Model for Malay people or Bhumiputras. The case for prioritised land distribution is based on the fact that 80% of the SC/STs in the region are dependent on agriculture (Subodh Ghildiyal, 2005)<sup>18</sup>.

### **Farming and Food Processing Industries: A Chaining Process required**

India is an agricultural country and its economy is predominantly dependent on the food industry. Typically, for a farmer, farm expenses are around 70-75% of the cash receipts. A sizable fraction of this expenditure is expended on the production process – about 5 – 8 months prior to marketing of the farm produce. As there is considerable time gap between the time of initial spending and receipts from the final farm produce, a farmer is highly vulnerable to price fluctuations farm produces and farm inputs as planning is done at the time of sowing based on the prevailing such relationships. One possibility is that the Futures Market could provide a perfect collateral for the lenders to advance larger loans on easier terms to farmers and ensuring a minimum-risk business for both the lender and the farmer (Jignesh Shah, 2005)<sup>19</sup>.

---

<sup>18</sup>Subodh Ghildiyal (2005): "Plan panel team for strong land reforms to help Orissa's Poorest", *The Times of India*, 1 November 2005.

<sup>19</sup>Jignesh Shah (2005): "A Bonanza for the Indian Farmers?" published in *THE Economic Times*, 18 February 2005.

A recent study by the Union Ministry of Agriculture had demonstrated that farm incomes have fallen in the past five years. Farmers are producing more only to find no buyers. And when they eventually get buyers, they are paid half of what they deserve. While the rich and industrialised countries made up for the loss in farm incomes by providing direct payments first linked to production and now linked to the farm area (de-coupled payments), farmers in the developing countries continued to suffer silently. Much of the agrarian stress that has engulfed the countryside therefore is being misconstrued as the outcome of non-availability of credit. The crying need of the hour is to come up the strategies that provide a stable and assured income to the farm sector (Devinder Sharma, 2005)<sup>20</sup>.

How will the integration of the rural markets with the global value chain eventually rescue Indian farmers from the prevailing agrarian crisis? The emphasis on allowing FDI in retail sector is aimed at taking advantage of the farmers. Will they have to wait endlessly for buyers to purchase their produces? As of now, the profits are being shared among the traders, processors, wholesalers, and retailers.

With economic growth and a rise in disposable incomes, the consumption basket has changed (from once dominant Cereals to Milk, Fruits, Vegetables and Poultry products). Rising incomes, urbanization and globalization have opened new vistas for agriculture diversification, which will succeed only if non-traditional farm produce find acceptance. Shortening the supply chain between the farmer and the consumer is necessary.

The Central Ministry of Food Processing Industries, is all geared up for developing a strong and vibrant food processing sector; with a view to add value to the farm produce, increase shelf life, create increased job opportunities and income in rural areas, and create surplus for exports and stimulating demand for processed food. Several Infrastructure Development Programmes Viz., Food Park, packaging centre, integrated cold chain facilities, value added centres, irradiation facility, modernized abattoir, are being undertaken.

The Food Safety and Standards Bill 2005, a new integrated food law, called for abolition of nine acts, modification of seven central Acts, and innumerable state laws in relation to food, in order to harmonise legislation, rule, and regulation under a harmonized structure. This FS&S Bill is the latest in a series of recent initiatives that seek to diversify agriculture and

---

<sup>20</sup>Devinder Sharma (2005): "Farm Crisis : Produce and Perish", published in THE HINDU, 10 October 2005.

encourage one of its vital complements, the food processing industry, which is an important link in the food value chain. The FS&S Bill 2005 will be in the interest of farmers, as most raw materials will come within its ambit, the consumers will stand to benefit with quality food, and the export market of packaged Indian food will vastly grow in view of adherence to strict quality measures (GMP, GHP, HACCP). According to Roopa Vajpeyi (Editor, Consumer Voice) and reported in the Economic Times (25 February 2005), the FS&S Bill 2005 do not put consumers centre-stage but leans towards industry.

Till recently all Small and Micro Enterprises (SMEs) managed all their business process manually. It is strongly believed that intense deployment of Information and Communication Technologies (ICT) will help small organisations grow business and become mid-sized organisations. A CRM designed for SMEs must incorporate all features that would automate their existing functions. CIM is a very important part of CRM and a key enabler in delivering the 360-degree customer view. While SMEs are mostly B2B-centric with three-quarters of their revenues derived from customers in other business sectors (small, medium and large), more than half of the revenues of India's SMEs are generated from customers indicating a B2C focus. There is a clear indication that CRM is here to stay and the focus will be more on SMEs (Girish Krishnanmurthy, 2005)<sup>21</sup>.

