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YOJANA

AUGUST 2015 | A DEVELOPMENT MONTHLY | ₹ 10

Inclusive Growth and Social Change

Government of India launched SKILL INDIA on the occasion of the first-ever World Youth Skills Day on 15th July 2015, through unveiling of National Skill Development Mission and National Policy for Skill Development and Entrepreneurship 2015.

"National Skill Development Mission"

The aim of National Skill Development Mission is to rapidly scale up skill development efforts in India, by creating an end-to-end, outcome-focused implementation framework, which aligns demands of the employers for a well-trained skilled workforce with aspirations of Indian citizens for sustainable livelihoods.

The Mission seeks to:

➢ Create an end-to-end implementation framework for skill development, which provides opportunities for life-long learning. ➢ Align employer/industry demand and workforce productivity with trainees' aspirations for sustainable livelihoods. ➢ Establish and enforce cross-sectoral, nationally and internationally acceptable standards for skill training . ➢ Build capacity for skill development in critical un-organized sectors (such as the construction sector, where there are few opportunities for skill training) and provide pathways for re-skilling and up-skilling workers in these identified sectors, to enable them to transition into formal sector employment. ➢ Ensure sufficient, high quality options for long-term skilling, benchmarked to internationally acceptable qualification standards, which will ultimately contribute to the creation of a highly skilled workforce. ➢ Develop a network of quality instructors/trainers in the skill development ecosystem by establishing high quality teacher training institutions. ➢ Leverage existing public infrastructure and industry facilities for scaling up skill training and capacity building efforts. ➢ Offer a passage for overseas employment through specific programmes mapped to global job requirements and benchmarked to international standards. ➢ Enable pathways for transitioning between the vocational training system and the formal education system, through a credit transfer system. ➢ Promote convergence and co-ordination between skill development efforts of all Central Ministries/Departments/ States/implementing agencies. ➢ Support weaker and disadvantaged sections of society through focused outreach programmes and targeted skill development activities. ➢ Propagate aspirational value of skilling among youth, by creating social awareness on value of skill training.

National Policy for Skill Development and Entrepreneurship 2015

Vision

Vision of the National Policy for Skill Development and Entrepreneurship 2015 is “To create an ecosystem of empowerment by Skilling on a large scale at speed with high standards and to promote a culture of innovation based entrepreneurship which can generate wealth and employment so as to ensure citizens in the country.”

Core Objective

The core objective of the policy is to empower the individual, by enabling her/him to realize their full potential through a process of lifelong learning where competencies are accumulated via instruments such as credible certifications, credit accumulation and transfer, etc. The core objective of the entrepreneurship framework is to coordinate and strengthen factors essential for growth of entrepreneurship across the country. This would include: ✓ Promote entrepreneurship culture and make it aspirational ✓ Encourage entrepreneurship as a viable career option through advocacy ✓Enhance support for potential entrepreneurs through mentorship and networks ✓ Integrate entrepreneurship education in the formal education system ✓ Foster innovation/driven and social entrepreneurship to address the needs of the population at the 'bottom of the pyramid' ✓ Ensure ease of doing business by reducing entry and exit barriers ✓ Facilitate access to finance through credit and market linkages ✓ Promote entrepreneurship amongst women ✓ Broaden the base of entrepreneurial supply by meeting specific needs of both socially and geographically disadvantaged sections of the society including SCs, STs, OBCs, minorities, differently abled persons.

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Let noble thoughts come to us from all sides
Rig Veda

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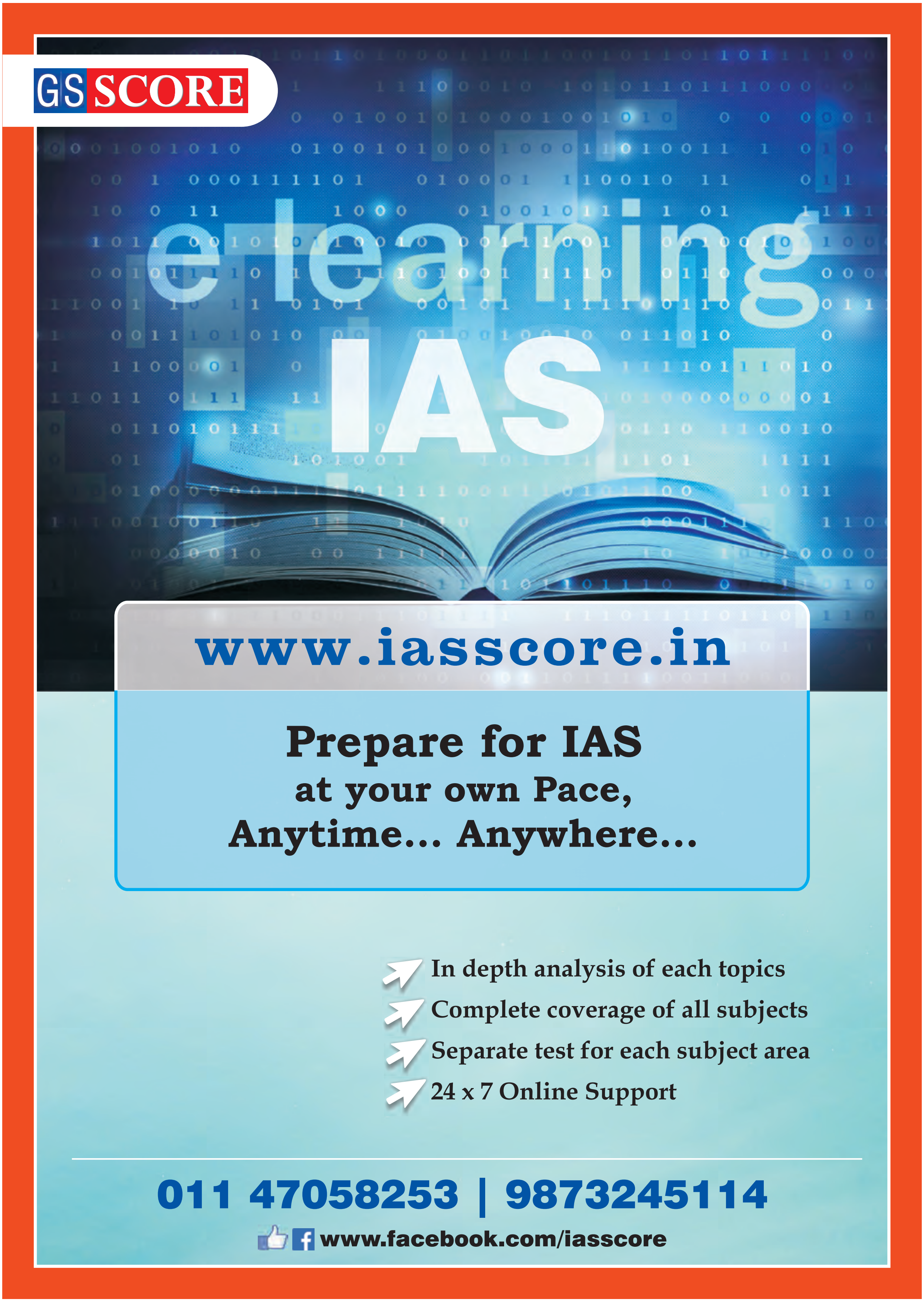
Bridging the gap

India's growth story during the six and half decades of Independence has been remarkable, with India emerging from an underdeveloped nation to one of the largest economies. Despite many ups and downs in the global economy, India has been able to hold fort and reached a growth rate of 7.5 per cent in the last quarter. Recent report by the World Bank has projected India as the world's fastest growing economy. As per the report, India's Gross Domestic Product (GDP) is expected to grow at 7.5 per cent in 2015-16 followed by further acceleration to 7.9 per cent in 2016-17 and then to 8 per cent in 2017-18. The economic indicators show a significant improvement in growth figures over the last one year.

President Pranab Mukherjee, while addressing both houses of Parliament at the start of the budget session described "Inclusive growth covering the poorest of poor" as the government's top priority. This emphasis stems from the realisation that there has been a gap between the pace and pattern of growth in India. The country's progress on various fronts has not been translated into overall improvement in life of poor and marginalised sections of society. India's 135th rank on UNDP's Human development Index substantiates this fact. In India, a need has always been felt to broad base economic growth and share the benefits of the growth process to make it more inclusive. The concept of "Inclusive growth" was first envisaged in the Eleventh five year plan document which intended to achieve a growth process with broad-based improvement in the quality of life and equality of opportunity to all. Twelfth plan document highlighted this agenda more emphatically with specific focus on reducing poverty, improving health and education facilities and livelihood opportunities.

Inclusive growth means economic growth that creates employment opportunities and helps in reducing poverty. It includes providing equality of opportunity and empowering people through education and skill development. The Government has launched several initiatives to ensure this by bringing excluded sections of the society into the mainstream and enabling them to reap the benefits of faster economic growth. One of the major steps in the direction of bringing about financial inclusion, Pradhan Mantri Jan Dhan Yojana, PMJDY, has yielded impressive results within ten months of its launch with 98 per cent households having a bank account. MUDRA Bank, SETU, Skill India Mission are strong measures expected to create skilled workforce and provide livelihood opportunities. Pradhan Mantri Jeevan Jyoti Beema Yojana, Pradhan Mantri Jeevan Suraksha Yojana and Atal Pension Yojana have been introduced with the intention of creating sustainable security net in the country. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), has improved the standard of living of people and has been able to check migration to a great extent. Kisan Card, Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), National Agriculture Market (NAM) are aimed at benefitting largely the agrarian community, an important indicator of socio economic wellbeing of the country.

However with a diverse population of 1.2 billion, the biggest challenge is to take the levels of growth to all sections of the society and to all parts of the country and this is where the role of appropriate technology comes into play. Digital India programme launched this month proposes to address these challenges and use technology effectively and efficiently for the benefit of people by delivering governance and services to the last person. The mission aims to use technology to bring about complete transformation in the basic sectors of education, health, agriculture and manufacturing thereby improving general quality of life. With Indian economy now headed in a new direction with a broad objective of "Inclusive Growth", it is poised to secure to its citizens, the equality of status and opportunity in real sense. ❑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Financial Inclusion and Social Change

Charan Singh, CL Dadhich, S Ananth

Financial inclusion is expected to make significant changes in the economy, especially the rural economy, which is expected to witness a revolution in availability of financial instruments mainly because of– PMJDY, gold monetization scheme and MUDRA. The DBT which will operate through the banking system will also ensure regularity of flow of liquidity in households and therefore opportunities for investment

The objective of financial inclusion is mainly to provide finance on easy terms to the vulnerable and weaker sections of the society to facilitate investment and economic growth in the country. Financial inclusion (FI) enables improved and better social development, in an equitable manner across the country. It enables empowerment of the under-privileged and poor, including women, with the mission of making them self-sufficient and well informed to take better financial decisions. The objective of financial inclusion is to ensure universal access to a wide range of financial services like savings and payment account, credit insurance and pensions. Further, financial inclusion also aims to provide services for business opportunities, education, savings for retirement and insurance against risks including emergency loans. Thus, the main target of financial inclusion is better standards of living and income for a larger number of residents in the country.

The attempt to expand access to the formal financial sector of which financial inclusion is a part is a continuous process. The Government as well as Reserve Bank of India (RBI) has been undertaking concerted measures to extend financial inclusion since Independence. The earlier measures were not yielding the desired results. However, in recent months, the Government of India reviewed the policy to ensure that financial inclusion, in a limited sense of opening of bank accounts, is successful. The Pradhan Mantri Jan Dhan Yojana (PMJDY) has yielded results and nearly 98 per cent of households in India now have bank accounts. Cumulatively, these programmes are transforming India and altering the socio-economic landscape despite their varied impact.

Historical Evolution of Financial Inclusion

Policy makers have grappled with the issue of reducing the scope of the informal sector since colonial times. Nicholson Report (1895) was one of the first to highlight the need to establish 'Land banks' as an alternative to dominance of moneylenders. Resultantly, the Cooperative Credit Societies Act, 1904 was passed to provide, amongst other things, a legal basis for cooperative credit societies. The concept of expanding financial access gained importance in the years after Independence and immediately after the *All-India Rural Credit Survey*, 1951-54, which pointed out that in 1950-51, commercial banks

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provided only 0.9 per cent of the total credit to farmers, agriculturalist-moneylenders provided 24.9 per cent while professional moneylenders provided 44.8 per cent of the total credit to farmers (RBI 2008, 2011). The early efforts to usher financial inclusion included nationalization of State Bank of India in 1955 followed by nationalization of more banks in 1969 and1980. The establishment of National Bank for Agriculture and Rural Development (NABARD) and the introduction of priority sector lending to increase flow of credit to certain sectors including agriculture are other measures aimed at improving access to formal financial institutions. In 2005, RBI announced a number of measures, including provision of whole gamut of financial services. Initially, banks were advised to open no-frill accounts (since renamed as Basic Saving Bank Deposit account in August 2012 and now Jan Dhan Account).Financial Inclusion received further impetus after the Rangarajan Committee (GOI, 2008) suggested various measures including the need to expand banking to provide a suite of services - related to deposits, credit, micro insurance and remittance for the poor. Consequently, banks were advised to identify at least one district to achieve 100 per cent financial inclusion on a pilot basis. Banks were also advised to - (i) initiate ICT based Business Correspondent model (BC model) to provide low cost banking services at door step in remote villages, (ii) Board approved financial inclusion plan (FIP) for 3 years commencing from 2010, (iii) Roadmap to cover all the villages having population above 2000 by 2012 and all the villages having population between 1000 to 2000 by 2013, (iv) Availability of at least four banking products, and (v) Opening of at least 25 per cent of new branches in unbanked rural areas.

Other important measures include issuing Kisan/General Credit Card. Micro Units Development Refinance Agency (MUDRA) bank, focuses on providing credit to small entrepreneurs whose financing requirements do not exceed Rs.10 lakh. Established with a corpus of Rs.20,000 crore and credit guarantee corpus of Rs.3000 crore, a it will refinance and assist those financial institutions who finance micro enterprises in India. However, despite various attempts, the spread of formal sources of credit especially in rural areas has been slow. The All India Debt and Investment Survey (AIDIS 2013) indicates that the percentage of households indebted to institutional agencies was 17.2 per cent as against 19.0 per cent households to non-institutional agencies. Thus, in rural areas, the expansion of the formal sector and various programmes has not succeeded in supplanting the moneylenders as the dominant source of credit. Ananth and Oncu (2013) have cited various reasons that serve as an obstacle for the expansion of formal banking services among the poor. Singh and Naik (2015) empirically study the demand and supply side constraints of the financial inclusion model by reporting results of a survey undertaken in Gubbi in early 2014.

In this context, PMJDY differs from the previous approach not merely because it seeks to implement inclusion through a Mission-mode approach, but also offers a RuPAY Debit card, micro insurance and emphasis on banking coverage of households rather than coverage of villages. At the time of launch, PMJDY targeted the opening of 7.5 crore bank accounts by January 26, 2015 but achieved record-breaking success (Table 1).[1]

Socio-economic Impact of Financial Inclusion

The push for inclusion has implications beyond simply banking. Over the past two decades, it has become clear that economic growth requires the creation and expansion of a robust banking sector. Historically, economic changes invariably lead to social changes. The push to expand inclusion has triggered major economic and social changes. Rural India is witnessing profound changes which include rapid mechanisation of agriculture, improvement in transport, communication and other technological changes. The socio-economic changes are reflected in a sharp spurt in banking transactions (Table 2).

Jan Dhan's potential social impact is its ability to create a comprehensive social security net along with the three affordable social security schemes: Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyothi Bima Yojana and Atal Pension Yojana. Nearly 10.4 crore people are covered under these three schemes (GoI,

Table 1: Pradhan Mantri Jan Dhan Yojana

(Figures in crore)

S. No		No of Accounts Opened			No of Rupay Debit Cards	Balance in Accounts	per cent of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Banks	6.9	5.8	12.7	11.9	14357.5	52.3
2	Private Banks	2.5	0.4	2.9	2.1	3258.5	52.1
3	Regional Rural Banks	0.4	0.3	0.7	0.6	1068.6	49.3
	Total	**9.79**	**6.5**	**16.3**	**14.5**	**18684.6**	**52.2**

Source: GoI (2015a)

Table 2: Financial Inclusion Progress: Banks and RRBS

Particulars	Year Ended 2010	Year Ended 2011	Year Ended 2012	Year Ended 2013	Year Ended 2015
Banking Outlets in Villages					
a) Branches	33,378	34,811	37,471	40,837	46, 126
b) Branchless Mode	34,316	81,397	144282	2,27,617	3,37,678
c) Total	**67,694**	**1,16,208**	**1,81,753**	**2, 68. 454**	**3, 83, 804**
Urban Locations through BCs	447	3,771	5,891	27,143	60,730
Basic Saving Bank Deposit A/c- branches					
a) No. in million	60.19	73.13	81.20	100.80	126.00
b) Amt. in Rs. billion	44.33	57.89	109.87	164.69	273.30
Basic Saving Bank Deposit A/c- BCs					
a) No. in million	13.27	31.63	57.30	81.27	116.90
b) Amt. in Rs. billion	10.69	18.23	10.54	18.22	39.00
Overdraft facility availed in BSBDA's account					
a) No. in million	0.18	0.61	2.71	3.92	5.90
b) Amt. in Rs. billion	0.10	0.26	1.08	1.55	16.00
KCC					
a) No. in million	24.31	27.11	30.24	33.79	39.90
b) Amt. in Rs. billion	1240.10	1600.05	2068.39	2623.00	3684.50
GCC					
a) No. in million	1.40	1.70	2.11	3.60	7.40
b) Amt. in Rs. billion	35.10	35.07	41.84	76.30	1096.90

Source: GOI (2014c), RBI (2013, 2014, 2015).

2015b). Using the PMJDY account as the pivot, these schemes can alter the manner in which benefits are delivered to citizens while concurrently creating a social security net for the poor and those working in the unorganised sector.

Technology has been at the forefront of financial inclusion, especially after 2010. Technological advances and constantly lowering of technology investments/solutions offers much hope for PMJDY. Jan Dhan, Aadhaar and Mobile (JAM) combined with the proposed concessions for the use of credit and debit cards offer a unique opportunity that can facilitate a paradigm shift in our economy and society. The expansion of the banking sector along with investments by various State governments in information and telecommunication technologies to improve delivery of government services concurrent to the roll out of Aadhaar offers a unique, hitherto unknown opportunity to create a framework on which a digital ecosystem can be built. Anecdotal evidence from our field studies indicates that this may not be difficult considering the spread of Jan Dhan and the fact that most rural households spend their money within a radius of 25 square kilometres. The economic-geography of India is that an overwhelming number of villages are within a radius of 5-25 kilometres from a town.

The reach of Jan Dhan accounts offers an opportunity to make these accounts the basis around which a larger network that links users to small businesses – many which already access the formal banking system. Aadhaar enabled micro-ATMs (BC outlets) offer an opportunity to use RuPAY cards validated by biometrics to pay for purchases replacing cash. However, this requires certain pre-conditions to be fulfilled. Importantly, it will require the banks to create a system that will enable transfer of money almost instantaneously – not a problem if each RuPAY Card is provided with an inbuilt Immediate Payment Service (IMPS) registration and Near Field Communications (NFC) tags. Such a digital ecosystem has the ability to facilitate a society where electronic transactions can replace cash. Technological advances and the spread of mobile phones offer grounds for optimism for a country like India with its large population of illiterate citizens. One such technological advancement is the recent grant of a Patent by US for Samsung that offers contactless fingerprint authentication using a positive match with a valid fingerprint image store in a phone memory.

