

STATE OF INDIA'S LIVELIHOODS REPORT 2019



State of India's Livelihoods Report 2019

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List of Abbreviations

AJSA	Anchalik Jana Seva Anushthan
AKRSP	Aga Khan Rural Support Programme
AP	Andhra Pradesh
APC	Agriculture Production Clusters
APDAI	Andhra Pradesh Drought Adaptive Initiative
APICOL	Agricultural Promotion & Investment Corporation of Odisha Limited
APMAS	Andhra Pradesh Mahila Abhivrudhi Samiti
APMCs	Agricultural Produce Market Committees
ASA	Action for Social Advancement
ASC	Agribusiness Support Centre
ATMA	Agricultural Technology Management Agency
B2B	Business-to-Business
BCs	Business Correspondents
BE	Budgeted Estimate
BGS	Bolangir Gramodyog Samiti
BIRD	Bankers Institute of Rural Development
BoD	Board of Directors
BPL	Below Poverty Line
BRLF	Bharat Rural Livelihood Foundation
BRR	Business Responsibility Report
BSE	Bombay Stock Exchange
CACP	Commission for Agricultural Costs and Prices
CAG	Comptroller and Auditor General
CAMPA	Compensatory Afforestation Fund Management and Planning Authority Act
CBO	Community Based Organisations
CCSHAU	Chaudhary Charan Singh Haryana Agricultural University
CDS	Current Daily Status
CEA	Chief Economic Adviser
CEO	Chief Executive Officer
CESD	Centre for Excellence in Sustainable Development
CFC	Common Facility Centre
CFTRI	Central Food Technology Research Institute
CIAE	Central Institute Agriculture Engineering
CII	Confederation of Indian Industries
CIKS	Centre for Indian Knowledge Systems
CMIE	Centre for Monitoring Indian Economy
CMS	Centre for Media Studies
CoE	Centre of Excellence
CPI	Consumer Price Index
CRLP	Community River Lift Project
CSC	Common Service Centres
CSIR	Council of Scientific and Industrial Research
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CWS	Current Weekly Status
CYSD	Centre for Youth and Social Development
DDS	Deccan Development Society

DFI	Doubling Farmers Income
DHAN	Development of Humane Action
DPIP	District Poverty Initiatives Project
DPR	Detailed Project Reports
EISC	Employees' State Insurance Corporation
eNAM	electronic National Agriculture Market
EPW	Economic and Political Weekly
FAQs	Frequently Asked Questions
FCI	Food Corporation of India
FDI	Foreign Direct Investment
FEN	FPO Ecosystem Network
FES	Foundation for Ecological Society
FMCG	Fast Moving Consumer Goods
FPC	Famers Producer Company
FPO	Farmers Producer Organisation
FRBM	Fiscal Responsibility and Budget Management Act
FY	Financial Year
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GI	Glycemic Index
GoI	Government of India
GST	Goods and Services Tax
GVA	Gross Value Added
ha	hectare
HIH India	Hand in Hand India
HLC	High Level Committee
HYV	High Yielding Variety
ICAR	Indian Council for Agriculture Research
ICDS	Integrated Child Development Schemes
ICOR	Incremental Capital Output Ratio
ICRIER	Indian Council for Research on International Economic Relations
ICRISAT	International Crop Research Institute for the Semi-Arid Tropics
ICT	Information and Communications Technology
IDA	Ideal development Agency
IDR	India Development Review
IEC	Information, Education and Communication
IGS	Indian Grameen Services
IHFD	India Foundation for Humanistic Development
IIM	Indian Institute of Management
IIMR	Indian Institute of Millets Research
IIT	Indian Institute of Technology
ILO	International Labour Organisation
ILOSTAT	ILO Statistics
IMF	International Monetary Fund
INR	Indian Rupee
INRM	Integrated Natural Resource Management
INSIMP	Intensive Millet Promotion
IOF	Investor Owned Firms

IRDAI	Insurance Regulatory and Development Authority of India
IRMA	Institute of Rural Management Anand
IT	Information Technology
ITDA	Integrated Tribal Development Agency
JLGs	Joint Liability Groups
JMA	Janamukti Anusthan
kg	kilogram
KSDA	Karnataka State Department of Agriculture
LFPR	Labour Force Participation Rate
LLP	Limited Liability Partnership
MACS	Mutually Aided Cooperative Society
MBA	Master of Business Administration
MBCFPCL	Madhya Bharat Consortium of Farmers Producers Company Limited
MCA	Ministry of Corporate Affairs
MDM	Mid-Day Meals
MFI	Microfinance Institution
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MHRD	Ministry of Human Resource Development
MINI	Millet Network of India
MIS	Management Information System
MIT	Massachusetts Institute of Technology
MoA	Ministry of Agriculture
MoAFW	Ministry of Agriculture and Farmers' Welfare
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MSIL	Maruti Suzuki India Limited
MSME	Micro Small and Medium Enterprises
MSP	Minimum Support Price
MSP	Minimum Support Price
MSSRF	M S Swaminathan Research Foundation
MSY	Matsya Sampada Yojana
MUDRA	Micro Units Development and Refinance Agency Bank
NABARD	National Bank for Agriculture and Rural Development
NAFIS	NABARD All India Rural Financial Inclusion Survey
NAFPO	National Association for Farmers Producer Organisation
NBFC	Non-Banking Financial Company
NBFC	Non-Banking Financial Institution
NCAER	National Council for Applied Economic Research
NCDEX	National Commodity and Derivatives Exchange
NCEUS	National Commission for the Enterprise in the Unorganised Sector
NCT	National Capital Territory
NDDB	National Dairy Development Board
NDS	NDDB Dairy Services
NESFAS	North East Slow Food and Agrobiodiversity Society
NFDB	National Farmers Development Board
NFSA	National Food Security Act
NFSM	National Food Security Mission

NGO	Non-Governmental Organisation
NGRBC	National Guidelines on Responsible Business Conduct
NIRD	National Institute of Rural Development and Panchayati Raj
NITI Aayog	National Institution for Transforming India Aayog
NPA	Non-Performing Assets
NPM	Non-Pesticide Management
NPM	Non-Pesticide Management
NRLM	National Rural Livelihood Mission
NRLM	National Rural Livelihoods Mission
NSDC	National Skill Development Corporation
NSDL	National Securities Depository Limited
NSS	National Sample Survey
NSSO	National Sample Survey Office's
NVG	National Voluntary Guidelines
OAIC	Odisha Agro Industries Corporation Limited
OECD	Organisation for Economic Co-operation and Development
OLIC	Odisha Lift Irrigation Corporation
OLM	Odisha Livelihood Mission
PACS	Primary Agricultural Cooperative Societies
PAN	Permanent Account Number
PDS	Public Distribution System
PFCE	Private Final Consumption Expenditure
PLFS	Periodic Labour Force Survey
PLFS	Periodic Labour Force Survey
PMAY	Pradhan Mantri Awas Yojana
PMFBY	Pradhan Mantri Fasal Bima Yojana
PMKVY	Pradhan Mantri Kaushal Vikas Yojana
PMU	Project Management Unit
POPI	Producer Organisation Promoting Institutions
ProCIF	Producer Entrepreneurship Catalyst and Incubation Facility
PRODUCE	Producers' Organisation Development and Upliftment Corpus
PSB	Public Sector Bank
Q1	Quarter 1
R&D	Research and Development
R&D	Research and Development
RAPD	Rain-fed Area Development Programme
RBI	Reserve bank of India
RBI	Reserve Bank of India
RBI	Reserve Bank of India
RE	Revised Estimate
RI	Resource Institutions
RKVY	Rashtrya Krishi Vikas Yojana
ROC	Registrar of Companies
ROE	Return on Equity
ROI	Return on Investment
RRA	Revitalising Rainfed Areas
RSA	Resource Support Agencies
SABZ	Special Agribusiness Zones
SDG	Sustainable Development Goal

SDG	Sustainable Development Goals
SDG	Sustainable Development Goals
SEBI	Securities and Exchange Board of India
S-ENTs	Social Entrepreneurs
SEs	Social Enterprises
SEWA	Social education for Womens’s Awareness
SFAC	Small Farmers’ Agribusiness Consortium
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SHG	Self Help Group
SIDI	Sambalpur Integrated Development Institute
SLCC	State Level Coordination Committee
SME	Small and Medium-sized Enterprises
SOIL	State of India’s Livelihoods
SSS	Shramik Shakti Sangha
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UBI	Universal Basic Income
UN	United Nations
UPA	United Progressive Alliance
UPSS	Usual Principal and Subsidiary Status
US	Usual Activity Status
US	United States
USD	United States Dollar
UTMT	Under The Mango Tree
UTs	Union Territories
viz.	namely
Vol.	Volume
VPO	Village Producer Organisation
VUP	Village Uplift Programme
WASSAN	Watershed Support Service and Activities Network
WIEGO	Women in Informal Employment: Globalizing and Organizing
WPR	Work Participation Rate
YCDA	Youth Council for Development Alternatives
ZBNF	Zero Budget Natural Farming

Preface

India the second fastest growing economy in the world, has moved down a spot in recent times as a result of the current economic slowdown. Data shows that the slowdown was caused by a deceleration in the manufacturing sector, sluggish agriculture output and sharp decline in the real estate sector. The biggest constraint for India today is that this growth has not translated into adequate economic opportunities for poor. Job opportunities, particularly in the informal sector are declining. There is a hope though that through strong reforms, the situation will ameliorate.

The PM-KISAN launched this year promises assured monetary support to small and marginal farmers focussing not only on reducing the distress but also promoting income enhancement. Despite these efforts, farmers have been holding widespread protests demanding more attention on the agrarian crisis. Unemployment today is at an all-time high but that is not the only challenge in jobs; more and more workers are withdrawing from the labour force, the wages of casual workers are below a reasonable minimum, and regular workers are largely without a contract.

Every year, the State of India's Livelihoods Report, for the last twelve years, captures the key economic trends, particularly those that impact or influence the livelihoods of the poor. The sector is constantly evolving and given the complexity and diversity, engagement of multiple stakeholders and the influence of trends in the national and international economy on the livelihoods of poor in India, the task of bringing together the State of India's Livelihoods (SOIL) Report has been indeed daunting. The 12th edition of State of India's Livelihoods (SOIL) Report, as in the previous years tracks the macro scenario in India, and within that, assess the new and emerging opportunities for the poor to move from subsistence to sustainable livelihoods.

I'm happy that ACCESS has continued to bring out this valuable report, year after year, with an aim of informing policy makers and practitioners on various issues that the poor constantly grapple with. Over the years, the SOIL Report has evolved and emerged as a significant reference document that attempts to aggregate the diverse experiences of different stakeholders; comprehend current trends, collate dispersed data, and string together the State of India's Livelihoods Report. Views, opinions, and perspectives of various institutions and experts are sought to track the dynamics within the livelihood sector to strengthen the content and analysis of the report. The SOIL report is released annually at the Livelihoods India Summit and has received widespread appreciation.

This year's Report has been brought together by clutch of eminent erudite subject matter specialists. While a few have come on board for the first time, others have played a crucial role in bringing together the past Reports. The 2019 Report has nine chapters authored by these experts. I would like to extend my sincere thanks to all the authors for coming together to anchor this important responsibility of bringing the Report together.

The first Chapter, Overview covers the overall scenario of livelihoods of the poor and vulnerable while providing an overview to the trends in macroeconomic indicators. The livelihoods sector is constantly evolving, having engagement of multiple stakeholders and their diverse experiences. Chapter 2 on Policies and Programmes for Livelihoods of Poor by Dr. Rajendra Kulkarni objectively covers policy initiatives and important government programmes directly and indirectly impacting livelihoods of poor.

Agriculture has been under stress now for about two decades. The past 10 years have been particularly bad for those dependent on agriculture. The worst sufferers have been the small and marginal farmers. In the Chapter Agriculture Based Livelihoods N. Srinivasan highlights the economic conditions of the Indian farmer and looks at multifarious initiatives targeted to improve their plight. Dr. Shambu Prasad in his Chapter 10 Years of FPO Movement in India has brought to fore the experiences of the FPOs in the past decade while identifying the critical challenges and issues to be addressed

moving ahead. Social entrepreneurship has emerged as a distinct field of academic interest in the last twenty years. In his chapter Social Enterprises in Agriculture, Dr. Ajit Kanitkar has glanced through the SE ecosystem and brought forward the experiences of agri-based social enterprises; particularly what has worked and what did not, in scaling and sustaining these enterprises.

The looming threat of climate change and increased awareness about nutrition has created a global shift towards sustainable agriculture and linking it with nutrition. This has led to the revival of traditional and indigenous crops. The Chapter Smart Food-Food that is Good for You, the Planet and the Farmer by Joanna Kane Potaka and Parkavi Kumar bring focus to crops that are suited to meet the current environmental challenges, nutritional needs and provide a sustainable livelihood for the farmers.

Chapter 6 on Self-Employment Among the Poor by Dr. Madhu Sharan and Sahaana Sankar discusses the state of Self-employment in the country in its multidimensionality and shares experiences from the ground to promote inclusive growth through self-employment. Chapter 8 on Multi-stakeholder Partnership for Large Scale Impact by D Narendranath and Sumita Kasana focuses on multi-stakeholder partnership through the systems change framework that supports sustainable progress at scale. It also scans a few such partnerships and factor conditions for their success or failure. The chapter Five Years of CSR in India by Shankar Venkateshwaran provides a reflection on what has happened in the five years since the Section 135 of the Indian Companies Act, 2013 along with schedule VII and rules came into force.

I would also like to extend my deepest gratitude to all stakeholders who have continued to support this initiative. I would like to thank Arindom Datta from Rabobank who has continued to commit support to the SOIL Report for several years now. The financial assistance received from Research and Development Fund of National Bank for Agriculture and Rural Development (NABARD) towards publication of SOIL is gratefully acknowledged. I appreciate their faith in ACCESS's abilities to deliver this critical sectoral report and I hope we have been able to meet their expectations with the report.

From within ACCESS, I would like to acknowledge the efforts put in by the Livelihoods India team of Puja, with her colleague Shruti in providing support to the individual authors in coordinating related requests, coordinating the editing and publishing of the Report. I take great pride in this small team's efforts and tireless commitment in helping to bring the Report together.

Each year, I feel proud that our efforts at ACCESS have contributed in creating this annual knowledge product. We owe it to the overwhelming support received from diverse stakeholders within the sector that has encouraged us to bring out yet another edition of the SOIL report. Our vision each year is to do our bit in creating an important resource for those in the sector and to contribute to a better understanding of the livelihoods space for all interested stakeholders working to realize and impact the livelihoods of the poor. I hope the Report continues to be a good reference document for all those interested in livelihoods promotion efforts in India.

The State of India's Livelihoods Report 2019 will be launched at the Livelihoods India Summit on December 12, 2019.



Vipin Sharma
CEO
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OVERVIEW

1

Narasimhan Srinivasan

The much heralded general elections to the parliament returned the party in power with a larger mandate. Despite the seemingly slow growth of the economy, public confidence in the government as reflected in the overwhelming mandate was high. In the months preceding the election, the government had presented an interim budget and followed up the same with a full-fledged budget. However, neither of the budgets were in sync with the economic context, with the result that several indications of an impending recession loomed large. Within days of the announcement of the budget, the new Finance Minister had to engage in a damage control exercise that included pimp-priming by accelerating the pace of public spending, putting more cash in the hands of people by reduction of GST and immediately releasing all government payments due, to several goods and services providers. A significant reduction in corporate tax rates, an assurance of softer tax administration and enforcement augmented confidence in the stock markets for a temporary period. Whether these initiatives would reverse the course of the economy and push its growth trajectory upwards is to be seen in future.

Livelihood, especially for the poor and vulnerable, does not appear positive. Reports of job losses, manufacturing plants shutting down in the face of demand recession, a tougher tax regime discouraging start-ups, large amount of impairment in the financial sector inhibiting credit growth, a crisis of confidence among bank lenders on account of prosecutions in case

of failed loans, the disconnect between State's reading of improved economic prospects and reality of lower tax collections do not augur well for livelihoods of the poor. For the first time in the last five years there is a public debate on 'slowing down' of the economy. The Economic Survey issued just before the July 2019 budget stated that '*Growth of Indian economy moderated in 2018–19 with a growth of 6.8 percent, slightly lower than the 7.2 percent in 2017–18. Yet India continued to be the fastest growing major economy in the world.*' The Reserve Bank of India (RBI) in its Annual Report 2018–19, published a month later, commented that.

'Real GDP growth in India which had weakened in 2017–18 after peaking in the year before, slid down to a five-year low in 2018–19. (Figure 1) The loss of speed became evident from Q2 as some drivers of growth— notably investment—began to fade, albeit cushioned by still resilient consumption spending, both private and government. Through the second half of the year, high frequency indicators have flashed slow sales growth among manufacturing and non-IT services sector corporations, with evidence of private consumption losing pace, especially in the Fast-Moving Consumer Goods (FMCG) segment.'

The last quarter of the year 2018–19 experienced the lowest growth rate in the last 16 quarters (Figure 1.1). The uncertainties caused by the impending parliamentary elections and the contraction in agriculture sector in the last quarter (negative growth at -0.1 percent) were cited as major reasons; apart from deceleration in manufacturing and a demand recession in automobiles. While the fact of a demand

recession was pointed out in the aftermath of demonetisation last year, there were alternative explanations given by the government, but the recent economic survey is fully cognizant of slowing pace of the economy and the possibility that the sluggishness might persist a bit longer. The increase in crude oil prices during the year and the depreciating rupee increase the current account deficit. The continuing flow of foreign investments (14 percent increase over last year's level) is an encouraging sign of the confidence of global investment community in the Indian economy.

The national accounts had been the subject of some discussion in 2018, with the base for calculation being reset twice in the year.

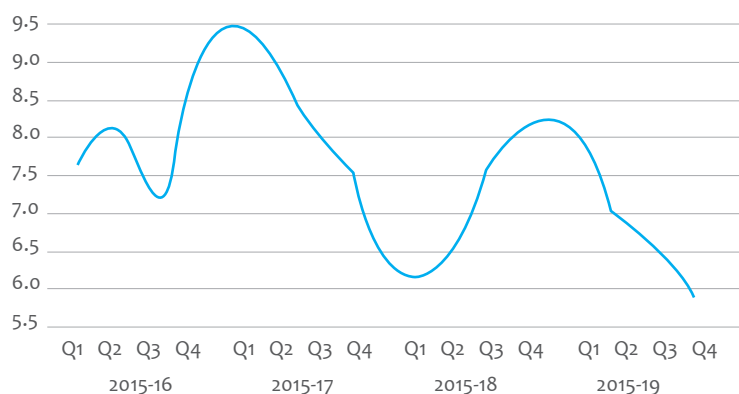


Figure 1.1: Quarterly GDP growth rates (percent)

Source: Central Statistics Office

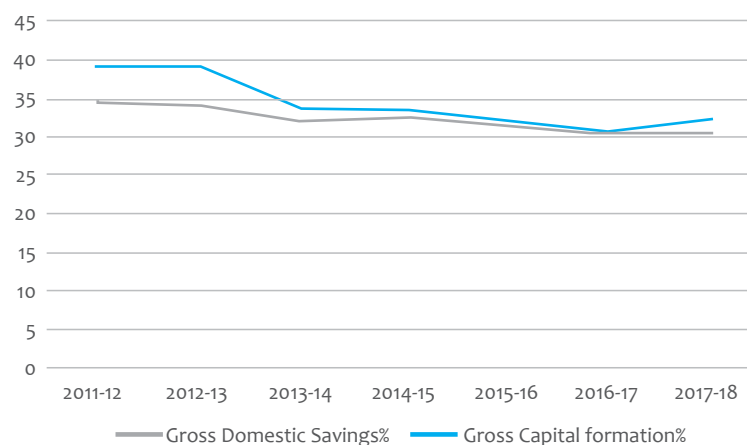


Figure 1.2: Savings and investment rates

Source: RBI Annual Report 2018-19, August 2019

In 2019, the discussions on the need to have certain and reliable base data had abated. The growth rates showed a declining trajectory, hence, the discussions focussed on the actual performance rather than on the methodology. The RBI reported¹ that the gross savings rate showed a marginal increase by 0.2 percent of Gross National Disposable Income in 2017–18² (Table 1). Gross Domestic Investment rate increased to 32.3 percent (from 30.9 percent in 2018); but remained well below the peak of 38 percent average achieved in the five-year period 2009–2014.

The RBI had projected a GDP growth rate of 7.4 percent for 2018–19 stating that.

‘Over the rest of 2018–19, the acceleration of growth that commenced in (the second half of) 2017–18 is expected to be consolidated and built upon.’

The projection made by RBI proved unrealistic by a large margin.

‘Over the medium-term, the pace and quality of growth will be anchored by progress on the unfinished agenda of structural reforms in, inter alia, resolution of banking and corporate financial stress; taxation; agriculture; liberalisation of the economy’s external interface, especially with FDI; and galvanising the business environment. The hard-earned gains of macroeconomic stability that have defined the recent period as its greatest achievement need to be preserved as an imperative within this endeavor.’

The Economic Survey, July 2019 struck an optimistic note on the prospects and projected a 7 percent growth rate in 2019–20.

