

Changing Contours of Rural India

Causes and Consequences

Second Dr. Verghese Kurien Memorial lecture

By

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I deem it an honor to deliver a Lecture dedicated to Dr. Verghese Kurien. Dr. Kurien was a trailblazer in the fields of Cooperation and Rural Development. Starting with the organization of a few dairy cooperatives in Anand villages, constituted mainly of small farmers and landless labourers each owning one or two buffaloes, he built the mighty Gujarat Cooperative Milk Marketing Federation, which could challenge the biggest multinational companies in the dairy sector. He accomplished this rare feat, without compromising on the basic values of cooperation while at the same time, safeguarding the economic interests of the constituent members. Later, he brought his experience and insight to establishing the National Dairy Board and ushering in the White Revolution in the country. Pragmatic to the core, he never posed as an ideologue. It was much later in his life that he articulated his vision and goals in the fascinating book

“I Too Had A Dream”.

It gives me added pleasure to speak today as I had the good fortune of knowing him personally in the 60s and 70s when I was working in Gujarat, first in neighbouring Vallabh Vidhyanagar and then in Ahmedabad. Later, in 1990, he invited me to join the governing board of IRMA and requested to me to continue on the board for three consecutive terms. It provided me an excellent opportunity to observe him as an institution builder, this time in the academic arena. IRMA is a living testimony to the vision and capacity of Dr. Kurien.

Knowing his lifelong interest, rather passion, for the improvement of the lives of rural people in general and small men and women in particular, I have decided to sketch before you the changing contours of rural India, where we have gone right and where we have failed. I will be referring mainly to the period after 2000, i.e. the changes one can observe in the new millennium. I must mention at the beginning that I am painting a macro picture and in broad strokes. In a vast country like ours every statement can be countered by referring to some specific region or a particular section. I am aware of this. Yet I see some merit in taking an overall view of our rural scene so that others who want to go for details can appreciate the background and the context.

I

I will start by identifying some of the developments, which have made a profound impact on rural economy in our country, spell out the outcome of these changes i.e. the strength they have imparted and distortions they have led to, and finally suggest a few critical areas where we should focus, if we have to come closer to Dr. Kurien's dream.

Among several important forces of change I will focus on four major developments that are shaping contemporary rural economy and society. These are : (i) increased connectivity (ii) sprad of formal education (iii) plethora of government programmes with large funds and numerous functionaries, and (iv) emergence of Panchayats as powerful political institutions. Let me say a few words on each of these.

Increased Connectivity : The most important among recent developments is the growing accessibility in rural areas. The existence of an isolated, inaccessible village is now becoming a rarity. The attempt to link all villages with all-weather roads started in right earnest in 2000 with the Pradhan Mantri Gram Sadak Yojana, which stipulated providing at least a paved road initially to villages with population of above 1000, and eventually to all villages with over 500 inhabitants. This program got a fillip, once it became a component of ambitious Bharat Nirman Programme. In more recent years MGNREGA, the nation's flagship programme for rural India has also contributed significantly to the road-building programme. The net result is that more than three- fourth of India's villages is connected by roads on which a motorized vehicle can ply. Most of these roads are fair weather roads and the vehicles plying on them are ramshackle buses and lorries, but connectivity is assured for an overwhelmingly large majority of villages. This has resulted in the phenomenon of rural-urban continuum, a situation that is now observable in many parts of the country, not only in Kerala.

The impact of greater connectivity on the rural economy is far reaching. In a series of studies, which the Ministry of Rural

Development had instituted in eight states in 2006 to access the impact of road connectivity on agriculture it was revealed that it had made a substantial and positive difference on every aspect of agricultural production and marketing. Better connectivity has also led to increase in non-farm employment opportunities, small industries, trade and services. Of course, this has also enabled urban enterprises to introduce their products and services in the rural areas with much ease, most of the time at the cost of local artisans and traditional service providers.

More than surface connectivity It is the spread of telecommunication, which is changing the face of rural India. The country has recorded one of the fastest growths of telephony in the world, and rural areas have their adequate share. According to the Telecom Authority of India, by July 2013 there were more than 904 million telephone subscribers in India. Of these, nearly 40% roughly 360 million, were in the rural areas, and the number of rural subscribers is rapidly increasing. A farmer ploughing a field or transporting his product to a nearby market with his cell phone glued to his ear is not an unusual sight. With extension of broadband facilities under the ambitious National Optical Fibre Network and spread of IT applications rural India is undergoing a veritable Communication Revolution.