The present thrust of the economic agenda for agriculture does not go beyond linking the producer with the markets, and in the process providing an escape route for the Government to withdraw from operations such as procurement and administered prices. The Planning Commission is likely to set a target of 8% for the 11th Plan, with a special focus on agriculture. Agricultural growth has been well below target since 1996 and something dramatic is needed to double agricultural growth. Montek Singh Ahluwalia (2005)<sup>22</sup> said the farm sector has turned into a "critical weakness" as the 9th Plan banked heavily on an agricultural growth target of 4% but could achieve only half of it, as did the 10th Plan.

### **Rural credit: People's banking here to stay**

When Maharashtra embarked upon stimulating its rural economy, it

---

<sup>21</sup>Girish Krishnanmurthy (2005): "CIM for the Small Sector", published in The Economic Times, 6 October 2005. He is the Country Head, talisman Corporation, India.

<sup>22</sup>Montek Singh Ahluwalia (2005) : "While delivering speech at the Forum of Financial Writers, New Delhi as published in the Times of India, New Delhi, 12 October 2005.

opted for the cooperative route (Mahesh Vijapurkar, 2005)<sup>23</sup>. It gave jobs and fair prices to the farmers, and also provided political platforms for promoters. The Amul Model of cooperatives, backed by sophisticated processing technologies ushered in the white revolution, taking India to the top of the milk-production ladder even as it galvanized the rural economy. Bhupinder Singh Hooda (2005)<sup>24</sup> informed that dairy cooperatives would be set up in every village of the Haryana State for procurement of milk to enable the farmers to enhance their income.

Cooperative Societies provide working capital of over Rs. 2,27,111 Crore to the rural masses and there are about 5.03 Lakh cooperative societies with the membership of more than 20.9 Crore. The increased target for rural credit disbursements at Rs. 1,05,000 Crore is far from being achieved. The rural poor did not ruin the cooperative sector. The Independent Commission on Banking and Financial Policy 2005<sup>25</sup> states that the most urgent need is to increase credit provision to the rural areas for both agricultural credit and non-agricultural areas. Doubling the flow of agricultural credit in the next few years is not the answer. Farmers have committed suicide because of their inability to repay loans. Credit is therefore a part of the problem.

Rural India is fast emerging as a prospect for the bankers. Bankers have stepped out from narrow confines of their branches to nurture Self Help Groups (SHGs), which ultimately give cushion to the survival and growth of banking business. The banking activities in rural India will grow when the big industrial houses (viz. PEPSI, ITC, Mahindra & Mahindra, TATA, RELIANCE, SHRIRAM, GODREJ and BHARTI) firmly put their footprints in rural India. This is a good opportunity for the public sector banks to boost the SHG movement to enable the villages to absorb the benefits of globalisation. India's SHG movement is the world's largest-ever social movement, which has targeted one third of the India's poor. The recovery from SHGs all over India is always above 90%. The SHGs play an important role in providing timely credit to the rural people.

A vision document on technology and the financial sector, placed on the RBI's website, enumerates opportunities available to individual banks and institutions through continuous technological upgradations. As the RBI has pointed out, the big challenge is to ensure that the benefits of technology

<sup>23</sup>Mahesh Vijapurkar (2005): "Private operators edging out Sugar cooperatives", published in THE HINDU, 19 September 2005.

<sup>24</sup>Bhupinder Singh Hooda (2005): Haryana Chief Minister, Shri Bhupinder Singh Hooda said at a Seminar on "Dairy development: Today and Tomorrow", organised by the Amrik Singh Cheema Trust, Chandigarh.

<sup>25</sup>(set up by the All India Bank Officers' Confederation, India.)

percolate to every type of banks and to all sections of customers, especially those living in rural areas.

## **Coping with variations in the Monsoon**

Fifty years ago, our economy was described as being gamble on the monsoon. Even today, after decades of post-independence development, the monsoon continues to govern the very pulse of life in our country. Although Rural India is still dependent on monsoons, non-farm incomes account for a significant proportion of household income and the non-farm was about 34% of the total household income in 1993-94, fairly distributed evenly spread across consumption expenditure categories (NCEAR –Business Standard Survey, 2005).

