

‘Shining’ in Rural India

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Probably the most interesting feature of the forthcoming elections is that the ruling coalition has decided to contest them less on basis of new promises or vision for the future and much more on the claim that things have never been better. Whether in the jingles of 'India Shining' or 'Bharat Uday' or in their more partisan claim of 'more in the last six years than in the past fifty', the stance is confident and borders on the audacious. If the NDA does win absolute majority as opinion polls predict, it will not only claim endorsement for its policies but also popular approval of the trajectory that the nation's polity and economy have actually taken since 1996 when the Congress last ruled or at least since 1998 when the NDA finally came to power.

The opposition has of course attempted to refute these claims. The outrage in Gujarat, the continuing threats to minorities by various factions of the Sangh parivar and the misuse of POTA were all highlighted in the political effort to form a secular front to restore communal and social harmony. But this effort has succeeded only partially. Since the ruling alliance has posed the choice as one of personality, with the current prime minister projected as both moderate and with a vision on development, it is the credibility of NDA claims about the economy that may well be the deciding factor.

On this some political parties, e.g. the left, have a clear position. And, to her credit, Sonia Gandhi has concentrated on unemployment and the plight of farmers in her election speeches. But many others in the Congress sing a different tune. By claiming the present to be consequence of economic policies that the Congress initiated in 1991 but which the BJP 'stole', they provide credence to claims of 'shining' and simultaneously indicate that the trajectory is unlikely to change whatever the election outcome. Along with media hype, whether on cricket, on persons entering politics, or on quarterly GDP figures, such implicit acceptance of 'feel good' is far more effective in spreading the government message than those expensive advertisements that have now stopped.

The first point to note, therefore, is that there is a vocal constituency that does believe that the economy is doing well. More importantly, this cuts across most party lines and involves belief that the 'reforms' of 1991 served them well. The BJP not only wants to appropriate ownership of this with its 'shining' campaign but also imbue it with the celebration and aggressiveness that had succeeded on Hindutva. Implicit in this is that just as with Hindutva, there are inhibitions in this constituency which if turned from apology to assertion can cut the ground from the feet of the

Congress. Having gone from opposing economic 'reforms' of the Congress in the last elections to taking it on wholesale in office, the strategy clearly is to take the winners on board triumphantly while leaving the opposition struggling to recapture those who lost.

The second point which follows from the above is that benefits of 'reform' have been uneven. This is, of course, quite well known to laypeople as also to politicians who need to judge pros and cons before taking definite positions. However, politicians seek guidance on economic magnitudes just as they do psephological help. And 'reform' ideologues among economists, whether in media, business, academia or government, have always nudged policy judgement by employing spin to discount the downside and magnify gains. Moreover, since almost all of them believe in 'reform' to the point of being insensitive to its outcome, their barrage has been remarkably consistent on economics although fickle on politics.

This means that, although more confident and aggressive in presentation, the NDA's 'shining' campaign is built on economic inputs no different from those which were received by Congress and United Front when they contested unsuccessfully to retain office. If anything, the main lesson that 'reform' enthusiasts seem to have learnt from those defeats was that the data available should not demoralise decision-makers on matters that might be politically sensitive.

For example, with yield growth slowing down sharply, there was clear evidence from available data that all was not well with agriculture when the Congress and UF had gone to polls. Also, the National Sample Survey (NSS) had shown higher rural poverty in all its nine rounds from 1990-91 to 1998 than in 1989-90. But ingenious 'reformers' had sorted out such inconvenient detail by 1999. National Accounts Statistics (NAS) of 1998 had shown GDP growth in agriculture down from 3.5% per annum during the 1980s to only 2.8% during 1990-91 to 1996-97. But in 1999 a new National Accounts series was released showing 1990-97 growth of agricultural GDP to be 3.6% per annum. The 53rd round of the NSS conducted in 1997 had shown 35.5% of rural people in poverty, up from 33.7% in 1989-90. But the NSS round conducted in 1999-00 came up with only 27.1% rural poverty.

From almost the beginning of their term of office, it has been drilled into NDA ministers that things have really been rather good on such matters after 'reforms', and certainly not as bad as they might have thought while in opposition. 'Shining' is thus as much an outcome of the skill of 'reformers' to package facts attractively as it is of BJP audacity. A resulting problem though is that no one really knows the extent of 'feel good' and, even more, that NDA leaders may be going to polls actually believing such official statistics. Since agricultural production and the extent of rural poverty are among the most basic determinants of rural 'feel good', it is worth discussing the nature of available data on these, beginning with agricultural production consisting of crops and livestock.