Spread of Formal Education : Another major development taking place in rural India is the spread of formal education. During the last few decades the education landscape of rural India has changed beyond recognition. Now there is a School practically in every village, near universal enrollment of children of school-going age. (Although retention of boys and girls in schools after the first few years, and quality of education are still major problems, as I will observe later.) Even now the difference

between the literacy rates in urban (83.6% male and 73.6% females in 2009-10) and rural India (70.6% males and 53.3% females in the same year) is significant, but it is fast narrowing. Sarva Shikshya Abhiyan has covered the whole of India, including the rural area, making it easier for boys and girls to get elementary education. Schemes such as 'mid-day meal' have further helped the enrollment of boys and girls in schools. The Right to Education act, which came into force in April 2010, aiming at eight years of compulsory education for all children, will further accelerate the spread of education in rural areas.

Educational institutions of all levels are spreading rapidly in the rural areas. There is a primary school within walking distance in large parts of the country. The number of secondary schools is burgeoning. Practically every taluka/tehsil town has a college. Apart from the government's efforts, the private sector is making its presence felt in the education field. Even in rural areas privately run 'English Medium' schools are becoming ubiquitous. An all-India survey conducted in 2005 found that 21 percent of rural children were enrolled in private schools. Since then the proportion must have risen significantly. Presence of the private sector is more prominent in the secondary level institutions. The Twelfth plan notes that nearly half the secondary schools in the country are sponsored by the private sector. With the increase in the number of secondary schools and colleges in the rural areas the number of people passing out from these institutions has also increased. By 2009-10 18.8 percent of rural males and 10.3 percent of rural females had education up to secondary level and above.

Admittedly, infrastructure of the educational institutions in rural areas is grossly inadequate; they are under-staffed and the quality of teaching is appalling. Schooling in most of these institutions does not open the 'gateway to knowledge', yet the students, who go through these institutions, especially those who get secondary and college education, imbibe a different worldview from their parents. They may not acquire higher knowledge, but their aspiration level changes. Due to lack of relevance and poor quality, the spread of education in rural India might not have made any measurable impact on the production processes or employment opportunities but it has resulted in truly distinguishable consumption patterns and living style bringing rural population, particularly the youth, closer to their urban counterparts.

Large influx of Public Servants: The pace of change in rural areas has accelerated with the massive intrusion of public institutions and their functionaries. Historically, state administration ended at the district level with a few functionaries, mainly the revenue and police officers, stationed at the lower level. The picture is completely changed now. With the government assuming a major role in economic and social development, a plethora of programmes and schemes is located in the administrative units below the district, right up to the village level. The Departments of Health, Education, Social Security, Women Empowerment, and many more have their functionaries in villages. Other development departments like Irrigation, Power and Roads, to name a few, are also present in villages.

Apart from the government departments, a number of public agencies are increasingly being located in rural areas. Post offices already had a very wide coverage of the rural areas. Fair Price Shops numbering thousands have been located in the rural areas. Now more than one-

fourth of the villages, 160,000 out of nearly six lakh villages have branches or correspondents of commercial banks. There are more than 100000 cooperative credit societies located in rural areas. Overall nearly 2,68,000 banking outlets have been set up in the villages as on March 2013. A large number of NBFCs, chit funds and insurance companies have located their offices or appointed agents in the rural areas. In every part of the country hundreds of public functionaries are working in the units below a district, in *taluka/ tehsils*’ headquarters and even in villages. Way back, in 1980, as part of IIMA’s project on **Rural Development for Rural Poor** we conducted a survey in a backward *tehsil* of Rajasthan, Devagarh. We found that there were 27 agencies working in that *tehsil* accounting for 570 functionaries. Similar results were obtained in our survey of a backward *taluka* of Gujarat, Dharampur. Since then the number of agencies and their staff located in rural areas must have increased many fold.

I am not commenting on the development role or the efficiency or probity of these functionaries. What I wish to point out is that this army of officials is acting as change agents in rural areas with its distinct life-style and higher spending power. Most of these functionaries are urban educated youth who import urban values and urban life-style to rural areas. Their higher spending power affects the production and employment structure in the rural areas. As their number is progressively increasing their impact on rural society is also becoming more pronounced.