Green revolution bypassed the rainfed regions, whose productivity has not increased significantly in the last five decades. Simulation and prediction of the Indian monsoon remains a tough challenge. Yet, We possess a wealth of data that can be used to derive farming strategies tailored to local rainfall variability (Sulochana Gadgil, 2005)<sup>26</sup>. Such strategies are especially vital for rainfed areas.

## **Insurance and pension products: Rural Focus Not yet**

The Insurance Regulatory and development Authority (IRDA) may allow insurance companies to issue composite micro-insurance policies to cover life, health, household, fire and motor accident risks. Both insurance and pension products need to go beyond urban India and the salaried class, i.e. Rural India.

## **The Economies of Clusters: Tehsils as Special Economic Zones (SEZs)**

Locational proximity has tremendous advantages for sourcing supplies, pooling resources, and learning by interacting. In today's world of heightened import competition, knowledge workers on site need a more conducive ambiance. If Special Economic Zones (SEZs) are to become engines of productivity and export as in China, India need to convert entire Tehsils into SEZs so as to provide the required scale economies and the required mindset. A full tehsil will have the land and scale to make possible an independent power station, independent water supply facility, and may be an independent port and airport. But let us make a start at tehsil level (The Economic Times,

---

<sup>26</sup>Sulochana Gadgil (2005) : "Coping with variations in the Monsoon", published I THE HINDU, 8 October 2005.

23 February 2005).

## **Disaster management**

The time has come for “green building technology” to benefit middle and lower classes, besides Rural India, in order to achieve goals of energy independence and “housing for all” (Abdul Kalam, 2005)<sup>27</sup>. Every year, the Government is losing 2 per cent of its GDP in disaster management in the form of relief and rehabilitation package, which in fact is a waste. According to Pranab Mukherjee (2005)<sup>28</sup>, the proposed “Disaster Management Policy” should lay stress as to how the future disasters could be prevented from happening through proper warning systems.

## **Kyoto Protocol & Employment Opportunities**

India, which signed the Kyoto protocol in 2002, may soon become the nerve centre of a booming global carbon trading market. A fraction of trillion-dollar market is coming to India and can easily create thousands of employment opportunities. However, as in many other countries, structured programmes to train manpower in this area are still non-existent (Arindam Saha, in The Economic Times, 10 October 2005).

## **India’s Chronic Corruption & Liberalization**

Famines, Natural Calamities, and Political Corruption scandals are acute events that evoke strong responses in democracies such as India. However, as Nobel Laureate Professor Amartya Sen pointed out many years ago, such societies seem to be less sensitive to endemic malnutrition and other severe deprivations. India ranks at 88 among 159 countries [in a Corruption Perceptions Index score of 2.9 on a scale of 0 (highly corrupt) to 10 (highly clean)] with respect to the rating of Transparency International Report. This is dispiriting news, coming soon after the Human Development Report of the UNDP, which has placed India at a dismal 127 in a list of 177 countries. This shows that liberalization has not fared any better in this respect than decades of the license-permit Raj (Editorial, The Hindu, 24 October 2005).

## **Right To Information - Path to Swaraj**

The Right To Information Act 2005 comes into force all over the country on October 12. Citizens should make use of it to ensure transparency and

---

<sup>27</sup>Abdul Kalam (2005): Delivering the inaugural address at “Green Building Congress 2005” at New Delhi, the President of India, Dr. APJ Abdul Kalam said.

<sup>28</sup>Mr. Pranab Mukherjee, Hon’ble Union Minister of Defence, in his address to the National seminar on “Disaster Management : For a safer India”, organized by ASSOCHAM of Commerce and Industry of India, 2005.

good governance triumph. This Act is derived from our fundamental right of expression under Article 19. If we do not have information on how our Government and Public Institutions function, we cannot express any informed opinion on it. Various Supreme Court Judgments have accepted this, since 1977. Democracy revolves around the basic idea of citizens being at the centre of governance. This RTI provides for a time bound and defined process for citizens to access information about all actions taken by public authorities. According to Shailesh Gandhi (2005)<sup>29</sup>, We now have the power and we only need to use it. It is simple to use, and the benefits are immense provided right information is guaranteed.

### **ICT for Development: Rural Focus**

India has knowledge and natural resources. India has many states, which are minerals-rich, income-poor. Sustaining economy of the country, extraction of natural wealth from the earth's crust is essential. As there is science to explore wealth, there is also technology to exploit the natural resources with modern technique, and there is legislation also to control the degradation of the environment (Amitava Banerjee, 2005)<sup>30</sup>.