‘The growth in the economy is expected to pick up in 2019–20 as macroeconomic conditions continue to be stable while structural reforms initiated in the previous few years are continuing on course. However, both downside risks and upside prospects persist in 2019–20.’

The International Monetary Fund (IMF) in July projected a slower growth rate for India in 2019 and 2020, a downward revision of 0.3 percent for both the years, assuming that its GDP will now grow at the rate of 7 percent and 7.2 percent respectively, thereby reflecting a weaker-than-expected outlook for domestic demand. According to IMF.

‘The recent economic growth in India is much weaker than expected, mainly due to corporate and environmental

1. RBI Annual Report 2018–19.

2. There is a lag of about one year in computing and reporting gross savings rates and hence data for the year 2018-19 will be available only next year.

regulatory uncertainty and lingering weakness in some non-bank financial companies.'

The recent projections made by RBI that the GDP growth will be limited to 6.1 percent, seem conservative. The downward revision of the GDP projection was not sudden. The RBI had projected a GDP growth of 7.4 percent in February 2019 and reduced the same successively to 7.2 percent, 7 percent and 6.9 percent in April, June and August 2019 following Monetary Policy Reviews. But the revision made in October by the Monetary Policy Committee (MPC) is drastic and reflects that there are both structural and seasonal factors at play. The RBI attributed the slowdown to weak private consumption and investment as well as a deepening slowdown in various constituents of aggregate demand. However, the trends in savings and investment rates (Figure 1.2) show that the weakening is not a recent phenomenon, but has been persistent from 2011–12, and in fact the rates reversed direction marginally in 2017–18. The consensus opinion on economic performance seems to be that it will be some time before growth recovers to the aspirational 8 percent+ levels.

More details on GDP growth and employment relationship along with the policy challenges that India's great slowdown poses and policy response that is emerging are covered in Chapter 2.

EMPLOYMENT

In the absence of public sources of data from the government on employment, the report takes into reckoning the data series developed and reported by the Centre for Monitoring Indian Economy (CMIE) over the last few years. The CMIE reported that in July 2019, a sharp increase in employment in India was recorded. At 405 million, employment during the month was over 4 million higher than it was in June 2019, a month ago. Even compared to a year ago, it was a substantial 3.9 million higher.

There is a perceptible improvement in the monthly employment time-series data. During 2017, employment estimates varied between a narrow range of 403 million to 409 million. The average monthly employment estimate was 406.5 million. In 2018, employment fell to an average of 401 million. This average improved to 402 million during the first four months of 2019.

Table 1.1: Key macro numbers

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	2016-17	2017-18	2018-19
1.1 Real GDP at market prices (% change)*	7.9	6.7	8.2	7.2	6.8
1.2 Real GVA at basic prices (% change)*	7.7	6.3	7.9	6.9	6.6
1.7 Gross Domestic Saving Rate (% of GNDI at current prices)*	33.6	33.9	29.9	30.1	–
1.8 Gross Domestic Investment Rate (% of GDP at current prices)*	35.2	38.0	30.9	32.3	–

Source: RBI Annual Report 2018-19, August 2019

Results improved further in July 2019 with 405 million being employed. The fall in employment that was witnessed in 2018 seemed to be arrested.

But, according to CMIE, the composition of elements that enabled higher access to employment in July 2019 was unsustainable. The increase in employment during July 2019 was entirely restricted to the rural regions. In fact, urban regions saw a decline of 2.5 million jobs, from 128.7 million in June 2019 to 126.1 million in July 2019. Rural India saw huge increase in employment by 7 million, from

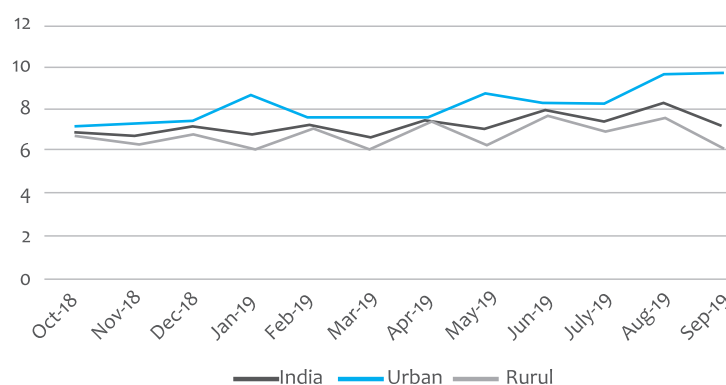


Figure 1.3: Trends in unemployment

Source: [//unemploymentinindia.cmie.com/](http://unemploymentinindia.cmie.com/)

Table 1.2: State-wise unemployment rates (September 2019)³

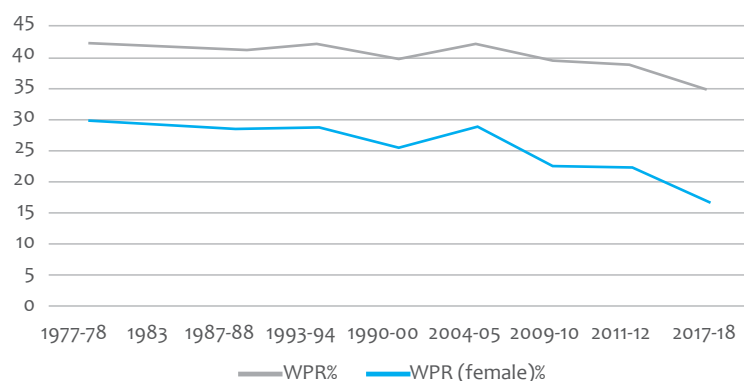
Best five states	Unemployment rate percent
Tamil Nadu	1.8
Karnataka	3.3
Goa	3.3
Odisha	4.2
Madhya Pradesh	4.2
Lowest ranked states	Unemployment rate percent
Haryana	20.3
Himachal Pradesh	15.6
Punjab	11.1
Jharkhand	10.9
Bihar	10.3
India	7.1

Source: CMIE - <https://unemploymentinindia.cmie.com/>

Table 1.3: Labour force participation rates

Year	LFPR	LFPR (females)
2004-05	63.7	42.7
2009-10	57.1	32.6
2011-12	55.9	31.2
2017-18	49.8	23.3

Source: Trends in WPR - Periodic Labour Force Survey 2017-18, NSO May 2019

**Figure 1.4:** Trends in WPR

Source: Periodic Labour Force Survey 2017-18, NSO May 2019

saw huge increase in employment by 7 million, from 272 million to 279 million during the same period.

Across states, northern India seems to have a more acute problem with high unemployment rates, exceeding 10 percent; there is more than 20

percent unemployment in Haryana (Table 1.2). South Indian states reported unemployment rates that were well below the all-India average. Given the substantial differences across states and regions, the unemployment rates have a key influence on migratory movements.

The periodic Labour Force Survey carried out for the year 2017–18 was released in May 2019. The key finding was that there was a continuous decline in Labour Force Participation Rates (LFPR)³ from 63.7 percent of the working age population in 2004–05 to 49.8 percent in 2017 - 18. The decline in female LFPR (from 42.7 percent to 23.3 percent) over the same period was sharper. In 2017 - 18, LFPR was higher in rural areas at 50.7 percent compared to 47.6 percent in urban areas. However, LFPR for females was low at 25 percent and 20 percent, respectively, in rural and urban areas, which is a cause for concern.

Table 1.4: Employment ratio across countries

Name of country	Employment to population ratio percent
Bangladesh	55.8
Brazil	54.6
China	40.9
Indonesia	64.7
Russia	59.8
South Africa	40.3
United Kingdom	60.6
United States	60.4

Source: ILO database

The Work Participation Rate (WPR)⁴ computed by the National Sample Survey Office (NSSO), based on the survey was at 34.7 percent for the country, with a huge difference between males and females at 52.1 percent and 16.5 percent, respectively. The long-term trends over the last 40 years clearly shows a decline and the short-term trends over last 15 years show a sharp decline.

The trends in WPR that show an almost secular decline (except for brief upward break between 2000 and 2005) are a cause for concern. With each passing year, lesser and lesser

3 The Labour Force Participation Rate is a measure of the proportion of a country's working age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the size of the supply of labour available to engage in the production of goods and services, relative to the population at working age (ILO).

4 The data refers to worker population ratio (per 1000) for persons of age 15–59 years for each state/union territory. Worker Population Ratio is defined as the number of person/person-days employed per 1000 person/person-days.

proportion of population at working age is remuneratively employed and the employed bear a larger burden of sustaining the unemployed. A comparison across countries shows that the Indian employment ratio at 34.7 percent, as found during the survey, is low among peers in emerging economies.

SKILL DEVELOPMENT AND EMPLOYMENT

India Skills Report 2019 (brought out by Wheebox) finds that compared to 2018, the skill and jobs environment is turning positive with more entities wanting to increase hiring.

As stated in the 2018 report, the state of skilling has not been exciting in terms of its achievements. Over the four-year period, from 2016, 3.30 million persons enrolled under different centrally funded, managed skill development programmes. Of this 3.10 million have completed training, but only 2.55 million persons actually passed their courses and became eligible for certification. The number of persons placed was 1.37 million. The gap between those who completed training and got placed is large. Roughly one out of five persons enrolling for training does not pass the course, hence, placement is not an easy proposition. About 44 percent attained placement. A number of issues in selection of courses, training partners, employer acceptance, wage levels and continuity in the jobs have been identified and are being sorted out on an ongoing basis. Some of the courses with low placement rates have been identified and strengthened to include greater skill content and thereby improving job prospects. While all this effort is intense and incrementally made responsive to both supply and demand requirements, the results likely to be achieved might fall severely short of the ambitious targets. The observations made by the author in SOIL Report 2018 continue to be relevant despite the improvement in placement rates:

The current pace of progress in skills training is not adequate to realise the mission goal of skilling 300 million people by 2022. Secondly the placement rate of about 40 percent actually means that the average cost

Box 1.1: Summary of findings of India Skills Report

- Employability continues to rise : Reaches a new high of 47% this year.
- Engineers still the most employable of the lot, MBA courses lose shine
- Hiring Intent gets more positive this year - 15% increase in hiring against 2018 hiring numbers
- Technologies companies expected to pick up on hiring after a gap of 3 years.

Source: "Say Hello to the Future of Work," India Skills Report 2019 by Wheebox.

of getting a person skilled and placed is double that of what was envisaged. The options available for those who do not get certified after training are not very clear and their future seems uncertain. The skill-building schemes and programmes have not been able to meet their targets in the backdrop of unsuitable candidates and reluctant employers.'

A key issue is that of the competence and quality of skill trainers and standards of performance for the trainers. The training institutions should enhance their ability to find substantive employment for the candidates, instead of token compliance with incentives for achieving placement rates.

AGRICULTURE

Growth in GVA in agriculture during 2018–19 was 2.9 percent, compared to 5 percent in the previous year. The last quarter of 2018–19 witnessed a negative growth, depressing the overall growth rate of the economy. The continued poor performance of the monsoons, for the third year in succession in some states, exacerbated the difficult conditions of the farmers. The agricultural growth rate was low at an average of 2.9 percent from 2014 to 2019. The slow agricultural growth has been accompanied by a serious dip in wage growth. Rural wages grew at an estimated 3.8 percent year-on-year in December 2018. Low prices of farm outputs and low growth in wages has produced distressing conditions in rural areas. The doubling of farm income by 2022 does look

like a distant goal rather than an attainable near-term objective. The Government of India (GoI), responding to the worsening distress, introduced a support scheme in December 2018 to provide a Rs 6000 per annum payment in three instalments to farmers' families as a minimum cash grant for sustaining livelihood during periods of distress. Of the 73.8 million farmers who have enrolled in the scheme, 67.6 million have received at least one instalment so far. Apart from this scheme, the GoI also announced a social security scheme for farmers under which farmers between 18–40 years would pay a regular contribution. On attaining the age of 60, they will get a monthly pension of Rs 3000. The government expects to enroll 10 million farmers in the first year and eventually cover 50 million over three years.

The committee on Doubling of Farmers Incomes (DFI) wound up its work with a final report (Vol. 15) containing a complete listing of its recommendations in September 2018. The key recommendations (of which there are 15) are to focus on the consolidation of land through better land laws, encourage aggregation through farmer groups in different forms, reposition agriculture as a source of raw material for industry rather than limit its scope to food security for man and animals, shift production strategy to respond to demand-pull in an economically sustainable manner, reprioritise activity/crop selection based on job-creation, nutrition impact and income possibilities; recognise water as a key resource and invest in gaining the best outputs and incomes out of water use; engage in realising the full productivity potential in crops sector, intensify agriculture and promote secondary agriculture activities to create off-season income opportunities; shift policy stance to farm incomes as the starting point rather than the consumer and markets; reform markets and market practices to allow farmers control over how and when to market; create better risk management products (for production and market risks); reform extension services and enhance capacities of extension staff; converge programmes of different ministries in consolidating capital investments and agriculture and encourage flow of private capital investments; and set up an empowered body in the government to monitor

implementation of recommendations. Action on some recommendations has been initiated by the government.

CLIMATE CHANGE

The impact of climate change on livelihoods is a current topic of discussion and action. The rainfall and heat wave conditions seem to be changing over the last few years; the pattern of change is making vulnerable livelihoods more difficult. The continuous droughts and the erratic precipitation even in good rainfall areas have created uncertainties to crop production and agriculture-based livelihoods. On the other hand, coping mechanisms, which can take advantage of the best that changing climate can offer, are either in the testing stage or are not being sufficiently advocated with conviction. In some cases, new responses without adequate evidence of positive results are also advocated. For example, adoption of Zero Budget Natural Farming (ZBNF) has been supported in the Union Budget 2019-20. Narayanamurthy and Alli point out⁵ that there has not been any independent evaluation of the income growth envisaged nor the impact on productivity caused by ZBNF. At best, ZBNF can be tested out and assessed for its suitability for all agro-climatic zones and all types of crops. Unless studies clearly prove its economic advantages (including the beneficial effects on soil quality and food safety), it might be unwise to make large investments with potential threats to food security of the country.

Natural resource use in an optimal manner is at the root of climate change adaptation. Marginal livelihoods with limited access to natural resources such as water and soils do not always have the technical knowhow to optimize use. Equitable sharing of resources is another aspect that is critical to ensure that the poorer sections of populations are made more less vulnerable. The government policy with regard to the use of irrigation water, harnessing of solar and wind power for producing electricity, control of unsustainable practices in agriculture, etc. are yet to reach an evolved stage that could set the conditions for better use of natural resources. Even in schemes aimed at tapping natural

5 A Narayanamurthy and P Alli, "Is Zero Budget Natural Farming Working," Business Line, September 13, 2019.

resources such as soil and water conservation, the extension work needed to apply the results of the intervention for best benefit is missing. The questions asked in project designs presently are “how to find adequate natural resources to carry on our existing livelihood activity”. This needs to be replaced with “what are the best livelihood options and applications that can secure our well-being, given the natural resources that become available”. Climate change and its relationship with livelihoods and lifestyles has not received the attention that it deserves. It is time to invest resources to understand the implications of current actions and decide on how to shape the future in a consistent manner with secure livelihoods for the poor and vulnerable.

SOCIAL DEVELOPMENT AND WELFARE

As reported last year, India has moved up in Human Development Index one position in ranking to 130 in 2017, from 131 in the previous year⁶. The Economic Survey recognised the fact that improvement in India’s score from 0.427 in 1990 to 0.640 in 2017 is still not sufficient to push the country ahead of its peers. The inter-state disparities and underperformance in some states (especially in central and eastern regions) has pulled the overall progress down.

NITI Aayog has developed the SDG India Index to rate the performance of the states and union territories. The SDG index score at the country level is at 57⁷. Of the 29 states 16 had scored above the Indian average; 13 states scored lower than the country average. Based on the scoring against the different SDGs⁸, states can be categorised as Achiever (score of 100), Front runner (65 to 99), Performer (50 to 65) and Aspirant (less than 50). Only three states achieved the front runner status, Kerala, Himachal Pradesh and Tamil Nadu. Three states, Assam, Bihar and Uttar Pradesh accounting for 28 percent of India’s population, lagged behind, scoring less than 50.

Uttar Pradesh, with the largest population and facing the worst in terms of SDG scores, needs to improve its performance. Much more needs to be done in these states in areas such as poverty, health and education.

In terms of new programmes and schemes, the PM Kisan scheme, earlier described, stabilises farm incomes. The Pension Scheme provides old age support. Ayushman Bharat Yojana, the pro-poor insurance scheme is intended to serve more than 100 million people and support treatment expenses up to Rs 5 lakh. While implementation difficulties are reported in the initial period, there is no doubt that this would go a long way in reducing the problems of poor families in managing health-related issues. A new pension scheme covering the unorganised sector, wage compensation to people under EISC who are unable to work on account of illnesses, a nutrition mission, a scheme to reduce infant mortality through better antenatal and postnatal care for pregnant women have all been introduced in the past two years to improve quality of life.

Two significant, persistent issues deserve greater attention. The first is the gender gap in different spheres of society and economy. Women do not seem to get a fair share of power, political space, social standing and economic results. Schemes and programmes initiated to address the imbalance mostly have not progressed or have become labelling exercises under which men access the support made available for women. The gap severely impacts livelihoods of women. Unless livelihoods are secure, the other development aspirations might prove difficult to meet. Barring the microfinance sector where microfinance institutions and Self Help Groups (SHGs) address the needs of women, other sectors do not seem to have focused gender targeting strategies. Apart from macro exercises such as gender budgeting, programmatic and field-level strategies are required to provide a larger space for women in accessing livelihoods and also to ensure that they get a fair share of income. Denial of new and meaningful roles to women, wage differentials and workplace hygiene

6 <https://www.in.undp.org/content/india/en/home/sustainable-development/successstories/india-ranks-130-on-2018-human-development-index.html>

7 For more information refer to Economic Survey, MOF, Government of India, July 2019.

8 There are 17 goals and 169 targets under the SDGs.

factors have to be closely examined and steps taken to deal with the same.

The other major issue is that of inequality. While economic growth is taking place at varying rates over the years, the poor do not get an equitable share of the benefits of growth. The World Inequality Report informs that the economic reforms in 1990 not only revved up the engines of growth, but also those of inequality. In 2014, the top 10 percent income earners took a share of 56 percent national income and the bottom 50 percent had a share of 16 percent of the national income. While incomes of the top 1 percent population grew by 750 percent between 1980 and 2014 the income of the bottom 50 percent grew only by 89 percent. While poverty levels are declining with the support of different programmes of the government, a more equitable distribution of national income will have a favourable impact on aggregate demand and overall economic activity. Thus, a strategy towards ensuring distributive justice not only has a social and welfare objective, but also makes it sound economically logical.

The different chapters in this report bring out the varied livelihood dimensions. The role

of policy and legislation in livelihoods; the catalytic support of government programmes; issues pertaining to a major livelihood sector-agriculture; the relatively new phenomenon of social enterprises, etc. are dealt in depth by different specialists in the field. A new government coming in with a solid mandate raises expectations amongst the rural and the poor people of improved livelihoods. The past promises have to be fulfilled in addition to developing a new vision to deal with persistent and emerging problems and to realise growth potential at the bottom of the pyramid. The current macroeconomic problems, hopefully, would be short term. The need is to think long term in terms of livelihoods; the long term improvements may not result from quick fixes such as income support, cash grants and zero cost insurance schemes. Long-term improvements should be self-sustaining and should be rooted in good designs that the participants maintain, use and sustain in their own interest. The role of state and public institutions would be catalytic in such initiatives, and should aim not to substitute individual enterprise and effort, but to maximise the results.

POLICIES AND PROGRAMMES FOR LIVELIHOODS OF THE POOR

Rajendra N. Kulkarni

2

INTRODUCTION

There is a consensus on the need for a socially inclusive path of economic growth, so that people have jobs and equal opportunities to participate in the growth process. Livelihood thus is central to policies, programmes and practices, especially aimed at the poor. As a concept, livelihood is multidimensional and can be contextualised to almost all aspects of growth and development, *viz.*, political, social, economic, demographic, ideological and technological. Often used interchangeably in terms of income, employment, employability, livelihood comprises assets (including both material and social resources), activities and capabilities required for the means of living. Putting it into practice is even more complex which requires understanding of linkages, interdependence and conflicts between all the above aspects. To make a broad beginning, one can say that livelihood not only refers to income, but also the effect it creates on the quality of life itself.

Sprawling Policy Space and Diverse Directions

When the concept itself is multidisciplinary, the policy space naturally is sprawling and the emanating directions are diverse and dynamic. No single entity formulates, implements and responds to policies and assesses the impact of it. The state, market, thinkers, academia, corporates, donor agencies, development-centric

institutions, practitioners and people - all operate in this area. Policy, therefore, is an interplay of multiple perspectives, stakeholders, specialists, as also people who can think of all these together and act on it. Monetary and fiscal policies are the two major growth policy blocks; Budget and Economic Survey provide the policy roadmaps for the economy. In a federal structure, the Finance Commission decides resource transfer policies. Areas for necessary legislations are classified by the Constitution between the Union, State and the Concurrent lists. Finally, the states have a major role in implementing, monitoring and evaluating the policies. Livelihood policy space, thus, is like a maze. Ideally, the whole system is expected to operate in tandem. Sometimes it works and at times it does not. Whenever it does not, it becomes a cause for concern as is the current slowdown in the economy.