Emergence of *Panchayats* as Power Centres: A profound change has occurred in rural life with the enactment of the 73rd amendment to the Constitution, which provides constitutional status to the three-tier *Panchayati Raj* institutions, at the district, block and village levels. There are about 244,000 village *Panchayats*. Several features of this institution have introduced significant changes in rural life, especially

at the village level. For example, there is a provision for regular meetings of the village general assembly, *gram sabha*, regular elections of the *Panchayats*, fifty percent reservation for women in the *Panchayats* and so on. All these are meant to give power to villagers including women. It is true that only a minority of the *Panchayats* lives up to its constitutional responsibility but in every state some sections of more alert or more resourceful persons are assuming power through this route.

There is a constitutional provision to delegate 29 important functions of the state, such as education, health, social services, etc., to these institutions. Not all the states in the country have delegated these functions to *Panchayats* but a beginning has been made in several states. With the delegation of these responsibilities, there is a demand for giving funds and functionaries to carry out various activities. The *Panchayats* now have large funds at their disposal and a sizable number of employees under their supervision.

More important than the delegated function, the 'agency' function has made them very powerful institutions. A number of government schemes, the most important among these being MGNREGA are executed by the *Panchayats*. For a few other Central schemes funds are directly given to the *Panchayats*, bypassing the states. It is not uncommon to find a village *Panchayat* handling an annual budget of Rs. 80 to 100 million. Such large sums of money spent in the villages under the supervision of the elected representatives has changed the environment in the villages as well as the status of the elected *Panchs*. Huge amounts under the control of the *Panchayats* has not necessarily led to more efficient or more honest use of money but it has given rise to a new breed of leaders in the village with substantial power.

consumption pattern has become even more market oriented. In *the* consumption basket of rural families, the share of non-food, commodities and services are dominating.

The picture of self-reliant (for production) and self-sufficient, (in consumption) rural households has become outdated. Market forces have an impact on their livelihood as well as on household economy with ever-increasing intensity. The lesson is clear. While formulating macro policies for credit, trade, pricing etc., their impact on rural livelihood and rural consumption cannot be ignored.

Changing Composition of Workforce: Easy accessibility has facilitated market penetration in the rural areas; it has also affected the composition of the workforce. An immediate result has been the growing feminisation of agriculture. Menfolk leaving villages in hordes every morning for a nearby town in overcrowded buses for wage labour and returning in the evening with paltry earnings is a common sight in large parts of the country. Meanwhile, the women have to look after the households as well as their small farms. Actual work on the farms by women is underestimated if one takes into account only the “principal source of income” criterion. In 2012-13, on MGNREGA sites in the country as a whole, women accounted for 51 percent of labour days and in seven states, including Kerala, Goa, Tamil Nadu, Rajasthan and Andhra Pradesh, the proportion of women workers was more than the national average. Thus, wage-paid labour on MGNREGA may be their principal source of income but women manage most of the small family farms, mostly as unpaid family workers.

Another factor changing the composition of workforce, in this case a tilt towards more elderly people, is the result of the spread of education in rural areas. It is not only because the youth, especially boys, are in school that they are not available for work. Even after rudimentary schooling they are reluctant to work on the farm. The fact of

progressive feminisation of farming is now well-recognised. A less appreciated, though an equally important phenomenon is the growing proportion of the aged among the workers. The NSS 60th Round has shown that the proportion of the rural male workers in the age group of 60 and above has increased from 70 per 1000 workers in 1999-2000 to 77 in 2009-2010. The increase in the proportion of female rural workers in the same age group during that period was from 72 per 1000 to 81 per 1000. The reverse phenomenon, i.e., declining proportion in the work force, is observed in the 20-29 age group. If the present trend continues, the proportion of aged in the rural work-force may become higher still as 'education' spreads in the rural areas, making youth reluctant to work on farms.

Diversification of Occupational Structure: With all these developments one sensitive indicator of change, namely diversification of occupational structure, does not seem to have changed much. For the country as a whole the dependence on agriculture as the main source of livelihood has declined from 58 per cent to 51 per cent over a decade, from 2001 to 2011. For a fast-developing economy, averaging GDP growth of eight to nine percent per year, this does not appear as a remarkable change. However, it does not reflect fully the changes that are taking place in the rural occupational structure. For example, there has been a significant change in the composition of the agricultural workforce. Proportion of 'workers' in the agricultural workforce is progressively increasing and the proportion of 'farmers' is declining. This increase in the proportion of workers should be viewed, as I will explain later, in the context of diminution of the size of holdings. Available evidence suggests that larger proportion of scheduled castes, scheduled tribes and minority community household are changing their principal source of livelihood, i.e., cultivation, to farm and non-farm labour.

