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Rural India’s Transition Challenges

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The NDA's return to power in the general elections is attributed to benefits from its welfare schemes trickling down. However, the government now faces huge challenges, especially in transforming the rural sector into an engine of sustainable growth. Photo: Kamal Narang

While the electoral victory of the National Democratic Alliance in 2019 can, in part, be attributed to its welfare schemes and their impact on socially and financially weaker sections, much more remains to be done. In this commentary, *Sangeeta Shroff, Professor, Gokhale Institute of Politics and Economics, Pune*, ***calls for major changes in the approach to rural transformation. She points out that schemes such as doubling farmers' income should be seen as a short term measure to ease the distress in rural areas. The medium term solution must be to make rural areas an engine of growth which must be more broad based and not concentrated only in certain geographic locations.***

The stunning majority by which the National Democratic Alliance (NDA) government retained power in the 2019 general election is indeed a massive achievement. A host of factors have been responsible for this overwhelming majority, with issues relating to the political economy also contributing to this landslide. Needless to state the government in its first tenure made serious efforts towards several welfare schemes. Apparently, most socially and financially weaker sections of society did benefit from one scheme or the other, and perhaps this largely contributed for the second term. However, while benefits have been trickling down, there exist huge challenges ahead to ensure "*sabka saath, sabka vikas, sabka vishwas*" [together with all, development for all, the trust of all]. There is no dearth of economic policies that can be prescribed to gear up the economy, but it would be prudent to first assess how each sector performed during the first tenure of the government and then consider the issues involved to meet the challenges. The sector wise growth rates can be observed in Table 1.

Table 1: Sector–Wise Growth rates (Per cent Per annum, constant prices 2011-12) during 2014-15 to 2018-19

Sector	Growth rate during 2014-15 to 2018-19
Agriculture, Forestry and Fishing	2.94
Industry	6.42

Construction	4.76
Services	6.38
Gross Value Added	5.85

Note: The growth rates were calculated from data obtained on components of gross value added (at constant prices) for 2014-15 to 2017-18 from **http://rbi.org.in/Scripts/Publications**. For 2018-19, the data were obtained from http;//statisticstimes.com/economy/sectorwise-gdp-contribution-of-india.php.

The growth rates by and large show lacklustre performance of the economy with the agriculture sector as usual being at the lowest rung. This has been the case since independence despite priorities being given to this sector. While major strides have been made such as green and white revolution, the agrarian crisis has always been a serious cause of concern attracting nationwide attention and leading to frantic discussions in the state and union legislatures. With agriculture appearing to be a failing economic activity, in order to salvage the situation, the government in its interim Budget 2019-20, announced an income support scheme *Pradhan Mantri Kisan Sanman Nidhi* or *PM Kisan* which provided direct income support of Rs 6,000 per year to farmers who have up to 2 hectares of land. Further, a historic decision in the first cabinet meeting of the second term of the government, was made when the ambit of PM-Kisan was extended to all farmers which meant that an additional 20 million farmers were entitled for this benefit. This has amounted to a total estimated expenditure by Central Government to Rs 87,000 crores approximately for 2019-20 or an increase of Rs 12,000 crores due to the extended scheme.

In Table 2, the number of farmers in each size group is indicated and a rough estimate of income earned from farming for each class is calculated.

Table 2: Class wise Income from Agriculture (Rs.) 2015-16 at constant prices

Category	No. of cultivators (million)	No. of cultivators % share	Area Occupied % share	Per Cultivator Annual Income (Rs.) 2015-16	Monthly Income (Rs.) 2015-16
Marginal <1ha.	99.86	68.53	24.15	33,636	2,803
Small (1 to 2 ha.)	25.78	17.69	23.2	1,16,196	9,683
Semi-Medium (2-4 ha.)	13.76	9.44	23.65	2,15,656	17,971
Medium (4-10 ha.)	5.48	3.76	19.96	4,35,846	36,320
Large (>10 ha.)	0.83	0.57	9.04	12,82,125	1,06,844
Total/Average	145.71	100.00	100.00	87,614	7,301

Source: Data on number of cultivators and area occupied was obtained from Agricultural Census 2015-16, Ministry of Agriculture and Farmers' Welfare, Government of India, 2018. Per cultivator annual income was calculated by using data from Agricultural Census and also data on gross domestic product and gross cropped area was obtained from Agricultural Statistics at a Glance 2017, Ministry of Agriculture and Farmers' Welfare, Government of India, 2018.