This Chapter focuses on growth and growth-related policies and programmes. Growth in itself may not be the final objective in a developing economy like India. The rate at which it grows, the beneficiaries, the losers, what is coming in the way and what needs to be done to realize the potential is extremely relevant for people's livelihoods. Eventually on ground, employment opportunities, incomes, consumption, investment, welfare and the conditions in which people live and operate their enterprise have direct and indirect links with the growth performance of the macro economy.

If growth slows down and revival prospects appear distant, the focus on growth is inevitable. The chapter, therefore, centres around growth

slowdown, its causes, the adequacy or inadequacy of policy response, the lessons learnt, the possibilities and the way forward. Schemes and programmes are discussed against this backdrop.

GDP GROWTH AND LIVELIHOODS

Viewed from a livelihood lens, GDP growth and employment relationship has been a matter of research for a long time. Conventionally, economists tracked this using Okun's Law, which stated that higher growth leads to lower unemployment. However, recent IMF research revisiting the Okun's Law suggests that there is a striking variation across countries in how employment responds to GDP growth. In some countries, when growth picks up, employment goes up and unemployment falls; in other countries the response is quite muted. Broadly speaking, a GDP increase - through a stimulus to the demand side of the economy - (for instance, increased government spending on infrastructure), will result in more jobs¹.

State of Working India 2018 confirms that the GDP growth and jobs relationship in India is weakening over time². A 10 percent increase in GDP now results in less than 1 percent increase in employment. In the 1970s and 1980s, when GDP growth was around 3-4 percent, employment growth was around 2 percent per annum. Since the 1990s, and particularly in the 2000s, GDP growth has accelerated to 7 percent, but employment growth has slowed to 1 percent or even less. At this juncture therefore, if GDP growth itself weakens continuously, it becomes a huge concern especially at the time of receiving the demographic dividend.

The clamour about growth slowdown in recent times is due to other reasons also. First, it rides on the decisive political mandate received in the recent elections for continued governance and the resultant rising expectations. Second, there is the buzz about taking Indian economy to attain a target of 5 trillion dollars by 2024.

Notwithstanding the positivity of the aspiration, the contrasting current performance of the economy, the emerging evidence of medium and long-term structural constraints and the broad policy response to the situation seen in the budget, the debate has become even sharper.

GDP Growth Slowdown from the Lens of Livelihood

Since the policy reforms of 1991 for nearly 25 years, annual GDP growth has been averaging around 7 percent which had become almost a normal rate. Even then since the last two years, there has been some disillusionment about growth as a primary policy objective owing to inadequate employment generation. Also, growth impulses are not getting transmitted adequately to agriculture which provides the livelihood to about half the population. Farmers' suicides and agitations for remunerative prices and reservations in jobs (which were not forthcoming anyway) by the agriculturally and socially dominant communities of Patidars, Marathas and Jats reflect increasing frustration with the policies. Adequate access to basic services such as water, sanitation, health and education was also not forthcoming, especially to the poor. Aspirations were rising and the growth-led betterment of quality of life was not taking place. Slowdown in GDP is to be viewed in this background.

Weight of the Unorganized Sector

Before we go into the extent, indicators and causes of slowdown in GDP growth, one must realize that a large part of the economy is unorganized, as distinct from the organized. To what extent GDP estimation process has captured the unorganized sector constraints to give a correct picture of the combined economy is debatable. For instance, impact of demonetization and GST was of a different degree on the cash-dominated unorganized sector. The fact that the unorganized sector contributes to 45 percent

1 "The IMF Blog, Evidence that Growth Creates Jobs: a New Look at an Old Relationship," November 9, 2016; <https://blogs.imf.org/2016/11/09/the-evidence-that-growth-creates-jobs-a-new-look-at-an-old-relationship/>

2 "State of Working India 2018," Azim Premji University.

Table 2.1: GDP growth rate at constant market prices

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
GDP growth rate percent	6.4	7.5	8.0	8.2	7.2	6.8	5.0 (Q1)

Source: *Economic Surveys (Volume II) 2015-16, 2016-17 and 2017-18*

Table 2.2 Quarter-wise GDP growth rate at constant market prices 2018-19

Year	2018-19 Quarter 1	2018-19 Quarter2	2018-19 Quarter 3	2018-19 Quarter 4	2019-20 Quarter 1
GDP growth rate percent	8.0	7.1	6.6	5.8	5.0

Source: *Economic Surveys (Volume II), 2015-16, 2016-17 and 2017-18*

of the GDP and employs 90 percent of the workforce, the significant differential impact may not have been captured in the GDP growth³.

Evidence of Slowdown - Numbers

Tables 2.1 and 2.2 tell the slowdown story over medium and short run. GDP growth has slowed to 6.8 percent in 2018-19 recording the slowest pace since 2014-15. Within the four quarters of the year 2018-19 the growth has plummeted from 8 percent to 5.8 percent. A GDP growth of 5 percent in the April-June 2019 quarter, dampens the prospects further. The sharp fall of 5 percent in GDP growth over the same quarter last year is likely to lead to year-on-year GDP growth slipping to about 4.5 percent in the July-September quarter. Seasonally, adjusted quarter-on-quarter data for sales of non-oil, non-financial firms is showing a negative growth of -1 percent of nominal sales. If inflation is 2 to 3 percent, then sales in real terms actually show a contraction of about 3 to 4 percent. The fall in GDP growth needs to be reversed before it becomes a sustained downward spiral⁴. In fact, the national election in the April-June 2019 quarter, which pumped an estimated INR 55,000 crore in the economy⁵, was expected to give a boost to demand, as has been historically observed. But it looks like it has not and despite the expenditure, the downturn continues.

Is the Slowdown Really Bad?

The GDP growth tapered at 5 percent in the quarter ending in June - the slowest pace of growth since March 2013, when GDP expanded at 4.7 percent. Further, GDP growth has been declining for five consecutive quarters now. This is only the first time since 1997 that declining GDP growth was observed for five consecutive quarters. If September quarter numbers turn out to be lower than 5 percent, it would be six consecutive quarters of decline for the first time. The slowdown looks too long for early correction.

Indicators of slowdown are large in number to see. Some of the important ones are listed in Table 2.3.

Anatomy of the Slowdown

Against this background, it is worthwhile to understand the nature and causes behind India's growth slowdown - the kind of policy challenges it poses and the consequent emerging policy response.

Nature of Slowdown - Cyclical or Structural?

Spoken loosely, some even termed the slowdown as recession which it is not. The RBI had asked a question: whether it denoted a soft patch, a cyclical downswing or a structural

3 Arun Kumar, "All Is Not Well in India's Unorganized Sector," September 3, 2018, <https://thewire.in/economy/at-8-2-growth-is-all-well-in-indias-informal-economy-and-unorganised-sector>

4 Ila Patnaik, "Fall in GDP Growth Needs To Be Reversed before It Becomes a Sustained Downward Spiral," *The Print*.

5 'Poll Expenditure, The 2019 Elections' CMS Research House, Delhi, 2019

Table 2.3: Illustrative indicators of slowdown

Indicator	Comment
<p>Auto Sector</p> <ul style="list-style-type: none"> - Passenger vehicle sales in the month of July plummeted by 31 percent compared to a year earlier - it is the ninth month of decline, and the steepest one in nearly two decades (Society of Indian Automobile Manufacturers) - Maruti (MSIL), the market leader and growth indicator for decades, has suffered a 36.7 percent sale loss compared to the same month in 2018. - Due to less demand, manufacturers need to cut down on production, sometimes even shutting their factories down to adjust inventory. 	<p>Auto sector is important; contributes to about 7.5 percent to GDP and roughly half of manufacturing sector and can cause multiplier impact due to linkages with ancillary and components industry, rubber, dealer networks and employment. Has a relevance to rural sector as well.</p>
<p>Construction sector is the most dynamic in terms of job creation - second only to agriculture.</p> <ul style="list-style-type: none"> - Between 1990-91 and 2015-16, about 36 percent of all new non-farm jobs created were in Construction. - Indebted developers and unsold inventories. - Bank credit to infrastructure sector has been growing slowly or contracting due to stalled projects and mounting Non-Performing Assets (NPAs) 	<p>Downturn after a long period of boom. The government's Pradhan Mantri Awas Yojana (PMAY) has also not kept up pace. The infrastructure sector, a key segment for construction, has not been performing very well either.</p> <p>Construction sector was expected to create more jobs. Due to rapid urbanisation, segments like warehousing, commercial/residential realty, and infrastructure are promising job-creating sectors for the long term. Rural construction also has been a major contributor to employment in the sector.</p> <p>The Economic Survey of 2018 anticipated realty and construction to generate 15 million jobs by 2022, while the National Skill Development Council (NSDC) put the demand for labour in real estate and construction (by 2022) at over 66 million.</p>
<p>Hindustan Unilever, India's leading maker of FMCGs, has reported March quarter revenue growth of just 7 percent, its weakest in 18 months.</p>	<p>Slow sales growth among manufacturing and non-IT services sector corporations, with evidence of private consumption losing pace, especially in the FMCG segment.</p>
<p>From 12.1 percent growth in April-June 2018 to 0.6 in April-June 2019, the manufacturing sector is showing a big slow down, the lowest growth in the last six years. For the fourth straight quarter, both mining and agriculture sector show less than 5 percent growth.</p>	<p>Sectoral slowdown is spreading.</p>
<p>NBFCs collapse led to a fall in lending and worsened matters. The suddenness in the NBFC credit freeze is quite apparent when the share of NBFCs in overall non-bank credit to the commercial sector plunged to 1.5 percent in FY19 from 22 percent last year.</p>	<p>The lack of consumption growth support from struggling NBFCs made matters worse despite banks' retail lending holding up for the time being.</p> <p>It could have impacted not only the final consumer demand but also business demand from smaller players in sectors like real estate, construction, autos, etc.</p>
<p>Richest of the Indian corporates are announcing the deleverage plans and reducing debt (Reliance, Mahindra and Mahindra, Shapoorji Pallonji)</p>	<p>Actually, Reliance, as per its own business schedule is at the end of its own investment cycle, but the fact remains that the days of substantial investments appear to be over for the corporate at least in the near future.</p> <p>Mahindra and Mahindra announced deferring their capex of about INR 1000 crore. Such plans of deferring investment have a big sentiment value.</p>
<p>Sustained capital outflow</p>	<p>The market has been witnessing sustained capital outflow as response to proposed tax surcharge on the super-rich in Budget 2019. Since the Budget day on July 5, 2019, investors have lost INR 13.7 lakh crore on BSE. As per data available with NSDL, foreign investors took away INR 3003 crore from the Indian financial market during the month of July itself (2nd August position)</p>
<p>Sensex: It may not necessarily be the mirror of the economy, but still relevant for the market sentiment, critical for a revival.</p>	<p>Sensex which had crossed around 40,000 mark during 2018 and by May 2019 started falling and post budget reached around 28,000 erratically. Market was erratic.</p>
<p>Investor's confidence seemed to be running low.</p>	<p>NCAER's Business Confidence Index fell by 9.1 percent in the fourth quarter of 2018-19 as per the CMS Report on 'Poll Expenditure, the 2019 Elections' CMS Research House, Delhi, ref: PRESS RELEASE dated June 4, 2019. The index has four elements - overall economic condition, financial position of the firms, present investment climate and present capacity utilisation.</p>
<p>RBI Consumer Confidence Survey showed negative sentiment in July 2019 over May 2019.</p>	<p>Captures responses on economic situation, employment, price level, income and spending. Current-year perception when compared to one year ago situation was negative with a sign of deterioration in four out of five responses.</p>

Source: Collated by author from various sources

slowdown? The Report opines that such a diagnosis is difficult; these conditions are hard to disentangle cleanly, at least in the formative state⁶. The report further added that there are still structural issues in land, labour, agricultural marketing and the like that need to be addressed. After an initial debate the consensus is that India's slowdown reflects both forces at play, therefore, the policy response needs to be all-encompassing.

The Causes of Slowdown

We have seen a number of indicators, reflecting a significant fall in demand, especially for sectors such as automobiles, consumer durables and housing and number of assorted indicators just to provide an idea of the slowdown. But there are more serious issues of long-term fall in investment, savings and the consumption story, behind the demand contraction.

Investment

Investment (gross capital formation) accounts for nearly 32 percent of the GDP in which Fixed Investment (Gross Fixed Capital Formation) accounts for about 29 percent of the GDP. The data shows that Gross Fixed Capital Formation (GFCF) as percent to GDP at current prices was falling since 2011-12, when it was 34.3 percent. By 2017-18, it had fallen 28.6 percent, that is, by 5.7 percent points. Assuming an Incremental Capital Output Ratio (ICOR) of 4, a fall of nearly 1.4 percent points in the potential growth rate gets explained⁷. The fall consisted of sectoral decreases in the household, private, corporate and public sectors (as indicated in Table 2.4).

The fall in the household sector's investment rate was arrested by 2016-17. But by then, the rate had already fallen by 6.3 percentage points. Thus, during the period from 2011-12 to 2017-18, investment in both household sector fell significantly and private, corporate and public sector fell marginally.

How Did We Get Here?

Why is investment not picking up? A slowdown in domestic consumption demand, existing excess capacity and uncertain export prospects due to trade wars does not inspire the

Table 2.4: Sector-wise GFCF as a percent of GDP at current prices (2011–12 prices)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total	34.3	33.4	31.3	30.1	28.7	28.2	28.6
Public	7.3	7.0	7.1	7.0	7.5	6.8	7.2
Private Corp	11.2	11.8	11.7	11.0	11.9	11.0	11.2
Household	15.7	14.6	12.5	12.1	9.4	10.4	10.3

Source: Rangarajan and D.K. Shrivastava, "Increasing Investment to Stimulate Growth," *The Hindu*, August 23, 2019.

investor. This probably explains why repeated attempts to boost investment by interest rate reductions by the RBI have not worked. The data show that with every successive policy announcements reducing repo rates, the RBI has been downgrading its growth forecasts.

One of the biggest factors behind the current slowdown in consumption is the squeeze on the rural sector. A low inflation regime, driven mainly by falling food prices, has put the brakes on farm incomes; rural wages are not increasing thereby adversely affecting rural demand and private consumption. While there has been some revival in food inflation, recently, it continues to be very low in rural areas.

What are the constraints in fighting the problem? Given the fact that the monetary policy route of lowering interest rates has not helped in reviving the economy, demand for a fiscal stimulus is increasing. However, this is a difficult choice. If the nominal growth rate is significantly short of the projected rate of 12 percent, the government might face a significant shortfall in taxes and meeting even existing commitments will be difficult. Even last year, the government had a shortfall of INR 1 lakh crore in Goods and Services Tax (GST) collections.

Household Savings

The Gross Domestic Savings Rate also fell between 2011-12 and 2017-18 by 4.1 percent points (from 34.6 percent of GDP to 30.5 percent). This fall was largely due to the household sector, with the private, corporate and public sectors showing increases in their savings rates by margins of 2.2 percent points and 0.2 percent points, respectively.

⁶ "Annual Report," RBI August 2019.

⁷ C. Rangarajan and D.K. Shrivastava, "Increasing Investment to Stimulate Growth," *The Hindu*, August 23, 2019.

In recent years, household consumption has been financed by sharply running down savings, which have fallen from 23 percent to 17 percent in six years. If income/wage growth is lower than the consumption growth, households use their savings and/or take on debt to finance consumption, but only for some time. If wages and incomes do not accelerate, consumption will be forced to slow down. The available data show that during FY 2012 and FY 2018 household saving rate as a percentage of GDP dipped from 23.6 percent to 17.2 percent, while the household financial liabilities as percentage of GDP increased from 3.3 to 4.3⁸.

The household savings rate is sensitive to demographics. The savings rate of a country tends to improve the working age population at its peak which is the case for India where the working age population is now more than the dependent population (demographic sweet spot). The fall in the Indian savings rate even as its demographic profile improves is puzzling. The most immediate explanation, as mentioned earlier, could be that lower savings are a result of slower economic growth. Families could also be saving less to maintain consumption levels, especially given the recent policy-induced shocks to the economy. This aspect needs further probe⁹.

Slowdown in Consumption

Private consumption has been the driving force behind India's economic growth for a long time. There are signs that it is stalling. Private Final Consumption Expenditure (PFCE) growth was just 3 percent in the June quarter. Between March 2018 and June 2019, GDP growth has come down by 3.1 percentage points. PFCE growth has fallen at a much faster pace, by 5.6 percentage points.

Financing Household Consumption

In recent years, household consumption has been financed by sharply running down savings, which have fallen from 23 percent to 17 percent in six years. In other words, income/wage growth

has been running much below consumption growth, forcing households to run down their savings and/or take on debt to finance consumption. This is unsustainable beyond a point. If wages and incomes don't accelerate, consumption will be forced to slow down. Which is what has happened as can be seen from the National Sample Survey that indicates a significant slowdown in consumption too, the one bright spot so far in the economy.

India's Consumption Story - A Different Dimension of Middle Income Trap

India's rapid consumption growth has been essentially powered by its top 100–120 million citizens who consume cars, two wheelers, air conditioners and so on. This segment may grow further, but having had its fill of homemade goods, the growth in the demand may be for the education of their children, better healthcare for themselves abroad and even imported luxuries like foreign holidays. The point is that this segment's growth may not sustain the domestic demand.

A majority of Indians want nutritious food, affordable clothing and housing, health and education, which should be the leading indicators of economic growth. "Subsidies and income support cannot pay for such consumption on a massive scale. At least half the population should earn incomes that enable them to buy these at affordable prices so that a maximum of 500 million people can be subsidised to improve their welfare," Dr Roy says¹⁰.

Unless India is able to do this in the next decade or so, Dr Roy believes that India may land up in the "middle-income trap". Middle-income trap means that the rich are taxed to provide minimum services to the poor, who will be kept away from extreme poverty and vulnerability by using such taxes to subsidise their existence, including universal basic income in perpetuity¹¹. The theory is a pointer towards a broader growth hereafter.

8 "Economic Growth Slows, Recovery May Take Long," *Financial Express*, September 7, 2019.

9 Niranjana Rajadhyaksha, "The Slump That Threatens To Hold the Economy To Ransom," July 31, 2019; <https://www.livemint.com/opinion/>

10 Rathin Roy, "The Middle Income Trap India Must Avert," *Livemint*, May 12, 2019.

11 Ibid.

EMPLOYMENT

According to a World Bank report¹², more than eight million jobs are required every year for India to keep its employment rate constant, (2015–2025) as its working age population (above 15 years) is increasing by 1.3 million every month. Keeping aside numbers for the moment, it is clear that increasing unemployment is a serious concern. In what follows, we will look into what is happening on the employment front and ask the following questions—is the employment going down? What are the serious issues related to employment?

The much-awaited report of the Periodic Labour Force Survey (PLFS) 2017–18 has highlighted the difficult job situation with 6.1 percent of India's labour force and 17.8 percent youngsters between 15 and 29 years reported to be unemployed in the labour force.

- The total number of workers in the economy was 472.5 million in 2011–12, which fell to 457 million in 2017–18, a historic decline in the absolute number by 15.5 million over six years. Almost a similar estimate of a 16 million decline in the number of workers was reported by the Labour Bureau's Annual Employment Surveys in the fourth and fifth rounds.
- Most of the decline in employment has happened due to the fall in the number of workers in agriculture and a sharp fall in the absolute number of female workers—a surprising trend which has no parallel in comparable economies.
- The trend of workers moving out of agriculture is not new and is actually welcome, but it raises questions on their alternate livelihood and perhaps may increase the vulnerability of farm production.
- Women dropping out might also have an impact on the household income. The phenomenon needs to be examined in greater detail¹³.

Women Employment

The PLFS 2017-18 shows that only about 23

percent working age women are employed (down from 31 percent in 2011-12 and 43 percent in 2004-05). Though women have been dropping out at all levels, it is the working rural women who have retreated dramatically from 49 percent in 2004-05 to 36 percent in 2011-12 and now 25 percent in 2017-18. What explains this?

Part of the explanation may be due to the underestimation in the surveys, as majority of the women may not pursue paid labour outside the home, and yet contribute to family livelihood. If more specific questions are asked in the survey on this aspect, the underestimation may be reduced.

Now in an open unemployment situation at a 45-year-high of 6.1 percent presently observed, and where it is difficult for men also to find jobs, women may find it even harder to get jobs. This is more so because labour intensive sectors where women were working such construction work, textiles etc have fallen.

Greater mechanisation in agriculture has displaced some of the winnowing and threshing work that women used to do earlier.

Education may also be another reason owing to which girls are more involved in high schools and colleges; scholarships and schemes like provision of bicycles encourage them to pursue further education.

Domestic work in urban areas has grown; education and retail also employ many women. Among urban working women, the share of regular salaried jobs has increased from 35.6 percent in 2004 to 52.1 percent in 2017. But in the 15-29 age group, nearly 27 percent urban women are unemployed and seek work.

Some of the other features regarding employment generation are as listed below:

- Regular wage or salaried employment increased by 5 percentage points between 2011-12 and 2017-18. But this increase was partly because of the denominator effect (the overall workforce declined by 4 percentage points between 2011-12 and 2017-18). As a share of the population, regular workers increased only by one percentage point to 8 percent over the same period, which is way behind South Asian countries and China (53.1 percent), Brazil (67.7 percent) and South

12 World Bank, "Jobless Growth?" April 15, 2018.

13 Himanshu, "The Seriousness of the Problem of Unemployment in India," <https://www.livemint.com/opinion/>

Africa (84.8 percent) in the share of salaried or regular jobs¹⁴.

