

• The government needs to address the fundamental issues bedevilling Indian agriculture....

• ...even as it tries to kickstart the formation of rural businesses. A look at what it will take.



92
PER CENT
of India's farmers own less than 2 hectares

Injecting Growth into Agri...

Agriculture | Soils. Water. Dryland Agriculture. Research. Some simple ways to revive Indian agriculture

It is no secret that Indian agriculture is in doldrums. Lakhs of farmers have committed suicide. Millions supplant their meagre earnings from farming by working in local factories and brick kilns, or by migrating to cities to work as labour. Step into the house of a small and marginal farmer, who now comprise 92% of all farming households in India, and you will see gnawing impoverishment. A complex set of factors is to blame.

The most fundamental threat to Indian agriculture is that its ecological underpinnings – soil and water – are collapsing. Two-thirds of our farmland, says the 11th Five-Year Plan document, are either degraded or sick. Intensive agriculture has leached nutrients and organic carbon from the soil. With the fertiliser ministry decontrolling everything except urea, it has ensured farmers chiefly replenish their fields with just Nitrogen.

The outcome? Large swathes of India's farmlands are seeing multiple deficiencies. Yields are plateauing. Nutrient deficiencies are showing up in our diets.

Water is a similar mess. Today, a third of India is seeing a collapse in groundwater levels. A recent Planning Commission study says the "level of groundwater extraction is unsustainable" in Punjab, Rajasthan and Haryana; and that Tamil Nadu, Gujarat and UP are "fast approaching that stage".

These six states accounted for half the foodgrain production in 2008-09. Apart from jeopardising food production, the falling water table is hammering farmer economics. Take Kishore Lal Singh of Mansinghpura village in Madhya Pradesh's Dewas district. As water levels fall, he needs a tubewell to find water – wells are too shallow. But banks do not lend for tubewells. And so, shortly before ET met him last year, he had borrowed Rs 1 lakh at 36% interest from fellow villagers.

"It will take us five years to repay this loan," his acerbic wife told ET. "Till then, we will live on mirchi roti."

Or take dryland agriculture. These rain-dependent fields account for 60% of India's net sown area. Farmers here used to grow pulses and coarse cereals, which handled vagaries of climate better than high-yielding varieties.

Now, dryland areas were ignored by the Green Revolution which was designed around growing high-yielding varieties of wheat and rice, which needed plenty of water and chemical inputs. In response, farmers here reproduced the green revolution template in their lands, by relying on groundwater.

Today, they are trapped. The green revolution template is increasingly inviable as costs of inputs (like water, not to mention seeds and fertilisers) rise. At the same time, they cannot go back to the old crops. Their yields are low and the demand ever lower.

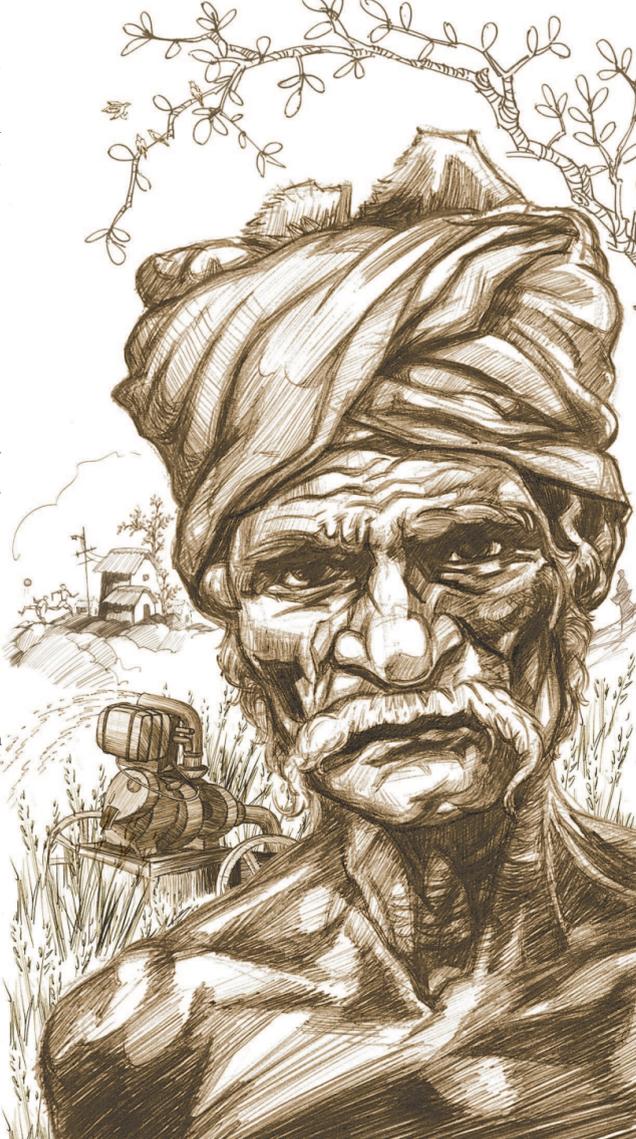
These are the objective realities. India's soil and water situation is grim. Most farmers in India are small and marginal – less than two hectares. Most agriculture in India is done in the drylands. We need policies which factor in these conditions.