The BC model has witnessed rapid adoption among the community, especially when it works effectively, indicative of the large unmet demand for formal financial services. The three immediate benefits more clearly discernible in the under-banked areas include convenience, lower transactions costs and improved banking relationship visible in the form of higher loan recovery rates. The net impact of the spread of banking, though largely not quantified, is that it has reduced the cost of various services that were provided in the past by informal service providers. In Mahabubnagar district of Telengana, it has led to the disappearance of informal money transfer agents mainly because of spread of ATMs and BCs. Similarly, cost of remittances has witnessed a sharp decline over the past four years since banks are leveraging their investments in core banking solutions (CBS) to transfer money almost instantaneously. In a number of villages, BCs often help the banks mobilise term deposits – most of which would otherwise have gone into more risky investment, informal investments and pyramid schemes. Greater success on this front will offer, for the first time in India, the opportunity to harness savings through the formal sector, thereby creating a valuable avenue where households can access their savings without the risk of losing them. Socially, this offers the household an opportunity to channelize their savings with the banking system to areas like education, health and housing rather than lose them when invested in shady pyramid schemes and other informal instruments.

Jan Dhan and Beyond

The success of Jan Dhan is not assured. On the contrary, its ultimate success will be indicated only when the formal banking system eliminates private, informal moneylenders. Two major issues that presently constrain the benefits of PMJDY reaching their intended beneficiaries quickly include lack of access points and transaction limits on accounts opened through BCs (Ananth and Oncu 2014, Dadhich 2014). The lack of access points means that effectively half of India's villages lack banking access (Table 2). Removing the transaction limits placed on PMJDY accounts will make it more attractive to use the accounts more frequently. The success of Jan Dhan and more importantly, the growth of the culture of banking are hindered by limited flexibility of the accounts opened and restrictions on the transactions through BC channel. Most of the banks have a daily transaction limit that varies from Rs.1500 to Rs.10,000 per day deposit or withdrawal from an account. The maximum permissible limit for any one transaction is Rs.50,000. Any transaction exceeding this limit requires the BC to visit the branch along with the account holder and attaining approval for this transaction. No transaction above Rs.10,000 per day is allowed. The problems are aggravated because in a number of instances, account holders have given their Jan Dhan account to receive their entitlements that the government transfers to the beneficiary or for some transaction due to Direct Benefits Transfer (DBT) from various government agencies or LIC payments often exceed the daily transaction limits allowed by the banks in an accounts.

Singh (2014) opines that the cause of FI will be helped if post offices were used for expanding banking services. There are nearly 28 crore accounts in post offices with savings account numbering more than 13 crore and recurring deposits of more than 11 crore.[2] Although, various initiatives had been undertaken in order to financially include all sections of society, the success of such measures had remained partial. Similarly, the use of Fair Price Shops that distribute rations can be another useful way to help expand access of PMJDY accounts, which will also concurrently bring about major changes in the socio-economic structure of the village while helping to create a digital ecosystem. An example best illustrates this: AP government has introduced a useful initiative (currently under various stages of implementation) - "Anywhere Rations", which enables a person to draw rations from any shop. A recently concluded successful pilot project allows citizens to draw their rations from any "Fair Price Shop" of the Civil Supplies Department in the city. Since the Civil Supplies Department's database is linked with Aadhaar, the department tracks the movement of rations in real time. All ration shops (27,176) were provided with a point of sale machine that are linked to the 267 Mandal (Tehsil) level stock points that are monitored from a central location. Transforming the ration shops into a multipurpose store that provides various services including financial services can help broaden the reach of the banking sector.

Conclusion

Financial inclusion is expected to make significant changes in the economy, especially the rural economy, which is expected to witness a revolution in availability of financial instruments mainly because of– PMJDY, gold monetization scheme and MUDRA. The DBT which will operate through the banking system will also ensure regularity of flow of liquidity in households and therefore opportunities for investment. The key player in the market would be banks, micro-finance institutions, self-help groups, post offices and MUDRA bank. The banking system which mainly will be the conduit to the flow of resources can be expected to offer more financial instruments to retain and park these funds within the system. Similarly, the post offices, especially with their reach of 1,40,000 branches in rural areas can also be expected to introduce new schemes to tap these resources. The type of instruments that can be anticipated in the market are bank deposits of different varieties, small saving instruments through the post offices, gold bonds and new instruments that would be floated by the above mentioned institutions.

These developments are expected to unleash the creative potential in the economy and provide easy finance to convert ideas into manufactured products for the markets. The objective of "Make in India" is expected to be strengthened by inclusive growth yielding higher employment and output for the economy.

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Endnotes

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2 Other accounts in post offices include time and fixed deposits. ❑

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Has Indian Growth Been Inclusive? Theoretical Concepts and Evidence

Sripad Motiram

India seems to have finally overcome the much-maligned path of "Hindu rate of growth". But, an issue that many observers of India have wondered about is what the impact of this growth has been on the lives of the poor and other disadvantaged sections of the society. These concerns have crystallized into the ideas of "inclusion", "inclusiveness" and "inclusive growth", and these terms have become increasingly frequent in academic and policy discourses

India has grown at an impressive rate since the early nineties. According to the latest Economic Survey (2015), Real Gross National Income grew at the average annual rates of 7.8 per cent, 7.6 per cent, and 5.6 per cent during the Eleventh (2007-12), Tenth (2002-07) and Ninth (1997-2002) Five Year Plans, respectively. These growth rates are quite remarkable both by international standards and compared to India's own past. India seems to have finally overcome the much-maligned path of "Hindu Rate of Growth". But, an issue that many observers of India have wondered about is what the impact of this growth has been on the lives of the poor and other disadvantaged sections of the society. These concerns have crystallized into the ideas of "inclusion", "inclusiveness" and "inclusive growth", and these terms have become increasingly frequent in academic and policy discourses.

The Twelfth Five-Year Plan of the erstwhile Planning Commission was emphatic in highlighting the desirability of inclusive growth and offered a description of what constitutes it. It argued that:

"Inclusive growth should result in lower incidence of poverty, broad-based and significant improvement in health outcomes, universal access for children to school, increased access to higher education and improved standards of education, including skill development. It should also be reflected in better opportunities for both wage employment and livelihood, and in improvement in provision of basic amenities like water, electricity, roads, sanitation and housing. Particular attention needs to be paid to the needs of the SC/ST and OBC population" (Planning Commission 2011).

I have described elsewhere (see Motiram and Naraparaju 2015) the problems associated with such a broad and vague conception of inclusive growth, but essentially the notion of inclusive growth has allowed different people to conceptualize this phenomenon in different ways – some more rigorous than the others. In recent years, a small but growing academic literature has emerged that has tried to subject the following questions to systematic analysis: What does inclusive growth (or inclusion or inclusiveness) mean? Has Indian growth been inclusive? In the discussion below, I will draw upon some of my work to present a brief and non-technical summary of the answers provided to the above questions. The answer to the second question has mostly been in the negative (i.e. growth has not been inclusive), and I will also briefly discuss the reasons for this.

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What is Inclusion?

As I mentioned earlier, there are multiple ways in which inclusion has been conceptualized. Some scholars have focused upon the rate at which poverty has reduced over time. A more rapid decline in poverty has been viewed as evidence for inclusion. In fact, there is a long tradition in India among both academics and policy makers of examining rates of poverty reduction. Given this, it is important to describe in detail what this procedure entails. Poverty has typically been measured using official poverty lines and the quinquennial surveys on consumption expenditure conducted by the National Sample Survey Organization (NSSO) usually every five years. In the absence of reliable data on incomes, expenditure has been used instead. The most popular measure of poverty has been the Head Count Ratio (HCR), which is the percentage of individuals whose incomes fall below the poverty line. Considering two different time periods, say the years 2004-05 and 2009-10, for which the Head Count Ratios are denoted by $HCR_{2004\text{-}05}$ and $HCR_{2009\text{-}10}$, respectively, the rate of decline in poverty is given by: $(HCR_{2004\text{-}05}\text{-}HCR_{2009\text{-}10})/5$. Note that the total decline in poverty is $(HCR_{2004\text{-}05}\text{-}HCR_{2009\text{-}10})$ and this has happened over a period of five years. Comparing the above period with the eleven-year period 1993-94 to 2004-05 yields a change for the better – the rate of reduction in this period was 2.2 percentage points per annum, whereas decline was faster in the period 2004-05 to 2009-10 (4.4 percentage points per annum) (figures are from Thorat and Dubey, 2012). The most recent survey of NSSO was for the year 2011-12 – breaking with the past, NSSO conducted another large survey just two years after the previous large one (in 2009-10). The erstwhile Planning Commission used the data from this survey to document a dramatic improvement: "Therefore, it can be concluded that the rate of decline in the poverty ratio during the most recent 7-year period 2004-05 to 2011-12 was about three times of that experienced in the 11-year period 1993-94 to 2004-05" (Planning Commission, 2013).

The above approach has the virtues of simplicity and ease of interpretation. However, it suffers from the problem that the official poverty lines are seriously contested and there is a reason to believe that they are artificially low and based upon a methodology that is indefensible. Poverty reduction rates are sensitive to the poverty lines used. Moreover, this approach appears too restrictive given the ambitious conception of inclusive growth, as reflected for example in the Twelth Plan document referred to above. One way around this problem is to use an approach that allows for assessment of inclusion that holds for any reasonable poverty line, and is independent of a particular poverty line. Such an approach exists in economics, and recently, Motiram and Naraparaju(2015) have used it and consumption expenditure surveys of NSSO to assess inclusiveness. The idea is to explore whether the incomes of the poor have grown at an adequate rate, which is usually the rate at which the average person's income has grown. During the period 2004-05 to 2011-12, the average person's (median) expenditure has grown at the rate of 22 per cent in rural areas and 27 per cent in urban areas. As noted above, expenditure is used in place of income. They find that both in rural and urban areas, the growth in expenditures of the poor has fallen short of this norm, i.e. the poor have experienced slower growth compared to the rich and middle-income groups – this shortfall is quite stark in urban areas. For example, in rural areas, the expenditure of the person at the bottom decile (10th percentile) has grown at the rate 20.3 per cent; the corresponding figure for urban areas being 24.5 per cent. Note that these are lower than the growth rates for the average person (22 per cent -rural and 27 per cent - urban). In contrast, the person at the 90th percentile (richest decile) has experienced much higher growth – 23.1 per cent for rural areas and 29.1 per cent for urban areas. Using the same standard, they have also shown that growth of the incomes of the poor among disadvantaged caste groups (SCs, STs and OBCs) and lower classes (agricultural laborers, marginal farmers, small farmers and casual urban workers) has been inadequate. The overall conclusion that emerges from this study is that Indian growth has not been inclusive.

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Several other scholars have come to the same conclusion using other rigorous approaches. Given the constraints of space, I will discuss only a few of these. To conceptualize inclusion, D. Jayaraj and S. Subramanian have drawn upon the analogy between the problem of apportioning the Indian growth among various groups and similar problems that occur in other domains - the division of an estate among competing claimants ("Talmudic Estate Problem") or the allocation of a limited budget for poverty alleviation among different groups. Jayaraj and Subramanian (2012 a) have compared the actual performance of expenditure quantiles of the population (bottom 10 per cent, next ten per cent etc.) to their (counterfactual) performance if various fairness criteria had been met, i.e. if growth had unfolded in accordance with these criteria. If we are considering two periods (1 and 2), according to the most egalitarian ("lexicographic maximin") criterion: "One would distribute the proceeds of growth in Period 2 in such a way that, starting with the poorest quantile, one effects a sequence of transfers in which the mean incomes of as many quantiles as possible are equalized, with the remaining quantiles (if any) not receiving any part of the proceeds of the growth". On the contrary, according to the least expansive criteria ("Pareto Respecting Equal Distribution") "after allowing each decile in Period 2 to retain its Period 1 mean income, an additional amount is provided for, where this additional amount is just an equal 10th share of the surplus available from the growth process". Using data from the NSS consumption expenditure surveys, they show that the Indian experience has fallen short of these fairness criteria, including even the minimal one. For the bottom quintile (poorest 20th per cent), the actual growth during the period 1993-94 to 2009-10 has been 1.43 per cent per annum in rural areas, whereas the minimal criterion would have ensured a growth rate of 2.88 per cent per annum. The shortfall is much starker for urban areas-1.27 versus 4.39. Jayaraj and Subramanian (2012 b) conducted a similar analysis for socioeconomic (rather than income) groups and found a lack of inclusion.

Suryanarayana and Das (2014) conceptualize inclusion in terms of three dimensions – employment, income and consumption. They use three measures: (i) elasticity of mean consumption with respect to mean income, i.e. the percentage by which mean consumption has changed when there is a one per cent change in mean income (ii) elasticity of median consumption with respect to mean consumption, i.e. the percentage by which median consumption has changed when there is a one per cent change in mean consumption, and (iii) "inclusive coefficient," which depends upon the share of the population that has less than 60 per cent of the median consumption. For broad-based growth, one would want the above elasticities to be greater than 1 and the inclusive coefficient to be high. Considering both the entire population and socially disadvantaged groups (e.g. the Scheduled Tribes), and using NSS consumption expenditure data from 1993-94 to 2011-12, they show that Indian growth has not been inclusive – for example, the inclusion coefficient has fallen from 0.748 in 1993-94 to 0.711 in 2011-12.They conclude that: "inclusiveness of the poorest in the Indian mainstream growth process is still a forlorn hope".

Discussion and Conclusions

Average incomes for both the entire population and for disadvantaged social groups have risen in the past two decades. Poverty, as measured by official poverty lines has also declined. However, inclusion demands much more than these outcomes. As I have argued above, more expansive approaches towards conceptualizing inclusion have found India's record to be disappointing. The reasons for this are not difficult to fathom. Indian agriculture has not been performing well, and as several scholars (e.g. Vasavi (2015)) have been arguing, is currently in the throes of a crisis. Adequate jobs have also not been created in urban areas to absorb the poor from either the agricultural sector or the urban informal sector. As has been documented by several government reports and scholars, the sector which has created the most jobs has been construction and that too, in rural areas. In general, these jobs are not remunerative and are unlikely to build marketable skills. The performance of manufacturing has been disappointing. Creation of jobs in manufacturing, particularly labor-intensive manufacturing, could have gone a long way towards inclusion. The need of the hour is to strengthen welfare programs like the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNERGS) and protect the urban poor. Apart from this, policies that can build skills and spur job-creation (for example through public investment) are necessary. Simply assuming that growth will lead to inclusion is bound to be counterproductive.

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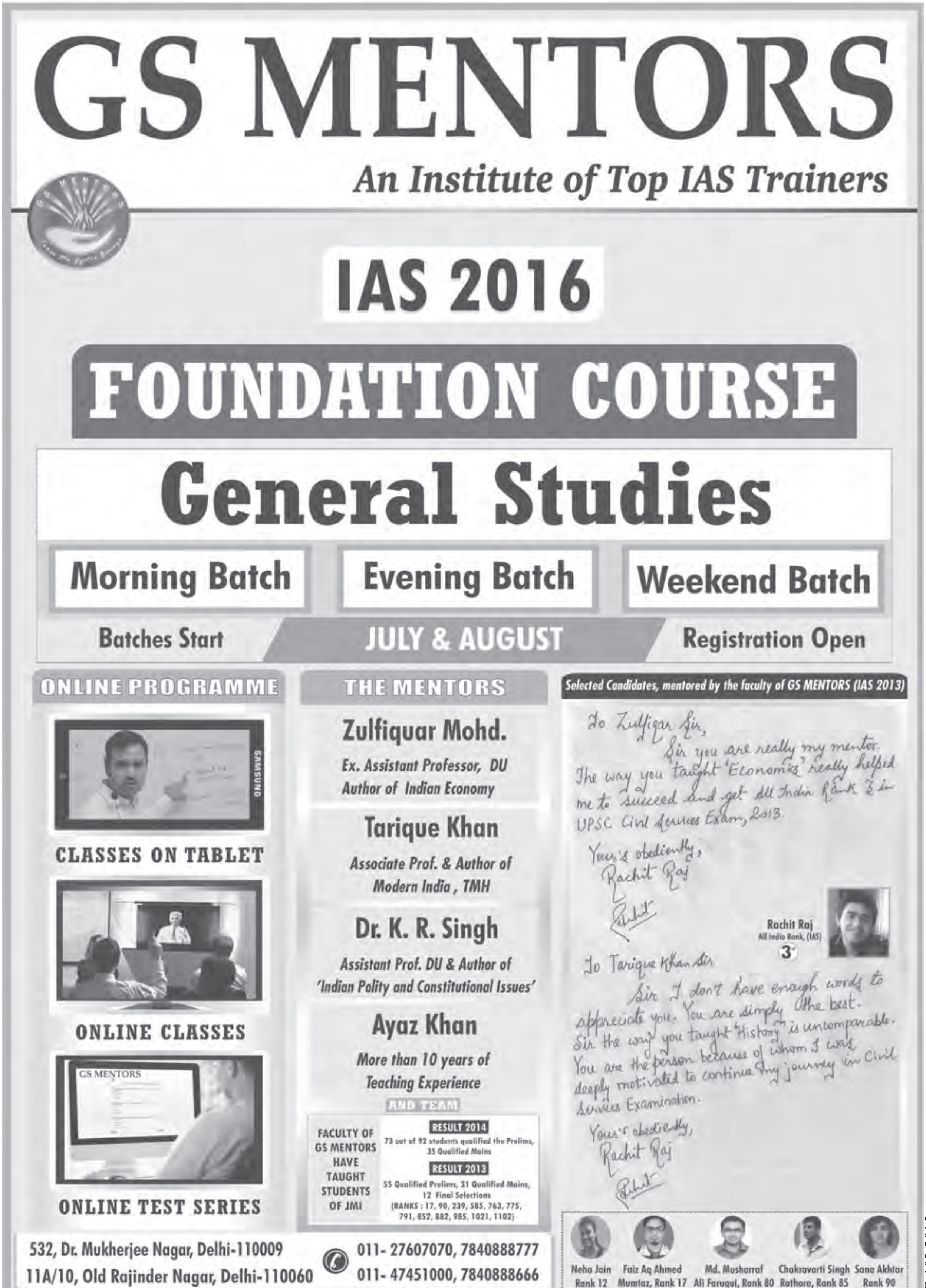
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To Zulfiqar Sir,
Sir you are really my mentor. The way you taught 'Economics' really helped me to succeed and get All India Rank 3 in UPSC Civil Services Exam, 2013.
Your's obediently,
Rachit Raj
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To Tarique Khan Sir
Sir I don't have enough words to appreciate you. You are simply the best. Sir the way you taught 'History' is uncomparable. You are the person because of whom I was deeply motivated to continue my journey in Civil Services Examination.
Your's obediently,
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Harnessing Digital Technologies for Empowering India

Vijay Kumar Kaul

Looking at the five sectors, namely, agriculture, manufacturing, education, health cares and government services, it is obvious that the application of the new digital technologies is going to transform these sectors. The inefficiencies and shortcomings in these sectors can be overcome by application of technology

On July 1, 2015, the Indian Prime Minister inaugurated the Digital India week. Digital technologies or Digitalization ,the latest wave of innovation that is connecting people, products and services, is a result of converging of the Information Technology, telecommunication, internet and other related technologies. This is a part of the technological revolution, which is currently in operation. The article aims at examining the role of modern digitalization technologies in solving socio-economic problems of India, focusing on the question: Is it likely to help in providing inclusive growth to people of India and thereby bring in the desired social change?

Socio-economic Challenges, Inclusive Growth and the New Technology Adoption

India faces several socio-economic and environmental challenges. It has the largest number of poor people in the world. A large number of Indian children still suffer from malnutrition. If we consider the cases of many diseases like tuberculosis, cancer and diabetes, we will find that India leads all other nations. Though over a period of time, we have improved our literacy rate, still the number of illiterates in India is huge. A large number of youths are without jobs. This particular problem is going to increase in the coming years. On top of this, integration with the global economy has further aggravated the problems of marginalised sections of society. Figure 1 has demonstrated the socio-economic challenges India is facing.