- Not all salaried jobs guarantee high pay. In 2017–18, around 45 percent regular workers earned less than INR 10,000 per month and about 12 percent earned less than INR 5,000 per month. As many as 63 percent regular women workers earned less than INR 10,000 per month and 32 percent had a monthly salary of less than INR 5,000. In rural areas, 55 percent regular workers earn less than INR 10,000 per month, while the corresponding proportion was 38 percent in urban areas. Overall, 72 percent regular workers earned below the minimum monthly salary of INR 18,000, as prescribed by the Seventh Pay Commission. At the other end, only about 3 percent regular workers earned a monthly salary between INR 50,000 and INR 1 lakh, and 0.2 percent earned over INR 1 lakh per month, as the PLFS¹⁵ data suggests only high level of skills and experience may get higher salaries. This brings to the fore the issue of skills for the young entrants.
- What is happening to skilled youth? An analysis of the unit-level data from the PLFS data 2017–18 suggests that only a small section of the youth reported receiving any vocational training and a large share of them were either unemployed or out of the labour force. About 42 percent of the youth (15–29 years) who received ‘industry-relevant’ formal technical training were not part of the labour force at all (that is, they were not working or seeking employment opportunities). Close to 33 percent of India’s skilled youth are jobless¹⁶.
- What kind of training is the young population receiving? The PLFS collected data on fields of training, which are categorised under 22 heads. The bulk of the trainees were in the fields of electronics, IT sector, apparels, and mechanical engineering. Men and women received starkly different kinds of training, reinforcing the segregation of the labour market. More than 80 percent trainees in the

fields of agriculture and food processing, telecom, media and mass communication were men. The fields of beauty and wellness, apparel, handicrafts, hospitality and healthcare were dominated by women.

- To bring in improvements in the Skill India programme, the government appointed a committee led by Shri Sharda Prasad (2017) which found that targets are too ambitious, and funds spent on the programme were not subject to adequate monitoring. The PLFS data only endorses the facts. The decline in budgetary allocations for Pradhan Mantri Kaushal Vikas Yojana (PMKVY) perhaps can be viewed with the above background. Training, if required to boost job prospects, has to be industry-relevant and where possible linked with the placement demand.

It is worthwhile to look at MGNREGA, its progress, role played and the challenges faced.

THE IMPORTANCE OF MGNREGA – LESSONS LEARNT

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) as a flagship employment programme had served as a lifeline for the poor and contributed in a number of ways in terms of increase in incomes and setting a benchmark for rural wages. Studies have pointed out that ‘a well-functioning MGNREGA has led to spillover benefits leading to increase in market earnings and that more than 14 million households would have become poor without MGNREGA’¹⁷. Being the first programme to ensure wage parity for both men and women, MGNREGA has played a significant role in improving women’s participation in the labour force and increasing financial inclusion among them. In fact, in the last five years, more than 50 percent of the MGNREGA works were done by women.

14 Ishan Anand and Anjana Thampi, “Most Regular Jobs in India Don’t Pay Well,” August 6, 2019, <https://www.livemint.com/politics/policy>

15 Periodic Labour Force Survey (PLFS), July 17–June 18, GoI, Ministry of Statistics and Programme Implementation, GoI

16 Ishan Anand and Anjana Thampi, August 7, 2019; <https://www.livemint.com/>

17 Desai et al, 2015

Drawing lessons from MGNREGA, an Urban Employment Guarantee programme has been recommended that can create employment opportunities for almost 50 million workers in small towns across the country. MGNREGA is now facing challenges in its implementation owing to inadequate funds, delayed payments and leakages. Importantly, lack of adequate funds means that the programme has become supply-driven and in contravention of the demand-driven nature of the Act.

Rural Wages-Direct Link with Rural Incomes and Consumption

Rural wages in India have witnessed a high growth phase between 2007–08 to 2012–13. This period was followed by a phase of significant deceleration. Implementation of Mahatama Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and a healthy growth of the construction sector supported the high growth phase in rural wages up to 2012–13; in the recent period, both have weakened in terms of their significance.

Available research suggests that agriculture growth positively influences wages. In the last four to five years, 2014–15 and 2015–16 were sub-normal monsoon years with weaker growth in agricultural GDP. The years 2014–16 had normal monsoons but the agricultural wages were not pushed much. Analysis of the long-run trends in rural wages was carried out by the RBI to identify the possible key factors that could explain the recent slowdown in rural wage growth¹⁸. This reveals that MGNREGS, which was a driving factor during 2008–09 to 2011–12, seemed to have lost momentum in the recent years. The average employment days per household ranges between 40 and 50 (as against the promise of 100 days a year). MGNREGS wage growth also witnessed some moderation in the recent years, which could partly be due to indexation of wages to inflation and owing to issues related to wage

fixation policies of the government as outlined here:

- In 2007–08, in the second year of MGNREGA implementation, wages under the programme were 5 percent higher than market wages for rural male workers and 58 percent higher for rural female workers to lure the latter.
- By 2009–10, MGNREGA wages were 90 percent of the market wages for males; it was 26 percent higher than market wages for females.
- By 2011–12, they were lower than market wages for both category of workers, but for females, they were close to market levels.
- The 2017–18 PLFS estimates show that private market wages for males were higher than MGNREGA wages by 74 percent, and female market wages higher than MGNREGA wages by 21 percent. However, because of non-availability of work and discrimination, as well as exclusion from the private labour market, women continue to demand and work under MGNREGA.
- MGNREGA wages are less than half of the national minimum wage of INR 375 per day (as on July 2018) as proposed by an expert group. Even the Economic Survey presented on July 4 a chapter on minimum wages, arguing in favour of keeping minimum wages at a sufficiently high level to reduce poverty and inequality. Decline in wages as indicated above, suggests that MGNREGA's ability to provide a stimulus to the rural economy could be less now, despite the strong evidence of it having pushed up rural wages and incomes during the first five years of its implementation¹⁹.

What Is Happening to Labour Productivity?

So, why are not wages, generally, picking up? In a relatively competitive market, wages ultimately reflect labour productivity. India has a labour productivity problem and it stands in the way of economic growth

18 Sujata Kundu, "Rural Wage Dynamics in India: What Role Does Inflation Play?," RBI Working Paper No. 3/2018, April 2018.

19 Himanshu, "How MGNREGA Transformed into a Monument of Failure," July 18, 2019; <https://www.livemint.com/opinion/columns/opinion-how-mgnrega-transformed-into-a-monument-of-failure-1563471851092.html>

because technological advances have boosted the marginal product of capital while labour productivity has not grown in tandem. Voting with their feet, entrepreneurs have revealed that after adjusting for productivity, labour is not an attractive factor of production. Unless labour productivity picks up, wages and incomes cannot support strong consumption growth. This is a challenge in exports as well. But India's trade deficit with China has widened by a factor of 10 in 15 years across exchange rate regimes; this suggests that a more fundamental productivity/competitiveness challenge is at play²⁰.

One important by-product of the goods and services tax (GST) is the boost to the formal economy and employment in organised manufacturing. Ironically, however, larger firms are typically more capital-intensive. Therefore, until labour productivity is boosted, so that labour becomes a more attractive factor of production, both employment and wages will remain under pressure.

PM-KISAN

The PM-KISAN scheme aims to supplement the financial needs of the farmers in procuring various inputs to ensure that proper crop care commensurate with the anticipated farm income at the end of each crop cycle. This would also protect them from resorting to availing informal credit and ensure their continuance in the farming activities.

Consumption propensity is high in rural income and rural areas. PM-KISAN, with its ambitious scheme, can help to overcome rural distress, that is causing slowdown in consumption. It will cover all 14.5 crore farmers in the country, irrespective of the size of their landholding. As against the expected coverage of 10 crore farmers by the year end, it was expected to reach only 70 million by end of July. Under the scheme, the Centre provides a cash benefit of Rs 6,000 to eligible farmers in three equal instalments. The government has opened the scheme to all farmers, irrespective of the size of their landholdings, from May 31, 2019.

A straight income transfer to farmers could be viewed as a small beginning of the universal basic income (UBI), mentioned in the Economic Survey 2016–17. It is not a charity but a safety net relevant in the current agrarian crisis. The market's failure to arrive at true prices of many important services is well recognised in the theory of externalities which can lead to failure in delivering public services. An assured income can also encourage farmers to boost productivity and help them earn more. The cash received, if invested in agriculture for higher returns, will be a support to the credit and insurance systems. Even if some amount is diverted it will add to rural demand to benefit the overall economy in the present circumstances.

The merit of cash transfers over loan waivers and subsidies lies in their greater efficiency potential in enabling poor households to directly purchase the required goods and services as well as enhance their market choices. Therefore, the impact of a welfare measure such as PM-KISAN can only be realised through financial support that provides farmers with adequate purchasing power to meet their daily basic necessities.

Given that India's poverty line estimate is INR 32 per person per day in rural areas (as per the Rangarajan Committee), the income support under the scheme is INR 17 a day for a household, which looks very small, more so when compared with the Rythu Bandhu in Telangana that the Centre is said to have replicated or the Krushak Assistance for Livelihood and Income Augmentation scheme in Odisha. Suggestions have come to index the cash transfers to local inflation, given the volatile market and price fluctuations in different regions. While cash transfers to households may appear simple, the scheme requires significant implementation capabilities. In a country where a majority of the states have incomplete tenancy records and the land data are not digitised (for instance, in Jharkhand, Bihar, Gujarat and Tamil Nadu), identification of beneficiaries is daunting.

SOME OTHER STRUCTURAL ISSUES

²⁰ Sajjid Chinoy, "India Has a Labour Productivity Problem and It Stands in the Way of Economic Growth," August 17, 2019; <https://m.economicstimes.com>

An important issue is the stagnant manufacturing sector at 15 percent of GDP; in South Korea and Thailand it is 27 percent, in China 29 percent, in Malaysia 22 percent, and even in Bangladesh it is 17 percent. Over the last six months, up to May 2019, the share of manufacturing has shrunk across a number of sectors such as textiles, rubber and plastic products, electrical equipment, fabricated metals as well as paper²¹

Investment in the quality of workforce has been minimal. Such investments are crucial, particularly in the present context of rapid digitisation, networking and artificial intelligence.

Between April 2011 and June 2019, exports have oscillated around USD 25 billion a month. China and some of the Asian countries export much more. Malaysia and Thailand, with less than a fifth of our GDP, export over three-quarters as much as we do. Simply put, notwithstanding IT, we have failed as an exporting nation. A persistently overvalued real exchange rate has also played its role. The scenario is depressing. India's manufacturing is jammed at a long-term low of 15 percent GDP and is going through a grim phase where the domestic demand has seriously slowed down. There is no vent available by augmenting exports. India's agricultural exports have declined from USD 43.23 billion in 2013-14 to USD 33.87 billion in 2016-17. The primary reasons for decline in export of agricultural commodities are low commodity prices in the international market and high costs of domestic production. When domestic demand is shaky, investments respond to exports but here even the exports have been uncertain due to unfavourable global conditions.

Unfavourable Terms of Trade for Agriculture

A large part of the rural demand problem could be traced back to lower realisation of the agricultural commodities by farmers despite higher crop output. The large Minimum Support Price (MSP) increase of 2018 also did not change the price dynamics much as global food prices remain depressed. The challenges in the farm

sector were complicated by a lack of mobility towards non-farming jobs.

What is Happening to Agriculture GDP Growth?

Agri GDP growth has ups and downs but is sliding since 2016–17. Against the 5 percent growth reported in 2017–18, the year 2018–19 ended with a growth of 2.9 percent. For the June quarter, this segment's growth in real terms was 2 percent, against 5.1 percent in the corresponding quarter of the previous year. While production has dropped, it has not been accompanied by commensurate increase in price. Though numbers from the Ministry of Agriculture & Farmer's Welfare (MoAFW) show that the country has been doing well on crop output, dissecting it reveals that there has been a drop in production in some major food as well as non-food crops. The slump in crop output has been slow in reflecting in price because of weak demand and in some cases because of excess inventory from previous years being available in the market, like in the case of pulses. Weakness in domestic demand aside, demand from export orders for certain agricultural products was also poor, which kept prices muted.

Terms of Trade

Prices play an important role in raising incomes of farmers. In the last one and half years, between 2017-18 and 2018-19, price rise for agriculture has declined significantly and affected the incomes of the farmers adversely. In 2017-18 and Q1 of 2018-19, price rise for farm sector was much lower than the rise in general price level. In 2017-18, the price rise for agriculture was only 1.1 percent as compared to 3.2 percent for general prices. Consumer Price Index (CPI) also shows that inflation for food was lower than that of general price index in the same year. In other words, terms of trade have been moving against agriculture since 2017-18²².

The task of doubling farmers' income looks difficult. The income support scheme alone

²¹ View: It's the start of a structural problem, not a cyclical one, Omkar Goswami, Economic Times, August 19, 2019

²² S. Mahendra Dev, *Inclusiveness and Sustainability* (Mumbai: Indira Gandhi Institute of Development Research, December 2018).

Table 2.5: Agri GDP growth (percent) at constant prices (2011–12)

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 Quarter 1
Agri GDP	4.6	-0.22	0.65	6.27	5.0	2.9	2

Source: Agriculture GDP falls: Doubling of Farmers' Income in next three years looks a tough task - Rajlakhmi Nirmal, The Hindu, Business Line, August 31, 2019, & Economic Survey 2018-19 Vol II, Ministry of Finance, Department of Economic Affairs, GoI,

cannot help. The higher MSPs announced haven't really had an impact, except on paddy, wheat and some pulse crops. The electronic National Agriculture Market (eNAM) scheme, which was expected to bring more buyers for a farmer's produce, is still at the preliminary stage.

POLICY RESPONSE

When you are faced with an ambitious goal, continuous re-calibration of policies to achieve this goal is necessary. Data-driven evidence enables this re-calibration

It would be interesting to see how far the mirror shown by the economic survey was used by the polices proposed in the budget.

Policy Thinking as Addressed in the Budget

The main thrust of both the Economic Survey and the Budget has been on promoting investments in the economy to accelerate growth. There are a large number of budget announcements to be accommodated in the chapter. Therefore, as a case we can look at investments in agriculture which is grappling with the ambitious doubling of farm incomes.

Investments in Agriculture

Growth in agriculture depends upon investments and incomes of the farmers from agriculture depend on productivity and profitability, which takes into account the prices of inputs and outputs. Investments in agriculture have been falling lately, from a peak of 18.2 percent of the agricultural GDP in 2011-12 to 13.8 percent in 2016-17. Private sector investments dominate with a share of over 80 percent in total investments in agriculture. But with the visible

distress emanating from unfavourable Terms of Trade, depressed incomes and indifferent climatic conditions, further increase in the private sector investments in the sector looks improbable at least in the near future. Therefore, the real burden of growth in agri GDP is on public investments.

Ashok Gulati in one of his articles²³ has argued that the marginal returns of public investments on agricultural research and development (agri-R&D) are way higher than those from the investments on roads, education, irrigation, or subsidies on power, fertilisers, and irrigation water. Under the standard national accounts, however, public investments in agriculture basically comprise investments in irrigation. In this context, it would be good to look at the public expenditure outlays on the agri-food space as provided in the budget documents.

The provisions made in the budget can be put under four heads: (i) safety nets, (ii) input subsidies like fertilisers, interest subvention on short-term credit, premium subsidy on crop insurance, (iii) the public investments and (iv) other development schemes that come under the MoAFW (see Table 2.7).

As one can see from Table 2.7, the public expenditure pattern given in the Union Budget is predominantly in favour of safety nets. This might serve the short-term objective of providing welfare more than the growth and may not serve the objective of doubling farmer income by 2022. The budget also does not talk about reforms related to land, labour and marketing.

Under the circumstances, what is the way forward? In the above-mentioned article, Ashok Gulati has made detailed recommendations related to a few large issues faced by agrarian economy. Policy changes suggested can be seen in Table 2.8.

Is there a trace of evidence-based policy? Data bring trust and transparency in the numbers/estimates accounted in the budget.

23 Agri-food in the Union Budget 2019-20: Putting the cart before the Horse, EPW Vol 54, Number 33, 17 Aug, 2019

Table 2.6: Policies and roadmap: mirror shown by the economic survey

Context/constraint	Key Message	Rationale	Action
Slowdown in the economy when the economy is gripped by a consumption slowdown.	Focus on virtuous cycle of savings, investment, exports and growth.	Investment to be the 'key driver' of economic activity. Investment drives demand, creates capacity, increases labour productivity, introduces new technology, allows creative destruction, and generates jobs and incomes.	Raise investment rate and the saving rate
Dealing with the existing excess capacity	Current demand situation will not address the issue.	The demand for the excess capacity created can be handled by a renewed focus on pushing up exports.	Promote exports
Creating more jobs		Deregulating labour law restrictions can create significantly more jobs, as seen by the recent changes in Rajasthan when compared to the rest of the states," the Survey said	Deregulate labour laws
Laying down the foundations of a healthy India. A healthy India means more labour productivity which translates into more savings and more investment.	The case for a healthy India	According to the Survey, the financial savings to the poorest household due to behavioural change induced by Swachh Bharat Mission exceeded the financial costs by 2.4 times.	Using the nudge principle and the behavioural insights from the Swachh Bharat Mission.
Uncertainty in economic policy making can affects investor sentiment.	Double down on reducing policy uncertainty		The Survey recommends tracking the economic policy uncertainty index, a priority for the government
Better Tax compliance	VIP privileges for top taxpayer	The Survey suggests that the highest taxpayers over a decade could be recognised by naming important buildings, monuments and roads after them. incentivising top tax payers of the country. This includes VIP-like privileges such as expedited boarding privileges at airports, fast-lane privileges on roads and toll booths, special "diplomatic" type lanes at immigration counters, etc.	Improve compliance among tax payers
The Survey says that the government should foster the growth of large firms which employ more than 100 people instead of focusing on smaller firms with less than 100 workers.	Infants, not dwarfs, need more care	The rationale is that the share of smaller firms in overall job creation and productivity is negligible compared to large firms which account for around 90 percent of overall productivity and three quarters of job creation.	
The Survey takes insights from various government schemes which rely heavily on behavioural change.	Make Behavioural Economics an important pillar of policy making programme.	The voluntary giving up of gas subsidy in order to provide gas connection to poor households encapsulates the impact of behavioural economics.	'Behavioural Economics' audit for every government

Source: Economic Survey 2018-19, Volume 1, Ministry of Finance, Department of Economic Affairs

However, the veracity of the estimates of some crucial macroeconomic indicators presented in this budget - such as the fiscal deficit - has been a matter of contention. The fiscal deficit is a macro-number that is carefully watched by the investor community. The budget estimate of 3.5 percent of the GDP for the 2018 financial year (FY) has been challenged by the Comptroller and Auditor General's (CAG) estimates of 5.85 percent (due to off-budgetary borrowings by the

Public Sector Undertakings).

There are other examples where the estimates related to the agri-food sector do not lend much credibility to the "transparency" aspect. Ashok Gulati points out that the subsidies on food and fertilisers are under-provisioned every year, in the budget²⁴. As a result, the Food Corporation of India (FCI) keeps borrowing from the banks and other agencies. Such borrowings and overdue of the FCI understate the food subsidy. The story is

24 Agri-food in the Union Budget 2019-20: Putting the cart before the Horse, EPW Vol 54, Number 33, 17 Aug, 2019

Table 2.7 Expenditures on safety nets, input subsidies, public investment and Development Missions by the Central Government

Categories	Schemes	Expenditure (INR crore)	
		2018-19 (RE)	2019-20 (BE)
Safety net	MGNREGA	61,084	60,000
	PM Kisan	20,000	75,000
	Food Subsidy	171,298	184,220
	Subtotal-safety net	252,382	319,220
Input subsidies	Crop insurance scheme	12,976	14,000
	Interest subsidy for short term credit to farmers	14,987	18,000
	Fertiliser subsidy	70,086	79,996
	Subtotal-input subsidies	98,049	111,996
Public investment	Pradhan Mantri Krishi Sinchayee Yojana	8,251	9,682
	Pradhan Mantri Krishi Sinchayee Yojana	15,500	19,000
	Sub-mission on agricultural extension	875	950
	Agricultural Research and education	7,953	8,079
	Deen Dayal Upadhyaya Gram Jyoti Yojana	3,800	4,066
	Subtotal-public investment	36,379	41,777
Development missions of MoA	Green revolution	10,927	41,777
Total		397,737	484,604

Source: Expenditure Budget, GoI

similar for fertiliser subsidy.

WAY FORWARD FROM ANALYSIS SO FAR

Macro Parameters

- From the monetary policy side, reducing the repo rate by a cumulated margin of 110 basis points in 2019 has not as yet induced a noticeable growth response. Complementary fiscal stimulus, in the form of additional public sector investment, may prove to be more effective in transmitting the rate cut.
- Given the fiscal deficit constraint, there is limited scope for increasing Centre's capital expenditure directly. Possibilities of additional disinvestment earnings and additional dividends from the RBI might create some fiscal resource space which could be deployed for investment expenditure.
- A similar effort may be made by state governments and non-government Public Sector Enterprises to increase capital expenditures which may have an enabling impact on private investment. Thus, a combination of fiscal push, together with the already-initiated monetary stimulus, may help raise the growth rate.