Take agricultural research. "The entire agricultural research framework, incentive structure, price support, input subsidies, extension system were designed to 'flow' along with irrigation," says Ravindra working with Watershed Support Services and Activities Network (WASSAN), a NGO coordinating the national Revitalising Rainfed Agriculture Network.

That needs to be fixed. Also needed is better extension work to ensure the breakthroughs move from labs to fields.

Then, as the instance of Kishore Singh shows, rural credit needs to be reviewed. Providing inputs and marketing produce needs to be overhauled as well. This is especially critical, says Nabard chairman Prakash Bakshi, because farm sizes are shrinking. Not only can small farmers invest little in their fields, they are also unable to wait for prices to improve before they rush to sell.

Fix these. And India's farmers will stop wondering how to leave agriculture.



By Invite



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An Incomplete Banking Push

The government and the Reserve Bank of India (RBI) is half done on financial inclusion. More branches are being opened. Four elements of inclusion have also been articulated: a basic bank account with an overdraft facility; entrepreneurial credit on the lines of a Kisan credit card; an accumulating savings product; and a remittance facility.

This is a step ahead from just opening no-frills accounts. The ecosystem for inclusion is ideal. The Unique Identification Authority of India (UIDAI) is trying to link its Aadhaar number with a bank account; the banking system is computerised through core banking solution and interlinked; branch licensing is eased; payment of government benefits to individuals is mandated through bank/post-office accounts; banks can appoint business correspondents (BCs) to solve the last-mile problem; the commercials of loans to clients (other than agricultural loans) have been decontrolled; the National Rural Livelihoods Mission is rolling out its programme with the basic architecture of self-help groups (SHGs).

Never in the history of banking have so many things happened simultaneously. Each initiative is driven by a primary agenda of business/development, with inclusion as an additional agenda operating on marginal costs. For instance, core banking solution of banks are done for purposes of efficiency, but will benefit inclusion.

In spite of all this there is no euphoria on the inclusion front. The horse has been taken to the water, but there are constraints.

• The policy is credit oriented. The credit market is distorted with multiple players. SHGs with subsidies; agricultural loans with write offs; microfinance loans with unclear legislation. That space is a mess.

• There is reliance on one big idea. The current big idea is BCs. BCs add four layers of costs: cost of agency, added risk cost due to one/two more layers of cash transit, cost of the BCs' technology and the cost of carrier of information. The clients do not add revenues commensurate with costs. While this should be pursued, the banks have not thought of other ideas except for kiosk banking.

• Banks are expanding, thanks to villages with a population of 2,000; they have been mandated to open branches in

all habitations with 5,000 population. The outlets have increased; the staff has not correspondingly increased. Dumping anything on BCs without considerations of risk is a welcome idea for them.

• There is no interoperability between the BC and bank's own core banking system. The agenda of inclusion subject to one person's capability to deliver at the last mile. It just does not provide a choice.

So what should we chase in the coming year?

• Make banking a pleasure. For a year, just talk of savings instead of loans; talk of safety of money instead of interest rates; talk of building up household level equity and a strong foundation. This is Swabhimaan.

• Provide for inter-operability between BC and multiple banks, multiple channels. Give the poor the choice of all services that a regular customer gets.

• Explore alternatives to reach out to customers. Take lessons from microfinance: the poor do not desperately need walk-in transactions at the counter; they are happy with predictable choupal transactions. Divide the transactions into ones that can be planned and emergency. Reach out through an extension mechanism to meet planned transactions at the choupal. Use BC/agent/extension counter.

• Provide technology options: the poor will use ATMs and do mobile transactions if they are offered.

• Recruit young professionals from local colleges. If microfinance institutions could make these people work at odd hours, they would work for a bank. Decentralise, and delegate; allow people to take risks; back up the field with RTI and CVC issues; banking will get unleashed.

• Provide for local solutions. Delegate product development and specific product pricing to zonal offices.

• Involve cooperatives, microfinance institutions and NGOs. They are the ones who provide the local flavour.