Equally significant changes have taken place in the composition of work-force in the rural non-agricultural sectors. Number of workers engaged in small household enterprises, i.e., in traditional arts and crafts, is declining. Rural workers engaged in trade, transport and construction, have increased. Prosperity of a section of rural society

and the changing life-style of the rural households have affected the occupational composition in the non-farm sector in the rural area. Taking advantage of these developments the organised sector, including large multinational corporations, from soft drink makers to white goods manufacturers, have also penetrated rural areas to push their wares.

Increasing Prosperity and Growing Differentiation: On the whole rural areas have benefitted from these changes. Rural incomes have increased, poverty has been reduced, productivity in agriculture has improved, and terms of trade have gone in favour of agriculture. Whether in terms of income per hectare or in terms of income per worker there is an improvement over a period of time. Apart from the favourable stance of policy directly impinging on agriculture, such as Minimum Support Prices, subsidised inputs and credit, the overall economic reforms, e.g. privatisation and trade liberalisation have also benefitted agriculture sector.

The overall picture of rural prosperity, however, hides substantial misery and deprivation of a section of the rural people. There is wide differentiation in wealth and income in the rural society. Based on the NSS consumption data a recent study has concluded that inter-personal inequality has increased in the country as well as in the rural areas.⁸ In the rural areas, sharp and persistent inequality can be observed between farm and non-farm sectors, between rainfed and irrigated agriculture, and between marginal farmers and the middle and large farmers. The marginal and small farmers are particularly handicapped. As I have elaborated elsewhere,⁹ while they are at a serious disadvantage in the market place, the government schemes also leave them to their fate. The official figures on rural poverty do not take into account the households who are only marginally above the poverty line and are vulnerable to shocks: market-induced, natural, familial or

personal. In terms of numbers the disadvantaged sections in the rural areas far outweigh those who have benefited from the developments I mentioned earlier.

A powerful factor contributing to the income as well as social differentiation is the politicisation of rural society. The starting point is the election to *Panchayats*, which carries not only prestige but also control over vast resources. It also facilitates contacts with state bureaucracy and managers of the public institutions, and ensures benefits that may be obtained from such contacts. Political parties also like to gain a foothold in rural areas by controlling the *Panchayats* directly, or by proxies. Ensuing competition for power aggravates the differentiation in rural society.

The problem of 'rural-urban divide' is voiced at several forums. However, an equally serious problem of 'rural-rural divide' does not receive as much attention. As a matter of fact, benefits of state policies and programmes are preempted by a section of the rural society while the rest have to remain content with paltry relief.

III

The changes discussed above have affected different sections of rural society in different ways. While a number of geographically and socially well-placed households gain all the positive advantages from these changes many others have been left behind and even become losers. To ensure that the gains are shared more equitably the strategy adopted by Dr. Kurien in developing AMUL has great relevance in the present context. As I understand it, there are three pillars of this strategy: organisation of the producers, taking advantage of the

existing and the potential demand, and emphasis on Human Resource Development.

Organisation of the Poor: The reasons the marginalised groups of rural society are not able to take advantage of the recent developments are, a) the high transaction cost involved and, b) weak bargaining power. With collective action the poor can largely overcome these disadvantages.

One of the common problems of the poor, the urban as well as the rural, is that as individuals they have no identities, and no bargaining power. In the market place they are always losers,

whether it is in the labour market or in the market for goods and services. Besides, there are activities, which may be profitably organised only if scale is imparted to them. These handicaps can be overcome with some form of collective organisation. We have experience with different forms of organisations for collective action, e.g., self-help groups, cooperatives, producers companies etc. Not many of these organisations have succeeded for long periods of time. But there are examples of successful collectives. The SEWA group of organisation⁵ started by Smt. Ela Bhatt and the AMUL pattern of milk cooperatives initiated by Dr. Kurien are two examples of the successful collective organisations known all over the country. There are other organisations of marginalise groups in different parts of the country, some initiated by the producers themselves and others sponsored by civil society groups or the government

All these groups exhibit some common features. The basic units of the successful collective entities are small homogeneous groups of members; there is a dedicated 'agency' to initiate and support them for a length of time; there are distinct gains in productivity and or realisation of higher value for their products; there is sufficient stress on capacity building. It needs to be emphasised that under present circumstances homogeneous groups of small producers, with joint efforts to cater to their needs will not only increase their bargaining power and income they would also provide the foundation for an efficient and equitable rural structure. We have now sufficient experience of working with different models of collective organisations and should be able to adapt them to the given circumstances

Exploiting the Market for Goods and Services: It was Dr. Kurien's genius that he put market orientation of cooperative efforts at the central place. Both farm and non-farm producers in the rural economy have suffered because of faulty marketing systems. The Gaps between the prices received by farmers and the prices paid by the final consumer is one of the most important indicators of its deficiency. This gap is not because of the value added at different stages of the marketing chain but largely because of leakages, wastage, and high margins charged by the intermediaries. Such gaps are wider in the perishable products like fruit and vegetables, milk, and dairy products. The small farmers feel the incidence of market imperfection more seriously.