- Many economists have suggested to revisit Fiscal Responsibility and Budget Management Act (FRBM) Act with an objective of reducing the revenue deficit to zero.²⁵
- The current growth slowdown poses an additional challenge, especially for the government. This is because of a drop in the nominal GDP growth to 8 percent in the June quarter as against the Budget-projected nominal GDP growth of 12 percent. As tax projections made in the budget are based on projected nominal GDP growth for the year, there will be serious shortfall in taxes.
- Given the current situation with low GDP growth and revenue shortfalls, the choice is between (i) high tax rates and low compliance and (ii) a low tax rate with high compliance. It would help to restore the confidence of the wealth creators by choosing the second option. Cutting tax rates seems to be the immediate solution. Income tax, corporate tax and GST will provide a fiscal stimulus. Reducing fear among businessmen would also help increasing compliance. This will work much faster than spending plans for the infrastructure, as it can take a long time to implement. By the time the government borrows and finds the right provider, contraction may set in. Timing is the essence of taking policy action. At the risk even of higher inflation, the important thing is to

25 C. Rangarajan and D.K. Srivastava, "On the Edge: On Economic Slowdown,"

Table 2.8 Expenditures on safety nets, input subsidies, public investment and Development Missions by the Central Government

Issue	Suggested policy changes
<p>Food subsidy Under the National Food Security Act (NFSA) passed in 2013, 67 percent of the population is being given rice and wheat at INR 3 per kg and INR 2 per kg, respectively, while the economic cost of rice to the FCI is around INR 35 a kg and that of wheat is about INR 25 per kg. The open market prices in several rural areas of the country are actually even less than these economic costs of the FCI.</p>	<p>Prices need to be linked to at least 50 percent of the procurement prices</p> <p>A gradual move towards direct cash transfers to the beneficiaries' accounts to enable them to buy any food from the open market is needed. It can start from the urban areas and grain-surplus states. This would reduce the pressure on the FCI to procure large quantities from states, such as Punjab, where the water table is going down at an alarming rate. The FCI can still keep strategic reserves of grains to the tune of 15-20 million metric tonnes with shifting procurement to the eastern states where the market prices of paddy are often 20-30 percent below the MSP.</p> <p>All these changes, if rolled out over the next two to three years, can release a minimum of INR 50,000 crore from the food subsidy bill on a yearly basis, which can be invested in agri-R&D and better irrigation and water management.</p>
<p>PM KISAN Scheme With an allocation of INR 75,000 crore, this is a new policy based on an income approach. It endeavours to directly transfer money to the farmers' accounts extended to each farming family, irrespective of their farm sizes, at the rate of INR 6000 per year.</p>	<p>Broad-base the PM Kisan Scheme. The amount under the scheme is roughly 5 percent of the annual income of an average farming household. To make it attractive to farmers and more purposeful to the government, the subsidies on fertilisers, agri-credit and crop insurance could also be clubbed with the amount under PM Kisan Scheme and transfer the sum directly into their accounts. The large sum will help the farmers to exercise their choice. Even the food subsidy can be merged with this sum for all small and marginal farmers. This suggestion means that the government will move from subsidising farmers to that of augmenting their incomes directly.</p> <p>This shift in approach from price policy to income policy will reduce leakages, be environmentally better, and create least distortions in markets, thus promoting the efficient use of resources.</p>
<p>Agri Credit and R&D In the case of interest subventions and loan waivers in the agri-credit system, though no nationwide loan waiver is announced in the budget, there is indication of zero interest rate on short-term crop loans. This has often led to the misuse of agricultural loans. There are several states (more notably in the south, like Kerala, Tamil Nadu, etc.), where the agricultural loans exceed the total value of the inputs used in farming. In fact, in many cases, the loans even exceed the value of the agricultural GDP. This is suggestive of the fact that these so-called agricultural loans are being diverted to non-agricultural uses, and the cause behind that is the policy of interest subvention.</p>	<p>This policy needs to be rationalised by the finance minister, however, the budget is silent on this.</p>
<p>R&D The budget has allocated INR 8079 crore (about USD 1.2 billion) for agri-R&D, which is literally for the whole country and all crops. This allocation has remained almost unchanged from the previous year's budget. In contrast, just one global company, Bayer, had spent USD 2.3 billion (about INR 16,000 crore) on agri-R&D in 2018.</p>	<p>Expenditure on public R&D is necessary to make production globally competitive. During the last five years, agricultural exports show negative growth rate. The peak of USD 43 billion (about INR 3,00,000 crore) worth of agricultural exports, as reached in 2013-14, has not been touched thereafter.</p>

Source: Agri-food in the Union Budget 2019-20: Putting the cart before the Horse, EPW Vol 54, Number 33, 17 Aug, 2019

thwart the present slowdown which may accentuate in to demand contraction. The Diwali festive season of 2019 needs to be one of high sales and consumer spending.

Employment: Way Forward to Increase Jobs

- Create growth opportunities outside agriculture so that people can move over to higher-productivity jobs outside agriculture.
- Encourage growth of firm size. Larger firms are typically more productive than smaller firms (reflected in higher wages paid by larger firms).
- Broaden the menu of job contracts. Most skilling happens on the job. But rigid labour laws induce firms to hire 'one-year' contract labour, which disincentivises firms from investing in skilling. Therefore, a richer menu of longer contracts is necessary.
- Reform education and health at the earliest, as it is the surest way to boost human capital and productivity.
- GST and the bankruptcy law are a very good start. But India needs another booster-dose of productivity, that is, enhance reforms. Without boosting labour productivity (and, therefore, jobs and wages), India will neither be able to sustain its fabled consumption story at home, nor be able compete globally. This must be the overriding take-away from the current slowdown.

Some of the Larger Policy Issues in Agriculture

Agriculture is one sector which urgently requires reforms in relation to land, labour marketing and technology, which have been brought almost everywhere. The doubling of farmer incomes by 2022 looks distant in the absence of clear policy direction. One important policy stance required to be taken is related to adjusting with the pro consumer bias.

ICRIER-OECD Report which has examined government policies related to agriculture between 2000 and 2016 using globally accepted benchmarks, clearly states that pro-consumer bias

for a long time has affected farmers adversely. According to their estimate, farmers on an average are losing 14 percent a year for nearly two decades. Consumers, on the other hand, have been paying, on an average, 25 percent less on all commodities. Even in recent times, between 2014 and 2016, in 14 out of 20 major agricultural commodities, farmers received prices lower than they could otherwise get in global markets.

Ashok Gulati terms this as an implicit tax on the farmers through domestic market regulations and trade policies to subsidise consumers. According to Gulati, these taxations come specifically through different policy measures such as export bans, keeping export prices high and preventing the private sector to hold stocks. Such policies create a hurdle for the farmer to get the best price from any place in the world. This is partly policy-induced and partly related to other inefficiencies in the marketing chain. Legislations such as the Essential Commodities Act 1995 and Agricultural Produce Marketing (Regulation) Act, popularly known as APMC Act were adopted by various States and UTs in 1960s and 70s, have long required overhaul as the restrictions stemming from these Acts adversely hit producer prices as they influence pricing, procuring, stocking and trading of commodities²⁶. In a nutshell, moving away from all forms of export restrictions is also a key step to help Indian farmers get better prices.

Safety nets versus subsidies is yet another issue discussed earlier which suggests that it is better to rationalise subsidies and provide safety nets, release financial resources and invest in productive purposes.

LEARNINGS

This chapter on the reflections on livelihood policies and programmes, specifically in the context of GDP slowdown, has brought out many learnings for the policies. Understanding the state of economy, who benefits and who doesn't, what is behind the growth slowdown and what kind of policy challenges it poses were some of the issues dealt with in a quick review.

High aspirations will remain a policy grand standing unless it is aligned to the interest of

²⁶ Pro Consumer Policy Bias has Hit Farmers, TV Jayan, The Hindu Business Line, July 5, 2018

majority of the population, the constraints in the economy and preparedness to take major policy reforms to address the structural issues. Numbers are important, but they need to be connected to people who are behind the numbers. Emerging in the top five economies will benefit the people at large when their per capita income will increase. Therefore, the aspiration could be for doubling of per capita income in each of the next two decades which implies a per capita growth rate of around 7 percent on a sustained basis, and over 8 percent per year for overall GDP. “Even then, Indian per capita income would be around USD 6000 (2011-12 prices) by 2035, and GDP would be in the region of USD 10 trillion. Even if this relatively ambitious growth path is achieved, India’s per capita income would be lower than China’s levels today, and about 10 percent of the current US level. Such a level of mean per capita income would make it feasible to eliminate poverty and to achieve a decent standard of living for almost all Indians. Thus, such a growth objective should be seen as reasonable, though ambitious²⁷.”

Challenges of policy, especially at such a critical juncture are many. These include understanding the interdependence of policies, addressing competing interests and conflict management wherever they arise, maintaining policy consistency and predictability, sequencing and appropriate timing and the manner in which policy announcements are made. At times making an opportune choice is a huge challenge. The macro development of GDP slowdown and the quick review of some of the policies give a number of examples of these challenges:

- These include to name a few - understanding the interdependence across the sectors and the policy space; wading through scattered interdisciplinary inputs; diverse implementation controls across administrative departments (Centre and States); legal regulatory processes and database challenges.
- For instance, in the current slowdown policy, logjams are possible where monetary policy targeting inflation is faced with fiscal discipline as priority for fiscal policy. Monetary policy,

as also fiscal policy, as instruments have their own strengths and limitations. Finding a space midway is not easy. Possibly upfront release of the budgeted bank recapitalisation assistance could be one such space where initiation is from a fiscal stimulus which may facilitate monetary policy to manage rate transmission.

- Message is clear that finance is important but the real sector issues (including generating favourable sentiment) will not get resolved automatically.
- Consensus among experts seems to be that in critical times perhaps disinvestment may give the required resources to the government. However, the option is process oriented which calls for prior preparation, if not done at least simultaneously.
- A policy aiming at raising tax revenues for generating greater fiscal space may be attractive to one department which may propose to increase taxes, super rich taxes and surcharges. But it may have a dampening impact of the domestic and overseas investors. Surcharges may also affect the spirit of fiscal federalism. Policies, despite their merit, in small sphere need to be coordinated.
- Keeping the rupee value artificially at a point could mean problems with exports. High real rate of interest and high labour costs (in organized markets) can also bring down export competitiveness.
- Inclusive growth policies riding on financial inclusion will find it difficult to reconcile with a large number of women dropping out of the workforce for some reason. This aspect needs deeper probing. Perhaps sectors like education and healthcare services which are better amenable to women participation may need policy support.
- Policy should remain consistent and its predictability is necessary. Recent record in this regard does not seem to be good. Without prior consultation, major announcements with far reaching consequences like demonetisation and corporate taxes have led to high costs to the economy. At a time when simulating private corporate investment

27 Rakesh Mohan, “Moving India to a New Growth Trajectory: Need for a Comprehensive Big Push,” Brookings India Research Paper No. 07/2019, June 2019.

is a policy priority, reversing the direction of the policy in the short run for short run gains could be counter-productive, eventually pushing the final destination farther.

- The manner in which policy decisions are taken and conveyed is also as important as the content of the policy. They can be counter-productive and controversial. Recent budget announcement of making default in CSR a criminal offence is one example. Proposing Angel Tax (now withdrawn) shows that incentives can give better results. The major policy changes in the road transport sector like hike in registration fees, insurance fees, etc., may be good in some sense but their timing has not been appropriate. It actually added to the consumer costs (two wheelers for instance) and perhaps have led to consumers postponing the purchase decisions.
- Having a big dream and setting high goals has a high motivation value which is welcome.

But in real world situation, motivation alone is not enough. The goal has to be backed by plans, policies and required skill sets for implementation.

- Though the grand vision calls for big ticket reforms, it also requires looking at small nuts and bolts. It is something like digitisation which makes huge database available but an analysis and acceptance of conclusions thereof is equally important. The ability to use analyses for fine tuning and modifications wherever necessary is extremely important as macro policies need to be a coordinated effort.

AGRICULTURE-BASED LIVELIHOODS

3

Narasimhan Srinivasan

The ILO estimates of persons employed in agriculture paints a picture of people continuing to leave the sector each passing year. In 1991, agriculture provided employment to 62.7 percent workforce in the country. By 2017 this had declined to 44.3 percent; 18.4 percent of workforce had left agriculture in search of other gainful jobs. The numbers are a reflection of the stressful conditions in agriculture, building up over a period of time. The theories of disguised unemployment were rooted in agriculture where more labour than necessary tried to eke out a livelihood and the impossibility of doing so for long periods of time has pushed people to look for other options (see Table 3.1).

The Periodic Labour Force Survey (PLFS 2017-18) also reported that in 2017-18, 49.9 percent of the total workforce was engaged in agriculture compared to 55.3 percent in 2011-12. The reliance on agriculture for livelihoods is declining rapidly. NABARD Financial Inclusion Survey 2018 computed that in farm households, income from agriculture and livestock constituted only 43 percent of the total income, rendering agriculture a less important activity. As pointed out in the SOIL report 2018¹, even doubling of farm incomes is not of much significance as the income levels currently are so low that doubling will still leave several households below poverty line income. The Economic Survey also pointed out that women-operated holdings have steadily

Table 3.1: Percentage of people employed in agriculture

Year	Male	Female	All
1991	57.8	75.7	62.7
1996	55.8	74.4	61.0
2001	54.9	74.9	60.5
2006	49.0	69.5	54.8
2011	42.6	63.1	47.6
2016	40.1	60.6	45.1
2017	39.3	59.9	44.3

Source: Excerpted from <https://www.indexmundi.com/facts/india/employment-in-agriculture>

increased and it is not just in wage labour that female participation is increasing. Women are more active in operating small holdings than the larger ones (see Table 3.2).

Table 3.2: Women operated farm holdings

Year	2005-06	2015-16
Of all farm holdings, percent operated by women	11.7	13.9
Of small holdings percent operated by women	23.7	27.9

Source: Excerpted from Economic Survey (based on agricultural census)

It is in this context that state response to agricultural problems becomes relevant. Continuous climate shocks and the inability of the crop insurance schemes, even in their present liberal and reformed shapes, have failed to cover risks adequately, and have thereby increased farmer distress. The government had

1 State of India's livelihoods 2018 – Commissioned and published by Access Development Services, New Delhi

come out with a cash transfer scheme for small and marginal farmers through which INR 6000 per year was to be provided in three instalments (Introduced in the name of PM Kisan Scheme in the interim Budget 2019-20 in February 2019). Considering that the average income of farmers holding 2 acres or less (for whom the scheme is applicable) ranges between INR 8100-INR 9900 per month², the cash grant is not very significant as it forms only 5 to 6 percent of the annual income. However, it would enable farmers to overcome liquidity stress in some seasons, especially in the event of crop loss.

The second scheme that the government announced is a pension scheme for farmers who are willing to contribute regularly, with matching contributions by the government; participating farmers can get a pension of INR 3000 per month after they attain the age of 60. The pension scheme aims at enrolling 5 crore farmers over a three-year period and will be a boon in a sector where financial security even during working life is uncertain.

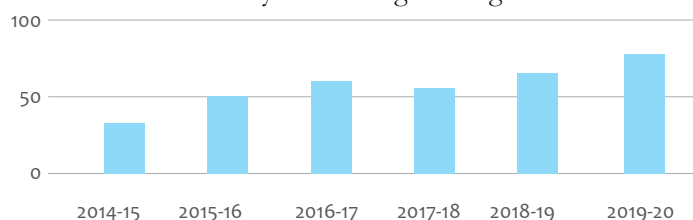


Figure 3.1: Percentage of non-core allocation in agriculture budget

Source: Promises and Priorities—An Analysis of the Union Budget 2019–20,” Centre for Budget and Governance Accountability, July 2019

Table 3.3: Head-wise details of budget outlay

(INR in crore)	2017-18 Actuals	2018-19 Revised Estimates	2019-20 Estimates
Department of Agriculture, Cooperation and Farmers Welfare	37397	67800	130485
Department of Agricultural Research and Education	6943	7953	8079
Total	44340	75753	138564
Of which allocation for PM Kisan scheme	--	20000	75000
Net allocation for agriculture	44340	55753	63564

Source: Union Budget documents of different years

The budget for the year 2019-20 presented in July 2019 had fully recognised the problems in the farm sector and had hiked the allocations by about 80 percent over the previous year. But the higher allocations to the agriculture ministry in the budget are not comparable with previous years. The actual increase in the budget related to the core activities of agriculture ministry (after removing allocations for financial support for interest subvention, insurance subsidy, PM Kisan cash grants and pension schemes) is 14 percent. Cash grants, pension, etc., might be quick responses, but they are hardly able to establish sustained increase in incomes focusing on doubling farm incomes. While the 2019-20 allocations indicate an 82 percent step up, mostly it is on account of allocations for PM Kisan income support scheme, which does not go in to agriculture development. Centre for Budget and Governance Accountability (CBGA) had examined the agriculture budget³ from the point of view of what part of allocations actually are applied for the primary sector development (such as improving production, productivity, marketing, breed improvement, diversification, research, training and capacity building) and what part is for schemes such as interest subsidy, price support, crop insurance scheme support, etc. (see Fig. 3.1).

While the necessity for improving the ecosystem of agricultural marketing and risks management is acknowledged, the basic investments in the agriculture sector proper should also continue. By lumping the core and non-core allocations under the head ‘agriculture,’ there is a danger of believing that enough is being done, while the fact is that in the current year (2019-20), roughly INR 1 out of every INR 7 is actually spent for agriculture development. The formation of a separate ministry of fisheries, animal husbandry and dairying is expected to focus more on these high-growth sub-sectors. However, the budget allocation is too low compared to the share of these allied activities both in Gross Value Added (GVA) and in the number of people engaged.

2 NABARD All India Rural financial Inclusion Survey 2016-17; 2018

3 “Promises and Priorities—An Analysis of the Union Budget 2019–20,” (Centre for Budget and Governance Accountability, July 2019).

The budget has proposed the following new schemes and programmes in agriculture and allied sub-sectors (see Table 3.3). Matsya Sampada Yojana (MSY), aimed at fisheries management in a systematic manner, has been introduced. There is a move to set up more Common Facility Centres (CFCs) under the ‘Scheme of Fund for Upgradation and Regeneration of Traditional Industries (SFURTI)’. This is expected to benefit 50,000 artisans in 100 clusters working in Bamboo, Honey and Khadi sub-sectors. To give a boost to skilled entrepreneurs in agricultural industry, a scheme named ‘Promotion of Innovations in Rural Industry and Enterprise (Aspire)’ has been envisaged, under which 100 incubators would be supporting 75,000 agro-industry entrepreneurs. The budget also announced promotion of 10,000 Farmer Producer Organisations (FPOs) to give a boost to aggregation and marketing by farmers. With several FPOs, formed in the last 10 years, languishing for want of continued support, the government could have focused on strengthening the existing ones before establishing new ones. In a new move, the government is planning on strengthening water security in 1592 blocks with over-exploitation of ground water and accessing funds from Compensatory Afforestation Fund (CAMPA). While water security is a priority, CAMPA funds should ideally be used to compensate lost forest cover with afforestation.

The economic survey pointed out efficiency in resource use in smallholder agriculture as a critical concern. This is especially with regard to water. The Survey took the view that low input farming including zero tillage might be the way forward. As a sequel to the approach indicated in the Economic Survey, the budget speech announced support to Zero Budget Natural Farming (ZBNF), as the way forward. ZBNF has evolved out of rejection of the green revolution as a catastrophic package that destroyed agriculture with deleterious effects on soil. The green revolution with all its side effects ensured food security in the country and increased production and productivity. The transformation of agriculture from a subsistence to sustainable enterprise was achieved through scientific knowledge and inputs. However, abuse of the technical knowhow and use of inorganic

inputs excessively caused adverse effects. But shifting to subsistence farming (which ZBNF is) might not be the answer for farmers in distress. Evidence that ZBNF is a viable, mainstream solution is so far lacking. Anecdotes cannot be a basis for making fundamental shifts in agricultural development strategy. Not just farm livelihoods, but food security of the country may also be in the balance. The National Academy of Agricultural Sciences has questioned the claims of productivity arising from ZBNF. The labour-intensive processes in ZBNF run the risk of high labour costs in the rural areas where there is significant withdrawal of labour force as explained earlier. The suitability of ZBNF for all crops and all agro-climatic zones is still to be studied. Farm-level incentives will eventually decide the cultivation regime and crop selection. ‘If there was no government subsidy, whether farmers on their own will shift to ZBNF’ will be the critical question for which answers are required to understand the sustainability of this approach.

