

Business Line

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## NEW DEAL FOR RURAL INDIA, POWERED BY PANCHAYATS

LOST in the din on withdrawal tax, and pushed to fringes by the FBT protests, is the 'Bharat Nirman' that Chidambaram spoke of as a business plan "to give rural India a new deal fully involving the Panchayati Raj Institutions".

The 'new deal' found ample space in the President's address too, a few days before the Budget. So, I push aside tax tomes to look at a new book on the subject: Energising Rural Development through Panchayats, edited by Bibek Debroy and P. D. Kaushik, and published by Academic Foundation ([www.academicfoundation.com](http://www.academicfoundation.com) <[www.academicfoundation.com](http://www.academicfoundation.com)> ).

The book contains papers on the rural economy, which gets ignored in most erudite discussions. Wonder how many know that according to Census 2001, there are 6,38,000 villages in India and that the average population of our villages is 1,161. Before we engage ourselves hesitantly with the rural side, there are what may seem sacrilegious questions from Debroy: "Should there be so many villages? Are so many villages viable?"

Relevant, though, in the context of costs involved in delivering services, because you don't achieve viability if "the number of inhabitants is fewer than 1,500." Thus Laveesh Bhandari explores the equation 'More rural roads = fewer villages'. His chapter uses data to point out that smaller villages are reducing in absolute numbers and that "fewer people live in smaller villages now than they ever did."

His argument is that a better road system leads to better and cheaper lifestyles, and promotes relocation from smaller to larger villages. States with vast areas unconnected have been seeing growth in the number of villages. But how are roads important? Because they lead to reduction in transaction costs, such as for transportation, and for finding relevant buyers and sellers, reasons Bhandari.

Yoginder K. Alagh's paper on 'policy framework' debunks the popular myth that 74 per cent of workforce depends on agriculture. "While 54 per cent workers are engaged in crops, those in livestock, dairying, poultry and so on has doubled, from 2 per cent to 4 per cent of the work force," he writes.

Reforms will have to help farmer and artisan to exit from unsustainable activities, he suggests. As if to hamper such moves, "There is a lack of harmonisation in tariff, credit, price and trade policies," points out Alagh, citing "large unintended imports of sugar, cotton, forestry products and now vegetables and fruits." The challenge, according to him, is to withdraw unproductive programmes and subsidies; and to support newer and more profitable paths of growth.

'How well are the villages equipped' is the question that Debashis Chakraborty and Arup Guha raise. To answer the query, they select 30 variables under five broad categories, and rank the States. Thus, Kerala tops in overall ranking, access to physical and social infrastructure, and reach of government support programmes.

An important observation is that "in almost all States, the pre-reform better performers are at the top of the list even after liberalisation." Which means that better information, decentralisation, better quality infrastructure, and so on are "still concentrated in a few States."

Kaushik writes on the Panchayati Raj movement, tracing self-governing village communities right from the Rig Vedic period, circa 1200 B.C. It was in 1687 that the British formed the first Municipal Corporation in Madras.

Accountability at the grassroots is ensured by gram sabha - offering "equal opportunity to all citizens of a village to discuss, criticise, approve or reject the proposals of the panchayat executive and assess its past performance." One hopes walkouts are not as common in the House!

Another chapter that discusses women's empowerment has distressing global statistics such as: Only 1 per cent of the world's assets are in the name of women; 70 per cent of people in abject poverty are women; and in Silicon Valley, for every 100 shares of stock options owned by a man, only one share is owned by a woman.

"Power is not something people give away," writes Kaushik. "It has to be negotiated, and sometimes wrested from the powerful." Praiseworthy, therefore, is a 'first' in this year's Budget - the attention to gender sensitivities.

Mohammed Saqib and Chakraborty look at the Chinese township and village enterprises (TVEs) for lessons that our agricultural coops can use. TVE is typically an industrial community enterprise belonging to all residents of a rural community of about 3,500 households in townships and 200 in villages, write the authors.

"A collection of TVEs in a community can be viewed as one firm, since the community governments rather than the enterprises themselves exercise most strategic control rights." In 2001, there were 21.5 million township enterprises. Revenue of TVEs last year was almost \$ 1 trillion. And they were able to transfer about 29 per cent of China's 480 million rural labourers from farming to non-farming activities.

To attract private capital for social goals, Rajiv Lall proposes a 'social investing' approach to micro credit. "Microfinance is primarily the provision of unsecured, short-term loans, typically less than Rs 10,000, to individuals or groups of mostly women borrowers and/or to microentrepreneurs from low-income households," explains Lall.

Three principal lending techniques are group lending, village banking, and individual micro-lending. Micro credit programmes have surprised economists with repayment rates often above 95 per cent. In contrast, banks have not been successful in supporting the private sector; private credit is only 36 per cent of total bank assets, compared to 50 per cent in Mexico.

**A 2003 study by the World Bank and NCAER revealed that almost 60 per cent of households do not have access to a bank account;** that it takes 4-7 months for a formal loan to be approved; and that bribes ranged from 10 to 20 per cent of the loan amount.

An indication of improvement was mentioned by the Finance Minister in his Budget speech: That public sector banks and regional rural banks have added so far 58.2 lakh new farmers to their portfolio of borrowers. To promote micro-finance institutions, the Budget proposes to "classify and rate such institutions, and empower them to intermediate between the lending banks and the beneficiaries."

We may thus see them working as 'banking correspondents' appointed by commercial banks. And the Micro Finance Development Fund is being renamed as Micro Finance Development and Equity Fund, with its corpus doubled to Rs 200 crore.

There is a chapter on the use of ICT for Panchayati Raj - something essential if the dream of Chidambaram to establish "a Knowledge Centre in every village by the 60th anniversary of Independence Day" has to materialise.

Another chapter looks at decentralisation of rural markets; remember that a new scheme is coming up with the name Development/ Strengthening of Agricultural Marketing Infrastructure, Grading and Standardisation.

Yet another discussion is on food security; food for thought is that the Finance Minister has hinted at converting the National Food for Work programme into one on Rural Employment Guarantee. For the big picture, there are maps of industry clusters, sector wise; export agri-zones for grains, flowers, fruits and vegetables; artisan clusters; and mandis.

Essential read before you venture out to the village. But if you're hesitant, here's a quote of Julius Caesar to help set the priorities: "I had rather be first in a village than second at Rome."

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