As can be imagined, the solutions to these problems are not straight forward. Also, many of these problems are linked with one another. For instance, the problems of poverty, inclusive growth, food security and job creation are linked with our agricultural and agri ecosystem. The solutions require reforms in agriculture and its whole ecosystem. This needs a comprehensive policy framework that would simultaneously impact and address these inter-related problems. Digital technologies have brought about a big change in the governance system at the firm, industry, city and economy. These technologies have further facilitated the implementation of government schemes and programmes. Summing up, it can be said that the present socio-economic challenges before the country can be solved with the help of good governance that focuses on appropriate public policies, programs and scheme and on use of modern technologies, to deliver these

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schemes and programs. All this will result in an all round inclusive growth of the country.

Modern Technologies and India's Inclusive Growth

Keeping in mind the socio-economic characteristics of India, the country needs specific types of technologies to achieve inclusive growth. Mckinsey Global Institute has identified 12 disruptive technologies for India that have the potential for rapid adoption within a set time frame[1].

There are twelve empowering technologies for India that can be categorized into three types: (i) technologies that "digitise" life and work, (ii) smart physical systems, and (iii) technologies for rethinking energy (See table 1). Here, four technologies have particular relevance in Indian context: technologies of digital payments, verifiable digital identity, intelligent transportation and distribution, and advanced GIS. All the four technologies are likely to reach rapid adoption in the coming decade. A few other technologies—advanced robotics, autonomous vehicles, 3D printing, and advanced materials—are also potentially important for India.

The 12 empowering technologies for India have the potential to create both economic and social value that can help India achieve its goals of rapid economic growth, greater social inclusion, and better governance by 2025.

Digital India: An Attempt to Exploit Technology

Digital India Program started by the Government of India is an attempt to use technology for the benefit of people in order to overcome some of the challenges facing the country. The program charts a roadmap to a digital India where a digitally literal population can leverage technology for endless possibilities. Our political leaders have made it clear that the broadband highways are as important as national highways and that while the end goal is to offer better services, foster innovation and generate more jobs. The critical enabler is going to be the technology and the foundation to a digital nation will be the laying of a pan India network.

The Digital India Program is providing digital infrastructure as a utility to every individual, delivering governance and services on demand and enabling the digital empowerment of citizens. The project has identified nine pillars for growth. One key area in the focus of the government is the development of broadband highways that will cover 250,000 Gram Panchayats by December 2016. There will be a greater focus on increasing the broadband penetration in urban areas through the deployment of mandated communication infrastructure in new buildings. Broadband penetration will allow technology-enabled services to be rolled out to the remote parts of the country. The government is also focused on providing universal access to mobile connectivity. By 2018, more than 40,000 villages are likely to be under the banner of mobile technology.

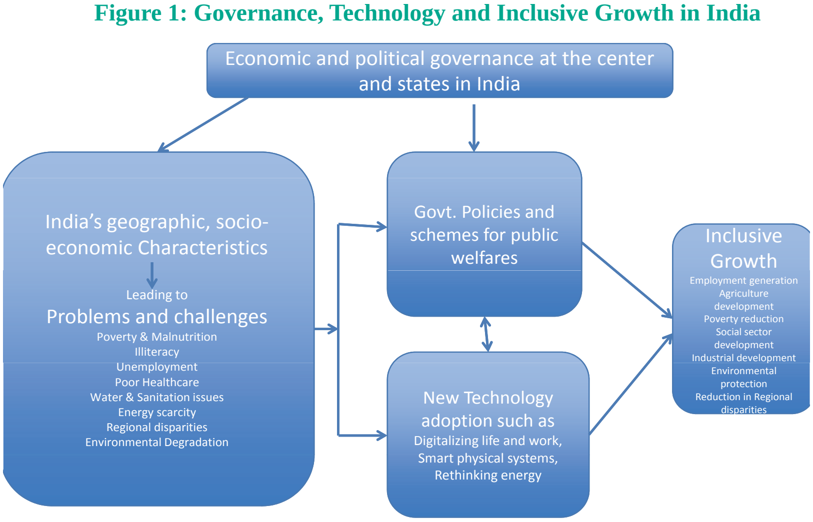
In a nutshell, digitalization is a new wave of innovation and can be compared with the innovation in the form of mechanization and electricity in the 19th century. The technological development are evolutionary, however, its impact on change in society is revolutionary.

Agriculture and Rural Development

Understanding of Indian agriculture and its agro-ecosystem is very important for examining the issues of India's poverty, inclusive growth and food security problems. The real solution to these problems requires, first of all, that we not just develop a single model, but should consider several innovative models depending on the resources available in the region, in order to alleviate poverty, provide decent livelihoods and extend true food security to the people of that region. In the past, Indian agricultural policy largely focused on grains for food security concerns[2]. It failed to notice that there was high inflation in the case of high-value agricultural products. People are also not getting food with enough high nutrition. The high value products, unlike grains, are perishable and require fast-moving supply lines. The whole agro-value chain starting from the farmers, the middlemen, the warehouses to the food processing entrepreneurs, the retailers and the end-consumers needs to be understood holistically to develop the right kind of policy. The addition of the government, other financiers and traders as stakeholders converts the value-chain into an ecosystem. Every stake holder has a role to play and contribution to make to sustain this whole ecosystem. Modern technology can help in making agro-value chain more efficient and competitive.

Mckinsey Global Institute has calculated that hybrid and genetically modified crops, precision farming

Figure 1: Governance, Technology and Inclusive Growth in India



(using sensors and GIS-based soil, weather, and water data to guide farming decisions), and mobile Internet-based farm extension and market information services can help create more than half the $45 billion to $80 billion per year in additional value the sector could realize in 2025. The remainder would come from improvements to storage and distribution systems, which could cut post-harvest losses and reforms to the public distribution system to reduce leakage, together saving as much as $32 million per year in 2025. These improvements could raise the income of as many as 100 million farmers and bring better nutrition to 300 million to 400 million consumers.

Use of technology can be very effective even in providing crop insurance to farmers. Assessing crop damage through all-weather stations, satellite/drone imagery and mobile-based transfers, on the top of crop-cutting experiments, can put the whole system on sound scientific ground and control corruption[3].

Digital India platform also intends to empower the rural citizens through a variety of services. While the government is keen to cover large sections of the population for these services through the digital platform in areas such as improved governance, land records, jobs, health, education and agriculture and digitization of personal and public records for safekeeping, there would be innumerable avenues for budding entrepreneurs as well as existing business to service the rural markets as never before.

Manufacturing Ecosystem

Different economists and institutions have estimated that in the next 5 years, a large number of youth, both boys and girls, shall be joining the workforce. This necessitates India to look closely at the manufacturing sector and its ecosystem. The global manufacturing system is moving away from the earlier model consisting of one company and it various suppliers, financers and consumers *to* a model consisting of a manufacturing ecosystem. Digitalisation has empowered this transition. Indian companies and policy makers need to learn it fast to be competitive in the market and for creating more jobs for the youth. The modern technologies can help here and it is found that Indian companies are fast adopting the technology.

Today's changed digitalized business environment demands a change in the way companies operate. The value chain is being broken, re-assembled and re-invented in all industries. New sources of value creation - by breaking existing value chains, creating new value chains by using other sources of value and by joining value chains of other industries - is becoming important.

In this context, the government policy should be designed to promote the whole manufacturing ecosystem that will result in higher job creation and make our industries globally competitive. Special attention needs to be given to small and medium enterprises and their linkages with large scale enterprises. The promotion of the manufacturing ecosystem concept will help in identifying the gaps in the

Table 1: Twelve technologies empowering India

Digitizing Life and Work	Mobile Internet	Inexpensive and increasingly capable mobile devices and internet connectivity enable services to reach individuals and enterprises anywhere
	Cloud Technology	Computing capacity, storage, and application delivered as a service over a network or the Internet, often at substantially lower cost
	Automation of knowledge work	Intelligent software for unstructured analysis, capable of language interpretation and judgment-based tasks; potential to improve decision quality
	Digital payments	Widely accepted and reliable electronic payment systems that can bring millions of unbanked Indians out of the cash economy
	Verifiable Digital Identity	Digital identity that can be verified using simple methods, enabling secure delivery of payments and access to government services
Smart physical systems	Internet of things	Networks of low-cost sensors and actuators to manage machines and objects, using continuous data collection and analysis
	Intelligent Transportation and Distribution	Digital services, used in conjunction with the internet of things, to increase efficiency and safety of transportation and distribution systems
	Advanced Geographic information systems (GIS)	Systems that combine location data with other types of data to manage resources and physical activities across geographic spaces
	Next generation genomics	Fast, low-cost gene sequencing and advanced genetic technologies to improve agricultural productivity improving India's energy security
Rethinking energy	Advanced Oil and Gas Exploration and Recovery	Techniques that make extraction of unconventional oil and gas (usually from shale) economical, potentially improving India's energy security
	Renewable Energy	Generation of electricity from renewable sources to reduce harmful climate impact and bring power to remote areas not connected to the grid
	Advanced Energy Storage	Devices or systems of energy storage and management that reduce power outages, variability in supply, and distribution losses.

Source: Noshir Kaka, et. Al., India's technology opportunity: Transforming work, empowering people, Mckinseqy Quarterly, Mckinsey global Institute, December 2014 linkages that need to be addressed and supported. The problems of finance, raw materials, land and linkages with the user markets need to be resolved.

The likely adoption of Goods and Services Tax (GST) in India is going to be very important and helpful to India's business and corporate sector to scale up and to be competitive. This is possible again with the use of modern technology. Moreover, the Digital India program focuses on achieving the government's stated target of net zero imports by giving electronics manufacturing due importance and emphasis that it deserves. This focus will boost India's manufacturing capabilities and transform the nation into a manufacturing hub. As part of the program, the government will focus on cultivating an IT-ready workforce by training people in smaller towns and villages with IT for jobs over the next five years.

Education and Skill Formation

There are huge learning crisis and quality issues in our education system. There are weak school learning outcomes, low employability of workers with higher education, large vocational training gaps etc,. Digitalization has provided immense opportunity to revitalize India's education system. Innovative digital technologies have created new forms of adaptive and peer learning, increasing access to trainers and mentors, providing useful data in real time. Government of India's initiative 'Digital India' can facilitate such transformation in Indian education system by creating an enabling environment across India. With proper thinking and implementation, new technology can be used to improve student learning, building teachers' and mentors' capacity and providing better governance. There is need to have a coordinated and targeted approach to integrate technology into our vast and complex school system and higher educational institutional network. Such an approach can be built on three pillars:[4]

The *first* important aspect is the creation of instructional tools for individualized student learning. This involves production of e-content such as digitized textbooks, animations and videos. New technology has been beneficial in creating individual learning paths for students, making learning interactive and fun through gamification. It provides them numerous practice opportunities. In India, we can also build learning tools to address the diversity of languages and state curricula.

The *second* aspect of integrated approach is to develop tech-integrated programmes for competency-linked teacher training. Technology allows for reinventing models of teachers' education by creating competency-linked training programmes. It enables teachers to connect with peers, and receive coaching from experts, remotely. In certain states like Gujarat, Uttarakhand and Maharashtra, there are instances of new technology such as WhatsApp groups being used in order to exchange knowledge and ideas with one another. The Karnataka Open Educational Resources platform is enabling teachers to create digital content. There are different models of such technology-use that includes instructional videos, online coaching and peer support. Blended learning with MOOCs (massive open online courses) can bring high-quality courses to students, and learning simulations can boost hands-on training in nursing and other disciplines.

The *third* use of technology adoption is data collection and analysis for strong governance. With the help of robust Management Information Systems, all educational institutions can record, maintain, track and analyse student-level performance data and use it for institution-wide goals as well as teacher-classroom-specific goals. Kerala, Maharastra, Gujarat and Odisha have taken steps to implement such solutions.

Delivery of Health Care Services

Based on international standards, India has just about half the doctors, nurses, and health-care centers that it needs for its population. Also, existing facilities are not geared to deliver optimal health outcomes. Disruptive technologies could transform delivery of public health services, extending care through remote health services (delivering expert consultations via the mobile Internet), digital tools that enable health-care workers with modest skills to carry out basic protocols, and low-cost diagnostic devices that work with smartphones. For instance, it is possible to convert the smartphone into an affordable eye test solution. An optic device, NetraG, can be plugged into a smartphone and using software and basic optic technology, one can measure the refractive error of an eye — all at a cost of less than ₹300. For those requiring more than just eye glasses, the patient's data can be shared with remote experts in real time. But this will be possible as and when we become a networked society. Digitization is aimed at improving health care delivery, quality and safety, and also facilitating the measurement of quality and safety metrics.

E–governance

Thus, the declared objective of Digital India is to transform India into a 'digitally empowered society', preparing it for 'knowledge future'. Digital India appears to be an aggregation of all e-governance and connectivity plans and projects of the Central government. For instance, BSNL's rural broadband connectivity project using optical fibre to connect 2,50,000 Gram Panchayats has been brought under the Digital India umbrella and rechristened as Bharat-Net. The basic thought behind e-governance or digital empowerment of citizens is to bring citizens and the government closer by removing layers of red tape, intermediaries and ending corruption or rent seeking.

The e-governance formally began in India in 1986 with the opening of the first computerized railway passenger reservation system in New Delhi. This indigenously designed, developed and executed project was the first demonstration of the ability of computer technology to cut down delays, corruption and inefficiency in delivery of a public service. The computerization of land records under the Bhoomi project in Karnataka is another example of highly successful e-governance program. These projects have further bloomed with the arrival of internet, broadband and mobile technology, and have served as models of e-governance for other utilities and states.[5] The economic impact of e-government services would enhance competitiveness and create a positive pro-business environment.

Conclusion

Looking at the five sectors, namely, agriculture, manufacturing, education, health cares and government services, it is obvious that the application of the new digital technologies is going to transform these sectors. The inefficiencies and shortcomings in these sectors can be overcome by application of technology. It will transform Indian agriculture and improve the livelihood and living standards of rural areas. Manufacturing will be more competitive and will increase its scale along with providing more job opportunities. Quality and learning issues in education can be tackled by digital technologies. Healthcare facilities can be made affordable and accessible to remotest corners of the country. Provision of government services can be improved substantially. In brief, technology will help in achieving inclusive growth with substantial economic progress, along with stable governance, inclusive and accessible healthcare, education and citizen services.

In order to achieve the full benefit of the new modern technologies, it is imperative to build physical infrastructure for the digital economy, remove the possible barriers to technology adoption and provide effective policies, regulations, and standards for monitoring and controlling the ill-effects of technology, whether intended or unintended. There is also a need to create a vibrant innovation ecosystem. As India is a multi-lingual country, there is a need to weave multi-lingual capabilities to spread information, knowledge and opportunities. There is also a need to integrate traditional systems into modern systems that will simplify various aspects of governance—be it building an efficient public distribution system, automating work, transforming the urban-rural living environment or delivering better healthcare. It must be mentioned here that in the Western countries, the adoption of digital technologies has improved efficiencies and productivity along with reduction in jobs for people. In India, it is expected that in the medium term, it is going to increase more job opportunities. This critical aspect needs to be paid special attention and with great responsibility.

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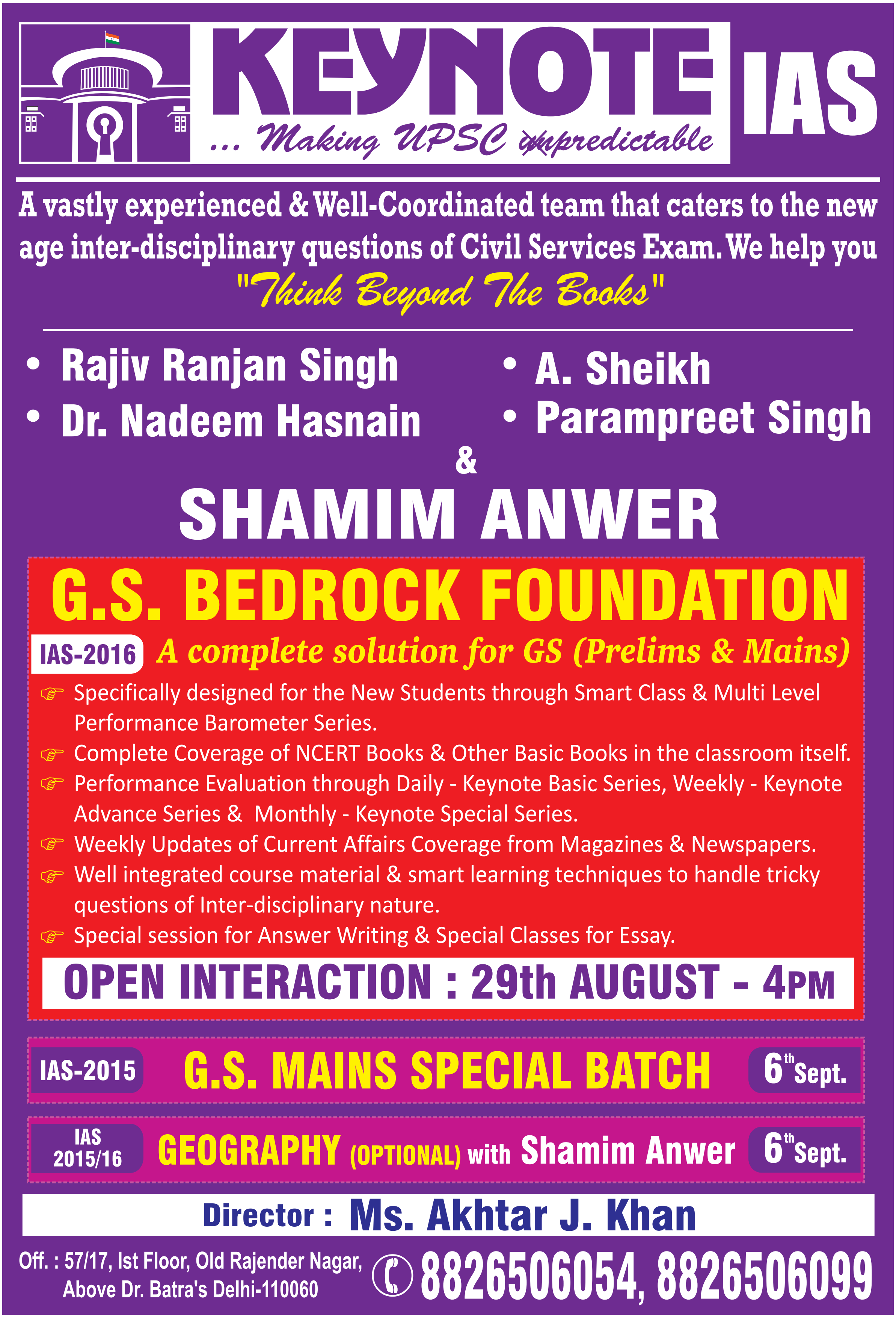

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DISCUSSION

Economic Growth and Social Development: Addressing the Divergencies

N R Bhanumurthy
Varsha Sivaram

...in the recent period, India has been trying to address the issue of divergence between growth and social development. However, the success of these initiatives is limited to few regions and groups. The integration of information technology with banking as well as Aadhar network is expected to substantially improve the public delivery mechanism. Such an integrated system could help in reducing the gaps between regions/ communities and help in achieving overall social development of the nation

In 2014-15, the Indian economy registered a GDP growth of 7.3 per cent and most analysts predict over 7.5 per cent in the current year. There are also predictions by many international financial institutions such as IMF and the World Bank that India is expected to overtake China in terms of growth in the current year and could be a bright spot among the emerging market economies. However, when we look at the trends in the achievements of Millennium Development Goals (MDGs), India's situation looks very different. The recent MDG report for India (2015) suggests that out of 18 indicators, India is 'on-track' only in four indicators. In the rest of the indicators, India is identified as either 'off-track' or 'moderately on-track'. Why such divergences between economic growth and social indicators?