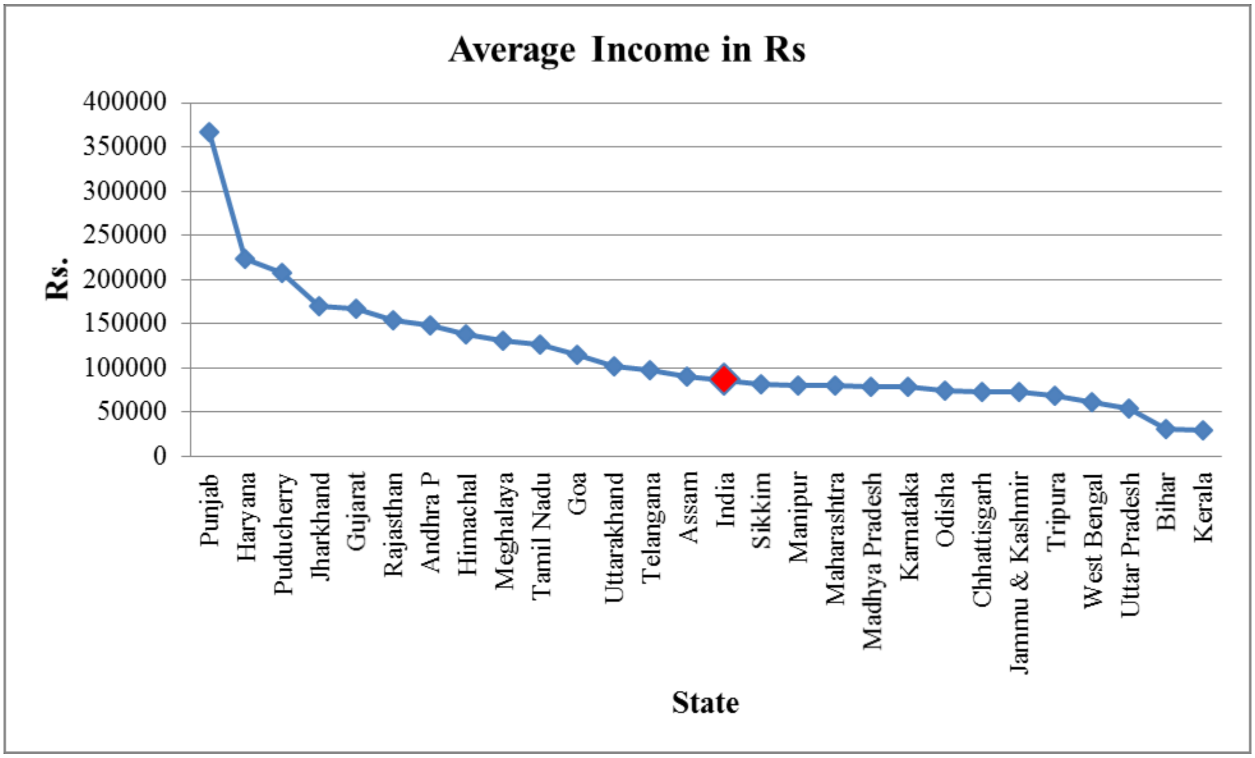
It can be observed from Table 2 that 68.53 per cent of cultivators are marginal and earn an annual income of Rs 33,636 (2015-16) from farming which translates into a monthly income of Rs 2,803. Large farmers earn as much as Rs

12,82,125 annually or Rs 1,06,844 per month. With this difference in income, the landmark decision to extend PM Kisan across the board by the same amount seems quite irrational. The low incomes of marginal and small farmers which constitute 86.22 per cent of holdings probably explains the low growth rate in the agricultural sector which is therefore ailing for suitable economic policies that are sustainable.