Initially the milk producers of Kaira district, and later dairy farmers all over the country who were members of the Anand Pattern of dairy cooperatives, received a fair share in the consumers' rupee mainly

because of astute marketing (which also included processing) by their cooperatives. For most of the farm produce, especially for the high-value products, aggregate demand is not a problem. With the burgeoning demand, the product mix and quality of the products on the one hand and the marketing arrangements on the other have become very important for maximising the producers' incomes. Reforms in marketing are as important as the investment in rural infrastructure. In fact, both can go together to enhance the value of the produce and income of producers.

For non-farm products, especially those produced by the artisans in small enterprises, marketing is of paramount significance, not only for receiving signals regarding the effective demand for their products but also for claiming a higher share in the consumers' spending. Today the artisans and craftsmen are the most disadvantaged sections in rural areas because of the cheap products available from the urban organised sector due to easy accessibility exacerbated due to inefficient marketing of their products.

For strengthening the market chain and making it more producer-friendly, government intervention is needed, particularly in strengthening marketing infrastructure. The producers need also to be trained to operate efficiently in today's more complex markets. This has become relatively easy with the spread of IT in the villages which can reduce the information asymmetry, one of the principal causes of inefficient marketing. For small producers in the farm as well as non-farm sectors marketing is an important element in what C.K. Prahalad in his seminal work, *The Fortune At The Bottom Of The Pyramid*, has called "the ecosystem of wealth creation".

Development of Human Resources: Dr. Kurien laid great emphasis on the development of human resources at all levels. The importance of human development as a measure of progress was recognised in our Plans. “Growth with Justice” was a recurring theme in our Plan documents. This objective has been made more explicit in the Twelfth Plan with its emphasis on “Inclusive Growth”. Of the three main components of Human Development highlighted by UNDP’s Human Development Reports, namely, Income, Education and Health, I have already commented on the growth of income and status of poverty in rural areas. Let me say a few words on the other two major components of Human Development, namely Education and Health.

Education: Investment in creating educational facilities has increased phenomenally. As mentioned earlier, the infrastructure for education has been strengthened all over the country. This has brought about a profound change in the rural areas in terms of access to elementary, and to an extent secondary, and higher education. Yet several problems remain. There is a serious problem of ‘exclusion’ of weaker sections of society, particularly the scheduled castes and scheduled tribes, and minorities. There is a problem of ‘drop-outs’ with the retention period in schools limited to hardly three years. And above all, there is the problem of quality. Extensive surveys of rural educational institutions have shown that not only is the quality of teaching very low, there is no sign of improvement. Further, in case of secondary and higher education the students are **not** equipped for gainful employment. Skill deficit, which is common in the country, is more glaring in the rural areas. These problems have to be tackled to give true benefits of the large and growing investment in education in the rural areas.

Health and Nutrition: The situation with regard to Health and Nutrition, another critical element of human development is disappointing in the country; it is worse in the rural areas. We have not

been able to meet the modest targets for reducing infant and maternal mortality set as part of the Millennium Development Goals. As is well known, our record in correcting malnutrition is dismal. On all indicators of Health and Nutrition the rural areas are far below the desirable norms. Investment in health infrastructure seem to be inadequate, even in comparison to some other developing countries. But it is not the only, or even primary, factor coming in the way of achieving satisfactory results. There seems to be some basic lacunae in the designing of the projects and programmes and more so in their delivery systems.

It is easy to explain failure of delivery to the inefficiency of the bureaucracy or imperfections of the market but one wonders why, with the power given to *Panchayats* to supervise various programmes of education and health the situation has not changed. Explanation would go beyond economic logic. The nature of social organisations at the local level has to be understood and the scope for change has to be defined. For these purposes academics and professionals can play an important role, as advocates as well as activists. Dr. Kurien had visualised that role when he started the experiment of the Spear Head Teams for expanding the cooperative movement in the dairy sector. In this, as in several other aspects of Rural Development, there is much to be learned from the ideas and actions of this remarkable leader.

Anand

December 13, 2013