Economic growth in simple terms refers to the increase in an economy's output over time. But this increase might not always be generated by or distributed equally among all the sections/segments of the society. Identifying such divergences between growth and distribution, India has adopted a growth strategy that would be inclusive and at the same time sustainable. (The Approach Paper to the 12th Five Year Plan aimed at achieving "Faster, Sustainable, and More Inclusive Growth in India").

Inclusive growth, as defined by the World Bank, refers to the pace and pattern of growth. That is, the speed at which an economy grows and how far the benefit spreads. The word 'inclusive' necessitates participation of larger section of the labour force, irrespective of socio-economic background, and regions in generation as well as accessibility of growth. The idea rests on the idea of 'pro-poor' growth which in absolute terms refers to growth benefitting the poor. Policies and programmes usually aim at redistribution of income to the poor rather than working on generation of the same. However, in literature as well as in the public policy sphere, poverty and growth have been addressed separately, which in itself created some disjoint between the two outcomes. Of late, in India, the discussion is also on achieving inclusive development, which, compared to inclusive growth, refers to growth in addition to achieving equal opportunities to all and not just the poor.

As discussed earlier, the focus on inclusive growth in India has stemmed from the fact that high growth (of an average growth of over 9 per cent between 2003-04 and 2007-08)

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that it has achieved during the pre-2008 period has not created more employment opportunities (which was also termed by many as 'jobless growth') and it has also not helped in improving the livelihoods of the large sections of the people. Further, such high growth also happened only in few regions, thus, increasing the regional divergences in the country. This may be noted in table where the trends in output growth (last three years average growth) as well as achievements in main MDG indicators across the states are presented.

From the table, it is clear that there is a divergence in the GSDP growth across the states. While states such as Bihar, Madhya Pradesh, Gujarat, Meghalaya are growing at about 8 per cent on an average for the past three years, states such as Karnataka, Rajasthan, Punjab and Uttar Pradesh are growing at below average. On the other hand, when we look at the MDG achievements, one can note a huge divergence with Bihar performing poorly although it is growing at 10.3 per cent on an average. This suggest that the high growth in the state is yet to reach the larger segments of the population as this state is also a place for one of the highest number of poor people. Such trends are also found in other states such as Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan and Uttar Pradesh, where atleast five out of the eight MDG indicators are off-track and also performing worse than the national level. The best performing states among these eight MDG indicators are Goa, Kerala and Tripura with all indicators performing much better than the all India achievement. Even in states such as Tamil Nadu, Mizoram, Maharashtra and Himachal Pradesh, atleast seven out of eight indicators are much better than the all India figures. One conclusion that may be drawn from the table is that there are divergences in both GSDP growth as well as MDG achievements across the states. Further, it is also clear that there is a weak correlation between both GSDP growth and MDG achievements, suggesting that there is a huge disjoint between the two.

What needs to be done to bring growth process towards improving social development in the country? And what has been done till now to address such divergences? While there are many views to address this critical issue and are documented in the 12th Plan Approach paper, three issues that stand critical are job creation, food security and financial inclusion.

Financial Inclusion

In our view, financial inclusion is the main component of inclusive growth in the country. According to the RBI, *financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players*. As many studies have suggested, until the Prime Minister's Jan Dhan Yojana (PMJDY) was initiated, there were only less than half of the people in the country that had bank accounts. This itself suggests that more than half of the population was neither a part of the growth process nor a part of the distribution process. In that sense, the Government has rightly brought in the PMJDY and successfully included nearly 16.7 crore people into the banking network. These accounts together held around Rs. 20,000 crore by the end of June 2015. While financial inclusion through increasing banking accounts might not help much in improving the savings behaviour within the short time, this network will be very useful in making the re-distributive policies most effective.

JAM trinity would be able to bring in the bottommost members of the society into the formal financial system, helps them set up PMJDY account using Aadhar numbers. Such integration of networks could lead to efficient, leakage-free transfer of benefits such as scholarships, insurance, subsidies and even pension benefits.

JAM Trinity: A Way to Bridge the Gap

While the banking network and banking accounts have increased significantly, the reach of the banking services to the poor and rural areas are still very poor. To address these critical issues, the government has initiated a Comprehensive Financial Inclusion Plan (CFIP) that is followed by PMJDY. As it is rightly highlighted by the *Economic Survey: 2014-15*, integrating the CFIP plan with the Information Technology and the Aadhar network could be a game-changer in the way re-distributive policies could be implemented. This is termed as JAM Trinity (Jan Dhan-Aadhar-Mobile scheme). Based on the pilot implementation of such trinity, it is clear that JAM trinity would be able to bring in the bottommost members of the society into the formal financial system by helping them set up PMJDY account using Aadhar numbers. Such integration of networks could lead to efficient, leakage-free transfer of benefits such as scholarships, insurance, subsidies and even pension benefits. Overall, the issue of financial access has been addressed significantly by the government in the recent period.

MGNREGA – A Success Story

Next critical issue in achieving social development is through providing employment opportunities and livelihood to all segments/sections of the society. As discussed earlier, the recent growth in India is termed as job-less and, hence, there was a need for public intervention to provide job opportunities to all. The Government has enacted the employment guarantee act in the form of MGNREGA (2005). This was termed as 'the stellar example for rural development' by the World Bank. However, as this was largely demand driven program, it was

Table: Recent trends in Economic Growth and MDG Indicators among the states

States/UTs	Average Growth (average of last 3 years)	Poverty Head Count Ratio 2011-12	Proportion of underweight Children 2005-06	NER secondary 2013-14	Ratio of female literacy rate to male literacy rate (15-24 yrs)	IMR 2013	Proportion of deliveries attended by skilled health personnel 2009	Forest cover to Geographical area (per cent) 2013	Households without access to sanitation (rural + urban, in per cent) NSS 2012
Andhra Pradesh	6.15	9.2	29.8	43.56	0.92	39	95.6	16.8	38.7
Arunachal Pradesh	5.64	34.67	29.7	50.12	0.9	32	71.9	80.4	10
Assam	5.75	31.98	35.8	50.32	0.93	54	65.5	35.3	12
Bihar	10.31	33.74	54.9	35.98	0.8	42	53.2	7.7	67.4
Chhattisgarh	6.22	39.93	47.8	51.89	0.9	46	56.4	41.1	65.7
Goa	12.16	5.09	21.3	72.91	0.99	9	99.8	59.9	6.7
Gujarat	7.81	16.63	41.1	44.88	0.92	36	85.2	7.5	34.4
Haryana	6.69	11.16	38.2	46.2	0.93	41	69.3	3.6	16.7
Himachal Pradesh	6.56	8.06	31.1	68.07	0.99	35	53.7	26.4	22.1
Jammu & Kashmir	5.87	10.35	24	39.56	0.85	37	82.9	10.1	35.2
Jharkhand	6.94	36.96	54.6	44.38	0.82	37	47.3	29.5	73.9
Karnataka	4.85	20.91	33.3	54.01	0.95	31	88.4	18.8	44.8
Kerala	8.10	7.05	21.2	73.79	1	12	99.9	46.1	2.3
Madhya Pradesh	10.22	31.65	57.9	44.76	0.87	54	82.9	25.2	60.7
Maharashtra	6.57	17.35	32.7	56.27	0.97	24	85.5	16.5	33.5
Manipur	6.87	36.89	19.5	72.89	0.95	10	82.7	76.1	0.9
Meghalaya	9.06	11.87	42.9	38.29	1.02	47	65.2	77.1	3.6
Mizoram	2.34	20.4	14.2	53.98	0.96	35	85.1	90.4	0.3
Nagaland	7.10	18.88	23.7	40.75	0.98	18	43.8	78.7	0
Orissa	5.82	32.59	39.5	47.23	0.89	51	79.1	32.3	71.8
Punjab	5.47	8.26	23.6	47.48	0.98	26	66.7	3.5	15.6
Rajasthan	4.76	14.71	36.8	41.04	0.78	47	75.8	4.7	57.2
Sikkim	8.75	8.19	17.3	26.14	0.98	22	69.9	47.3	0.1
Tamil Nadu	6.02	11.28	25.9	61.59	0.98	21	98.6	18.3	41.1
Tripura	8.70	14.05	35.2	87.95	0.96	26	83.1	75	1.2
Uttar Pradesh	5.54	11.26	41.6	36.67	0.87	50	64.2	6	16.1
Uttarakhand	6.87	29.43	31.7	46.37	0.96	32	58.7	45.8	60.1
West Bengal	6.69	19.98	37.6	41.66	0.96	31	72.6	18.9	29.4
All India	5.60	21.9	40.4	45.63	0.91	40	76.2	21.2	43.43

Source: http://planningcommission.nic.in/data/datatable/data_2312/DatabookDec2014 per cent20162.pdf
Note: All cells marked yellow are worse performing than the national figure.

expected to be an automatic stabilizer for the economy and act as a counter-cyclical measure.

Among all the rural development programs, MGNREGA had been considered as a major program that could improve inclusive growth. Further, unlike other social sector programs, the design of MGNREGA was robust wherein the use of information technology in terms of identification, implementation and distribution of wage payments was been made through e-FMS (Electronic Fund Management System) and there is strong role of local people through social audit system. While there are mixed outcomes in terms of implementation across the states, due to use of banking/postal network, this program is still considered to be one of the most successful program compared to other social development programs in the country. Some statistics suggest that the payments made by bank/post office accounts under the scheme have raised the number of rural account holders to an enormous 8.6 crore. This aspect of financial inclusion initiated by such bank accounts has increased savings as well as access to better credit to the rural poor. The program also helped in improving equity across the communities. On reaching the unreached, the MGNREGA has numbers worth a mention. Out of those employed, an astounding 81 per cent reside in *kachha* houses, around 61 per cent are illiterate and about 72 per cent have no access to electricity in their households.

The MGNREGA also appears to have helped women enormously. Latest information suggests that over 53 per cent of the total employment provided in the past eight years has been undertaken by women. This could have improved the social and economic status of women to some extent in the rural areas.

The recent initiatives such as Aadhar based transfers as well as improving the banking network (through both formal banking as well as by making India Post as core banking compliant) will only further improve the efficiency of the program and improve livelihood among the poor in the rural areas.

Food Security: Need of the Hour

Food security, as defined by the World Health Organization, is when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life. Despite the high and fast growing emerging market economy, India has some shocking statistics when it comes to food security. As per the recent UNICEF report, atleast one million children under five die in India due to malnutrition related issues. Here, the burden among the schedule castes, scheduled tribes, other backward castes and rural communities is highest in terms of acute malnutrition. Among the states, it is Madhya Pradesh and Rajasthan that have acute problems in terms of malnutrition. In terms of hunger, The Global Hunger Index report for 2014 shows that India ranks at 55 among the 76 countries based on prevalence of underweight children under 5 years, under 5 child mortality rate, and the proportion of undernourished in the population.

Looking at this grave situation, India has recently passed the National Food Security Act (NFSA) in 2013 aiming to provide subsidized food to two-thirds of the country's population. This also integrated with other schemes such as the PDS, the Mid-day Meal and Integrated Child Development Services. These initiatives are expected to improve the nutrition levels among the children as well as women. However, despite the grave situation that India has in terms of food security, the Act is yet to be implemented even after almost two years of passing it. As some have argued, there could be some flaws in the Act, however, the delay in its addressing those issues and implementing only suggest the government's apathy towards addressing the food security concerns. As this is the state subject, state governments are also equally responsible for the delay in implementation.

Conclusion

To sum up, in the recent period, India has been trying to address the issue of divergence between growth and social development. However, the success of these initiatives is limited to few regions and groups. The integration of information technology with banking as well as Aadhar network is expected to substantially improve the public delivery mechanism. Such an integrated system could help in reducing the gaps between regions/communities and help in achieving overall social development of the nation. But, most importantly, there is a larger role for the state governments in bridging the gap. With the increased resources at the state level, following 14th Finance Commission recommendations, and downsizing of Centrally Sponsored Schemes, it becomes crucial for the states to design and implement suitable schemes to bring in social development. ❑

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MSMEs in the Inclusive Growth Agenda: A Perspective

P M Mathew

While the challenges lie in defining what a social enterprise is, once defined, it could pave the way for strong policies to help such businesses go from idea to innovation. This could include investments, loans and grants for start-ups, incentives such as tax-breaks, subsidies on land, power and water. Currently most start-up social enterprises get their funding from foreign investors. However, there is enough capital in India, particularly with the government and big corporations, to act as important investors

The concept of 'inclusive growth' is an add-on in the global debate on "growth vs distribution". The consensus of the late-20th century, and early 21st century is that, rather than 'growth' and 'distribution' being treated separately, there needs to be an approach where the two aspects meet each other. Thus comes the discussion on the so -called 'inclusive growth'. While the global consensus and the level of polemics has settled down on the above lines, the practice among countries tell a different story. Depending upon the particular situation of countries, the theory, practice and common understandings of 'inclusive growth' vary.

The concern with the role of micro, small and medium enterprises (MSMEs) in India has significant political and social overtones. It began with the 'Freedom Struggle' in the country, wherein, the role of self reliant political units of administration and a decentralised economy that is based on local resources, business opportunities, and markets was articulated. In the model developed by economist Mahalanobis, the small enterprise sector in India was visualised as an engine of growth, but playing a subsidiary role to the core sectors of the economy. Though the perception on 'inclusive growth' was there, from the days of the Second Five Year Plan, the word was coined much later.

While the popular perception on 'inclusive growth' continues, there are several challenges on the sustainability side. In addressing these challenges, one's socio-political perception matters a lot. An important and generally acceptable factor is sustainability. The sustainability debate has come as part of the debates on India's growth paradigm and experience.

Irrespective of the rates, growth and diversification have significantly taken place in the Indian economy over the past several decades. While growth is a hard core economist's concern, it is the challenge of policy to ensure that the fruits of growth are made felt to the majority of the people . It is in this context that social cushions are needed. Traditionally, this essentially social role has been visualised in the context of the MSMEs.

While, traditionally, this social role was perceived to be performed through an automatic route, the

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situation has changed drastically in the recent past. While the economy changes structurally, there are likely to be leaders and laggards in such a change. The laggards are likely to be left out. How can they also be accommodated into the mainstream? This is a challenging question. At the periphery of the Indian economy, SMEs perform their crucial role.

Inclusiveness: Differing Perceptions

Strategy becomes all the more important in a discussion on inclusiveness. India's strategy of MSME development has broadly undergone three generations of strategies: First, there was the traditional strategy of ***protection and reservation***. This was followed by a strategy which was closer to a ***rights- based approach*** . Thirdly, and more recently, the country follows a ***capabilities approach***. Under this approach, it is assumed that, given proper capabilities, the country can take its MSME sector into the mainstream of the development agenda.

The more recent policy announcement of the Government of India provides indication on this. On one hand, there are the flag-ship programmes that are meant for meeting the objectives of national policy. On the other hand, as a corollary, there is a focus on skilling and entrepreneurship creation. The synergy of these two aspects is capable of ensuring that the creativity and energies of the people of this country, are channelized into productive and socially meaningful activities. The Government, of late, has taken several steps in this direction. However, the finer aspects of these need to be properly understood.

Significance of the New Policy Thrusts

The new public policy approach in India which distinguishes between 'government' and 'governance', has much significance against the debates on the policy process in the country. Studies have shown that, public policy-making in India has frequently been characterized by a failure to anticipate needs, impacts, or reactions which could have reasonably been foreseen, thus impeding economic development. Policies have been reversed or changed more frequently than warranted by exogenous changes or new information. India's policy making structures have been cited to be so much inefficient or incapable with difficulty in formulating the "right" policy and then sticking to it (Agarwal and Somanathan,2005).

According to Agarwal and Somanathan (2005), a "good policy-making process" would meet the following criteria:-

While there has been an accepted model of start-up promotion around the world today, India, with its significant demographic dividend, needs to give top priority on harnessing the motivational skills of the young people, than equipping them as wage earners.

i) The problems and issues confronting a sector are subjected to expert analysis;

ii) Information on overlaps and trade-offs with other sectors is systematically gathered and made available to policy-makers;

iii) Opposing points of view within and between sectors , are properly articulated, analyzed and considered and those likely to be benefited or harmed are identified and their reactions anticipated;

iv) Decisions are made with due legal authority, after consultation of those likely to be affected, and with the involvement of knowledgeable persons in the sector (s) concerned;

v) Those responsible for implementation are systematically involved in the process, but are not allowed to take control of it;

vi) Policy-makers and/or their advisers have the honesty, independence, intellectual breadth and depth to properly consider and integrate multiple perspectives and help arrive at optimal policy choices within a reasonable time.

The record of MSME development initiatives in the country over the last 6 years demonstrates the presence of varied programmes, targeting functional areas, subsectors and social groups. However, there is a general perception that the benefits of the programmes did not actually reach the intended beneficiaries in the manner and time they were envisaged. In this context, there are two imperatives: first, there needs to be an integrated view of programmes. Besides, there needs to be a focus on the actual delivery of these programmes, without having leakages.

Based on the indication given by the Economic Survey and the latest Union Budget, there are some important steps that need closer examination and critical review:

Focus on Start- up

While there has been an accepted model of start-up promotion around the world today, India, with its significant demographic dividend, needs to give top priority on harnessing the motivational skills of the young people, than equipping them as wage earners. As indicated by the Union Budget and the Economic Survey, a beginning has been made in this direction by putting forward an integrated approach to start-up.

Thrust on Local Manufacture

India's backlash on the manufacturing front ,over the last two decades, has caught significant policy attention. The National Manufacturing Competitiveness Programme (NMCP) and the National Manufacturing Policy were a response to that. However, an assertion on positioning the country as the world's manufacturing hub, with clear milestones, is a remarkable development.

India's new perspective on manufacturing was kick- started with its new policy on defence equipments that was announced in May 2014. Following this, a policy on local manufacture was announced by the Prime Minister on August 15, 2014. Banding India's manufacture with a central place for MSMEs, was the first attempt in Independent India towards boosting the morale and self-esteem of the MSME sector.

A New Understanding on Skill Development

Even against the major initiatives on technical and vocational education, the Indian economy suffers from a serious skill-gap. However, the dimensions of the problem have not been holistically understood and translated into policy interventions. Until recently, the policy approach was essentially one of strengthening vocational education infrastructure, and to provide add-ons to it.

A major departure from the above approach was introduced by the Union Budget 2014. The Budget has an integrated view of skill development. Beyond modular skills, it unravelled an integrated approach by which modular and motivational skills are harnessed side by side. The flagship programme, 'Skill India', if properly organised, can go a long way in triggering a vigorous start-up movement in the country.

Integrated view of Manufacture and MSME Niche

As noted already, the National Manufacturing Competitiveness Programme and the National Manufacturing Policy, have undoubtedly highlighted the importance of boosting manufacture in the country. However, on translating the Programme into schemes, the record so far has not been commendable. More recently, the identification and thrust given to three focal sectors is indicative of the more concerted effort that is likely to go into these subsectors. They are: (1) defence production; (2) electronics; (3) textiles.

Harnessing the Potential of Socially Marginal Groups

Managing multiculturalism is indeed a great challenge and opportunity in the MSME constituency. India, as a country, and more specifically in the rural setting, the configurations of caste and language get reflected in enterprise clustering and recruitment strategies. With India's diverse groups of communities from different cultural backgrounds getting empowered and achieving educational attainments, the socially marginalised groups are likely to be increasingly absorbed by the MSMEs. But how far are MSMEs equipped to manage such diversity? It is, at the time, a question of social engineering and public policy.

The Budget has an integrated view of skill development. Beyond modular skills, it unravelled an integrated approach by which modular and motivational skills are harnessed side by side. The flagship programme, 'Skill India', if properly organised, can go a long way in triggering a vigorous start-up movement in the country.