Performance of agriculture in recent years has been mixed. With uncertainties of weather, agriculture has shown negative growth rates in GVA (Table 3.4). The share of agriculture in a country’s GVA has been declining over a long period of time and the trend has been continuing, except for short spells when GVA growth was exceptional as was the case in 2013–14. The share of agriculture in overall capital formation rates and as a proportion of GVA in agriculture, shows that incremental investments are not taking place

Table 3.4: GVA and GCF in agriculture (constant prices)

	2012-13	2013-14	2014-15	2015-16*	2016-17*	2017-18*	2018-19*
Share of Agriculture GVA percent	17.8	17.8	16.5	15.4	15.2	14.9	14.4
Growth in GVA percent	1.5	5.6	-0.2	0.6	6.3	5.0	2.9
Share of agriculture in total capital formation percent	7.5	8.6	7.7	6.4	6.9	6.4	
GCF in Agriculture as percent of GVA in agriculture	16.3	17.2	15.9	13.4	14.0	13.7	

*Revised estimates

Source: “Ministry of Agriculture Statistics at a Glance 2018,” Economic Survey 2016–17, Volume 2

at a pace necessary to improve productivity-led income accretion. The contribution to capital formation in agriculture by the public sector has been stagnant which in real terms means a decline. More than 75 percent capital formation in agriculture takes place through private sector contributions. With banks not keen to expand long-term loans to agriculture (2016–17 is an exception to this trend), the private sector faces financial constraints to invest in capital formation.

Table 3.5: Growth rates in major sub-sectors 2012–17

	Cereals	Pulses	Oilseeds	Horticulture	Milk & Meat	Fisheries
Production	0.87	7.64	1.87	3.17	5.28	5.17
Value	0.79	7.37	1.44	3.87	5.45	7.14

Source: Agricultural Statistics at a glance 2018 – Ministry of Agriculture and farmers Welfare

Agriculture as a whole has not been growing in terms of GVA as much as the other sectors. Contribution of agriculture to the national economic effort has been declining. The low growth at 2.9 percent last year pulled down the overall growth rate of the economy. Within agriculture, the crop sector has muted in growth. Dairy and fisheries subsectors show vibrant growth over the last five years (see Table 3.5).

But the allocations for horticulture, dairy and fisheries programmes are at 1.6 percent, 1.6 percent and 0.4 percent of the total budget of the Ministry of Agriculture. In these sub-sectors, market support mechanisms such as Minimum Support Prices (MSP) and procurement are largely

Table 3.6: Minimum Support Prices

Kharif 2019		Rabi 2019–20	
Crop	MSP as percent of costs (A2+FL)	Crop	MSP as percent of costs (A2+FL)
Paddy common	150	Wheat	212
Jowar Hybrid	150	Barley	167
Bajra	185	Gram	175
Tur	160	Lentil	177
Urad	164	Rape and Mustard	190
Ground nut	150	Safflower	150
Sunflower	150		
Soyabean	150		
Cotton	150		

Source: “Price Policy for Kharif Crops Marketing Season 2019”; “Price Policy for Rabi Crops, Marketing Season 2019–20,” (Commission on Agricultural Costs and Prices, GOI).

absent. Responding to the changing food basket and the consequent shifts in demand, the high-growth subsectors should get better support. In all these subsectors, long-term investments (apart from working capital for production) are required to ensure their growth. Capital formation in agriculture has been declining; what is of concern is that the proportion of GVA being invested back in agriculture is also declining. With low incremental investments in capital stock, productivity increases and diversification to remunerative crops might not be possible.

PRICES AND MARKETS

Over the last few seasons, the government has been trying to set MSP for different crops to ensure full cost coverage and a decent return on the crops. While the intent is clear, the MSP system has several flaws, the least problematic one being the inadequacy of the MSP for some states. However, compared to the position about five years back, the recent experience of MSP at the fixation point has been positive. An analysis of the *Kharif* 2019 and *Rabi* 2019–20 MSP shows that in all the crops there was a net return of at least 50 percent after covering the cost of cultivation in full. For *Rabi* crops, except safflower, the returns were much higher. As a policy signal, the MSP provided the right incentive to farmers (see Table 3.6). The point to note is that in relation to comprehensive C2 costs (which includes imputed rent on own land and interest on own capital deployed), the MSP is higher than costs by about 15 percent.

The MSP would be a boon to all farmers if the prices were realised on their entire production. The data on procurement shows that only a part of the production is procured and mostly wheat is the benefiting crop in states such as Punjab, Haryana and Madhya Pradesh. Even in wheat, procurement has been much lower than the production level. In 2011–12, 40.2 percent of production was procured; it declined to 29.2 percent in 2013–14 and further to 24.9 percent in 2015–16. In the marketing season 2017–18, 36 percent of the production was procured. While it is unrealistic to procure most of the production in a country like India, MSP-based procurement

should ensure the floor price effectively as set by MSP. If the farmers are able to market outside the procurement mechanism at MSP or above, it would be an ideal solution for farmers, government and the grains market. However, procurement failed to stabilise prices. In almost every crop, the market prices were below MSP for most days during the marketing season in major producing states. The Commission for Agricultural Costs & Prices (CACP), having reviewed the MSP and procurement mechanism, observed as follows⁴ :

‘During RMS 2018-19, market prices of all rabi crops ruled below MSP in major producing states. This trends essentially shows that a high MSP is not the only policy instrument to sustain higher production but in should be backed up by an effective procurement system to arrest the prices falling below MSP. This emphasizes the importance of public procurement machinery and adequate preparatory measures for establishment of proper procurement system with active participation of state or state agencies. Private sector participation needs to be encouraged and incentivized to create competitive markets.’

While MSP provides a price signal to the market (at least it is expected to do so), there are limitations in the use of MSP to influence farmers to diversify and choose other crop and market options. Net returns from the crop and the effort to returns ratio will determine whether the farmers will be influenced even if the MSP is kept comfortably higher than the total costs. Another factor is the ease of marketing the crop at MSP. With the failure of MSP to serve as a floor, farmers take decisions in the light of past experience of market access and market risks. The chronic shortage in domestic production in oilseeds and pulses (and the resultant high import bill) should have encouraged a shift to these crops instead of focusing on wheat and rice where there are a large number of producers and there is a competitive situation in the market immediately after harvest. However, this has not happened and the price incentives have not translated into a net return that is attractive enough. The relative returns index calculated by CACP clearly shows why this is so (see Table 3.7).

Table 3.7: Relative Returns: 2016–17

Kharif		Rabi	
Crop	Relative return	Crop	Relative return
Paddy	100	Wheat	100
Maize	69	Barley	88
Jowar	33	Gram	81
Bajra	33	Lentil	79
Ragi	18	Rape and Mustard	81
Arhar	173	Safflower	6
Urad	114		
Moong	49		
Ground nut	142		
Soyabean	32		
Sunflower	40		
Seasamum	72		
Cotton	120		

Source: Commission for Agriculture Costs & Prices

In case of *Kharif*, paddy is taken as the reference crop while in *Rabi* it is wheat. If producing paddy gives a return of 100, a farmer will be go for another crop (other conditions permitting), only if that crop produces a superior return. *Kharif* 2016-17 calculations show that there were only four crops in which the farmer gets better return relative to paddy. There is no incentive to cultivate any of the millets and most of the oilseeds. In case of *Rabi*, no alternative crop produces as much a return as wheat. The MSP fixed for *Rabi* 2019-20 still provides a high price for wheat compared to other crops. The MSP should not only be used to support prices of major crops, but also used to influence farmers in taking decisions on crop selection. The missions on oilseeds, pulses and millets have a chance of succeeding only when their attractiveness to farmers improves. With free seeds and extension services for short periods, farmers can be persuaded to diversify into other crops; they will do so as their input costs are subsidised establishing a superior returns ratio.

⁴ cited from: “Price Policy for *Kharif* Crops Marketing Season 2019”; “Price Policy for *Rabi* Crops, Marketing Season 2019–20,” (Commission on Agricultural Costs and Prices, GOI).

Table 3.8: Flow of credit to agriculture

Year	Credit flow to agriculture (INR bn)	Percent of long term loans	Credit as percent of GVA in agriculture
2014-15	8453.28	24.8	35
2015-16	9155.09	27.3	36
2016-17	10657.55	35.3	38
2017-18	11626.17	35.2	38
2019-20 (P)	12547.62	40.2	39

Source: NABARD Annual Report 2018–19.

But when the missions end or when the support level is reduced, the acreage will revert to the best alternative.

FINANCING AGRICULTURE

Bank credit to agriculture continued to increase and exceed the targets set. However, whether the credit is adequate, reasonably well spread and available to those who require it are questions that cannot be answered in the affirmative (see Table 3.8).

At the sector level, credit flow is less than 40 percent of the value added during 2019–20. While this reflects underfunding, the greater concern is that about 45 percent farmers do not still have access to formal finance. Nabard All India Rural Financial Inclusion (NAFIS) Survey, 2017-18 brought out that significant gaps exist in access to credit, especially for smallholders. The interest subvention scheme benefits only a section of farmers that have the means to obtain bank loans. The loan waiver schemes which have become a normal part of agricultural credit also apply to the well-off farmers who have managed to get bank loans. Borrowing from a bank thus offers triple benefits—access to credit, lower interest costs and, with some luck, write-off of the loan. The banks' context of agricultural loans should then be one of great hesitation. The subsidised loans, even with government bearing the subsidy burden, do not leave adequate margins. Second, the loan delinquencies and the credit risks cannot be priced sufficiently at the subsidised

interest rates (the NPA levels in agriculture credit were about 8.5 percent in 2018-19). The third concern is the loss of loan capital. Even if the governments undertake to pay on behalf of the farmers, the cash inflows take a long time and involve many instalments; at times, this results in part of the amounts not being reimbursed on account of the fine print in the schemes. Despite these problems, banks have increased credit flow to agriculture, on account of their increasing priority-sector-lending targets.

While cost of credit is made an issue by several quarters, the borrowing farmer is seen willing to take loans at higher rates of interest, provided it is delivered efficiently and timely, and structured in a manner to meet his requirements. A number of Non Banking Financial Companies (NBFCs) and Microfinance Institutions (MFIs) have built reasonable-sized loan portfolios with high repayment rates and interest rates higher than that charged by Public Sector Banks. The subsidies and waivers are pushing banks to minimise their engagement with agriculture and look for larger exposure to corporates in the post-harvest space to fulfil their priority sector targets. Perhaps it is time to free up the credit market for agriculture and enable banks to take credit decisions including pricing on the basis of risks and cost of delivery. This would smooth out the credit flow to farmers. It is not that farmers do not deserve state support. It is only that the government should avoid using financial institutions and distort the credit market. The support to farmers can be routed through income support schemes, market price support schemes and crop insurance and not be mixed with credit.

The RBI had set up an internal working group to review agricultural credit and submitted its recommendations in September 2019. Among the different recommendations covering a wide variety of aspects relating to agricultural credit, the committee made some pertinent observations on increasing outreach of institutional credit to agriculture. The suggestions related to improved legal framework for land-related issues and a federal institution with State's participation to suggest reforms in agriculture (on the lines of GST council) are innovative (see Box 3.1).

Box 3.1: Recommendations of Internal Working of RBI on increasing outreach of institutional credit

- The GoI should push state governments to complete the digitisation process and updation of land records in a time-bound manner.
- State governments should give access to banks to digitised land records in order to verify land title and create charge online. In such a case, states banks should not insist on submission of land title documents.
- State governments having a highly restrictive legal framework should be encouraged to reform their legal framework on the basis of Model Land Leasing Act proposed by NITI Aayog/ Land Licensed Cultivators' Act, 2011 of the state of Andhra Pradesh so that formal lending to tenant farmers can improve.
- The GoI should set up a federal institution, on the lines of GST Council, having participation from both the centre as well as the states to suggest and implement reforms in the field of agriculture.
- Aggressive efforts are needed to improve institutional credit delivery through technology-driven solutions to reduce the extent of financial exclusion of agricultural households. Banks should explore collaborations with agri-tech companies/start-ups so as to provide access to credit in an integrated, timely and efficient manner to the farmers.
- IBA should come out with a technology-driven portal for the banks to facilitate ease of credit to the farmers for agriculture and allied activities on the lines of PSB loans in 59 minutes to MSMEs.
- Innovations like movable warehouses/cold storages and mobile-based apps providing farm machineries on rental basis have been successfully operating but on a small scale. Hence, the GoI should identify the successful models in these areas which can be scaled up across the country. Further, banks should be encouraged to provide credit to such innovative solutions which support the agriculture sector.

Source: Report of the Internal Working Group to Review Agricultural Credit, RBI, September 2019, <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=942#C1133>

DOUBLING OF FARM INCOMES

The committee set up to examine doubling of farm incomes has completed its work with the submission of Vol. 15 of the report in September 2018. It has made extensive analysis, consulted a number of institutions and practitioners and has come up with several recommendations. The key recommendations made by the committee are as under:

- Recognise agriculture as an enterprise activity. Facilitate farmers to outsource any part of the operations, including leasing out land and carry out operations as part of well-functioning value chain. The legal changes required such as land leasing laws, contract farming, etc. should be carried out.
- Redefine the mandate of agriculture to reflect its role in not just food security and nutrition, but importantly, the base for industrial raw material.
- Change mind-sets on production strategy to move to optimal cost production, sustainable farming and demand responsive production systems.
- Water to be treated as the key determinant of production and should be prioritised in planning and strategising agricultural production.
- Focus on productivity to bridge the yield-gap, maximise per acre/year yield rather than seasonal yields and drought proofing.
- Enable full utilisation of farm and manpower through higher cropping intensity, encouraging secondary agriculture.
- In all policies and strategies, adopt a fork-to-farm approach reversing the long-held farm-to-fork approach; maximise monetisation possibilities, adopt new market architecture and promote agricultural value system as a link between farms and markets.
- Introduce flexibility to market produce at will, enable more direct engagement of farmers with markets (avoiding intermediaries), bring

the whole range of near and distant markets to farmers, facilitate sale of primary processed or preconditioned harvest rather than raw produce.

- Invest in warehousing suitable for farmers and enable liquidity flows through negotiable warehouse receipts.
- Strengthen risk management strategies in all stages from pre-production to post-production, including market risks.
- Overhaul the extension system and make it inclusive so that government, public sector, private agencies and voluntary sector can work together.
- Capital investments are critical for growth. Different ministries' resources should converge to support the infrastructure needed by agriculture.
- Adopt the structural reforms recommended, set up an empowered committee in the Ministry of Agriculture to operationalise the DFI strategy and establish an ICT-based dash board with MIS backbone for reviewing and monitoring.
- The ministry, which is currently production centric, should be restructured and oriented towards markets, as well as balance production and post-production activities.
- Set up an empowered body within the Ministry of Agriculture and Farmer's Welfare (MoAFW) to monitor the new activities (so as to not lose focus on existing work). The empowered authority should be mandated to develop guidelines and provide the needed support to different stakeholders.

The recommendations have a wide and large sweep and cover most aspects of how agriculture is handled by governments in the centre and states. Some of the suggestions have been already acted upon, even before the committee completed its work. Budget allocation has been increased and new funds for dairy, fisheries, micro irrigation, agri market infrastructure and animal husbandry infrastructure have been set up last year. Kisan Credit Cards have been

introduced for livestock, dairying, fisheries, etc. Legislation is being considered to increase private sector participation in the sector. A five-year-road map for self-sufficiency in pulses, a programme for developing nutri-cereals and a road map for increasing oilseeds production have been prepared in conformity with the recommendations. A number of initiatives have been taken on market reforms as well.

The key aspect of the Committee's work is the estimates made of new investments in agriculture on both farms as well as infrastructure to achieve the doubling of farm incomes. The requirements of investment are large. The budget in 2019–20, as commented earlier, leaves less in the hands of the MoAFW to undertake production, processing and marketing-related improvements that will lead to higher farm incomes. The budget has concentrated more on cash grants, subventions and pension which do not produce sustainable incomes arising from remunerative farming. This is an aspect that needs consideration. The second aspect to be considered is that currently farm incomes are a minor part of overall incomes of farm households. Doubling of farm incomes might still not do enough. The SOIL 2018⁵, commenting on this, shows that:

'farmers in the first two five deciles have a net annual income of INR 10,500 or less; farmers in the first two deciles actually have an income deficit and not a surplus. Even if the incomes are doubled, these households would still have less than poverty level incomes (INR 21,000 per annum which is less than what the household will get by working for 100 days in many states under NREGS). For farmers at the bottom of the pyramid, doubling of incomes is not an adequate solution.'

The last few years have seen a lot of attention to market reforms. There is emphasis on states joining the eNAM, moderating the market cess, special treatment of fresh fruits and vegetables under the model Agricultural Produce Market Committee (APMC) Act. There is also attention to ease of doing business and competitiveness. States are expected to ease land leasing and liberalise the laws and regulation around the

5 State of India's Livelihoods 2018 edited by Narasimhan Srinivasan – Commissioned and Published by Access Development Services, New Delhi.

“NAFIS – National Rural Financial Inclusion Survey 2018” (Mumbai: NABARD, 2018).

6 “NAFIS – National Rural Financial Inclusion Survey 2018” (Mumbai: NABARD, 2018).

same. The performance of the states in carrying out market reforms and making markets farmers-friendly is being rated by the NITI Aayog. An Agricultural Marketing and Farmer Friendly Reform Index has been developed by NITI Aayog to measure and rank states' performance. Maharashtra, Gujarat and Rajasthan lead the list of states that have been actively implementing agri-market reforms. Agriculturally advanced states like Tamil Nadu showing poor implementation progress on reforms, are towards the end of the list.

INSURANCE

The Pradhan Mantri Fasal Bima Yojana (PMFBY) was expected to improve insurance coverage and deepen its risk management impact. Apart from loanee farmers for whom the scheme cover was compulsory, many farmers without loans were persuaded to take insurance. To make enrolment easy, Common Service Centres (CSCs) working under the Ministry of Information Technology have been authorised to service the farmers, especially those who are not loanees. Despite the promotional work done by the government; the incremental enrolments have been short of targets. For the three seasons of *Kharif* crop for which data is available (Table 3.9), the acreage covered has been consistently declining from 38.2 million hectare in *Kharif* 2016 to 31 million hectare in *Kharif* 2018. The sum assured has also declined over the same period. However, the gross premium collected had increased by 25 percent over the period. The gross premium as a percentage of sum assured was 12 percent in *Kharif* 2016 and increased to 15 percent in *Kharif* 2017 and further to 16 percent in *Kharif* 2018. The *Rabi* insurance premium has been lower and steady at 8 percent of the sum assured in both the seasons. Though the centre and state governments pay a significant part of the premium, the farmers have also to pay a share. The per hectare premium paid by the farmer increased from INR 717 in *Kharif* 2016 to INR 869 per hectare in 2018. In case of *Rabi* crop the premium per hectare increased from INR 754 in 2016-17 to INR 855 in 2017-18.

Table 3.9: Crop insurance coverage

Seasons	Farmers Application (Lakh)	Area Insured (Lakh ha)	Sum Insured INR Crore	Farmer Premium INR Crore	Gross Premium INR Crore
<i>Kharif</i> 16	404	382	1,31,018	2,897	16,015
<i>Rabi</i> 16-17	173	185	72382	1,304	5,931
Total	577	567	2,03,400	4,201	21,946
<i>Kharif</i> 17	349	343	1,29,295	3,014	18,991
<i>Rabi</i> 17-18 (provisional)	172	177	78,601	1,471	6,510
<i>Kharif</i> 18	343	310	1,28,214	3,076	20,522

Source: Compiled from Rajya Sabha Questions on different dates between January–July 2019.

The overall numbers related to claims show that the payouts have always been less than the total premium collected. In such a scenario, the need for raising premiums as was detailed earlier is not clear. In the last five crop seasons since the introduction of the new PMFBY a total of INR 69,189 crore have been collected as gross premium (Table 3.10). Against this the payments made were of the order of INR 46,573 crore. The surplus left with the insurance companies is INR 22,616 crore which is more than 30 percent of the premium collected. While ill-informed criticism treats this surplus as profiteering, the fact that in some years the payouts will exceed the premium should be recognised. The insurer will accumulate most of the surplus and use the same as a buffer in years when the crop loss is acute and payout of claims is very high. But the positive claim payout ratio should drive a review of the premium fixed, and how to reduce the same.

It is clear that crops insurance is yet to evolve into a robust risk management mechanism that

Table 3.10: Crop insurance claims settled

Season	Gross Premium (in lakh)	Claims Made (in lakh)	Claims Paid (in lakh)	No. of farmers benefitted (in lakh)
<i>Kharif</i> 2016	16047	10557	10555	108
<i>Rabi</i> 2016-17	6056	5704	5702	38
<i>Kharif</i> 2017	19601	18244	18221	154
<i>Rabi</i> 2017-18	6562	3277	3049	22
<i>Kharif</i> 2018	20923	10247	9046	80

Source: Compiled from Rajya Sabha Questions on different dates between January–July 2019

has acceptance from farmers. Apart from crop insurance, other sectors of agriculture—livestock, fisheries and horticulture and plantation crops—also required better insurance support. Though few insurance products are available, they neither meet the requirements to cover the actual risks nor are the products easy to access. While the RBI is able to make banks focus on agriculture through its priority sector lending regime, there is no comparable regime that makes insurance companies to cover the risks of a very important

primary sector—agriculture. It is imperative that the Insurance Regulatory and Development Authority of India (IRDAI) examine the risks in agriculture and allied sectors and come out with a regulatory regime that would make insurance companies come up with suitable products. This will ensure that farm households are better able to cope with their risks and also as a collateral benefit attract institutional credit on account of the reduced risk impact.