Data on area and yield of 43 'forecast' crops are collected annually on a scientific basis and are

used to compile the official Index of Agricultural Production (IAP). Firm livestock data are available only every five years from the Livestock Census and annual estimates of livestock products are based on interpolations from these using various ratios and assumptions regarding produce per animal. But virtually no reliable data is collected on actual production of many minor crops, including most fruits and vegetables. For these, production estimates are carried forward from some assumed base using information on area, seed distribution and arrivals in major markets. Farm income estimates require further assumptions regarding inputs, price spreads and losses between the farmer and final markets.

The data revisions on agricultural GDP in 1999 involved fruits and vegetables. Till then, although production of these was estimated to have grown faster than other crops, their small estimated share of only 11-15% of total crop production meant that there was no significant difference between the trend of agricultural GDP and that of IAP, based on firm production data. However, taking advantage of some concern that fruits and vegetables production was being underestimated, the 'reformers' persuaded the NAS to revise estimates very sharply upward – almost double for 1996-97. Also, since then fruits and vegetables production has been shown growing at about 4.5% per annum.

The implication of this revision, carried out with no reliable data at all, has been rather dramatic on how agricultural incomes and Indian diets are now viewed officially. Till the revision, the value of fruits and vegetables output was assumed to be only a third of that from foodgrains production. But latest GDP estimates imply that, although grown on less than a sixth of the area, fruits and vegetables now account for about the same farm revenue as foodgrains. Further, the National Accounts Statistics (NAS) also imply that farmers receive about 70% of total consumer spending, i.e. traders' margins, losses in transit and costs of transport on fruits and vegetables all add up to only 30% of what consumers pay.

If all this were true, growing fruits and vegetables now fetches well over an average of lakh rupees per hectare, and things must indeed be shining for growers. In fact, based on such understanding, the official effort today is more on exhorting farmers to diversify than to restore yield growth in crops such as cereals, pulses, oil-seeds and fibres. However, although it is true that some horticulturists are doing rather well, NDA campaigners might be advised not to make too much of this. Not only do farmers know how much they grow and exactly what price they get, Indian consumers might be shocked to learn that the NAS now assumes that they spend three times as much on fruits and vegetables as they themselves report to NSS consumption surveys.

But what should really worry the NDA is that despite the creative national accounting, GDP from agriculture and allied activities has hardly grown during its period in office. At 1993-94 prices, latest NAS estimates place this at Rs 2861 billion in 1998-99, 2870 billion in 1999-00, 2859 billion in 2000-01, 3053 billion in 2001-02, 2894 billion in 2002-03 and 3158 billion in

2003-04. The 9% growth in the current year is impressive. But this is from last year's drought, and growth over the five years is only 10.4%. Since population has meanwhile increased by over 9%, per capita agricultural GDP this year is placed not even 2% higher than in 1998-99.

And, of course, matters are much worse considering only those crops whose data is firm. Although current estimates of foodgrain production for 2003-04 are a whopping 19% higher than in 2002-03, this is only 4% higher than in 1998-99; and the overall Index of Agricultural Production (IAP) has increased less than 3% between 1998-99 and 2003-04. The IAP per capita of rural population is thus actually down 6% from 1998-99 while per capita foodgrains output is down 5%.

Moreover, this is not all. The feature that distinguishes the last five years, and worries farmers most, is that farm prices have drifted relatively lower despite low output growth. With agricultural GDP at current prices shown 27.3% higher in 2003-04 than in 1998-99 against 10.4% increase at constant prices, agricultural prices increased 15.4%. But during the same period, non-agricultural GDP is estimated to have increased 39.2% in constant prices and 69.1% in current prices, implying 21.5% increase in non-agricultural prices. The GDP estimates imply at least 5% terms of trade loss for agriculture over 1998-2004.

Again, matters might be worse since official terms of trade indices from the Ministry of Agriculture had already shown 5% decline during 1998-2002, when terms of trade from GDP estimates had shown only 2% decline. But in any case, taking terms of trade into account, the purchasing power of agricultural incomes has actually declined in per capita terms during 1998-2004 even by the optimistic NAS figures; and this decline is by more than 10% if one combines official Indices of Agricultural Production and Terms of Trade. Thus, despite some diversification, overall agricultural outcomes have been poor, both on output and prices.