Science and Technology (Viz., Biotechnology, CARTOSAT, EDUSAT, Broadband Network, Mobile computing, AGMARKNET, eGovernance, etc) offers tremendous opportunities for improving rural livelihoods. Digital opportunities have emerged as a "power tool" for fostering agricultural growth, poverty reduction and sustainable resource use in developing countries. Rural India should be given a chance through digital networks for farmers, e-Cooperatives, and digital SMEs to usher in a "digital inclusion" for fostering rural prosperity and grassroots level development. Grassroots level access to information will hopefully help "bridge theory and reality at grassroots". National e-Governance Programme (NeGP), Statewide Area Network (SWAN) and NICNET Programme facilitate Grassroots level access to Information as well as Grassroots level information to access.

As technologies and services over the Network start talking to each other, they enjoy efficiencies never seen before. Service Oriented Architecture (SOA) is a design philosophy usually implemented using web services. The benefits of SOA are with respect to "efficiency", "responsiveness", and "adaptability". This will facilitate a consistent architectural framework, unconstrained

---

<sup>29</sup>Shailesh Gandhi (2005): "Right to Information – Path to Swaraj", published in THE HINDU, 7 October 2005.

<sup>30</sup>Amitava Banerjee (2005): "Kerala's Gold Mining Potential", published in the Hindu, 29, September 2005.

by technologies, within which applications can be rapidly developed, integrated and reused.

The Rajiv Internet Village Initiative (RAJiv) comprises providing broadband connectivity to every village at affordable prices, delivery of services online and imparting computer literacy training to at least one member of each family. These centres provide G2C and B2C services through PPP model. According to Rajasekara Reddy (2005)<sup>31</sup>, even urban people realise that rural transformation is very much necessary for them.

India has a vast knowledge in social sectors. Grassroots democracy has firmly taken root since the 73rd and 74th Amendments to the Constitution in 1992 making elections to the Local Government Bodies mandatory. An ICT-triggered rural knowledge revolution can help to break the barriers that stand between localized rural economies and the globalised market. Using technology, an area in which India has expertise, rural India can be accorded its place in the world economy, while still maintaining its predominantly agrarian economy. Mission 2007 is intended to be a nation-wide movement providing a New Deal for Rural India.

### **Millennium Development Goals (MDGs) – To be seen as Minimum Development Goals**

The Millennium development Goals (MDGs) are a set of time bound and measurable goals and targets for combating poverty, hunger, diseases, illiteracy, environmental degradation and discrimination against women. It consists of 8 goals, 18 targets and 48 indicators, covering the period 1990 to 2015. India is on track to achieving the Goal of halving income poverty by 2015, but on most other counts of education, gender empowerment, infant & maternal mortality, it is lagging behind and expected to achieve targets sometime between 2015 and 2040. Governments have the tendency to work “for” the poor and not “with” the poor. Governments do not know how to be participatory, gender sensitive and consultative with the affected community. Appropriate e-Governance programme may facilitate to overcome this problem. Erna Witoelar (2005)<sup>32</sup> advocates that governments should balance pro-poor policies with economic growth to achieve MDGs. There are enough resources, technology, information, and knowledge to achieve the MDGs by 2015.

---

<sup>31</sup>Y.S.Rajasekara Reddy (2005) : in his Interview published in The Economic Times dated 1 November 2005.; He is the Chief Minister of Andhra Pradesh.

<sup>32</sup>Erna Witoelar (2005) “Trying to reduce poverty is not in contradiction with promoting growth”, published in THE HINDU, 7 October 2005; She is also UN Special Advisor for the MDGs in Asia and the Pacific.

The key to meeting the Millennium Development Goals (MDGs) is an increase in investment in people (health, education, nutrition, and family planning), environment (water and sanitation, soils, forests, and biodiversity) and infrastructure (road, power, and ports). The UN Report (2005) titled “Investing in Development: A Practical Plan to Achieve the Millennium Development Goals” shows that the MDGs can be achieved by 2015. The reason that the MDGs are feasible is that powerful existing technologies give us the tools to make rapid advances in the quality of life and economic productivity of the World’s Poor (Jeffrey Sachs, 2005)<sup>33</sup>. Investments in soil nutrients and water harvesting could help farmers double or triple their food yields. Rural roads, truck transport, and electricity could bring new economic opportunities to remote villages.

On the Millennium Development Goals, Economist Jeffrey Sachs, who is Director, UN Millennium Project, said that “the Indian Government needs to do more in terms of health coverage, water resources, maternal mortality and AIDS”, while addressing the TERI’s Sustainable Development Summit 2005 at Delhi.