Basically, there is nothing the government could do on the supply side. It had done what it could. It is time to fix the demand side.



Access to Banking

	MARCH 2010	JUNE 2011	MARCH 2013
Villages covered	54,258	107,604	352,269
Branches	21,475	22,870	26,440
Banking correspondents	32,684	84,274	323,699
No-frill accounts (million)	49.3	79.1	158.3
Kisan Credit Cards (million)	17.6	20.3	35.0

March 2013 figures are projections

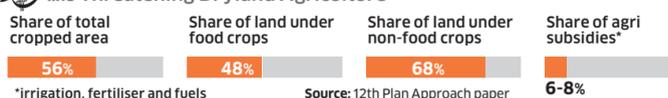
Source: RBI

Agriculture's Groundwater Crisis

Falling Groundwater...



...is Threatening Dryland Agriculture



*irrigation, fertiliser and fuels

Source: 12th Plan Approach paper

... And Into the Non-Agri Sector

Beyond Agriculture | Jumpstarting rural non-agri employment

With agriculture in crisis, India needs to create lots of jobs in the rural non-farm sector. However, travel around in rural areas and you will find most businesses in the hinterland service the rural market itself – garages, small shops, and the like. Businesses based in rural areas but serving larger markets elsewhere – like Amul – are almost non-existent. This is suboptimal. Fortunes of these rural businesses continue to be hitched to the agrarian economy villagers were trying to escape.

One reason for this lacuna, says PS Vijay Shankar, co-founder of Samaj Pragati Sahyog, an NGO working on dryland agriculture in the arid plains of central Madhya Pradesh, is "poor infrastructure". "Anyone who wants to run a business from the hinterland is handicapped by constraints like poor roads, electricity and lack of credit."

Some of this is slowly changing. The mobile revolution is reducing information asymmetries. Other forms of access are in various stages of progress. The Pradhan Mantri Gram Sadak Yojana is expanding the

road network to villages. Electricity continues to be a large problem (See graphic). As for credit, while the government has been on a large drive to open bank accounts, it is still unclear whether this is translating into meaningful financial inclusion (See column by M.S. Sriram on this page).

A big question here is whether these linkages can be themselves catalyse the formation of small enterprises or if villagers need further handholding. Dairy, remember, was a successful linkage due to cooperatives like Amul.

To help with the creation of these market linkages in rural areas, the government and some of its arms have been rolling out a set of new missions. In 2011, the government at the Centre rolled out the National Rural Livelihoods Mission (NRLM).

Designed to support small enterprises around agriculture and allied activities, NRLM is based on Andhra Pradesh's SERP programme, which brought together self-help groups (SHGs) in villages into a state-wide body, which would then aggregate and market their products.

In Andhra, says C.S. Reddy, the head of Andhra Pradesh Mahila Abhivrudhi Society, which works with Self Help Groups across the country, SERP "has done significant work in creating enterprises around dairy, agriculture and non-timber forest produce."

The question now is whether it can take its model national.

Nabard is trying to kickstart rural enterprises as well. Till about 15 years ago, it used to finance integrated value chain programmes in rural India. Instead of lending for cows or chilling plants in isolation, these programmes used to try and create an entire supply chain – trying to simultaneously lend for cows, milk trucks, chilling plants and so on. Nabard is now restarting those, says chairman Prakash Bakshi.

The big question is whether these interventions will deliver. India's track record in devising and running rural development programmes has been poor (See accompanying column by NAC member N.C. Saxena).

As ever, wait and watch.

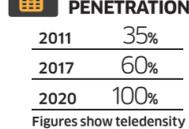
Access and Rural India

ROADS New roads sanctioned under Pradhan Mantri Gram Sadak Yojana (2005-12) **2,56,425 KM**

Work done till June 2011 **1,98,311 KM**

Source: Ministry of Rural Development

TELEPHONE PENETRATION



Figures show teledensity

Source: Draft Telecom Policy

BROADBAND COVERAGE UNDER BHARAT NIRMAN

Total Panchayats **2,47,864**
Panchayats covered so far **1,10,695**

Source: Dept of Telecommunications

ELECTRICITY

Number of rural households without electricity **41 million**

Covered so far under Rajiv Gandhi Grameen Vidyutikaran Yojana

20 million

Source: Rajiv Gandhi Grameen Vidyutikaran Yojana

Social Schemes

By Invite

India's Flawed Development plans



NC Saxena
The writer is Member, National Advisory Council

India's excellent economic growth has had little impact on its social indicators, and India is likely to miss achieving the Millennium Development Goals in respect of poverty reduction, health, nutrition, sanitation and gender. Two recent reports confirm this.