Needless to state, India's agricultural sector has gone through massive reforms with both input and output subsidies being an important part of the government budget. But the crisis in this sector has perpetuated despite a seven decade or so journey since independence. With the Platinum jubilee year of Indian independence knocking at the door, the government is attempting to place the farmers at the centre stage of India's mandate, and set a target of doubling farmers' income by the year 2022 in real terms, with 2015-16 as the base. Government machinery has been geared up, involving various stakeholders to identify the roadmap to achieve this goal. The data reveal that in 2015-16, (2011-12 constant prices), the annual average income per cultivator from agriculture and allied activities on an average was Rs 87,614 or Rs 7,301 per month. This figure varies across states as can be observed from the Graph 1.

The crisis in this sector has perpetuated despite a seven decade or so journey since independence.

Graph 1: State wise Average Annual Income (Rs. Per Cultivator) 2015-16



Note: Data on value added from agriculture (state-wise) for 2015-16 and number of cultivators (state-wise) is obtained from Agricultural Statistics at a Glance 2017, Government of India, Ministry of Agriculture and Farmers' Welfare, Directorate of Economics and Statistics, 2018.

Farmers, especially marginal, however, also have other sources of income such as wage income during lean season. Attempting to double this income is a way to address farmers' distress. This can be done not only by tackling issues that plague the agricultural sector but also by reducing workforce in this sector into more productive activities. The value added per worker from each sector can be observed from Table 3.

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Table 3 : Value Added (Rs 2017-18) Per Worker (Constant Prices 2011-12)

Sector	Value Added Per Worker
Agriculture	77,832
Industry	2,38,197
Services	4,52,040

Note: Data on sector wise gross value added was obtained from **https://rbi.org.in**. Data on workforce in each sector was obtained from **https://www.statistica.com.** Total workforce is 52 crores as per estimates of Niti Ayog (https://niti.gov.in).

It can be observed that value added per worker in industry sector is 3.06 times that of the agriculture sector while that of the service sector is 5.8 times that of agricultural sector. Overall growth of the economy, therefore, entails improving productivity in the agricultural sector as well. There are several major issues which cause low productivity in the agricultural sector. First of all, till date, there is lack of protective irrigation in several states and failure of monsoons leads to crop failure which in turn leads to loss of income. Even the limited crop which is harvested may not benefit from rise in price as production has prospered in other regions or imports have taken care of the shortfall in demand. However, during times of good rainfall, often a bumper crop is harvested which leads to price crash. This again reduces income of farmers.

As mentioned earlier, 86.22 per cent of farmers are small and marginal and thus resource poor. Rather than keeping land fallow, they would benefit by leasing out their land to farmers who have resources to invest. However, the fear of losing their land which is perhaps their sole asset prevents them from doing so. A Model Agriculture Land Leasing Act 2016, has been framed and approved by NITI Ayog, which permits and facilitates leasing of agricultural land and clearly protects the interests of the land owners. However, the states have to still take this act forward as agriculture is a state subject.

The yield of crops in India is far lower than potential yield or that of several other countries. The allied sector too suffers from several constraints. For example, dairy is a very important economic activity which spurred a white revolution but though India is a world leader in milk production, the quality of breeds is mainly indigenous which have low milk yielding capacity. Added to this is shortage of green fodder, improper veterinary care and poor supply chain. The success of *Amul* has been achieved not by *mass production* but *production by masses* which helped small and marginal farmers to reap the benefit of economies of scale in marketing.

However, gradually with irrigation reforms and use of technology, as yield potentials are realized, there may be excess production. Agricultural commodities, are not only perishable but also have low income and price elasticity of demand. Hence increase in production may lead to fall in prices which again leads to fall in income. This issue to some extent can be resolved by expanding markets and improving the supply chain.