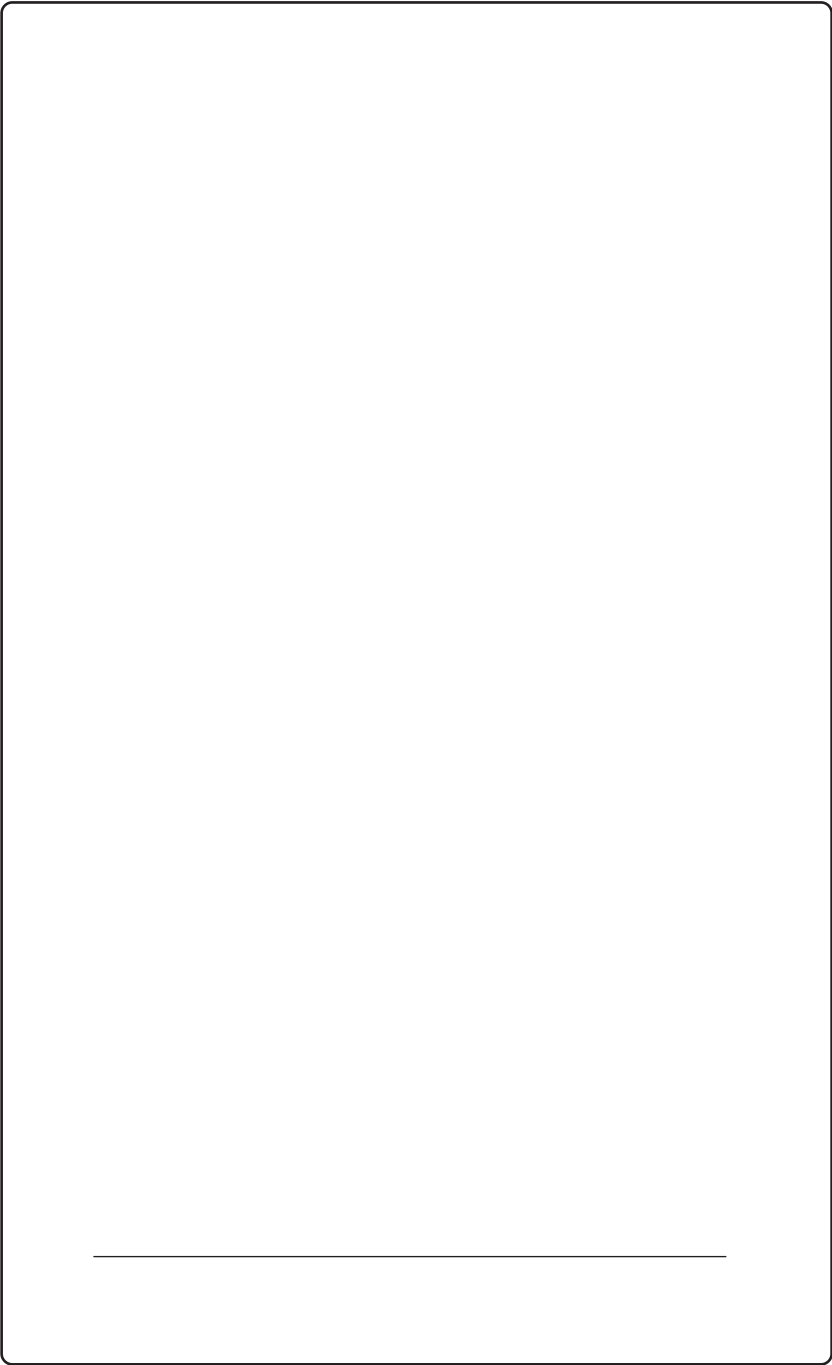
### **Suggested Action Plan:**

- Reaching the Unreached through Public services;
- From digital divide to digital opportunities for sustainable development and economic growth at grassroots level;
- Sustainable development of SMEs – Reducing spatial disparities and enhancing opportunities for employment and development
- Fostering agricultural growth, poverty reduction and sustainable resources use;
- Sustainable Development and Earthcare Policies in the areas of: water, Energy, Education, Health, Agriculture and Rural development, and Biodiversity;
- Village cluster Development through Sustainable societies in a Viable Rural Space;
- Grassroots level Governance;
- Moving towards “ONE INDIA” to usher in a remarkable change in the life of the common man;