The so called 'Social Marginality Thesis' states that, the marginal communities in a society contribute more significantly to economic development, than the mainstream communities. This globally demonstrated behaviour pattern has significant implications for India's development strategy. In India, the socially marginal groups, as per the Constitution have been identified as eligible for some special protection and privileges. The setting up of the Ministry of Minority Affairs has gone a long way in coordinating these activities. However, how to harness the economic potential and special capabilities of these communities in the agenda of economic development? This crucial question has remained only partially addressed so far.

On one hand, the minority groups in any society often have difficulties in getting integrated with the mainstream, and therefore, they often try to identify particular economic time zones. On the other hand, in many countries, the minorities are not properly integrated into the main stream economic sectors by public programmes. As a result of these, one can find ethnic and regional minorities in most countries remaining comfortable with their particular economic activities. Example: Batik craft in Vietnam and Indonesia, Pottery in Vietnam, crafts and cloth of Yugur minority in China, ethnic food items of Chinese Kazak minority, are examples. In the Indian context, brassware in Moradabad, lace-making in Narzapur, wooden toy-making in Channapatnam, and Udupi Hotels in Karnataka are some of the examples having their ethnic stamp and reputation.

The Union Budget 2014 came out with a programme for the upgradation of skills and training in ancestral arts for development of the minorities. This programme called 'Up gradation of traditional skills in arts, resources and goods', announced by Budget, would be launched to preserve the traditional arts and craft which are a rich heritage. Despite this high relevance of multi- culturalism and the significant economic role of the minorities, no attempt so far has been made to identify and integrate the role of these communities with the existing knowledge system that support policy making in the country.

Critical Areas of Concern

Despite all the changes, as outlined above, there are critical areas that deserve special mention: 1. use of knowledge for development; 2. entrepreneurship as a critical resource; 3. a massive capacity building in an integrated manner; 4. integration of social consciousness with a business case (eg: promotion of social enterprises)

Knowledge for Development

The rapid changes in the so-called 'developed economies', are associated with a new dynamics, new rules, and new drivers for success. The greatest structural change in the global economy during the past quarter century, has been the growth of the knowledge economy. The prominence of knowledge as a critical input implies a division between the old economy and the so called new economy. These countries are changing from an industrial economy based on steel, automobiles, and roads to a 'new economy' built on silicon computers and networks. This implies a significant shift in economic relationships, that is as significant as the previous displacement of the agricultural age by the industrial age. The 'new economy' is all about competing for the future, the capacity to create new products or services, and the ability to transform businesses into new entities. While these new entities could not be imagined yesterday, the day after tomorrow, they may be obsolete as well. There are some important, but overlapping themes that differentiate the 'new economy' from the old. They are: 1.) Knowledge; 2) Digitization; 3) Virtualization; 4) Molecularization; Integration/Internet working;6). Dis-intermediation; 7) Convergence; 8). Innovation; 9)Prosumption; Immediacy;10) Globalization;11) Discordance; and 12) Boom of self –employment.

In India, despite its long history of MSME development policy, our efforts towards knowledge creation and its transmission to the context of this sector, is much below global standards. For example, the lifting of quantitative restrictions (QRs) , that offered a protective framework to the MSMEs, was abandoned. However, being exposed to the open market, the sector did not get the benefit. While a level playing ground was expected to be brought through the liberalization policy, the result was not in tune with the expectations of the sector. At the policy level, it was argued that innovation is the mantra of sustainability of the sector, but action in this regard was relatively constrained.

In a knowledge economy, the sustainability of MSMEs cannot be expected on a stand-alone basis. It needs the benefits of inter - sectoral linkages. Here, the old concepts of development dependent essentially on imported technology, have a lesser role. In the 'new economy', space and time are crucial, need they need be best used through local knowledge systems. India's track record relating to knowledge systems specific to the MSME sector needs much more improvements. Such a knowledge system needs to be integrated and should touch upon and nourish the whole value chain that is applicable to the MSMEs. 'Make in India', as a strategic approach, marks a departure from this beaten track. Of course, its implications on MSMEs is debatable.

Given the huge size of the country, and the large size of its young population, it is necessary to develop a proper approach to understanding, measurement and planning for entrepreneurship development. It is in this context that a resource approach becomes relevant.

Entrepreneurship as a Critical Resource

Traditionally, in India, entrepreneurship was considered as emerging from the business communities. This stream of thinking underwent a radical change in the early 1970s, which gave way for proactive entrepreneurship development policies through structured Entrepreneurship Development Programmes. Though this resulted in the mainstreaming of entrepreneurship development through institutions and programmes, the impacts are yet to be measured properly. Yardsticks for measurement need to be properly developed. Entrepreneurship development initiatives involve two crucial components: 1) program modelling; 2) delivery of programs. Several evaluation studies have indicated constraints on both counts.

Given the huge size of the country, and the large size of its young population, it is necessary to develop a proper approach to understanding, measurement and planning for entrepreneurship development. It is in this context that a resource approach becomes relevant. Entrepreneurship is a critical resource which needs to be preserved and nourished. Against this imperative, the track record of policies and strategies need close examination.

Integrated Capacity Building

The word capacity building, in itself, is an integrated concept. In any economy, the prevailing features of labour market determines the type of capacity that need to be created. However, approaches to capacity creation may vary.

The country presently faces the challenge of a significant mismatch in the labour market. It leads us to the imperative for skilling India's young population on a war footing, so that their absorption into the productive sectors of the economy can be enhanced. This solid argument was put forward by the Prime Minister, in his Independence Day Speech last year. He announced the flagship programme called 'Skill India', which provides an outline for the country's labour market policy. However, the details of such a policy need to be worked out. The Ministry for Skill Development and Entrepreneurship has been set up in November 2014 to give fresh impetus to the 'Skill India' agenda and impart employable skills to its growing workforce over the next few decades.

As India transforms itself into a knowledge economy, there exists the need for energising, motivating, and skilling its population, especially the young, not only in quantitative, but qualitative terms as well. This demands much more meticulous work relating to institutions, programmes and standards. Such a strategic approach presupposes a National Policy that acts as a thumb rule for India's labour market agenda.

Skill development, however, cannot be viewed in isolation. Skills are fundamental to, but not sufficient for, gaining decent jobs or to become a good entrepreneur. Labour market interventions, of which skill development forms a major part, needs to be demand -driven; they need to be an integral part of the employment and economic growth strategies. Coordination with the other national macroeconomic policies and strategies is, therefore, critical. Therefore, the need for initiatives in development of skills and entrepreneurship has to come from the need for enhanced income opportunities, including : 1) wage employment; 2) self employment; and 3) labour export. Wage employment ensures income for survival. Self-employment, besides contributing to subsistence, is catalytic to income and employment multiplier. Labour export adds to the foreign exchange resources of the country. An integrated labour market policy has to take care of all the three in a scientific manner. While all these different aspects, though structurally interconnected, are taken care of by various Ministries and Departments of the Government of India, there needs to be functional synergy.

It is estimated that, during the seven-year period of 2005-2012, only 2.7 million net additional jobs were created in the country. This indicates that the supply of wage employment in the country is much shorter, in relation to the demand. Therefore, at least a part of the job seekers, given the right motivation and orientation, can be channelized into the entrepreneurship stream. This necessitates provision of proper business development services (BDS), which includes training in entrepreneurship and mentoring as well. Recognizing the imperative for skill development, the National Skill Development Policy was formulated in 2009. The National Policy on Skills and Entrepreneurship Development 2015 supersedes the Policy of 2009. The objective of this policy is to provide a framework for labour market interventions at scale, *with speed, standard (quality) and sustainability.* It aims to provide an umbrella framework to all skilling activities being carried out within the country, to standardize them and to ensure them that they are market-driven. In addition to laying down the objectives and expected outcomes, the Policy also identifies the institutional framework which will be the vehicles to reach the expected outcomes. Skills development is the shared responsibility of a multi stakeholder platform, including government, employers and individual workers, with NGOs, community based organizations, private training organizations and other stakeholders playing a critical role.

Labour market interventions, of which skill development forms a major part, needs to be demand -driven; they need to be an integral part of the employment and economic growth strategies. Coordination with the other national macroeconomic policies and strategies is, therefore, critical.

The Prime Minister's vision of 'Skill India' needs to be taken forward within the framework a meaningful labour market policy, where every Ministry/Department at the national and State level have a specific role to play. These roles need to be specified in relation to their specific expertise, so that duplication of efforts are minimized.

Social Enterprise

'Impact investment' and 'social enterprises' are two key concepts in the semantics of responsible business today. However, these concepts are yet to pick up in the Indian context.

India, given its huge size, faces several social problems. These social problems need to be addressed basically in terms of the present resources and opportunities. In every social problem or social cost, there is an opportunity in waiting. It is the perception relating to tapping these opportunities, that is central to the agenda of sustainable enterprise development.' Enterprise' is a basic human trait which needs nourishment in a particular context. In the case of a social problem, the opportunity in inherent and it has to be identified and channelized for a meaningful solution. It is in this context that the relevance of social enterprises arise.

Social enterprises are defined as enterprises that operate like a business, produce goods and services for the market, but manages there operations and redirects then surpluses in pursuit of social and environmental goals. They are revenue-generating businesses with a twist. Whether operated by a non-profit organization or by a for-profit company, a social enterprise has two goals: (1) to achieve social, cultural, community; economic or environmental outcomes; and, (2) to earn revenue. On the surface, many social enterprises look, feel, and even operate like traditional businesses. But looking more deeply, one discovers the defining characteristics of the social enterprise: the mission is at the centre of business, with income generation playing an important supporting role.

Organisations may be placed on the social enterprise compass, which measures enterprises and organisations on a continuum between the private and public sectors. On the vertical axis, each enterprise or organisation is categorized by its primary objective, from "social purpose" at the top to "commercial purpose" at the bottom.

A 'social economy' develops because of a need for new solutions for issues in a socially responsible manner (social, economic or environmental) and to satisfy needs which have been ignored (or inadequately fulfilled) by the private or public sectors. By using solutions to achieve not-for-profit aims, a social economy has a unique role in creating a strong, sustainable, prosperous and inclusive society. Defining the limits of a social-economy sector is difficult due to shifting politics and economics; at any time organisations may be "partly-in, partly-out", moving among sub-sectors of the social economy.

Successful social enterprises play a role in fulfilling governmental policy objectives by:

- increasing productivity and competitiveness;
- contributing to socially-inclusive wealth creation;
- enabling individuals and communities to renew local neighbourhoods;
- demonstrating new ways to deliver public services; and
- developing an inclusive society and active citizenship.

Given the vastness of the country, India has produced several social enterprise models. They range from purely government–designed ones to private models. Though there are many names in this area, the country still lacks in a social enterprise policy at the national level.

Despite India's remarkable GDP growth over the last two decades, one-third of the country's 1.2 billion population still lives below the poverty line. Besides, more than 40 per cent of children under five are malnourished, while the World Health Organisation says some 620 million people are forced to defecate in the open. Therefore, responding to these issues through socially targeted investments, or 'impact investments', is a major challenge.

Social enterprises can play a key role in India's agenda of inclusive developments. However, just like in many other countries, they are not officially or legally recognised as a sector in India, even while they play an important part in the fight against poverty.

While the challenges lie in defining what a social enterprise is, once defined, it could pave the way for strong policies to help such businesses go from idea to innovation. This could include investments, loans and grants for start-ups, incentives such as tax-breaks, subsidies on land, power and water. Currently, most start-up social enterprises get their funding from foreign investors. However, there is enough capital in India, particularly with the government and big corporations, to act as important investors.

Conclusion

Translating the concept of 'inclusion' from a political slogan into a no-nonsense, action oriented concept, is the challenge before policy makers today. Small and medium enterprises, as a constituency can play a significant role in this regard. ❑

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Employment and Inclusive Growth in India: Emerging Pattern and Perspectives

Alakh N Sharma

The employment-intensive pro-poor growth strategy and the improved and reoriented employment generation programmes will go a long way in achieving social inclusion. But even then given the nature of political economy and functioning of the market, vulnerabilities and exclusions, although declining, are likely to persist. And hence, the state has to play an active role by some other effective measures

India has witnessed a high growth rate of over 6 per cent per annum during the three decades or so from early 1990s to 2012. Due to both international as well as domestic factors, the growth rates along with savings and investment rates considerably slowed down for two years thereafter. Now it seems that the economy is well on the path of recovery and the growth rate has shown acceleration. In fact, as per the new methods of national accounts estimation, India with a growth rate of around 7 per cent is the fastest growing large economy in the world surpassing China which has witnessed a slow down. With decline in population growth rate from around 2.5 per cent in 1980s to 1.5 per cent at present, this has resulted in a sustained increase in per capita income in the country. Consequently, there has been considerable decline in the incidence of poverty as well as improvement in other indicators of well being such as education and health. Notwithstanding these achievements, poverty is still widespread and employment has grown slower than the earlier periods with increasing informalisation. These disquieting features need to be highlighted.

Informalisation of Employment, 'Working Poor' and Exclusion

India is among those countries in the world where informalisation of workforce is one of the highest – in 2011-12, only 18 per cent of the workforce was regular in formal sector out of which only around 7.5 per cent was with regular formal employment with social security. Over the years, even in the formal sector, the share of informal workers such as casual and contract workers have been increasing and now it stands at around 58 per cent. Apart from having no social protection, most of these informal workers have low earnings and low labour productivity. As such, although the incidence of poverty has declined, still its level is unacceptably high. The India Labour and Employment Report 2014 (Institute for Human Development, 2014) has estimated that as per the current official poverty line (equivalent to about $ 1.25 PPP), one-fourth of the Indian workers are poor. If the current poverty line is enhanced to about $ 2 (PPP), nearly 58 per cent of the workers would be poor. On the other hand, the overall open chronic employment rate is only around 3 per cent in the country and even on daily basis, the rate goes up only to around 6 per cent. This implies that more than

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unemployment, low earnings of the majority of workers in the informal employment, the so-called 'working poor', is the crux of the problem.

There are some other important concerns also which indicate that the high growth in India has not been inclusive. First, the concentration of good employment in the formal sector in some regions. The central and eastern regions with high concentration of tribals and other vulnerable groups and accounting for about 48 per cent of the population account for only 27 per cent of all organized private sector jobs of the country. On the other hand, the southern, western and northern regions with 49 per cent of country's population account for close to three fourth of all private sector jobs. The regional exclusion in the process of high growth is thus, a matter of real concern.

The unequal access of women to employment and discrimination in the labour market poses yet another challenge. Much larger proportion of women workers are engaged in low productive and less remunerative activities than their male counterparts. Discounting for the educational enrolments and the substitution effect due to rising incomes, an important reason for the declining participation of women in work is the lack of appropriate employment opportunities for them. In the wake of rising educational enrolments, coming years will witness a big surge in the number of educated women. The educated young female unemployment rate in the country is 23 per cent which is double than the corresponding rate for males. Thus, the challenge for creating suitable employment opportunities for the ongoing youth bulge is likely to accumulate sharply in future and is much more daunting for females, who, unlike most of the males, are unable to migrate freely in search of jobs due to patriarchal nature of the society.

Addressing the Problem

Thus, although India has been able to make significant dent in absolute poverty, which is just at a subsistence

Creating Employment Through Skill Development

❖ **MUDRA Bank**

Micro Units Development Refinance Agency (MUDRA) Bank, was created in the Budget to encourage entrepreneurs to set up micro units. The Bank will refinance Micro-Finance Institutions through a Pradhan Mantri Mudra Yojana and will have a corpus of Rs 20,000 crore, and credit guarantee corpus of Rs 3,000 crore. Priority to be given to SC/ST enterprises while lending. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. 62 per cent of these are owned by SC/ST/OBC. These bottom-of-the-pyramid, hard-working entrepreneurs find it difficult, if not impossible, to access formal systems of credit. These measures will greatly increase the confidence of young, educated or skilled workers who will now be able to aspire to become first generation entrepreneurs. Existing small businesses, too, will be able to expand their activities.

❖ **Deen Dayal Upadhyay Gramin Kaushal Yojana**

Deen Dayal Upadhyay Gramin Kaushal Yojana launched to cater to rural youth employment opportunities. Rs 1,500 crore have been set apart for this scheme. Disbursement will be through a digital voucher directly into qualified student's bank account. With rural population still forming close to 70 per cent of India's population, enhancing the employability of rural youth is the key to unlocking India's demographic dividend.

❖ **Pradhan Mantri Vidya Lakshmi Karyakram**

With a view to enable all poor and middle class students to pursue higher education of their choice without any constraint of funds, a fully IT based Student Financial Aid Authority to administer and monitor Scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram is proposed to be set up. This will ensure that no student misses out on higher education for lack of funds.

❖ **SETU**

India has a well regarded and world-class IT industry with revenues of about US$ 150 billion, over US$ 100 billion of exports, employing nearly 40 lakh people directly. "We are now seeing a growing interest in start-ups. Experimenting in cutting edge technologies, creating value out of ideas and initiatives and converting them into scalable enterprises and businesses is at the core of our strategy for engaging our youth and for inclusive and sustainable growth of the country" the Finance Minister had said in his budget speech. With this objective, Government has established a mechanism to be known as SETU (Self Employment and Talent Utilisation). SETU is be a Techno-Financial, Incubation and Facilitation Programme to support all aspects of start-up businesses, and other self-employment activities, particularly in technology-driven areas, with an initial funding of Rs 1,000 crore initially in NITI Aayog for this purpose.

❖ **Skill Development**

Atal Innovation Mission (AIM) has been established in NITI. AIM will be an Innovation Promotion Platform involving academics, entrepreneurs, and researchers and draw upon national and international experiences to foster a culture of innovation, R&D and scientific research in India. The platform will also promote a network of world-class innovation hubs and Grand Challenges for India. Initially, a sum of Rs 150 crore will be earmarked for this purpose.

level, it has not been very successful in creating sufficient quality employment. Addressing the challenge of devising appropriate strategies and policies for employment-intensive inclusive growth is indeed a very formidable challenge before the country. There is no doubt that sustained growth is necessary for attacking unemployment, underemployment and poverty. But at the same time, it is not sufficient. More important in this context is reorienting and restructuring the growth process. The appropriate macro-economic policy in combination with monetary and fiscal policy can play an important role in this regard. The employment goals should be included in the country's macroeconomic and fiscal policies. Similarly, the backward regions should be an important focus of these policies by suitable investment, and other incentive mechanisms. It will be naïve to expect that market-led growth process will correct these imbalances. For this, an active state intervention with robust and appropriate macroeconomic policies and strategies is absolutely necessary. The low level as well as poor quality of education and skills in the country is an important factor behind the low earnings and poor productivity of the workers. And hence, large investments in human capital by the state, particularly education, skills and health, are important. The backward regions are considerably lagging behind the relatively advanced states in terms of most of the physical infrastructure. Thus, as a whole it is absolutely necessary that the process of growth is reoriented so as to take care of the disadvantaged groups and regions so as to create better jobs. This is not important only for arresting exclusion and creation of jobs, but also for the very sustainability of growth.

The Role of Special Employment Programmes

Since the mid-1970s, India has been relying on a number of special employment generation and poverty alleviation programmes, introduced from time to time, to take care of the vulnerable sections of the people who have been left behind by the growth process. These targeted programmes fall into two broad categories: self-employment programmes and wage employment programmes.

Self-Employment Programmes

All rural self-employment programmes were integrated into the Swarna Jayanti Swarozgar Yojana (SGSY) in 1999. The SGSY focused on micro-enterprise development by providing assistance for income-generating assets through a mix of bank credit and government subsidy. It laid emphasis on social mobilization through the formation of self-help groups and their capacity building. It also incorporated various other aspects like the planning of activity clusters, build-up of infrastructure and technology, training and marketing and also emphasised the weaker sections.

The lessons of implementation of self-employment programmes under the SGSY showed that for poor households with negligible or low levels of education, meagre assets and dependence on seasonal low wage employment, one of the major hurdles in moving towards self-employment is the lack of not only adequate financial resources but also skills and capacity, and sustained institutional support.