The Agricultural Produce Markets Act has also undergone changes to encourage alternative markets with private sector investment in agricultural marketing. Exports have a huge potential but limitations also, due to Sanitary and Phyto Sanitary issues which act as a major form of Non-Tariff Barrier to trade, particularly for developing countries. India's share in global exports of agricultural products is barely 1 to 2 per cent. Post harvest infrastructure and meeting global standards or the specific standards of importing countries therefore require compliance in order to strengthen exports. This will help to fetch better prices and thus raise incomes of farmers. Farmer Producer Organisations with respect to several crops are also being promoted to enable farmers to collectively market their produce and benefit from higher prices as well as advisory services. Agro processing is yet another strategy which will not only increase incomes of farmers but also promote industrial growth.

However, even when all measures are adopted, the most meaningful way to address the issue of farm distress is by reducing the workforce in agriculture.

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This again poses a major challenge as there would be distress migration to urban areas. This is already happening causing severe strain on urban infrastrucutre. The real answer lies in changing the face of the rural economy which consists of 83.3 crore persons according to the Population Census (2011).

The Periodic Labour Force Survey, 2017-18, has revealed anxiety and panic in the job market and the urban unemployment rate is a major cause for concern. The issue worsens when the *quality* of employment is observed as casualisation and informal sector employment are prominent features of the labour markets. About 90 per cent of the workforce is employed in the unorganised sector. There is starvation for jobs in the public sector which can be observed from the number of applicants as compared to vacancies in any recruitment. For example, when the Railway Recruitment Board invited online applications for the post of Junior Engineer, while there were 13,847 vacancies, the number of applicants were 27,27,802 or 197 times the number of vacancies. Again in case of requirement of Level 1 and Level 2 workers in Railways, about 2.8 crore applicants, many probably over qualified, appeared for 90,000 vacant positions which means that applicants were 311 times the number of vacant positions. This clearly reveals the sorry state of affairs among job seekers, especially for the organised public sector.

The process of liberalisation has led to many domestic producers being unable to survive in the face of foreign competition while technology has made several jobs redundant. Another dimension with respect to unemployment also refers to *fricitional unemployment* which indicates that there is mismatch between demand and supply of skill. The Population Census (2011) reveals that India has probably the largest youth population aged less than 14 years comprising 357 million people or 29.5 percent of its population. About 62.5 percent of the population or 757 million persons are in the age group 15 to 59 which is more or less economically active. There is therefore urgent need to harness this *demographic dividend* which will pave the way for New India. The country should not miss this bus which will otherwise get transformed to a *demographic curse*. There are several opportunities as the composition of the population clearly distinguishes it from several advanced countries which are characterised by ageing workforce. The Indian workforce is however dominated by youth population which will continue to be young for several decades to come.

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The government has tried to address the above issues in Budget 2019-20 as sops have been provided to sectors which have high job potential. Maximum thrust has been placed on infrastructure in all fundamental sectors with a view to to create more job opportunities and also a new class of entrepreneurs which in turn will generate more employment. Multiple labour laws are likely to get streamlined which will ease the labour market. However, the highlights in the budget has been "*gaon, gareeb aur kisan*" [village, poor and farmer] which clearly indicates the need to bridge the gap between the rural and urban divide which has often led to the Bharat versus India debate.

There are about 6.4 lakh villages in India and the share of rural population is 68.8 per cent. Rural areas are often denied access to important public goods such as sanitation, water, health centres, primary as well as secondary schools, electricity, roads, etc. Data from National Health Profile (2018) of the government reveal that infant mortality rate (2016) was 38 per 1000 live births in rural areas and 23 per 1,000 live births in urban areas. Literacy rates in rural areas are also about 20 per cent lower than in urban areas. The National Family Health Survey (NFHS-4), 2015-16 (International Institute of Population Sciences and ICF 2017) reveals the contrast between rural and urban sectors with respect to availability of amenities. While households using improved sanitation facility were 70.3 per cent in urban areas, the corresponding figure for rural areas was 36.7 per cent. The figures for households using clean fuel for cooking was 80.6 per cent in urban areas and the same was 24 per cent in rural areas.