FARMING AS AN ENTERPRISE - TEN YEARS OF FPO MOVEMENT IN INDIA

C. Shambu Prasad

4

Finance Minister, Nirmala Sitharaman, in her maiden Budget speech for the year 2019–20, mentioned the government’s intent to create 10,000 more Farmer Producer Organisations (FPOs) by 2022. While the Budget speech has little details on the methodology or the proposed financial allocation, there have been several deliberations and discussions on the need for newer policy guidelines on FPOs. An expert committee under the Ministry of Agriculture had earlier been constituted to revise the policy guidelines, drafted in 2013, considering the rapid growth of FPOs. State governments of Karnataka, Odisha, Telangana have already announced or are in the process of drafting state-specific FPO policies. The Tamil Nadu government’s budget speech talks of 200 FPOs in the financial year 2019–20 with an allocation of INR 100.42 crore.¹

There are enough reasons to think that there is an FPO movement. From being an obscure word in a few conferences by civil society organisations a decade ago, FPO has become

a buzzword that means many things to many people. Two independent award functions have been scheduled in 2019 to recognise FPOs.² Even industry barons and entrepreneurs like Ms Kiran Shaw have articulated the need for FPOs as part of a new deal for rural India and recommended the formation of entrepreneurship clusters.³ FPOs have been an integral part of discussions in several forums on agrarian and rural studies, rain-fed areas, apart from initiatives at the national and state level to deliberate on appropriate policy and ecosystem support for FPOs.⁴

These are reflective of the shift in understanding of farming or agriculture as a ‘value-led enterprise’, as articulated in the Doubling Farmers’ Income (DFI) report, whose last volume was released in early 2019. Accordingly, farmers are to be empowered with improved market linkages and FPOs seem integral to this strategy. There are over 280 references to FPOs in the 14-volume report. The FPOs are to become effective in reaching out to small and marginal farmers, building

1 For Finance Minister’s budget speech see <https://www.indiabudget.gov.in/doc/bspeech/bs201920.pdf> and for the Tamil Nadu budget refer to http://www.tnbudget.tn.gov.in/tnweb_files/budget%20highlights/2019-20/BS%202019-20%20English-highlights.pdf

2 The FPO of the Year and FPO promoting institution of the year is in its second year; <https://www.livelihoods-india.org/fpo-impact-awards/categories-and-guidelines.html>. Samunnati with *Economic Times* has instituted FPO awards in five categories <https://www.et-edge.com/conferences/fpoawards/award-categories/>

3 For Ms Shaw’s article prior to the budget see <https://www.livemint.com/budget/expectations/india-needs-a-new-deal-for-rural-india-1562254473284.html>

4 The rain-fed area network discussed FPOs in markets and institutions theme at its national convention <http://www.rainfedindia.org/wp-content/uploads/2019/08/A-Summary-of-the-Proceedings-RRA-Convention-2019.pdf> in February 2019; the Network of Rural and Agrarian Studies in its policy conference <http://www.ruralagrarianstudies.org/conference/nras-policy-conference-2019/> in September 2019. The Institute of Rural Management in collaboration with National Association for Farmer Producer Organisation (NAFPO) held a national conference <https://www.iseedirma.in/fpo-workshop> in March 2019 and with APMAS a regional consultation of southern states <http://apmas.org/nafo.php>. These are but a few of the many forums where FPOs are being discussed across the country.

their capacities in collectively leveraging their production and marketing strength and thereby enhancing their income. The DFI committee has made a simplistic calculation: a minimum of 7000 FPOs & VPOs should be targeted by 2022–23 and double that number in the six years thereafter. At an average of 1000 hectares of cultivated land and minimum 1000 farmers per FPO/VPO, the organised number of farmers would be at least seven million and resulting pooled land be 7 million hectares by 2022–23. This will scale to an additional 14 million farmers and 14 million hectares by 2029–2030 and will to some extent address the structural weakness of small and marginal farm holdings.⁵

The finance minister's speech builds on this optimism and ambition. How have FPOs scaled in the last decade? Are there signs of their effectiveness or are they spreading too thin and too fast? Importantly, beyond the ambitious vision are there sufficient investments to build these new generation institutions? How and where have FPOs spread in the last decade? Can complex institutions of farmers spread in the same manner as infrastructure projects like building roads, constructing power plants and toilets? What does it take to transit from a production and productivity-oriented paradigm to one that looks at the livelihoods and incomes of farmers through an entrepreneurial route? Are we ready for this new thrust?

EVOLUTION AND SPREAD OF FPOS

The inability of small farmers to negotiate with the market has been poignantly captured in a recent film *Mandi*.⁶ With declining state support on remunerative prices, extended at best to only a few crops and largely controlled by large farmers, and 'restricted' markets and opportunities for farmers to get a better share of the consumer

rupee in most commodities, farmers continue to lose the battle with the market. They have not been witnessing increased incomes and this has been reflected in the large number of farmer agitations across the country from 2017 onwards. Paradoxically, the sector as a whole has witnessed growth with India leading the world in production of many commodities and the increased revenues of agri-business companies or more recently agri-tech and other agriculture start-ups. While cooperatives have succeeded well in Gujarat (milk) and Maharashtra (sugar), their functioning in most states have been less than impressive and farmers' collectives have been embroiled in regional politics and excessive state interference. Following the recommendations of the Alagh Committee (1999), which was set up with a mandate to frame a legislation that would 'accommodate the spirit of a cooperative with the operational flexibility of a private company,' Farmer Producer Companies (FPCs) have emerged as an alternative to state-sponsored or state-led cooperatives since 2003.

Public policy support for promoting Farmer Producer Organisations (a broader category that could include cooperatives also registered under other acts such as the Mutually Aided Cooperative Societies or MACS in some states) came through bilateral donor schemes such as the District Poverty Initiatives Project (in Madhya Pradesh). The enabling framework did not lead to a spurt of FPOs with the initial spread not extending beyond the state of Madhya Pradesh or a lead taken by few organisations such as PRADAN.⁷ Guidelines for the spread of FPOs were formulated in 2013 from a dynamic phase of a nation-wide pilot through the Small Farmers' Agribusiness Consortium (SFAC) under the Ministry of Agriculture. Since 2014, through the NABARD managed Producers' Organisation Development and Upliftment Corpus' (PRODUCE Fund of INR 200 crore), many FPOs have been promoted across the

5 Government of India (GoI), "Report of the Committee on Doubling Farmers' Income – Volume 14: Comprehensive Policy Recommendations" (Ministry of Agriculture & Family Welfare, Government of India, 2019), pp. 17–18.

6 The film by Yashowardhan Mishra released in June 2019 on You Tube has gone viral with over 5 million viewers. See <https://www.youtube.com/watch?v=U0IDup33qZw>

7 For some of the early discussions on linking small farmers to markets see the 2007 report by PRADAN http://www.pradan.net/images/Media/wpc_report.pdf

country. Another thrust came through other schemes and agencies such as the rural livelihood missions (supported by World Bank) and state-specific policies as well as donor and CSR funds.

The most preferred form of organisational form has been the Farmer Producer Company or FPC. A Microsave study covering a sample from seven states of India (Maharashtra, Madhya Pradesh, Uttar Pradesh, Rajasthan, Gujarat, Karnataka and Telangana) indicates that 84 percent of the FPOs were registered as producer companies.⁸ Figure 4.1 shows the dramatic rise of incorporated FPCs in the last six years—a staggering 7582 FPCs. What started as a trickle has reached a significant scale with an estimated cumulative number of close to 8000 FPCs registered or incorporated as Farmer Producer Company Limited until 2019.⁹ A large part of this is due to the public policy thrust through SFAC and NABARD.

The distribution of FPCs indicates that over 60 percent FPCs are from the states of Maharashtra, Uttar Pradesh, Tamil Nadu, Madhya Pradesh, Rajasthan and Karnataka (see Figure 4.2). An indication of the competitive policies across states indicates that a few states such as Haryana, West Bengal, and Maharashtra have added nearly 50 percent or more of their FPCs in the last three years. Most of these states, however, do not have a state-specific FPO policy.

The figures are slightly different if one were to look at the SFAC and NABARD databases that use the FPO rather than the FPC category of the Ministry of Corporate Affairs. There are 4235 FPOs in total which have been formed as per the NABARD database as on August 2019 and includes FPOs under PRODUCE fund and NABARD’s promotional funds. Out of these, 2082 have been registered under PRODUCE fund, 1405 as companies under Companies Act 1953 or 2013 and 206 under Cooperative Act or State Co-op Acts (the rest registered as societies, trusts, etc.). The NABARD database consists of most FPOs registered in 2014 onward after the PRODUCE Fund, but none before 2010. Figure 4.3 indicates the spread of FPOs (not all FPCs)

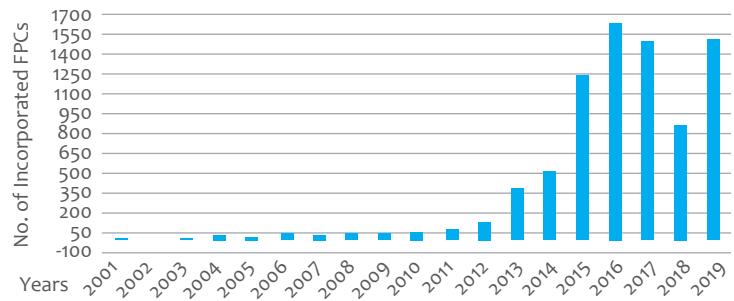


Figure 4.1 Growth of incorporated FPCs (2001–19).

Source: Compiled from Ministry of Corporate Affairs website by authors

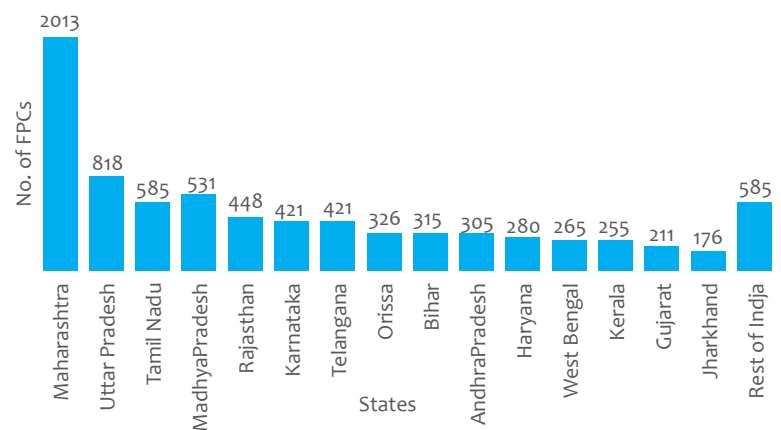


Figure 4.2 FPCs incorporated state-wise.

from the NABARD database. As we can note, the top five states do not include either Maharashtra or Uttar Pradesh, thereby showing their greater presence in the southern states.

In the SFAC database, there are 822 FPOs in total. FPOs under SFAC were registered in two phases depending on the grant. Most of the FPOs, which were registered in SFAC during the 2012–2014 programme (260) had a mix of producer companies and coops. However, those registered under the three-year-programme (562) were largely producer companies. Figure 4.4 indicates the spread of FPOs with SFAC support. Madhya Pradesh tops the list of SFAC supported FPOs followed by Karnataka, Maharashtra and West Bengal.

The multiplicity of databases could reflect the strength (or weakness) of promoting institutions in different parts of India. However, the absence

8 Microsave, “A Qualitative Study of Producer Organisations in Select Geographies in India,” https://www.microsave.net/wp-content/uploads/2018/12/A_Qualitative_Study_of_Producer_Organisations_in_Select_Geographies_in_India.pdf

9 The Ministry of Corporate Affairs has consolidated information until 2016 and month-wise data from 2016–19 has been used to collate this data. This information does not include inactive FPCs and that is likely to bring down the numbers. The author would like to thank Tushar Garg and Abhishek Saxena for assistance in compiling and analysis.

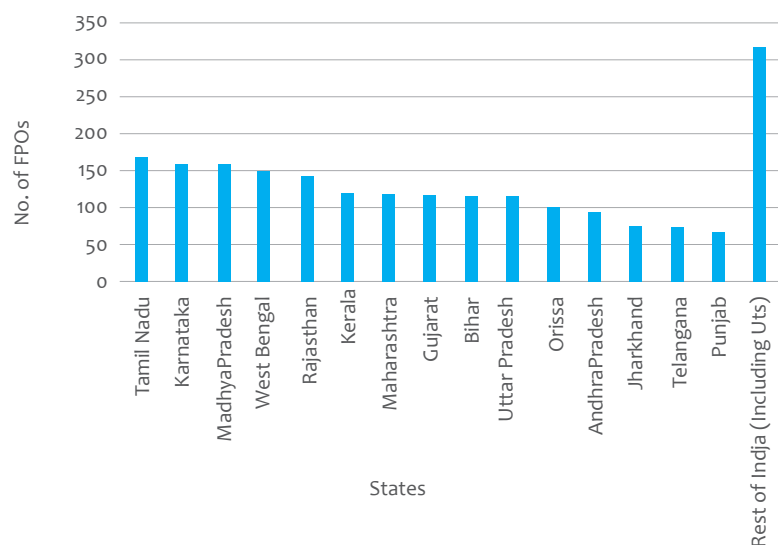


Figure 4.3: Number of FPOs promoted by NABARD

Source: Collated from NABARD website

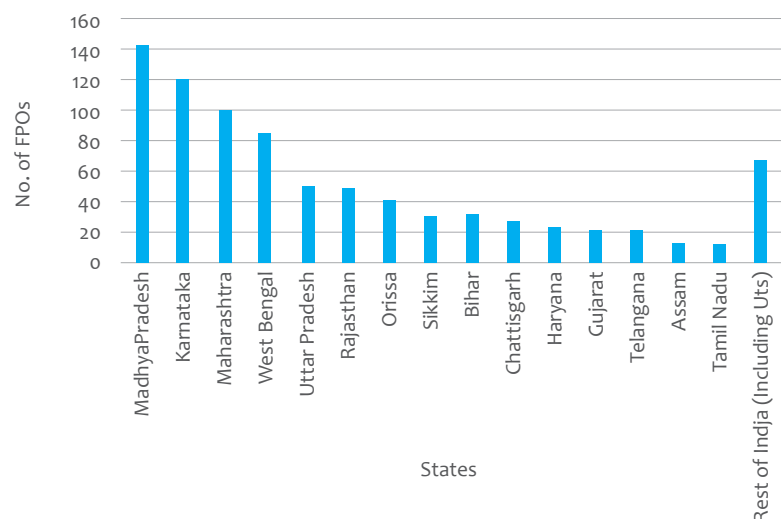


Figure 4.4: Number of FPOs supported by SFAC

Source: Collated from SFAC website

of a common database on FPOs is a concern, as there is a renewed thrust to start more FPOs. Early trends of FPOs had indicated their nation-wide spread and importantly a greater voice of small and marginal farmers, women and tribals too in these new institutions. The Microsave study shows that 92 percent were

small and marginal farmers as members in these organisations, of which 16 percent were women and 12 percent tribals. These numbers would be higher if we were to look at states other than the seven covered. Undoubtedly, FPOs in the twenty-first century have been more inclusive than the earlier PACS (Primary Agricultural Cooperative Societies). This inclusiveness, to a large extent, has been possible due to the significant state–civil society collaboration in early years. The process of policy formulation and design have had many prominent CSOs involved such as Action for Social Advancement (ASA) and PRADAN first, and many such as the Aga Khan Rural Support Programme (AKRSP), Indian Grameen Services (IGS), Vrutti, Producer Entrepreneurship Catalyst and Incubation Facility (ProCIF) of IFHD, etc. later. Institutions like the National Dairy Development Board (NDDB) through its arm NDS have created large-scale milk producer companies in five states since 2013.¹⁰

Beyond the numbers, and the debate on the organisational forms, how have these FPOs been faring? How have researchers' been studying FPOs and what are their findings? What are the dominant trends and gaps in literature?

NEW KNOWLEDGE ON PRODUCER COLLECTIVES

India's tryst with cooperatives is over a century old, with initiatives led by both state and civil society. The celebrated work of Shah on catalysing cooperation and making farmers' cooperatives work has enlisted design principles for better functioning of cooperatives.¹¹ The external environment has changed significantly with the liberalisation of the Indian economy in the 1990s and the consequent overall decline in the functioning of healthy producer collectives.

Many of the new generation collectives have focused on crop-based agriculture. The newer

10 T. Shah, "Farmer Producer Companies: Fermenting New Wine in New Bottle," *Economic & Political Weekly*, vol. 51, no. 8: 15–20.

11 T. Shah, *Catalysing Co-operation: Design of Self-governing Organisations* (New Delhi: Sage Publications, 1996). One of the more significant conferences on scholarly literature on cooperatives is the 1992 cooperatives conference that has been captured in IRMA occasional publications 9-12 (This included the three volume of *Rediscovering Cooperation* volumes OP 10 -12, <https://www.irma.ac.in/ipublications/publicationdetail.php?cid=18&pid=1162>).

policy environment, due to the modification of the Companies Act, has raised interesting questions for scholars even as development practitioners have been already debating on the following issues:

- how and why are producer collectives succeeding or otherwise
- should they focus on single or multiple commodities
- should issues of sustainability—economic and environmental—precede questions of scale
- is domain centrality possible in agricultural commodities that are increasingly globalised
- how should promoting institutions focus on keeping members' interest in non-dairy producer collectives.

Detailed research studies on many of these questions have been few¹² and cover the early period of the FPO movement when these producer companies were nascent.

The spread of FPOs, both across space and time since has necessitated more detailed research and consolidation and there is no single location where researchers could access the existing research. A literature review of interventions facilitating smallholder farmers' access to markets in India by Vrutti and the Institute of Rural Management Anand (IRMA) has through a systematic research review put together some of the key research on FPOs. An annotated bibliography that followed has combined the material from peer-reviewed literature with those available in forums such as Livelihoods India reports and several round table and conferences on FPOs.¹³ The set of 72 articles reviewed until March 2018 show that the literature has a mix of case studies (28), conceptual reviews (23), empirical analysis (10), policy briefs/guidelines (4), research reports and round table discussion reports (7).

There has been newer knowledge and an increasing need for both practitioners and researchers to make sense of the sheer diversity

of FPOs in terms of organisational forms, regions, crops or commodities and purpose, which makes it difficult to place them in the same basket. There is also need for a better typology of FPOs that can separate the larger ones such as Sahyadri or the dairy producer companies that have turnover in excess of tens of crores with the large number of FPOs aiming to reach a turnover of a crore or more or those that hover around INR 1–10 lakh. Detailed case studies on FPOs, such as Hasnabad in pulses or Satpura Self-Reliant Farmer's Producer Company that deals with multiple commodities of tribals, are now available, albeit unpublished. They present more information and insights on managerial dilemmas in growth and governance of an FPO and seek to answer questions on the nature of investments required for an FPO. However, overall there is a requirement for more case studies that can give significant insights to create newer theories or models for both researchers and practitioners. There is a significant potential to revisit some of the earlier studies on scale, scope and optimality of producer companies given the questions emerging from the field.¹⁴ For instance, there are several examples of FPOs that have been profitable in the organic space on a diversified cropping system serving less than 500 farmers while norms for equity grant are based on commodities like milk and sugar often, and argue for greater numbers of aggregation.

In addition to the published literature there are newer insights emerging on lending to FPOs and a new training manual on FPOs which have sought to bring together more contemporary insights drawn from innovations in the space. Future research would be better advised on drawing from these leads and field visits and stakeholder consultations and participation that could help both reduce the gap between academic institutions and practitioners and work towards common frameworks and understanding for newer actionable knowledge. The diversity of India and that of FPOs is too vast to be

12 S. Singh and T. Singh, *Producer Companies in India: Organization and Performance* (New Delhi: Allied Publishers, 2014); A. Trebbin, "Linking Small Farmers to Modern Retail through Producer Organizations: Experiences with Producer Companies in India," *Food Policy*, vol. 45, no. 35–44, 2014.

13 C. Shambu Prasad and G. Prateek, "Farming Futures: An Annotated Bibliography on Farmer Producer Organisations in India", Working Paper ²⁹⁰ (Anand: Institute of Rural Management, ²⁰¹⁹).

14 A.K. Nayak, "Farmer Producer Organizations in India: Policy, Performance, and Design Issues", in N.C. Rao, R. Radhakrishna, R.K. Mishra and V.R. Kata (eds), *Organised Retailing and Agri-Business* (New Delhi: Springer India, 2016); Singh and Singh, *Producer Companies in India*.

covered by a single policy or framework. What the new knowledge demonstrates rather clearly is a reiteration of what has been understood earlier in rural and agrarian studies, namely, that there is no “*the farmer*” and as a corollary there is no “*the FPO*”. Future frameworks and research need to better incorporate this diversity and complexity of FPOs.

ARE FPOS READY TO SCALE? INVESTMENT DEFICIT AND UNCLEAR BUSINESS MODELS

The DFI report and many statements of ministers and NABARD officials reflect a faith on FPO as *the* mechanism of all of farmers’ ills and agricultural growth. Thus, FPOs are linked to contract farming; play an efficient role in establishing district-level nutrition clusters around millets and the development of Special Agribusiness Zones (SABZ) for millets; undertake HYVs and hybrid seed production on cluster basis; incorporate other rain-fed crops like pulses to the nutrition plate; promote efficiency in input and output management and many others. Is the faith in an ideal of FPO, as estimated in the DFI report comprising 1000 farmers, justified? As the literature review has revealed, there is no single FPO and the ecosystem needs to work with the vast typologies of FPOs.