Learning from the limitations of the SGSY, the government restructured the programme as the National Rural Livelihood Mission, renamed as '*Aajeevika'* (livelihood), which was formally launched in 2011 (MoRD, 2012). *Aajeevika* focused on building strong institutions for the poor into SHGs, their federations and livelihoods collectives at the village, block, district and state levels. It aimed at promoting the larger participation of marginalized groups by ensuring their inclusion. Training and skill development were also accorded renewed priority (MoRD, 2012).

The government launched a credit linked Central scheme, namely the Prime Minister's Employment Generation Programme (PMEGP) in August 2008 for generating self-employment opportunities in both rural and urban areas. Entrepreneurship development was an important aspect of this self-employment scheme. Its evaluation shows that there is a big gap in the demand and supply of credit for the scheme.

On the whole, the self-employment programmes have had a very limited impact on livelihoods and employment, and the amount of expenditure has been much less as compared to the overall requirements of those looking for such support. Further, the amount per beneficiary has also been meagre, except in the case of PMEGP. The incidence of red-tapism by banks as well as the administrative machinery have been the other factors often cited for the poor performance of these programmes. Wherever these bottlenecks have been overcome, the results have been better as in the case of the Kudumbashree programme in Kerala and SHGs in Andhra Pradesh.

Wage Employment Programmes

There was a major shift in the provision of rural wage employment as a programme to that of a right through the enactment of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005. It provided for a legally backed employment provision, guaranteeing 100 days of wage employment on demand at statutory minimum wages, to people in all the rural areas of the country. It also aimed at creating durable assets and strengthening of a rural livelihood resource base of the rural poor. The fact that Panchayati Raj Institutions (PRIs) are envisaged to implement the scheme was seen as a major step towards the empowerment of the *panchayat*s and local communities. Further, the fact that it would mobilize a large mass of the rural population in an organized manner to secure their rights to employment was seen as a great opportunity for the social and economic empowerment of weaker sections like dalits and women. Various evaluation studies of the Scheme indicated that it had significantly improved the wage income levels of rural households and also reduced considerably the distress migration.

As a programme of self-selection, MGNREGA reached a wide category of workers, including landless labourers, small and marginal farmers, and the SC and ST population. These are the groups that are most vulnerable to poverty and deprivation, and their participation in the programme contributed to an improvement in both their employment as well as living conditions (Sharma, 2013).

Although there are regional variations, overall, there has been a very high demand for work under MGNREGA, with workers often demanding work for more than the 100 days of work per household, as stipulated under the scheme. The local government machinery appears to be lagging behind in providing work for various reasons, including lack of technical and managerial capability. However, the workers look for regularity, continuity and predictability in the work available under the scheme. In states like Andhra Pradesh, wherein both the regularity of work and a large duration of work are ensured by adjusting the MGNREGA work to the agricultural lean season, the performance of the scheme is better than in other states where these provisions are not ensured. This enables the workers to adjust their employment calendar accordingly, in order to garner the maximum advantage from both agricultural work and public works. However, in states like Bihar and Rajasthan, there is still an overlap of MGNREGS works and agricultural season, and the net result is often a shortage of the overall in-site number of work-days, thereby resulting in workers migrating for work during the lean agricultural season (Sharma, 2013). The lack of capacity of the PRIs, and of the associated personnel, as also the shortage of technical staff have often been found to be the major factors responsible for the poor performance of the MGNREGA in several states, particularly in the north. It has also been pointed out that not much attention has been paid to the creation of assets in the programme, and that the target of meeting the stipulated expenditure has been single-mindedly pursued. Notwithstanding these limitations, this programme is much more successful than all its predecessors. At the same time, it is widely felt that MGNREGA cannot be implemented for a long time unless it is firmly integrated with the ongoing development programme, including skills and training.

There have been a few urban poverty alleviation and employment programmes with the aim to provide gainful employment to the urban unemployed or under-employed by encouraging the setting up of self-employment ventures or the provision of wage employment. Swarna Jayanti Shahari Rozgar Yojana (SJRY) consisting of two major components, namely urban self-employment programme (USEP), and urban wage employment programme (UWEP), has been the most important. Under USEP, the urban poor are given assistance for setting up their enterprises. The UWEP provides wage employment to prospective below poverty line beneficiaries within the jurisdiction of urban local bodies by utilizing their labour for the construction of socially and economically useful public assets. So far, however, this programme does not seem to be a visible programme for targeting the urban under-employed and unemployed. Apart from institutional and implementation-related bottlenecks, the major reason for this has been its limited coverage.

Special Employment Programmes : Overall Assessment

An assessment of the overall performance of the direct employment generation programmes indicates that except MGNREGA, all the other programmes have had a rather limited impact, primarily because of the miniscule nature of their interventions, while the universal nature of MGNREGA has naturally scaled up its coverage and impact. The other cited reasons for the limited impact of these direct programmes have been the weak capacity of the implementation machinery, shortcomings in design and lack of coordination among various agencies, leakages leading to corruption, lack of awareness among the beneficiaries, and non-synergy with other development programmes. Nevertheless, the impacts of the programmes vary considerably across regions. Most of these programmes have been generally better implemented in the southern states than in the northern ones.

A pertinent question that is often asked relates to the proper balance between development programmes and direct employment generation programmes in the development process. Ideally, such programmes should be reduced gradually when the poverty level declines and labour markets get tightened due to the growth process and as such, they should not be seen as permanent features. However, in the current phase of development of the country, wherein widespread poverty still prevails, there is reason to continue these programmes at least for the next five years or so after which they can be evaluated. The larger question concerns finding ways to make them effective by linking them with the infrastructural development programmes so that they can contribute to the growth process. Strict monitoring and evaluation should be an integral component of the implementation plan of these programmes, and they should be restricted and redesigned whenever required.

It is also important to highlight that the performance of these programmes should not be judged only from the economic impacts but non-economic ones. The large amount of money spent through these programmes, particularly in rural areas, has contributed to the enhancement of effective demand. The PRIs have also been gradually strengthened with these programmes. The programmes like MGNREGA have considerably helped in even unionization of the rural poor and awareness about their rights.

Conclusion

The employment-intensive pro-poor growth strategy and the improved and reoriented employment generation programmes will go a long way in achieving social inclusion. But even then given the nature of political economy and functioning of the market, vulnerabilities and exclusions, although declining, are likely to persist. And hence, the state has to play an active role by some other effective measures. The most important measure to address them will be providing a minimum level of social protection which can take care of their unemployment, illness, old age and similar such contingencies. Only around 10 per cent of the workers are covered by comprehensive social protection, largely belonging to the formal sector. In recent years, a number of schemes such as old age pensions, maternity benefits, health insurance, etc. have been launched by the government. Apart from meagre amount of benefits, the major limitation of these schemes is inclusion and exclusion errors due to the nature of targeting. The division of people between 'below poverty line' and 'above poverty line' is extremely defective. That is why only a universal social protection scheme, albeit excluding the easily identified better off groups, which provides some basic minimum will go a long way in attacking vulnerability and exclusion in the country. The results of the socio-economic caste census combined with Aadhar mechanism will considerably help in strengthening the effectiveness of the social protection system. The country can very well afford this minimum package of social protection for the poor and in fact, it is a must not only for inclusion and justice, but also for achieving sustained growth.

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NORTH EAST DIARY

NORTHEAST STUDENTS TO PARTICIPATE IN 'RASHTRIYA AVISHKAR ABHIYAN'

Northeast students in the age group of 6 to 18 years studying in Class 1 to 12 will be involved in the "Rashtriya Avishkar Abhiyan" which is a unique concept developed by the Ministry of Human Resource Development. It aims to inculcate a spirit of inquiry, creativity and love for Science and Mathematics in school children. Under this, the government schools will be mentored by Institutes like IITs/IIMs/IISERs and other Central Universities and reputed organisations through innovative programmes, student exchanges, demonstrations, student visits, etc to develop a natural sense of passion towards learning of Science and Maths. This youth centric concept is aimed at bringing the North East youth closer to mainstream India and offer them high quality training in the field of science and technology to enable these students to attend exclusive National Science Training Programme. This is in response to the lack of quality education and jobs in the Northeast region, that witnesses a large exodus of its youth to other parts of the country for better opportunities.

INTERNATIONAL YOGA DAY CELEBRATION AT SHILLONG SETS RECORD

International Yoga Day was celebrated at various Air Force and Army establishments in Shillong and North East Region where separate programs were conducted for ladies, children and personnel. The aim of the camp was to reinforce the benefits yoga offers in tackling day to day rigours of life. This celebration even created a record for the largest yoga performance simultaneously by a single uniformed youth organization at multiple venues on 21 Jun 2015. About 3000 personnel, ladies and children participated in large numbers. More than 56,000 National Cadet Corps (NCC), cadets participated at 169 venues across the entire North Eastern Region.

CENTRE TO EXPEDITE PROPOSAL FOR MAJULI ISLAND AS WORLD HERITAGE SITE

Centre will make all efforts to expedite the proposal of World Heritage site status for Majuli island , located in Brahmaputra river in Assam. The Majuli island is the largest river island in the world and has a population of about two lakh, both tribal as well as non-tribal. The island has been shrinking in its size due to erosion, thus there is a need to conserve this culturally and historically rich island. Ministry of Tourism thus, will develop Majuli island as a tourist destination , especially with the help of Cruise tourism and provide all assistance to state government of Assam to expedite the proposal for World Heritage site. ASI will conduct the survey of the ancient artefacts at the island to facilitate the proposal for World Heritage site. The island may also be provided with tourism infrastructure like a Guest house, an auditorium and a Museum. ❑

Making Agriculture a Tool of Inclusive Growth

Bhuwan Bhaskar

...the Central government has started thinking of agriculture not merely as a tool to feed the country, but also as a basic means to uplift the socio-economic indicators of the country. To complement the view, the government has initiated a number of development measures and schemes which have the potential to immensely benefit the agrarian communities by strengthening the roots of Indian agriculture

It goes without saying that in an agrarian society like ours, no development plan can succeed without keeping agriculture at the center of things. This is not only because we, as a nation, are one of the biggest food consumers in the world and that to keep our agri sector vibrant and alive is a prerequisite for our food security, but also due to the fact that more than half of the population owes its social, economic and even cultural life to the state of this sector only. Having said so, it is really unbelievable how our agriculture could slide to such a pathetic condition as it is today. The roots may easily be discovered right after we achieved independence. Governments after governments described the importance of agriculture ad nauseam but when it came to policy making, it was left to struggle for its fate.

Such an apathy towards agri sector resulted in two things. One, we continued to downslide on productivity and crop diversification, and second, more than two-thirds of the Indian population remained laggard on each and every aspect of socio-economic measurements. That is because agriculture was the sole source of livelihood for them and dearth of basic infrastructure, e.g. irrigation, post-harvest facilities, research centers, effective loan facilities, lack of financial inclusion etc. weighed upon their income levels and the final result came in the form of deepening rift between the urban and rural India.

In early 1960s, when India was facing a formidable risk of famine, the then Prime Minister Lal Bahadur Shastri successfully led the country to Green Revolution. Benefitting from the revolution, India leaped miles forward in staple production and got self-dependent in producing many grains. But the revolution was also limited in its scope and mandate. The sole motto was to increase the acreage and productivity. It was never envisaged as the tool to bring about inclusive growth and social change. That led to excessive use of fertilizers, pesticides and other chemicals in farms. As a result, the productivity of lands increased but so did the cost of agriculture. Year on year, we gradually increased the use of chemicals and now Punjab, the biggest beneficiary of Green Revolution, has started facing the problem of a downturn in productivity, high cost of farming and raised toxicity of farm soil.

In 2003, the then government, for the first time, pondered over the post-harvest aspect of Indian agriculture and promulgated Agriculture Produce Market Committee (APMC) Act. But in the course of time, the committees became strongholds of local politicians and started bumping

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on their responsibility to fetch optimum prices for a farmer's produce. Now the system of APMC is being debated and the Finance Ministry has already de-listed fruits and vegetables from the Act. Another important policy initiative in the direction of bringing inclusive growth and social change was farm insurance which could never succeed even though numerous initiatives were taken.

Now for the first time in Indian agriculture history, the Central government has started thinking of agriculture not merely as tool to feed the country, but also as a basic means to uplift the socio-economic indicators of the country. To complement the view, the government has initiated a number of development measures and schemes which have the potential to immensely benefit the agrarian communities by strengthening the roots of Indian agriculture, if implemented successfully. Let's analyze the measure and schemes:

National Agriculture Market (NAM): This is the latest initiative by the Central government which can change the landscape of post-harvest crop management forever. The Cabinet Committee on Economic Affairs (CCEA) approved a Central Sector Scheme for Promotion of National Agricultural Market through Agri-Tech Infrastructure Fund on 2nd July 2015. The Government plans to integrate 585 wholesale markets across India by setting up an online platform and has earmarked Rs. 200 crore for three years from 2015-16 to 2017-18. "Now there will be one license for entire state, there will be single point levy. There will be electronic auctions for price discovery. The impact will be that the entire state will become a market and the fragmented markets within the states would be abolished," said the Finance Minister. The plan is to cover 250 mandis in current fiscal, 200 mandis in 2016-17 and 135 mandis in 2017-18. After the completion of NAM, seamless transfer of agriculture commodities within the state can take place. The market size for farmers would increase as they

Boost to Agriculture

❖ **Irrigation for All Villages**

In a major initiative to reduce farmers' dependency on the monsoons, the Cabinet has approved a central scheme for providing irrigation facility to every village. The Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) aims to ensure access to some means of protective irrigation to all agriculture farms in the country within a time frame of 5 years(2015-16 to 2019-2020). Total budgetary allocation of Rs 50,000 crore, has been allocated for the scheme, with a provision of Rs 5300 crore for this fiscal year. The proposal is to bring in six lakh hectares under irrigation, besides providing drip irrigation facility in 5 lakh hectares during this fiscal year. The scheme aims to: a) achieve convergence of investments in irrigation at the field level b) expand cultivable area under assured irrigation (Har khet ko pani) c) improve on farm water use efficiency to reduce wastage of water d) enhance adoption of precision irrigation and other water saving technologies e) enhance recharge of aquifiers f) explore feasibility of reusing treated municipal based water for peri-urban agriculture towards sustainable water conservation practices g) attract greater private investment in precision irrigation systems.

❖ **Online Agri-Marketing**

The Cabinet approved the setting of an online national agriculture market, which is expected to boost farmers' incomes and improve availability and moderate price rise. An amount of Rs 200 crore has been earmarked for the Central Sector Scheme for Promotion of National Agriculture market through AGri-Tech Infrastructure Fund (ATIF) from 2015-16 to 2017-2018.

This includes provision for supplying software free of cost by DAC to the states and UTs. Cost of related hardware/infrastructure would also be subsidised by the government up to Rs 30 lakh per mandi (other than for private mandis). The Centre would also meet expenses on software and its customisation for the states which would then be provided free of cost to them. It will also give grant as one time fixed cost subject to the ceiling of Rs 30 lakh per mandi for related equipment or infrastructure for installation of the e-market platform. The target is to cover 585 selected regulated markets across the country i.e. 250 mandis by FY16, 2016-17: 200 more mandis by FY17 and another 135 mandis by FY18. SFAC will be the lead agency for the development of the National e-Market by the Ministry of Agriculture

The scheme provides farmers a more efficient, transparent and competitive marketing platform. This gives them improved access to market related information and better price discovery . The transparent auction process gives him access to a greater number of buyers within the State and from outside. It would also increase his access to markets through warehouse based sales. This would obviate the need to transport his produce to the mandi.

Integration of agri-markets across the country through the e-platform is seen as an important measure for overcoming challenges posed by the present agri-marketing system like a) fragmentation of state into multiple market areas each administered by separate APMC b) multiple levy of mandi fees c) requirement for multiple license for trading in different APMCs d) licensing barriers leading to conditions of monopoly e) poor quality of infrastructure and low use of technology f) information asymmetry g) opaque process for price discovery h) high level of market charges and i) control over movement of food products.

won't be limited to a captive market. Unifying the markets both at state and the national level would provide better price to farmers, improve supply chain, reduce wastages and create a unified national market through provision of the common e-platform.

This platform can solve the perennial problem of middlemen eating away a major chunk of profits due to lack of market availability to farmers. Rashtriya e-Markets Services (ReMS) Ltd., the 50:50 JV company of Karnataka Government and NeML, a 100 per cent subsidiary of commodity exchange NCDEX, has already shown the way in Karnataka by integrating 55 out of 155 main market yards into a single licensing system. The GoI referred to it as a model of NAM in its 2014-15 Economic Survey and the Agriculture Minister got the Agriculture Ministers of 23 states to show the functioning of the Karnataka model.

Soil Health Scheme: On 19th February this year, the Prime Minister launched the nationwide 'Soil Health Card' Scheme from Suratgarh, Rajasthan. The Prime Minister said that his government thought of agriculture as a tool for poverty alleviation. And moving forward on the roadmap, the fund allocation for the scheme was increased to Rs. 200 crore in the current year budget. The Finance Minister had also set aside Rs. 156 crore for the scheme in the first budget out of which Rs. 56 crore had to be spent on setting up 100 mobile soil testing laboratories across the country. According to the order released on 28th April this year by the Ministry of Agriculture, 2.53 crore samples would be collected during 2015-16. States have to bear 50 per cent of the total cost. Total Rs. 192 crore would be spent on sample collection, sample analysis, training of chemists, staff and farmers, ICTs and workshops, of which the Central government will contribute Rs. 96 crore. The government has announced that these cards would be given to all 14.5 crore farmers within 3 years.

Although, this health card scheme was already being run in some parts of the country, it was never taken up as a national movement. It's a commendable scheme to ensure sustainable development of agriculture sector. Under the scheme, soil sample is collected from a farmer's farm land and is tested in a laboratory. After the testing, the farmer gets a card just on the lines of health cards issued by a hospital. The card mentions all the ingredients and deficiencies of soil sample. On the basis of this card, instead of using Urea or DAP or some other fertilizer blindly, a farmer can decide the exact needs of his soil. This may not only reduce his cost significantly, but also save the health of his soil. And this may help him even in identifying the best crop suited for his soil.

Prime Minister Krishi Sinchayee Yojana (PMKSY): With an aim to irrigate the field of every farmer and improving water-use efficiency, the budget 2015-16 allocated Rs.5,300 crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchayee Yojana (PMKSY). Last year, the allocation towards these irrigation and watershed management schemes were Rs.5,623 crore. The FM had allocated Rs. 1000 cr for this in his first truncated period budget for 2014-15. But the work could not start. On 2nd July, The CCEA gave its approval to this scheme with an outlay of Rs. 50,000 crore over a period of five years (2015-16 to 2019-20).

The importance and quantum of the scheme could be gauged by a single fact that the irrigated agriculture accounts for 56 per cent of all food grains production in the country, even though the coverage of irrigation in the area under food grains was estimated in 1997-98 to be 40.5 per cent. Despite the importance of irrigation, the subsequent governments ignored the area respectively (See Box-1). As a result, the total area under irrigation rose only around 5.8 percentage during 2000-01 to 2011-12. According to official data, the net irrigated area reached 46.34 per cent from 40.5 per cent of net sown area during this period.

Box-1

Plan Name	Period	Irrigation funding as percent of total State Plans
Fifth Plan	1974-78	23.25 per cent
Sixth Plan	1980-85	20.85 per cent
Seventh Plan	1985-90	11.85 per cent
Eighth Plan	1992-97	18.48 per cent
Ninth Plan	1997-2002	14.93 per cent
Source : Planning Commission		

"The major objective of the PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation (Har Khet ko Pani), improve on-farm water use efficiency to reduce wastage of water, enhance the adoption of precision-irrigation and other water saving technologies (More crop per drop), enhance recharge of aquifers and introduce sustainable water conservation practices by exploring the feasibility of reusing treated municipal based water for peri-urban agriculture and attract greater private investment in precision irrigation system," says the CCEA note. Thus, the basic characteristic of the scheme is to decentralize the irrigation expenditure by the way of converging three irrigation schemes under one umbrella. "The scheme also aims at bringing the ministries, departments, agencies, financial institutions engaged in creation, use and recycling of water, under a common platform so that a comprehensive view of the entire 'water cycle' is taken into account and proper water budgeting is done for all sectors - households, agriculture and industries," said the Agriculture Minister after the Cabinet Committee cleared the scheme. Naturally, this scheme can induce a sustainable model of water conservation and irrigation and can go a long way in ensuring social development.

