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## RURAL PROJECTS Rustic Measures; Rusty Mechanisms

By Aditi Roy Ghatak

Within the next few days several thousands of crores of public money are to be transferred to a section of the Indian population who had responded to the "Shining India" campaign. Rural India (not to ignore the urban dispossessed) served strong notice to New Delhi that, hoopla aside, when it came to governance, their interests could be ignored only at grave peril to the rulers. Politics being the "most concentrated expression of economics", a Leninist perception which even his most rightist critic will share, New Delhi will send around Rs 35,000 crores and more to the countryside, much of it to the lowest tier of Indian administration, the panchayats. Mr P. Chidambaran talked of ethics, honour and courage while he set about correcting the disequilibrium in India's growth profile.

Farm sector

Sceptics will justifiably wonder: where is the official vehicle to receive and disburse such vast amounts? Will not the direct funding of the panchayats — as is being talked about — rattle the federal structure of India? Do the regional rural banks, the panchayats or other wings of administration have the wherewithal to ensure that the funds attain their targets?

There are 196 RRBs in the country and 2,104 urban cooperative banks that are increasingly turning sick. The RRBs have been around since 1975 and were designed to achieve exactly what the government seeks to do now: look after the peasants, artisans and the landless labourers and talk of revamping them is hackneyed. Crop insurance has been around for two decades and the lesser said about it, the better. As for the host of centrally sponsored schemes — "mind-boggling", to quote the Finance Minister — named after deceased leaders, their benefits are as cold as those that they were named after. Rural health is a matter best appreciated through the 10,000 tribal children deaths in India's most progressive state, Maharashtra.

The focus of New Delhi's attention vis-à-vis the farm sector has been achieving food security for India but while attaining this — even by encouraging non-sustainable agriculture at places — little or no attention has been paid to professionalising farm sector management through formal planning or credit channelling and other administrative mechanisms. What obtains then is a badly puckered scenario that does not lend itself to quick remedial measures even when funds are being made available in a determined manner.

Modern India's fund managers will thus have to deal with the problem of financial plenty for rural India given the inadequacy of infrastructure to handle official finance. For, this is not subterranean money that is not burdened with questions of accountability. Official funding and requires officially established channels of disbursement: innovative farm sector

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administrative mechanisms to make it amenable to receiving and utilising credit.

It may be early days but one is yet to see evidence of an innovative spirit in the present government's financial exercises; not at least in the status-quoist railway budget. Changing the tilt of public spending to the rural sector is a tougher than ordering clay pots for use of railways and even that has raised a hornet's nest (excellent though it is). It is all very well to think with the heart, as indeed affluent India must, but it is equally important at times of such fiscal straits to manage with the head especially when the contribution of rural India to India's GDP has fallen far more than percentage of the population depending on the rural sector, creating a fundamental disequilibrium in this sector that impinges on its ability to become self-supporting or even self-sustaining.

#### Feathering nests

Nothing that is being said here is new. Least of all the fact that money, in India, is remarkably evanescent. Remember the first scam of the early nineties when a hapless Finance Minister saw several thousand crores disappear without a trace? Remember an "idealistic" Prime Minister saying that 85 per cent of the development funds disappear. That the then Finance Minister and now Prime Minister still does not know what happened to the money or that the late idealist quickly forgot his own diagnosis and allowed the rot to deepen are only tell-tale signs of a system where money is managed in a manner that is neither mandated by the voters nor designed by the planners. That the money feathers several nests is not disputed but these nests certainly do not hatch enough votes. Assuming that the current exercise to make the budget to go rural is to secure vote banks, somehow the mystery of the evanescent money has to be addressed.

From Rs 7 spent to deliver a single rupee to the beneficiary in the Rajiv Gandhi era, the ratio has declined to 20 to one even as the numbers critically dependent on the delivery channels have increased phenomenally. At the time of Independence some 299 million people were dependent on agriculture against 709 million now depending on it even as agriculture's share of the economy slips. Worse, larger numbers of the population are so impoverished that they fall through any formal security net, whether it be a credit delivery route or a electricity line connection. Lending through the formal mechanism is a matter of establishing credit worthiness of the debtor after having identified him. By definition, declared defaulters cannot be eligible for loans. Given the extreme indebtedness of the farm sector — the thousands of farm suicides bearing testimony to the catastrophic conditions — there is apparently no option but to restructure or write off their debts if they are to be retained in the ranks of eligible borrowers.

Making funds available does not amount to making funds available though. This is possibly why the NDA government's Rs 60,000-crore allocation for agriculture and small and medium enterprises could disburse no more than a thousand crores since it was announced early this year. Meanwhile, people below the poverty line continue to be deprived of ameliorative measures and regions without access to even minimal water infrastructure that can be made available with minor investment in balancing equipment and repairs continue to stay parched. A Bangalore study places the unmet credit needs of the lower half of the urban poor at Rs 2,000 crores that is met by the informal sector at interests that range from five per cent a month to 10 per cent a day (Ramesh Ramanathan's study). Karnataka, for all its focus on state of the art technology, has 37 per cent of its gram panchayats annually spending less than Rs 20 per person on basic services. Delivery mechanism in Andhra Pradesh, whether with water or microfinance or agriculture extension programmes, were even more pathetic alienating the king of Cybrabad from those who thus anointed him.

#### Rural credit

Even today, if a hundred days of employment is to be ensured for at least

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one person per poor and low middle class household, someone somewhere has to have a list of sorts; preferably an authenticable and verifiable one. The experience of the National Tobacco farm loan scam, when vast sums of Andhra Pradesh farm loans were cynically signed for and taken away by employees of the cigarette manufacturer, is a shining one for all times to come. Meanwhile, only a third of Indian farming population has access to rural credit.

On the face of things, no one in the administration seems to be overly concerned that the credit delivery mechanism in rural India is either non-existent or inadequate or entirely rusty. The 10th Five-Year Plan has set the banks a target to lend Rs 7,36,570 crores to the agriculture sector which is excellent augury for a sector that is the largest private sector employer in this country. There seems to be no great involvement, though, of the panchayats in either suggesting projects or plans for this great devolution deluge in the current budget making process even though they are to be the putative recipients of the Finance Minister's largesse. It may well be in the overall administrative failure to attend to critical details that the nemesis of the Prime Minister's economic-cum-electoral agenda will lie.

The author is a freelance writer.

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