The situation with respect to piped water into dwellings showed an equally dismal picture with 52 per cent of urban households having access to this facility while it was as low as 18 per cent in rural areas. It is therefore obvious that schemes such as *Pradhan Mantri Ujjwala Yojana* launched in 2016 to provide free clean cooking gas connections for the poor are being greatly promoted. The Centre has also set a target to provide clean drinking water for all by 2024. The rural road scheme is a key feature of the budget and 125,000 kms of roads over the next five years are likely to get upgraded. Thus roads will help to create market access for agricultural produce and the budget will further facilitate the setting up of 10,000 Farmer Producer Organisations in the next five years. Artisans and skilled entrepreneurs in farm sectors will be given required training through technology incubators. Hence boosting of the agricultural sector through increase in productivity and remunerative prices will augment farm incomes. As the challenges ahead are huge to provide basic socio-economic amenities to rural areas, the Budget 2019-20 was considered to be a road map to give a big push to the economy with a 10 year vision and a five year target. Finally when this is

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realised, the physical infrastructure in rural India will attract industry and gradually these areas can take advantage of the third and fourth industrial revolution. With the penetration of smart phones in rural areas, the digital technology and internet will help farmers to avert production as well as market risks. Precision agriculture through use of drones, sensors, robotics, etc will be a game changer for Indian agriculture and finally through a multiplier impact, change the face of the rural sector. As agriculture becomes more advanced, it will serve as a catalyst to stimulate the secondary and tertiary sector. Hence doubling farmers' income should be seen as a short term measure to ease the distress in rural areas. The medium term solution must be to make rural areas an engine of growth which must be more broad based and not concentrated only in certain geographic locations.

With changing nature of the economy, globalisation, technology and demography will all play a major role in impacting the labor market. The nature of work now requires a different set of skills. There is a disconnect between formal education and the requirements of industry or service sector. The mising link is skill development which is pertinent on both the demand as well as supply side. The quality of higher education is dismal and best students opt to leave the country for further studies. The education system must therefore cater to the needs of the economy and vocational training must be given priority. There is huge mismatch between the availability of different branches of education and requirement. There are a large number of sub standard engineering colleges and degree holders from these colleges are unemployable which leads to low enrolment and therefore thousands of seats are vacant. With respect to medical colleges, however, there is huge shortage. The World health Organization prescribes one government doctor for one thousand people. However the country is nowhere near this ratio and the same is with respect to paramedics. These shortages must therefore be corrected through increasing the number of medical colleges with necessary infrastructure. The education system needs to be revamped as Artifical Intelligence is emerging as a new factor of production. The government much aware of the ailing education system in the country has stressed the need to strengthen the country's higher education system in its budget announcement. Budget 2019-20 aims at creating world class institutions with a purpose of attracting foreign students. Issues such as skills required for offshore jobs including language training will be addressed.

Overall a host of measures are required for a stable and prosperous democracy. Attempts are being made to change the archaic labour and land regulations. As productivty increases in the agricultural sector with use of technology and infrastrucutre in place, land can be used for industrial clusters. The budget has also focussed on the importance of *Make in India* and accordingly increased custom duty on several items. Rising per capita incomes in agricultural sector will reduce the procuremment of rice and wheat for food security under Public Distribution System. This will reduce the food and fertilizer subsidy bill and resources can be allocated towards nutritional security. The service sector too will get a boost and growth will be achieved in all sectors of the economy. This will bring about not only economic but also social stability. If all sub sectoral policies are in conformity with each other, public goods are efficient in serving their purpose and markets are the guiding force towards allocation of resources, the vision of *minimum government, maximum governance* will be realised. The entire process however cannot be achieved overnight but it appears that the ball has been set rolling. Perhaps that is why the budget for 2019-20, was addressed more as a vision document with a blue print to transform the economy. If the government is able to realise this goal and put the economy in a new orbit, the country will no longer bear the stigma of being close to a Third World Country.

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