In addition to PMKSY, National Bank for Agriculture and Rural Development (NABARD) is also providing Rs 30,000 crore as credit to farmers for irrigation over the next three years. It has already sanctioned Rs 1,000 crore so far this year.

Price Stabilization Fund

High volatility in the prices of onions and potatoes have marred the farmers for years. These vegetables are highly perishable and due to lack of proper warehousing facilities, they very often are proved to be a handy tool for profiteers to skyrocket the prices. So, on one hand, the farmers are compelled to sell their produce at throwaway prices and on the other hand, middlemen make windfall profits. To check the phenomena, the government has established a price stabilization fund with a corpus of hefty Rs. 500 cr. Later other perishable agri-horticulture commodities will also be covered under the fund. According to government sources, these commodities will be procured directly from farmers or farmers' organizations right at the farm gate or mandi levels and be made available at reasonable prices to consumers.

Small Farmers' Agri-Business Consortium (SFAC), a department under the Ministry of Agriculture, is also working for the same purpose. Mandated to form Farmer Producer Organizations (FPOs) across the country, it established a new wing called Dilli Kisan Mandi in 2014 under its aegis. The function of this wing is to get buyers directly on the doorstep of farmers. Within a year of its establishment, Dilli Kisan Mandi has facilitated sales of more than 1000 tonnes of vegetables through different FPOs.

Agriculture Credit

Making credit available to farmers at easy terms has been a herculean task for all the governments in New Delhi. We all hear farmers committing suicides after having failed in breaking the credit net of local financers. Keeping in view the harsh realities of financing, the government has increased the target of agriculture funding by Rs. 50,000 cr to Rs. 8.5 lakh crore.

Launch of DD Kisan

Recognizing the dearth of information about new opportunities, avenues and weather conditions to farmers, the government has embarked upon launching a new channel dedicated to the needs of farmers. This is a unique initiative and can fill a major gap if handled properly.

Farm Insurance

Finance Minister announced on 12th July 2015 that the government was working on a new agriculture insurance scheme that would cover all the inputs put by a farmer into his farm as also the loans taken by him. Keeping in view the history of such agriculture insurance schemes, this endeavor may pose a great challenge to the government. To assure the farming community about the viability of the upcoming scheme, the FM described it as "a doable and effective insurance program, wherein the farmer is able to at least recover the basic inputs that he puts in, in the events of uncertainties created by more than one reasons". If the government succeeds in providing a robust loan scheme to farmers, it may create a strong social security system in rural India. Unfortunately, all such schemes till date have failed miserably (See Box-2). "We have national insurance, we have modified national insurance and now we are going for weather-based insurance cover and there is a talk about income insurance for farmers which has become a major issue," told RBI Deputy Governor HR Khan giving a glimpse of the contours of the upcoming agriculture loan scheme.

Warehousing

The government has rightly recognized the need of effective warehousing and made a provision of Rs. 5000 cr in its first budget. According to a report published by

Box-2

Name of the Scheme	Start Year	End Year	Salient Features	Reason of Failure
Comprehensive Corp Insurance Scheme (CCIS)	NA	1997	If the actual yield in any area covered by the scheme fell short of the guaranteed yield, the farmers were entitled to an indemnity on compensation to the extent of the shortfall in yield.	Out of all the All-India claims of Rs. 1,623crores, Gujarat alone received Rs. 792 crores for one single crop,groundnut.
Experimental Crop Insurance	1997-98	1997-98	Small and marginal farmers growing specified crops in selected districts covered. The premium was subsidized.	The premium collected was about Rs. 3 crores and the claims amounted to Rs. 40 crores.
Farm Income Insurance Scheme	2003-04	2003-04	Targeted yield and prices through a single insurance policy so that the insured farmer could get a guaranteed income.	Change in Government
National Agriculture Insurance Scheme	1999-2000	In Force	Covers all food crops (cereals and pulses), oilseeds, horticultural and commercial crops. It covers all farmers, both loanees and non-loanees, under the scheme.	NA

Institution of Mechanical Engineers (IME) in 2013, 2.1 crore tonnes of wheat goes waste in India every year which is about 22 per cent of the total production due to lack of proper warehousing facility. In fruit and vegetables category, this proportion is 40 per cent of the total national production. Overall, we waste food grains worth Rs. 44000 cr annually. National Bank for Agriculture and Rural Development (NABARD) aims to create scientific storage space of 9.23 lakh tonne by construction of godowns and warehouses. For 2015-16, the NABARD had projected an annual credit potential of Rs 47,756.43 crore for some of the priority sectors including water resources, land development, farm mechanization, diary, poultry, fishery, construction of storage godown and market yards and promoting renewal sources of energy and waste management. The outlay is an increase of 19 per cent over Rs 40001.01 crore in 2014-15. This shows that the Central government has diagnosed a major problem of Indian agriculture and trying to fix it through its policy measures.

With these schemes and development measures launched in last one year, the country can hope to cover up for the lost ground in decades. Except for these direct schemes, the government's focus on power sector reforms is also going to support the rural India in a big way. National Sample Survey Office (NSSO) and the latest Socio Economic and Caste Survey (SECC) have defied the age old notion that decreasing dependents on agriculture is a sign of prosperity. In our country agriculture has increasingly become a liability on households and so youth are running away towards towns only to increase the slum population and aggravate the structural problems. If the schemes launched by the government give successful results, it may be hoped that the trend reverses and the dream of inclusive growth finds a sustainable ground. ❑

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DO YOU KNOW?

E-Mandi

E-Mandi is an electronic market platform to sell the vegetables online at the best prices, for both the retailers and the whole sellers by providing a convenient way to keep the transparency in the whole marketing system. With the help of e-mandi project, the regulated markets across the country will be integrated with the common e-platform to provide farmers and traders like retailers and wholesalers with access to opportunities for purchasing or selling of agricultural commodities at the most favourable prices in a transparent manner across the country. With this , the chances of farmers being fooled by the marketers can be done away with. Apart from this , the private markets will also be allowed access to the e-platform thereby increase its outreach.

The need to have the concept of e-mandi arises as the integration of agri-markets in the country through a common e-platform will be very useful to tackle the challenges existing in the agri-marketing system like fragmentation of State into multiple market areas each administered by separate APMC, multiple levy of mandi fees, requirement for multiple license for trading in different APMCs, licensing barriers leading to conditions of monopoly, poor quality of infrastructure, low use of technology, information asymmetry, opaque process for price discovery, high level of market charges, movement controls, etc. Therefore, in order to provide better price to farmers, improve supply chain, reduce wastages and create a unified national market at national and state level, a common e-platform was needed.

The e-mandis will be set up by the Department of Agriculture & Cooperation through the Small Farmers Agribusiness Consortium through building a common electronic platform that will be used in selected regulated markets throughout the country. An amount of Rs. 200 crore has been allocated for the scheme from 2015-16 to 2017-18. A total of 585 selected regulated markets across the country will be covered as :250 mandis will be covered in 2015-16, 200 mandis in 2016-17 and 135 mandis in 2017-18.It will also include the supply for free software by Department of Agriculture & Cooperation to the UTs and the States and there will be a subsidy by the Government of India up to Rs. 30 lakh per Mandi for their infrastructure.

This model had been operative in the state of Karnataka and has set an example for the country. Karnataka has connected all its major 55 markets and had set up a web-enabled portal that recorded all the lists of products available for sale. Each of the state's 30,000 traders were given a username and password. In this way, a trader sitting in Bengaluru was able to check the number of bags of any product available in many other districts. Depending on the distance, the trader has to transport the product, he bids an amount on the bags available. The farmer sees the highest price he gets and decides accordingly. The platform also allows bilateral trade and fixed price, like the minimum support price given by the government. So far, the e-Mandi system in Karnataka has generated a revenue of Rs. 8,521 crore in the last 16 months, trading commodities like copra, tur, paddy, ragi, groundnut, til, maize etc. Though the concept is working out in the favour of an evolving market system, to spread awareness to the farmers about how this system works efficiently and the software of this e-platform, will be the duty of the States. ❑

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The Political Economy of Public Distribution System in India

C S C Sekhar

There is a broad-based trend of improvement in most of the states due to initiatives to make the system work - expansion of PDS coverage, reduction in PDS prices, computerisation, doorstep delivery of grain, de-privatization of ration shops, and community management of FPS, setting up proper channels for grievance redressal and raising FPS commissions. An important part of the revival is the new political will to make the PDS work and strengthen the demand side by increasing the coverage and raising the stake of beneficiaries in a well-functioning PDS system

Public distribution system (PDS) in India was started in 1965 to ensure availability of food at affordable prices to all. Grains are distributed by the state governments through fair price shops (FPS) at a price lower than the market price. The difference between the economic cost of the grain and the distribution price (CIP) constitutes food subsidy. Until 1998, the PDS was universal with a large presence only in the urban regions. Because of this, the PDS was widely criticised for its urban focus. To address this, the targeted public distribution system (TPDS) was started in 1997. Under this system, the number of eligible beneficiaries in each state is fixed by the central government based on the state-specific poverty lines. These households, called the 'Below-Poverty Line' (or the BPL) families, are entitled to grain at a much cheaper price. In addition, extremely poor households, called the Antyodaya Anna Yojana households (AAY), are provided grain at a much cheaper price than even the BPL households. The identification of actual beneficiaries under BPL and AAY is carried out by the state governments. Like any system of targeting, TPDS also suffers from inclusion and exclusion errors.

There are large variations in PDS across states. The coverage, entitlements and implementation of the PDS at the state level varies to a great degree – from a universal PDS with hardly any leakages (with grain, dals and edible oil) in Tamil Nadu to Bihar's TPDS with a lot of leakage for a long time. Even PDS in Bihar has improved in the recent past. National level evaluations do not capture these variations over space and time. Therefore, we focus here on the state-level performance of PDS in few states in general and two states in particular, Bihar and Chhattisgarh to understand the possible factors responsible for this differential performance. We mainly use the political economy framework to analyze the performance of PDS in different states.

Analytical Framework

There are mainly two strands of analytical approach used in the literature related to the issue in question here.

1) Neo-classical Welfare Maximization Approach
2) Political Economy Approach

In the conventional welfare maximisation perspective, market failure and allocative efficiency in the economic market are the central themes.

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Government is seen as the omniscient and benevolent agent. The approach emanates from the work of Pigou (1932) and stresses the reasons why the markets fail to function properly in allocating and distributing resources, and it suggests that the state intervenes in the private economy to correct these shortcomings. The state produces public goods, internalises social costs and benefits, regulates decreasing-cost industries, and redistributes income in a Pareto optimal way (McCormick and Tollison, 1981). This perspective assumes a sophisticated, omniscient government.

The political economy approach, which is essentially a reaction to the Pigovian approach, rejects the all-knowing, benevolent government view and questions the assumption of correcting market imperfections in a perfect and costless manner. This approach argues that the government is itself subject to 'failure' while trying to correct market failures. This is because the government is a mere collective of a number of legislative and executive institutions, which have goals of their own, which are often contradictory and conflicting. Political economy theory focuses on the self-interest-motivated behaviour of the politicians, the voters, the pressure groups and the bureaucrats[2]. More specifically, the political economy approach attempts a more scientific approach to understanding of how government agents function under various institutional arrangements, resulting in the divergence between economic prescription and governmental practice (McCormick and Tollison, 1981).

Empirical Political Economy Analysis

Empirical political economy models postulate the agents' behaviour in the political and economic markets, and derive government preferences endogenously. *Political preference functions (PPF)* model postulates the influence of various groups in policy processes by assuming that the policymaker maximises a weighted objective function subject to economic constraints. The weights or the policy preferences are seen as the outcome of the political decision-making process. The arguments appearing in the PPF represent performance measures (e.g., welfare surpluses, profits, net farm income, government budget expenditure, etc.) and reflect the well-being of each pressure group. Measurement of the preferences is possible because they are observable, i.e., revealed by policy outcomes. The other important objective of the PPF studies (particularly of agricultural policy analysis) is the endogenous determination of policy instrument levels. Policy instruments include prices, deficiency payments, import quotas and the like and the levels of these instruments are derived from the maximization of a linear additive PPF with economic surplus measures and the government revenue as its arguments.

The PPF approach is somewhat similar to the conventional benevolent, omniscient government view. The difference is their acknowledgement of the existence of differing interests in society that receive different weights in the political-economic decision-making process. PPF approach, though rich in including the underlying structure of government preferences, still does not provide an explanation of the preference structure itself. The government is still regarded as a single entity that acts according to some behavioural function. The abstract policy-maker is an artificial concept to eliminate the need for a detailed modelling of the political market. In the mainstream PPF tradition, no attempt is made to include political agents that drive the determination of the preference weights.

Interest Groups

The other strand of empirical literature is the role of pressure or interest groups. The role of political milieu and its relation with interest groups is crucial in understanding the process of policy formulation (Bardhan 1984, Sekhar 2005). We will use this approach to explain the development process in India in general and in relation to PDS in particular. The working of democratic politics is quite complex in India. Political parties require funds for contesting elections and funds can be provided by only select groups such as industrialists and farm lobbies. It is therefore, natural that the political parties depend on the dominant interest groups and this, in a way, limits the freedom of the political parties in policy formulation and implementation. The choice of policies by political parties is therefore, often guided by the interest groups that provide the necessary funds. Raising funds to support political activities is crucial to most interest groups. These groups, therefore, must have revenue-generating activities. This is probably the reason why vulnerable groups such as agricultural labour, rural artisans, poor and destitutes are often left out of reckoning in policy matters. They do not receive the priority they deserve as they do not have the resources to fund political parties.

Information asymmetry also plays an important role. When there is information asymmetry among different interest groups, political parties cater to the groups with larger number of better-informed members. This necessitates interest groups to spend resources on informing and organizing their members in order to influence policy in their favour.

There is yet another way in which the interest groups can affect policy than through political processes. Interest groups can target the people at large directly in order to influence the outcomes. The interest groups may also motivate the public to influence the elected officials through protests and demonstrations, in relation to policies regulating the private firms on matters of human rights, industrial pollution etc. However, the mode of operation in this case is through bargaining rather than through elections or legislative procedures.

PDS in Chhattisgarh and Bihar

The difference in the functioning of Chhattisgarh and Bihar can be explained in a simple political economy framework (Figs 1 & 2). There is a mutual interaction between interest groups, institutions and policy. This interplay is multi-directional and can have differential impact on various stakeholders in the development process (Figure 1). These influence one another and affect the final outcomes.

The gaps in the desired and actual outcomes can arise because of gaps on the supply side or the demand side (Figure 2). The problems on the supply side arise mainly due to lack of inherent motivation, absence of appropriate incentive structure and lack of adequate monitoring mechanism. But most important is the deficiencies on the demand side which arise mainly due to lack of articulate demand from the beneficiaries. This is, in turn, because of difficulties in overcoming the collective action problem.

The difference between Bihar and Chhattisgarh can be understood by using the above framework. The initial problems in Chhattisgarh until 2004 were due to irregular supply to the FPS and large scale diversion to open market. This was mainly due to the absence of appropriate incentive structure and suitable monitoring mechanism of the supply side (Figure 2). The policy intervention by the Chhattisgarh government through introduction of the CPDS order changed the scenario. The incentive structure for the FPS operators improved when their commission increased from Rs 8/- per quintal to Rs 30/- per quintal. This reduced the incentive for diversion of the grain to open market by the FPS dealers. At the same time, the monitoring and surveillance was strengthened through computerized tracking of the trucks and painting the trucks with yellow colour making it difficult to stop and offload grain at locations other than the scheduled delivery points. By increasing the coverage, a larger number of beneficiaries now have a stake in a well-performing PDS system. This strengthened the demand side (Figure 2). A slew of measures such as expansion of PDS coverage, reduction in PDS prices, computerisation, doorstep delivery of grain, de-privatisation of ration shops and setting up proper channels for grievance redressal have all helped in the improvement of PDS system in the state. Thus, improvement on the supply as well as demand side helped Chhattisgarh to emerge as a model state in PDS in the short span of a decade. The CPDS policy has helped in evolving an interest group of beneficiaries, which in turn helped in strengthening the demand side (*Policy* → *Interest Groups* link in Figure 1).

On the other hand, the PDS in Bihar was afflicted with several problems until 2011 - large scale misappropriation of foodgrains at all levels; anomalies in distribution (exclusion and inclusion errors); sick Bihar State Food and Civil Supplies Corporation (BSFCSC); large scale corruption and collusion among PDS dealers, civil servants, local politicians and even ministers (Mooij, 1998, 2001). The major reason for this state of affairs was the inadequate food production in the state which resulted in the absence of a strong food lobby in the state. The general stagnation in the economy and large inequalities in the economic and social spheres made the poor, who are the main beneficiaries of the PDS system, virtually voiceless. The absence of a well-functioning civil society and media resulted in PDS not emerging as an electoral issue, unlike in AP or TN. There was a need for articulate demand from beneficiaries, media, civil society and well-meaning bureaucrats and politicians for a well-functioning PDS.

All this changed in the last few years. The system has shown improvement during the past three years and particularly, during the past 12 months. This is mainly because of the initiatives taken by the Government of Bihar (Dreze and Khera, 2015). Signs of improvement emerged around 2011 with the introduction of a system of tracking coupons. Further reforms took place in the last three years, and particularly in the last 12 months or so. A new list of ration cards was prepared using the Socio-Economic and Caste Census data (SECC). About 75 per cent of rural households in Bihar today have a new ration card, or an Antyodaya card. For the first time, most people know that they are entitled to 5 kg of foodgrains per person per month from the PDS. The political discourse in the state has also changed by bringing PDS into the electoral debates. Opposition parties are also pitching in to help the people in knowing their rights and demand their due. All this resulted in increasing pressure from the beneficiaries of PDS. This is in sharp contrast to the situation just a few years ago, when most people got hardly anything from the PDS.