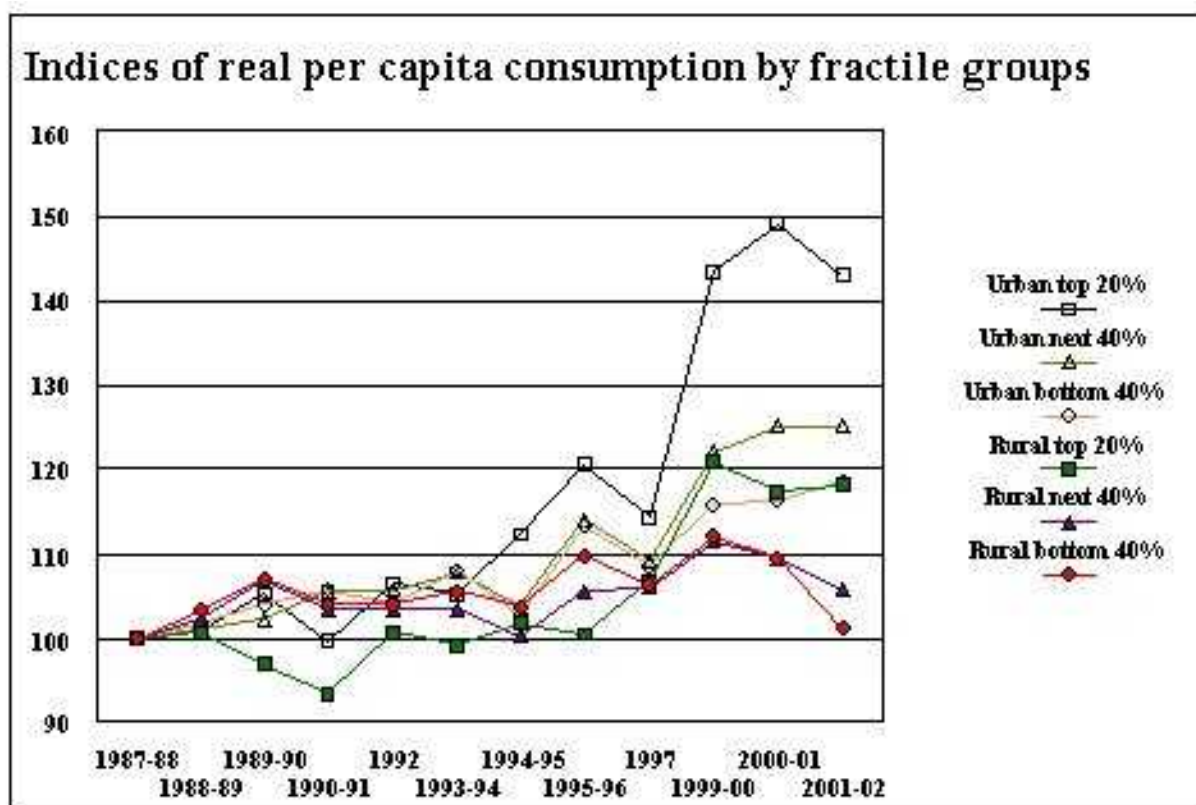
As far as output is concerned, this is because rates of growth of yields per acre have declined very sharply for almost all major crops. Considering all the crops covered in the IAP, yield growth had averaged 2.5% per annum during the 1980s, dropped to around 1.5% by 1998-99, and has averaged only about 0.5% during the last five years. Underlying this are some long-term trends, e.g. the plateau reached by 'green revolution' technology and inadequate public investment since the 1980s. But matters have worsened recently on these and other fronts, such as extension and cooperative credit, because the Fifth Pay Commission bankrupted state governments.

Of course, some states have done better than others on output growth and the private sector has begun extension activities for some crops in some regions. But, with very few winners and many losers, agricultural production performance is not an aspect in which India is shining. However, the political fallout is not entirely clear since, with most states opposition ruled, the blame-game

will be about Centre-state responsibility and response. And the debate is likely to be on whose incumbency hurt more, not what is to be done in the future.

On the price situation, however, the NDA is much more vulnerable. After all, it was the Centre that caved in at WTO and dismantled quotas prematurely, exposing Indian agriculture to the international price volatility that many farmers blame for their woes. And, although attractive support prices were announced, farmers in most regions did not actually get any price support. Moreover, contrary to recommendations of some committees to extend support operations, there are plans to halt support purchases altogether and link support prices to insurance – a misguided alternative already being piloted in some districts where Rabi arrivals will coincide with elections.