According to the latest Global Hunger Index Report, India continues to be in the category of those nations where hunger is 'alarming'. Then, the recent hunger and malnutrition (HUNGA) report released by the Prime Minister shows that there has been no decline in the number of malnourished children since 1998, which continues to be above 40%.

This dismal performance is despite the central allocation for programmes in the social sector, including agriculture, often going up by almost 10 times in the last decade. Unfortunately, many central programmes have a serious design flaw, besides being tarred by inappropriate policies and a total lack of oversight.

For instance, the government should re-examine the focus on self-employment in poverty alleviation programmes such as Swarnajayanti Gram Swarozgar Yojana (SGSY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY). The capacity of the poorest to absorb credit and start enterprises is limited due to their lack of

business skills, illiteracy, inability to take risks and lack of motivation for business.

It would be much better to upgrade their skills and make them employable in the newly emerging industries and trades. The poor would prefer to be wage employed on a regular basis at a decent salary due to improved skills, rather than face the risk of operating in an uncertain market plus the ignominies of humiliation from insensitive police and municipal officials. Hence the National Rural Livelihoods Mission (NRLM) should focus more on skill upgradation than on self-employment.

Major food-related programmes, such as the Public Distribution System (PDS) and the Integrated Child Development Services (ICDS), are plagued by corruption, leakages, errors in selection and little accountability. They also tend to discriminate against and exclude those who need them the most.

This is compounded by state hostility to migrants, street and slum residents, dispersed hamlets, and unorganised workers such as hawkers. In Rangpur Pahadi, a slum area just a few kilometres away from Vasant Kunj in Delhi, people living there since 1980 have not been given a voter ID card or a ration card. Thus, the Delhi government denies their very existence!

A recent evaluation of the ICDS in

Goarakhpur by the National Human Rights Commission showed that despite Supreme Court orders to provide hot cooked meals, all centres supplied only packaged ready-to-eat food. This only had 100 calories, as against a norm of 300 calories, and 63% of food and funds were misappropriated. The food being unpalatable, half of it ends up as cattle feed. However, such reports, though few, are never discussed in state assemblies, as they meet now for less than 30 days a year. We need a new law making it compulsory for Parliament and state assemblies to meet for at least 150 days a year.

Moreover, state governments actively encourage reporting of inflated figures from the districts, which renders monitoring ineffective and accountability meaningless. Objective evaluations show that 43.5% children are underweight, of which 17% are severely malnourished. However, the state governments report 13% children as underweight and only 0.4% as severely malnourished (India Human Development Report, 2011).

One district collector, when confronted with this kind of bogus figures, told me that reporting correct data is "a high risk, low reward activity"! The Prime Minister may call our performance as a "shame", but he has not been able to persuade the states to accept that the problem exists!

We certainly need more government teachers and doctors, but what if almost half of them are absent, and busy in private practice? It is deplorable that neither the government of India nor the states monitor and measure absenteeism regularly. Policy makers admit that huge errors of inclusion and exclusion exist in identifying the poor, but when did we last measure this? Seven years back, in 2004-05. When was PDS last evaluated? Nine years back, in 2002-03. Surely, more frequent assessments by the government of India could have put pressure on the states to improve delivery.

Incidentally, the recent joint statement of the Planning Commission deputy chairman and the minister of rural development that the present state-wise poverty estimates will not be used to impose ceilings on the number of households to be included in government programmes will further encourage them to inflate the number of the poor in their states.

So far, with a cap on each state, when a non-poor was selected as a BPL household, it was at the cost of a poor in the same state; it did not increase the total number of poor beneficiaries in that state because of the state cap. Once the cap is removed, showing more deprivations in a state will be advantageous to that state as it will be at

the cost of the poor of other states. We will thus incentivise and encourage wrong reporting. Inter-state bickering will also increase: states with less number of priority households will blame other states for deliberately fudging their numbers.

To sum up, whereas the problems of governance deficit in delivery are well known, the track record of government of India ministries in formulating and monitoring policies and programmes that can alleviate poverty cannot be called satisfactory.

The gap is most glaring where the poorest of them all, tribals, are concerned. Persistent problems faced by tribals have by and large remained unattended.

The current approach of the ministry of tribal affairs is to confine its attention to its own budget and the schemes that are under its control, such as grants to NGOs, scholarships, etc. The ministry does not put any pressure on other ministries that have been vested with the responsibility to ensure that basic justice and development reaches the tribals. The ministry does not even monitor whether the basic services in education, health or nutrition are reaching the tribal hamlets.

The Prime Minister's Office will do well by looking at the performance of its own ministries rather than only blame the states for poor delivery.