Figure 1:

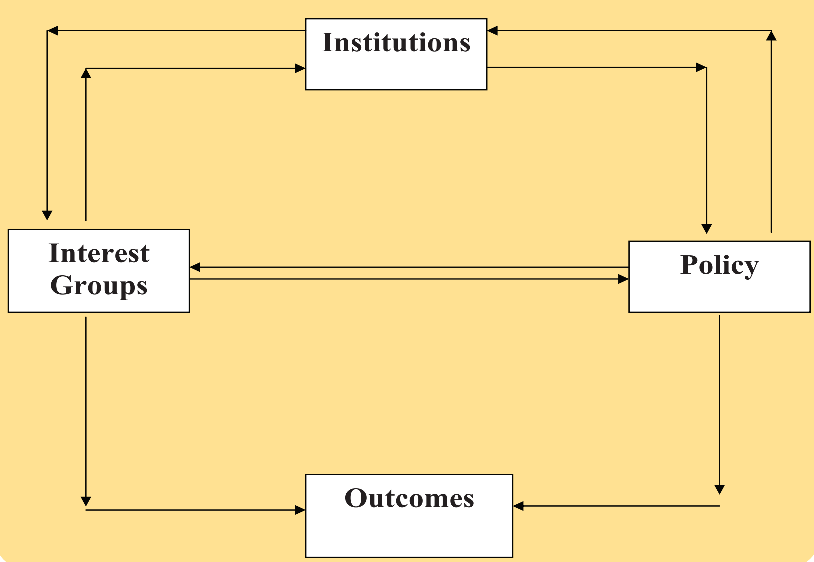
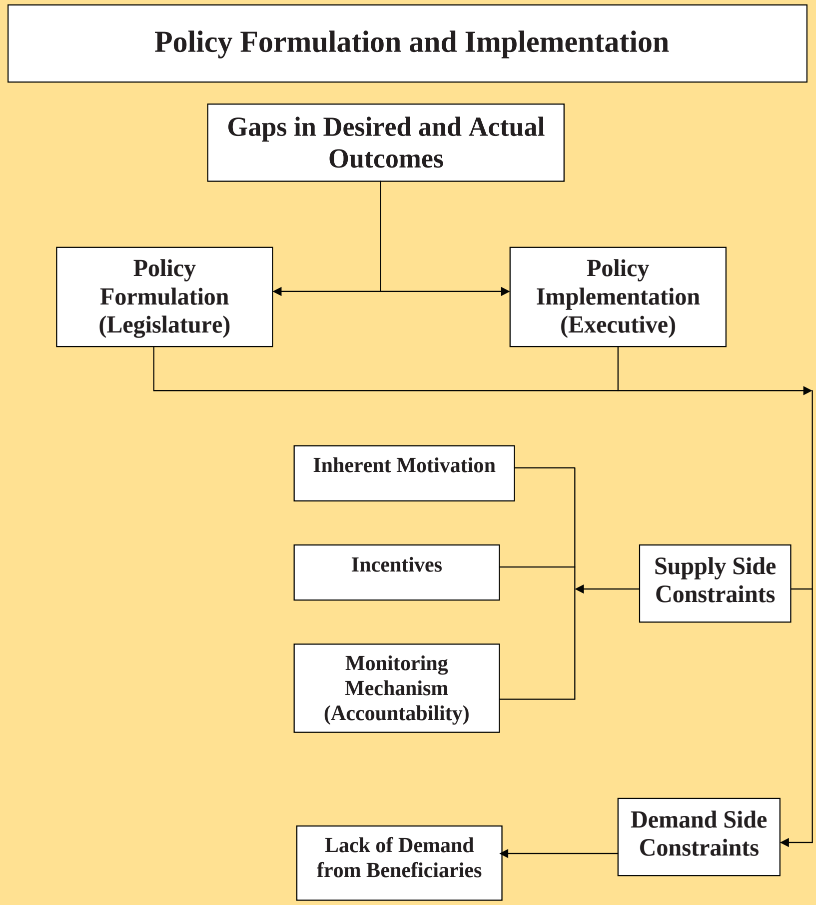


Figure 2:



The foregoing discussion shows that the improvement in the PDS functioning in Bihar and Chhattisgarh can be traced mainly to initiatives in governance, which in turn, improved the supply and strengthened the demand side.

Other States' Experience

Similar improvements in policy formulation and implementation have resulted in positive outcomes in other states as well (Khera 2011a and 2011b, Raghav Puri 2012).

In Himachal Pradesh, the PDS is universal (but not uniform). BPL households are entitled to a lower price than APL households. Non-grain PDS commodities (pulses and edible oils) are provided to all households at the same price. All this was achieved without resorting to the practice of "spreading thinner", despite difficult terrain and without the strict checks and balances as in Tamil Nadu. This was possible mainly because of the universalization of PDS thereby increasing the demand from beneficiaries.

In Tamil Nadu, effective monitoring systems have been evolved over time using people-friendly and low cost technology. Simple and cost-effective measures have been implemented for ensuring transparency and accountability. No other state has invested so much careful thought into putting systems in place (Alamu 2011).

Andhra Pradesh used the simple exclusion criterion thereby minimizing the exclusion errors. However, inclusion errors are quite rampant in AP. Since 2008, Orissa has been emulating the Chhattisgarh model, including universalisation of the PDS in the Koraput-Bolangir-Kalahandi region (KBK). The management of the FPS has also been entrusted to gram panchayats. Rajasthan also implemented some of the above reform measures since May 2010. Results suggest that the reforms introduced in 2010 have already had an impact on the functioning of the PDS there. Jharkhand possibly has the most incomplete and outdated BPL lists. However, even Jharkhand has initiated some reforms in the PDS lately. PDS prices of rice have been slashed to Rs. 1/kg since 2009. A time-table has been evolved for the distribution of PDS grain to improve predictability and door-step delivery.

Conclusions

There is a broad-based trend of improvement in most of the states due to initiatives to make the system work - expansion of PDS coverage, reduction in PDS prices, computerisation, doorstep delivery of grain, de-privatization of ration shops, and community management of FPS, setting up proper channels for grievance redressal and raising FPS commissions. An important part of the revival is the new political will to make the PDS work and strengthen the demand side by increasing the coverage and raising the stake of beneficiaries in a well-functioning PDS system.

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Endnotes

1. This is a revised version of the paper presented at the conference "The Economy of Tomorrow" organized jointly by Institute of Economic Growth and Friedrich-Ebert-Stiftung, New Delhi, 16 December 2014. I wish to thank the participants of the conference for their suggestions. The usual disclaimer applies.
2. The origin of political economy can be traced back to the work of Downs (1957) on voter and politician behaviour, the theories of Buchanan and Tullock (1962) on supply and demand of government policies, Olson's work on pressure groups (1965, 1982), the theory of rent-seeking (Tullock, 1967; Krueger, 1974).
3. See Jos Mooij (2001) based on survey of 150 households spread over 5 villages. ❑

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INSURING BETTER OLD-AGE

SECURITY NET

A Step Towards Social Protection in India

Jitender Singh

...schemes covering risk of life, accidental disability and income in old age is a model to serve millions of poor and is a major step forward towards creation of sound and sustainable social security net in the country

The Government of India, recently launched three major schemes that included PM Jeevan Jyoti Bima Yojana (PMJJBY), PM Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY). These three schemes will respectively cover the risk of life, accidental disability and income in old age for the people in certain age group. In insurance schemes, the nominee/ buyer can claim Rs. 2 lakh in case of either death or permanent disability of the buyer, on paying a premium of merely Rs. 330 and Rs. 12 per year, respectively. The premium is 'auto debited' from the accounts of the policy holder. The insurance schemes are for one year from 1st June, 2015 to 31st May, 2016 and renewable every year. To access these insurance policies, only a simple one page form has to be filled and signed by the buyer. These schemes are a step forward towards creation of a sound accessible social security net in the country. There are several important innovative features of these schemes.

One, these are almost universally accessible, as these can cover all those who cannot afford similar products privately. The limits of age, bank accounts etc., restrict it's scope yet these are probably necessary to make these products viable and implementable. The premium/investment has been kept so low that it makes these products accessible even to the poorest of poor.

Second, the contribution, in terms of premium/investment, by buyer makes him/her responsible and helps in developing habit of such products. It will also create good level awareness among people regarding such financial products. Moreover, it would rejuvenate the relation between banks and people. Thus, it is a push for financial inclusion.

Third, the role of the banks is crucial in this whole process. Product buyer does not have to interact directly with the insurance company, rather it is the bank who will mediate. The premium deposited in the bank accounts is auto debited. And in case of death and disabilities, the beneficiaries have to do the paper work with the bank and the bank will take up the case with the insurance company to process the claim. The claims will be credited into the bank account. This arrangement creates great convenience for the customers.

Fourth, 'business correspondent' (BC) model, introduced in Jan Dhan Yojana is likely to increase capacity of the banks. Any eligible unemployed youth can become BC with the bank. BC by sitting away from a bank branch in a remotely located village can do small transactions (deposit and withdrawals), open accounts, and sell insurance and pension products to people. In this way, the bank can minimize its transaction cost considerably.

Fifth, insurance and pension products mobilize savings for the

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nation which can be utilized for further productive investment, unlike conventional social security products- gold and land. The conventional risk mitigation measures have not been accessible to the poor.

With these innovations, these schemes achieved unprecedented success in terms of it's subscription. Within a short span of time, as on 27-06-2015, about 10.42 crore people have subscribed cumulatively to PMJJBY, PMSBY, APY through Public Sector Banks (PSB) or Regional Rural Banks (RRB). The PSB contributes about 78 per cent, RRBs 16 per cent and rest is linked to Private Banks, Rural Cooperatives and Urban Cooperatives. The cumulative figure 10.42 crore counts a single person thrice if the person has subscribed to all three schemes, counts twice if one subscribes any of the two. The actual number of persons subscribing these policies can be much less.

Out of the cumulative subscription, about three-fourth subscribed accidental insurance and about one-fourth subscribed to life insurance. Only less than one percentage of cumulative went for pension scheme. People's preferences are skewed towards accidental insurance. This may also be because of its low premium only Rs. 12 per annum and extended age group, from 18 to 70, compared to life insurance, with relatively high premium of Rs. 330 per annum and restricted only up to 50 years of age, with same risk coverage of Rs. 2 lakh.

Only one-third of the cumulative subscribers are from rural areas, which is relatively low compared to it's contribution in total population, 68 per cent, and share in total poor, 78 per cent. This may be due to lack of awareness and less penetration of banks in the rural areas. Only one-fourth of cumulative subscribers are female, and distributed equally between rural and urban area. These ratios do not vary much across individual schemes. Till now, 28 people have been paid claims under life insurance and eight under accidental claims.

The schemes also poses some challenges before government, banks and peoples.

- Lack of awareness and understanding about the schemes is a major hurdle in rural areas. There is no system in place in rural areas which can deliver desired information precisely to all within a time frame. Without the involvement of Gram Panchayat at any stage makes the task of creating awareness in villages even more difficult.
- Though the high maintenance cost of a zero balance account associated with Jan Dhan Yojana is reduced to some extent with deposit of some money in these accounts under JJBY and SBY, yet the cost of maintaining and processing of insurance accounts is a major challenge before banks.
- It may not be viable for banks to appoint additional staff to increase the capacity to maintain these low deposit accounts, whereas diverting the existing staff towards these may be at the cost of other works.
- The viability of appointing a BC depends on number of accounts and transaction in these accounts. As most of these accounts are either no-frill or low deposit, which may not necessarily generate viable business for the bank.
- A BC working in a village needs a laptop, electricity and good internet connectivity. Even if he/ she invests in laptop and inverter still poor quality of connectivity of internet in most of the villages is the biggest hurdle in their efficient functioning.

In short, schemes covering risk of life, accidental disability and income in old age is a model to serve millions of poor and is a major step forward towards creation of a sound and sustainable social security net in the country. The schemes have been enormously successful in terms of it's subscription, but remained skewed towards urban and males. Lack of awareness, poor internet connectivity and low penetration of banks in rural areas is probably major hurdle in increasing subscription of these schemes in rural areas. The performance of the scheme though cannot be assessed in this short time and only in terms of subscription. Even more important is that the schemes have provided an option to the poor, created a system of governance and new opportunities to financial institutions. ❑

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Procedure for Claims under PMSBY and PMJJBY

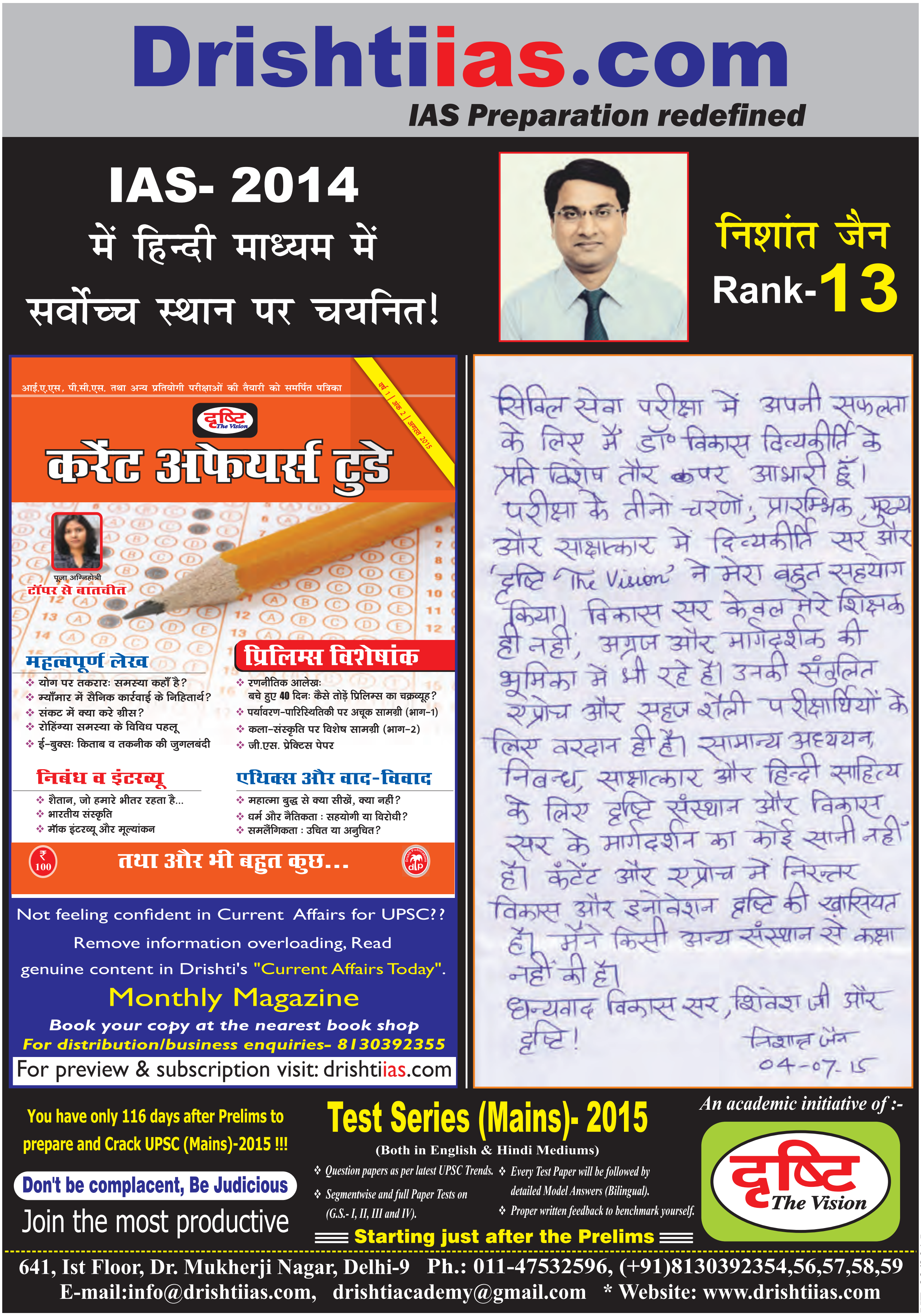
Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) were two social security schemes launched in May 2015. The procedure for claims under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) is as follows:

Pradhan Mantri Suraksha Bima Yojana

Immediately after the occurrence of accident which may give rise to a claim under the policy, the insured or the nominee should contact the bank branch where the insured person held the Bank Account from which the premium for the policy was auto-debited and submit a duly completed claim form. The claim form can be obtained from the concerned bank branch or any other designated source like insurance company branches, hospitals, PHCs BCs Insurance agents, etc and submitted, duly filled in by the insured or the nominee to the concerned bank branch preferably within 30 days of the accident. It should be supported, in case of death of the insured by the original FIR/Panchnama/ postmortem report and Death Certificate. After due verification by authorized official of the bank the claim would be forwarded to the insurance company concerned within 30 days of the submission of the claim which would be processed by the insurance Company within 30 days of its receipt from the Bank and the admissible amount would be remitted to the Bank Account of the insured or the nominee. The insurance company should approve the claim and disburse the money within 30 days of receipt of the claim.

Pradhan Mantra Jeevan Jyoti Bima Yojana

Under this scheme the claim amount of Rs 2,00,000/- is payable on death of a member to his/her nominees. The nominee should approach the bank where the member was having SB account through which he/she was covered under PMJJBY, alongwith the death certificate of the member. He/She should collect claim form, discharge receipt from the bank or any other designated PHCs, BCs insurance agents, etc. and submit these forms, discharge receipt, death certificate alongwith with photocopy of cancelled cheque of nominee's bank account. The insurance company should process the claim and disburse the amount within 30 days of receipt of the claim.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टॉपर से बातचीत
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❖ म्याँमार में सैनिक कार्रवाई के निहितार्थ?
❖ संकट में क्या करे ग्रीस?
❖ रोहिंग्या समस्या के विविध पहलू
❖ ई-बुक्सः किताब व तकनीक की जुगलबंदी
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❖ रणनीतिक आलेखः
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Pradhan Mantri Kaushal Vikas Yojana

The Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship outcome based skill training scheme of the Government of India. This is a skill certification and reward scheme to enable and mobilise Indian youth to take up outcome based skill training and become employable. Monetary reward would be provided to trainees through DBT after succesful training, assessment and certification in skill courses run by affiliated training providers. PKJVY will impart skill/training to 24 lakh persons. The scheme will be implemented through the National Skill Development Corporation(NSDC).All training and certification under Recognition of Prior learning will be specifically oriented for developing skills in specific growth sectors.

Objectives:

➢ Increase productivity of the existing workforce and align the training and certification to the needs of the country ➢ Incentivise youth to take up skill training by providing monetary Awards for Skill Certification. Encourage standardisation in the certification process and initiate a process of creating a registry of skills. ➢ Candidates undergoing skill training by authorised institutions will be given an average monetary reward of Rs 8,000/- per candidate.

Key Features:

➢ Training to be done as per the standards (National Occupational Standards -NOS and Qualification packs-QPs for specific job roles) formulated by industry. ➢ NSDC training partners undergo due diligence before being registered with NSDC. Government affilliated training centres and other training partners will be approved by the SSCs on the basis of guidelines issued by NSDC. ➢ Focus of training would also include improved curricula, soft skill training, personal grooming, behavioural change for cleanliness and good work ethics. ➢ Reward Money: Monetary reward for various job roles within a sector varies as per job role levels. Higher incentives for training in manufacturing, construction and plumbing sectors. ➢ Awareness building and mobilisation activities would be carried out with the involvement of Local, State and District Government as well as MPs to ensure greater outreach and ownership. ➢ Third party assessments for skill training will be done based on national and global standards. Trainees with prior experience or skills and competencies will be assessed and given monetary rewards for underging assessments. This will be an important step towards recognising the skills possessed by workers working in the informal sector and will also facilitate the process of skill upgradation and re-skilling of the existing workforce.Focus of RPL will be on those job-roles/sectors where it is most desired.

Eligible benificiaries:

a) Candidate undergoing a skill development training in an eligible sector by an eligible training provider. b)is certified during the span of one year from the date of launch of the scheme by approved assessment agencies c) is availing of this monetary reward for the first and only time during the operation of the scheme . ➢ Mentorship programme will be created in order to support trainees who have successfully completed the training programme and are in the process of looking for employment opportunities.

National Career Service

A National Career Service has been initiated to connect aspirations of youth with opportunities as also facilitate registration of job seekers, job providers, skill providers , career counsellors, etc. This job matching service provides a variety of services like information about skill development courses, intership, career counseling,etc. The range of services provided by the portal include:

✓ Online registration of candidates for seeking employment related services.✓ Aadhar authenticated database accesible from anywhere for the user. ✓ Online registration of establishments alongwith job vacancy notification/posting. ✓ Computerised and cloud based system in electronic processing of applications and automation of workflow. ✓ Online information access to career counselling & guidance, skill development courses, internship, apprenticeship schemes, etc. ✓ Provision of employment related services through multiple delivery channels like CSCs, e-Kiosks. ✓ Availability of Value added services like updates/notifications alerts through SMS, e-mail and IVRs, etc ✓Multi-lingual Call Centre services for helping candidates and establishments in registration profile updation, etc. ✓ Availability and sharing of information across Employment Exchanges, districts, States and Ministry and Integration with state governments employment exchange data, manufacturing and industry associations, educations institutions, training providers and examination bodies. ✓ Portal Access on portable devices like smart phones/laptop, vaccine preventable diseases such as measles and rubella.

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