Turning to rural poverty, can this have reduced given the poor agricultural outcomes? Also, given the near vacuum on policy initiatives on agricultural production and price instability, what are the ideas to deal with this? The important aspect that needs noting in this context is that rural incomes are not all from agriculture and that fall in crop prices, although this hurts farmers, can improve conditions for those who buy food.



Note: This chart is based on NSS data. However, data for 1999-2002 used a 30/365 mixed recall while the uniform 30day recall was used in previous years. Data have been made comparable using linking factors from those surveys where estimates were available by both recalls.

The 'shining' campaign has put particular emphasis on the achievement on roads and thus of rural connectivity. And available NSS data does show fairly massive rebound (by over 40%) in rural non-agricultural employment, particularly construction, transport and trade, during 1997 to 2001-02, after a collapse during 1990-91 to 1997. Moreover, available data on wages and prices show that the consumer price index for rural labour increased less than other price indices after 1998-99 and that real wage rates have increased. Further, rural non-food consumption is increasing whether one goes by NSS or independent data. Thus, there are clear signs of rural dynamism if one goes beyond agriculture.

However, paralleling the poor agricultural performance, there is also evidence of stagnation in agricultural employment while the number of rural workers dependent on wage employment has increased very sharply (over 45% since 1991). NSS data in fact show a doubling of current unemployment among usual rural workers over the period 1997 to 2001-02. Furthermore, although the 'shining' campaign has correctly identified the fairly large antyodaya grain supplies as a major achievement of the NDA, overall per capita cereals consumption (whether measured by availability or from NSS consumption estimates) has declined.

This coexistence of some dynamism in rural non-agriculture alongside declining agriculture makes it difficult to identify exactly what is happening to overall rural well-being. This is compounded because the only reliable source of information on this, the NSS consumption expenditure surveys, have become non-comparable. Pressure from 'reformers', stung by NSS results that showed increased rural poverty from 1990-91 to 1998, caused a change in the nature of the questions asked in these surveys.

Some experimental surveys had shown that asking 365 day, rather than 30 day, questions on items such as clothing and durable goods throws up improved distribution and that asking 7 day questions on food returns 30% higher food consumption than 30 day questions. So, instead of the uniform 30 day recall used previously, the 1999-00 NSS questionnaire was changed to only 365 day for clothing and so on and both 7 and 30 day questions for food. Not surprisingly, this led to much lower measured rural poverty, by almost 50 million.

Since then much has been written on comparability of subsequent NSS data, and it is sufficient to note that it is now agreed that rural poverty did not decrease by anything like 50 million and that, although the proportion of poor is likely to have declined somewhat, the number of poor may actually have gone up. More importantly, it is now agreed that, properly interpreted, NSS data from 1993-94 onward show very large increase in inequalities (see chart) – across states, between rural and urban, and within urban areas. Moreover, although evidence on inequalities within rural areas is less clear, the trend towards lesser inequality that had begun in the mid-1970s with rural development programmes and extended public distribution has clearly halted.

But, consistent with the divergent indications on agriculture and rural non-agriculture discussed above, the most interesting indication from NSS data from 1993-94 to 2001-02 is that although cultivators and agricultural labourers have done badly, and the self-employed in non-agriculture have also not done well, those employed for wages or salary in non-agriculture have done much better. In fact, salaried employment, proximity to urban growth, and the ability to migrate emerge as main determinants, not only of the ability to avoid poverty but also as sources of relative affluence. Although cultivators still dominate among the richest 20% in rural areas, the proportion among the rural rich of affluent non-cultivators with urban connections has increased rapidly.

This should interest those attempting to guess political outcomes. Although caste and religion continue to dominate networks of patronage, the combination of poor agricultural outcomes and rapid urban growth in recent years has shifted the rural balance from traditional elites towards those who can offer urban access. It is here that the BJP, traditionally much weaker in rural than urban areas, can be the biggest gainer. Rural India is definitely not 'shining'. But access to the shine that exists, which the 'shining' campaign has made even more apparent, is now through networks where that party is stronger. The moot question is whether this shift in balance merely affects how people tell outsiders how they will vote or whether this is so deep that it will actually show up in how they finally vote?

On this, NDA strategists might like to mull over the following about rural India. It remains overwhelmingly agricultural, is about to go into elections in a year after severe drought, and is being bombarded with celebrations of 'shining' without any solution being offered for what is definitely a longer-run crisis. There have in the past been only four years before the current one when national income has grown more than 8%: 1967-68, 1975-76, 1988-89 and 1996-97. These have all followed a year of drought and all except 1975-76, when Indira Gandhi declared an Emergency, were election years. The ruling party suffered losses every time.