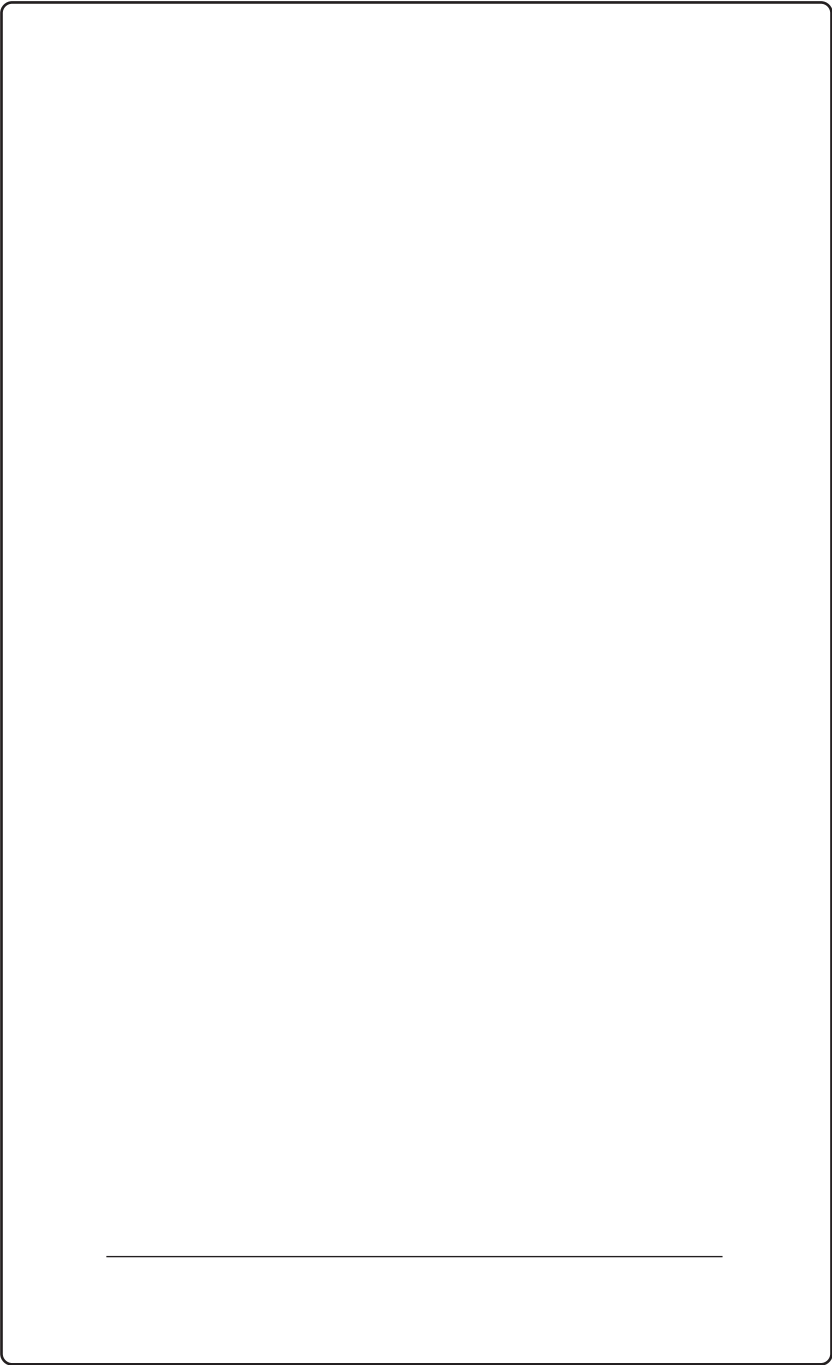
---

<sup>33</sup>Jeffrey D. Sachs (2005) : “The Democratization of Aid”, published in The Economic Times, 19 February 2005.

- Poor to be the real target of secular public policies;
  - Why not give a choice to the potential NREG Candidate – to go for the employment guarantee or sign up for the skill initiative?
  - Promote Yeshasvini under the NREG Scheme;
  - Improve governance, education and healthcare through ICT;
  - Broadband services over a technology neutral platform in rural and remote areas;
  - Dairy Cooperatives in every village for procurement of milk to enable the farmers to enhance their income;
  - Rural electrification through renewable sources.
  - Creating the right Human resources to reach heights in food processing;
  - Digital Network Farmers (AGRISNET, AGMARKNET, AgRIS, eCooperatives, Digital SMEs, etc)
  - Mainstreaming ICT for Grassroots level Planning for economic and social Development (DISNIC).
-



---



---