Amidst all these raised expectations how robust are these institutions? Has all this hype led to increased investments? Would FPOs be a more effective mechanism to route investments in collective enterprises instead of individual loan waivers? Answers to these questions are difficult yet indications are that FPOs have been under-invested. Earlier the State of India Livelihood Reports on FPOs has raised issues on the need for both capital and capability to capture the value

creation for farmers.¹⁵ There does not seem to have been any significant improvement in access to working capital for FPOs and they continue to be ‘born weak’.¹⁶

NABARD’s estimate of the average number of farmers/FPO is around 300 much less than the desired 1000. The Microsave study shows that nearly 48 percent of the FPOs had membership below 500.¹⁷ Interestingly, POs with a membership base of 500 or less seem to have a higher proportion of active members. It does appear that FPOs have compromised both on their governance and business models in search for the equity grant which is based on a membership of 1000. While it was good to start with some numbers for optimality, there is a case to empirically verify some of the key assumptions as we look at the scaling up of FPOs.

The funding support for setting up an FPO varies widely between NABARD’s INR 9 lakh over three years (revised upwards since) and SFAC and District Poverty Initiatives Project (DPIP) models of a minimum of INR 25 lakh over three years. The DPIP FPOs also had special provision for working capital too, that is, often missing in NABARD policies making most of the FPOs to be born weak. This is, particularly, so as many projects that began with the PRODUCE Fund and SFAC support have ended and many Resource Institutions (RIs) and Producer Organisation Promoting Institutions (POPIs) are fund-starved and have had to abandon the FPOs created. This can lead to a serious mistrust, with increasing compliance pressures on the Board of Directors (BoDs) of FPOs in recent times yet having little help to look forward. Hapless BoDs of FPCs are unable to deal with the lack of ease of doing business for them. Filing and filing online forms from remote rural areas is indeed difficult and only the better-resourced institutions can manoeuvre these diverse and complex activities.

The nature of support for FPOs should be better matched with the age and maturity of the institution. In the absence of a sensitive support

15 V. Mahajan, “Farmers’ Producer Companies: Need for Capital and Capability to Capture the Value Added,” in S. Datta, V. Mahajan, Ratha et al. (eds), *State of India’s Livelihoods Report 2014* (New Delhi: Oxford University Press, pp. 87–108); N. Srinivasan, “Farmer Producer Organizations,” in N. Srinivasan and G. Srinivasan (eds), *State of India’s Livelihoods 2017*, (New Delhi: Sage Publications, 2018), pp. 141–76.

16 Kanitkar, 2016. The Logic of Farmer Enterprise. Occasional Publication 17. Institute of Rural Management Anand. https://irma.ac.in/pdf/randp/1518_28072.pdf

17 Microsave, “A Qualitative Study of Producer Organisations.”

structure, as it exists in the institutional design of NRLM, the fledgling and nascent institution of farmers are burdened with enormous expectations. Further, as start-ups, FPOs should be incubated, mentored and networked suitably for them to move along a higher value chain. Unfortunately, most FPOs are either too involved in input supply or busy aggregating produce for public procurement or sale to a buyer. According to Murray (2019)¹⁸, 90 percent of the FPOs operate in the sub-INR 10 lakh turnover level. While agricultural produce marketing can be the growth engine for an FPO, access to capital has been a key constraint for growth of FPOs. Even large federations of producer companies such as Madhya Bharat Consortium of Farmer Producers Company Limited (MBCFPCL) are struggling to provide the value chain benefit for its members as market negotiations continue to be tough on the output side due to depressed commodity prices.

Currently, less than 2 percent of the working capital requirements and 10 percent of the term loan requirements of POs are being met. Bank credit is almost non-existent, and the challenges faced in accessing credit from banks and subsidy or grants from RIs include lack of collateral and credit-history and tedious compliance and documentation requirements. Unlike self-help groups (SHGs), the financial support by FPOs to members is also limited.¹⁹ In the absence of an equivalent to a SHG-Bank linkage for FPOs, only a few NBFCs such as Nabkisan, Ananya Finance and Samunnati have been able to lend without collateral. They have demonstrated that FPOs are bankable and together their lending could be close to 90 percent of FPO finance.²⁰ Treating FPO support akin to a one-time loan waiver instead of creating the ecosystem for FPOs as rural start-ups in India is a much-needed shift. However, the emphasis on targets without an appreciation of operational challenges can weaken the FPO movement.

FPO POLICIES: NEITHER ENABLING NOR COHERENT

The experiences on FPOs today cover a much wider set than when the guidelines were proposed in 2013. There are newer actors such as NABARD, even as the National Rural Livelihood Mission (NRLM) has its own policies for FPOs. Some overarching questions on a policy for FPO include the key question on what should be the quantum and nature of investment and support for FPOs. Will the scale-up model follow NABARD's under-invested nature of INR 9 lakh over three years or should the government look more closely at the literature and glean insights on what does it take to invest in FPOs? It is not clear to many as to what is driving a greater number of FPOs to be formed when the health of many are suspect. How many years does it take to support an FPO through its journey of social mobilisation, incubation, market linkage and better integration with a value chain? Can FPOs become financially viable in three years' time without assured flows of capital that any enterprise needs? Who should lead the FPO movement in India—NABARD with the wide spread of its branches and connect with civil society organisations or SFAC that is more aligned with the Ministry of Agriculture, or a combination of both including Civil Society Organisations (CSOs) and Corporate Social Responsibility (CSR) foundations? Or, should there be an NDDDB kind of institution for FPOs as has often been requested by many practitioners? This idea also finds mention in the DFI report that says in its final volume:

Farmer Producer Organisations (FPOs) could emerge as one of the most effective pathways to address agricultural challenges.... Through adequate policy and infrastructure support, these aggregators can become the 'connective tissue', linking supply and demand, bridging a major missing link. Policy support in the form of

18 Murray, E. 2019. 'Building an Enabling Ecosystem for Farmers Producer Organisations'. Transcript of talk at Partnership Exchange, August 30, New Delhi. https://www.researchgate.net/publication/335684188_Building_an_Enabling_Ecosystem_for_Farmers_Producer_Organisations

19 Ibid.

20 An ongoing study for providing guidelines to lending agencies indicates that these three institutions have been able to recover their loans to FPOs and agri-value chain players through working capital and term loans at rates higher than the prescribed Priority Sector Lending of banks (that they are unable to access). The estimates are over 650 crores lent to over 600 FPOs.

establishing multi-tier federations to form a National Farmers Development Board (NFDB) on the lines of NDDDB could be necessary. It may be examined whether SFAC can be restructured & re-mandated to play this crucial role.’²¹

Even as an expert committee constituted by the SFAC was examining proposals and had submitted its recommendations to the Ministry, a parallel process seem to have been initiated to work out another national policy guideline for promotion of FPOs. The two-policy guidelines were different in many ways including a turf-war on who is to lead the FPO movement. The latter has been more prescriptive about NABARD taking the lead and prescribed the number of shareholders at every level (minimum of 100 at the ‘primary FPO’ and a maximum of 1500 at the Gram Panchayat level). An even more contentious clause has been the attempt to include the PACS as part of the FPO architecture. While the need to explore alternate forms of organisation is desirable, the very purpose of the FPO movement has been to establish farming as an enterprise and provide more voice to small and marginal farmers whose exclusion from PACS is legion in many parts of India. This could be a case of throwing the baby along with the bath water. There are indeed regulatory issues, including those related to compliance and a more pro-active policy could create an entrepreneurial ecosystem for FPOs that makes it easy for FPOs to do business. Currently, the struggle for most FPOs to get multiple licenses and later be enabled to be part of public procurement comes with significant transaction costs borne by the board members and POPIs. Policies, like in the manufacturing or services sector, can be designed to enable farmers, who are the greatest contributors to “Make in (rural) India”.

Even as farmers and other stakeholders are unclear about the alignment between different policies from multiple institutions (SFAC-NABARD, Department of Agriculture and Department of Horticulture, NRLM or World Bank supported projects) an interesting development in recent times is the FPO policy of different states. Three policies at draft or advanced stages are those of Karnataka, Telangana and Odisha. Some of the larger concerns on FPOs

find resonance here too. Thus, while Karnataka has chosen a largely crop or commodity-specific value chain, the Telangana policy looks at FPO as an institution that provides support for multiple commodities that the members produce mentioning its intent to be flexible about the actual structure of the FPO, leaving the decision to the members and Board of Directors. Within Odisha there is a policy that is being sought to be followed in the Odisha Millet Mission that sees the FPO as an Agribusiness Support Centre (ASC). The policy encourages Community Based Organisations (CBOs) to register as FPOs and operate in the low-risk low-reward model by linking member farmers to small-scale service delivery and to government schemes related to credit, insurance, MGNREGA, direct benefit transfer, etc. The Odisha draft policy is prescriptive on the institutional structure. Karnataka has created an independent Centre for Excellence in FPOs (CoE-FPO) under the State Agricultural Department to play the role of the expert organisation responsible for evaluating and monitoring the FPOs in the state. The policy interestingly articulates financial support at various stages of development of the FPO that include formation, business incubation and growth phase, and maturity and business expansion phase, and even talks of support to private companies and corporations to provide CSR funds towards supporting FPOs. Karnataka is more explicit in its investment support with a plan to invest INR 30 lakh to a resource institution for the first three years.

While discussing FPO policy, it is important to reiterate the lack of ease of doing business, some of which is due to government policies too. Some of the government policies are not conducive to PO operations. These include policies related to procurement (FPOs not treated on par with state-owned seed companies and cooperatives); policies related to pricing (lack of consistency in public procurement and prices that affect operations and member loyalty) and difficulty in accessing subsidies (they are meant often for small farmers but many FPOs forgo due to high transaction costs).

There is a need for a closer look at the state FPO policies as it is likely that states would

21 Government of India (GoI), “Report of the Committee on Doubling Farmers’ Income,” p. 143.

be drivers of FPOs in future. The DFI report does foresee this when it suggests: “all state governments may come out with a scheme, to extend equity support of at least up to INR 10 lakh to all those FPOs/FPCs which are registered and plan to take up business activity”.²² However, there is still lack of clarity on what does it take to establish an FPO. A key element of an FPO is the quality of incubation and the mentoring and networking support it can get. Overall, the lofty intentions of treating farming as an enterprise and pronouncements of setting up 10,000 FPOs do not seem to be backed with investment support. Policies framed lack coherence and do not match ground-level realities of existing state and health of FPOs, nor are they able to provide a clear framework that creates an ecosystem of support that can enable this transformatory change of farming as an enterprise.

INSTITUTION BUILDING AND STRENGTHENING FPO CAPACITIES

Governance of producer collectives is often a key challenge. Unlike other forms like Investor Owned Firms (IOFs), collectives have members with multiple roles and ownership of the institution by members having different views, is a key feature. It has been observed in a few detailed cases, such as Hasnabad producer company, that often even after five–seven years there is a high dependence of the FPO on the promoting institution. The expectation though, in the policy, is that FPOs could become independent of external support in three years’ time. Managing this expectation with constantly encouraging BODs to increase their capacities and member ownership is not easy, especially for agricultural cooperatives that are seasonal. There is no constant interface with members daily unlike dairy producer collectives. Constituting

empowered and well-governed Boards thus is critical for FPOs.

A majority of the FPOs are yet to reach a stage where they could avail the expertise, knowledge, and counsel that independent directors and experts can provide. Over 52 percent of FPO Boards had no external experts or independent directors and 68 percent had no female directors. While the number of women directors could be higher than the overall company boards, there is scope for greater participation, though this must emerge from many of the structures below. Other than CEOs, most FPOs face a severe lack of qualified and knowledgeable directors that reemphasises the capacity building needs. On the positive side, most POs seem to maintain digital records and books using MS Excel and Tally.²³

Capacity building and training were rated as the highest requirements by producer organisations, even higher than finance, in the Microsave study. These aspects have not received the kind of attention in FPO discussions that it requires. A few state institutions such as Bankers Institute of Rural Development (BIRD), Lucknow and National Institute of Rural Development and Panchayati Raj (NIRD), Hyderabad have been at the forefront of the capacity building efforts. However, this is less than adequate for the kind of scale and the complex nature of the institutions that is discussed. Figure 4.5 summarises the need for high quality and even certified trainers as the FPO ecosystem becomes more complex.

There is a need for high quality trained manpower that can deliver emerging knowledge on FPOs through distinct and phased modules. A significant addition to the FPO ecosystem has been the presence of a new capacity building training manual brought out through a collaborative effort of the Green Innovation Centre, Welthungerhilfe and Skill Green.²⁴ The Manual released in March 2019 at Anand follows an inclusive approach drawing from existing manuals. But it is different significantly in the delivery with a greater focus on participatory methods and the need for trainers to be adept

22 Government of India (GoI), 2019. Pg 144

23 Microsave, “A Qualitative Study of Producer Organisations.”

24 Mascarenhas, M. Karthikeyan K. and Bhat R. 2019. Capacity Building of Board of Directors of FPOs - A Trainers’ Guide. Bengaluru: Green Innovation Centre, GIZ. <https://www.nafpo.in/wp-content/uploads/2019/05/Capacity-Building-of-BoDs-of-FPOs.pdf>

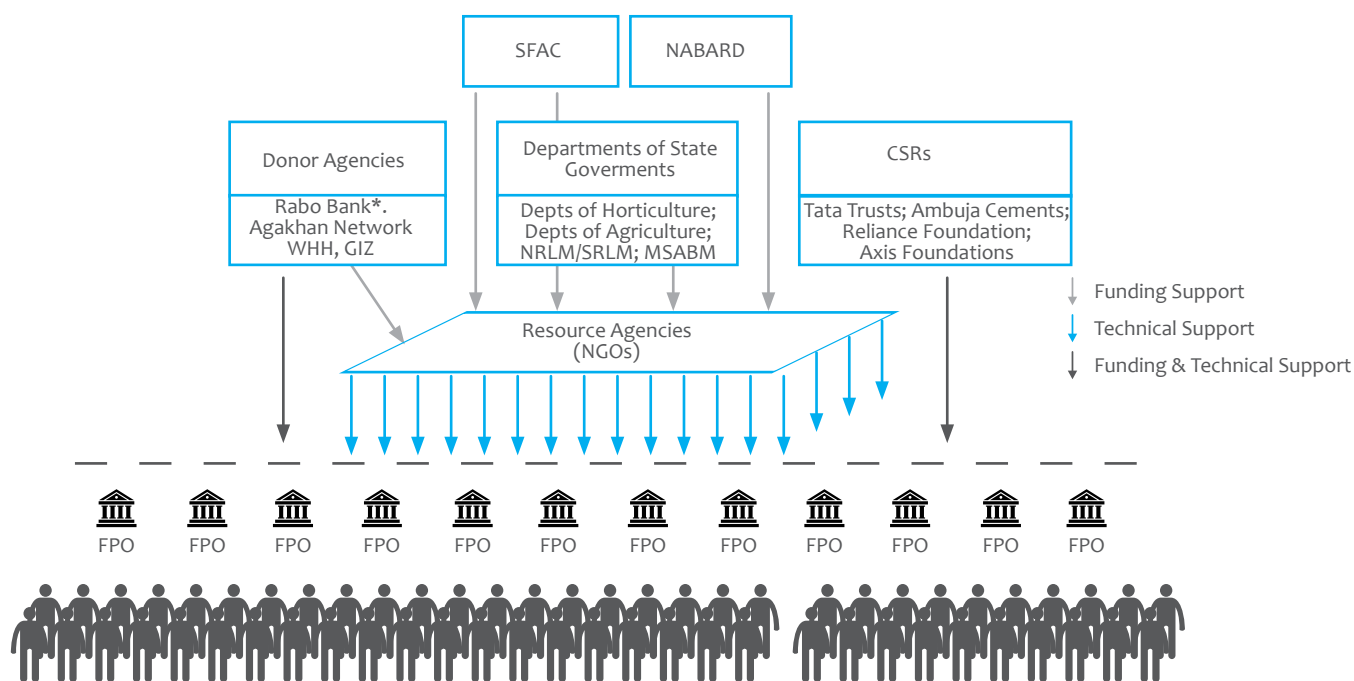


Figure 4.5: Graphical representation of need for an FPO cadre of trainers

Source: SkillGreen

at facilitating skills that are often required by BOD members and CEOs of an FPO during negotiations with other stakeholders including their own members.²⁵ Unlike other programmes that require CEOs and BoDs to travel long distances with content largely in a few languages (English and Hindi), there is a need for more regional trainings focused on RIs and developing a cadre of trainers who can communicate the ideas of good governance of an FPO, work out a business plan etc.. The response of facilitated training using the manual has been very good with both trainers as well as BODs and CEOs participating actively and feeling empowered to lead these institutions. In the last year over 100-200 people have been trained in Karnataka, and in the western and eastern regions of the country with local host institutions providing a space for organisations in the region to participate.

Apart from the FPO manual there have been many manuals and self-development modules that have been brought out by organisations such as Centre for Indian Knowledge Systems (CIKS) or AP Mahila Abhivrudhi Samiti (APMAS) both in English and in Tamil/Telugu.²⁶ Unlike the policy support that has been provided for building human resource capacities for the SHG movement, the capacity building budgets of most policies for FPOs is considerably low. The future of the institutions is largely dependent on the availability of excellent manpower locally. This needs a structure different from existing agricultural schemes and a more coordinated effort on what capacities to build, how to build and sequencing these modules attuned to the growth stage of the FPOs.

²⁵ The idea behind the FPO manual is articulated by Parthasarathy at <https://www.youtube.com/watch?v=GuoEhLlsDv8&feature=youtu.be> and the manual is available at https://welthungerhilfeindia.org/wp-content/uploads/2019/04/FPOs_GIC-compressed-1.pdf. For more information on other institutions and their capacity building initiatives visit <https://www.iseedirma.in/fpo-workshop>.

²⁶ See <http://ciks.org/our-publications/producer-companies/> and <http://www.apmas.org/pdf/flyer-on-modules.jpg> for more details. A manual specific to Maharashtra's agricultural competitiveness project is available at http://gtw3.granthornton.in/assets/i/Intrapreneurship_and_Management_for_Farmer_Producer_Companies.pdf

WAY FORWARD

The FPO movement is at the cusp of a significant shift not just in numbers but also in its structure. Do we want to scale up the existing institutions that have been under-invested and with an unclear future or does the ecosystem have the maturity to reinvent itself based on the plethora of experiments across the country? In other words, will the new FPOs to be formed be based on existing ecosystem limitations or would the government explore creating a new enabling ecosystem of support that can herald an FPO 2.0. FPOs have come to stay but if they have to deliver the tall promises and expectations, there are few ideas that need to be explored proactively. A few are listed for discussions here.

- Nurturing innovative spaces for negotiating complexity. The potential of multi-stakeholder dialogues on FPOs to openly share difficulties, challenges and think together ways forward has empowered many stakeholders. Academic institutions as knowledge brokers and networks such as NAFPO can provide innovative spaces for collaborative learning and co-creating solutions. While the government has provided a supply thrust to the FPO movement, it is time now for other stakeholders to work from the perspectives from below from the BODs, CEOs, RI/POPI perspectives to build a newer FPO ecosystem. Facilitated networks are emerging in different parts of the country that are providing spaces for sharing best practices and learning together.²⁷
- Recognising diversity and complexity: There is a need to appreciate that FPOs have dynamic relations to both its members and the markets. Policies should desist from prescribing ‘ideal’ or ‘optimal’ numbers and work to create

resilient business models, not just business plans, for FPOs. This requires analytically working on possible typologies of FPOs. While there are calls for greater integration with commodity markets with organisations like NCDEX who play an important role in connecting 246 FPOs to commodity markets, there is also a need for a different model for rain-fed farmers who are being experimented in programmes like the Odisha Millet Mission or AP drought mitigation programmes that build on an Agribusiness Service Centre (ASC) model (see Box 4.1 for articulation of this difference).

- Collaborating and co-creating best processes: While newer FPO awards have begun to recognise the importance of FPOs, there is scope for changing the nature of institutions and delivery modes that can use the best of human and technical networks. The FPO manual is one such example of drawing from existing resources and creating an open-source model for local innovation rather than creating a few best practices that cannot often be replicated in other and more complex contexts.
- Rethinking investments and ecosystems: There is a need to rethink the investments required if these institutions are to be fully supported. Collective enterprises today need the same, if not more, investments and creation of ecosystem support that start-ups are getting. Mature entrepreneurial ecosystems value failure and enable start-ups to grow despite initial setbacks. FPOs, and their promoting institutions, though are blamed for their inability to scale without the back-up ecosystem support.²⁸ Despite the buzz very few incubators in the country work with FPOs and provide incubation

²⁷ One such network based in Andhra Pradesh is the FEN (FPO ecosystem network) that began in June 2018 and has grown to 87 members. The network is heterogeneous in that it has not only member FPOs in the region but also ‘expert’ advisors as part of the ecosystem tracking developments in other states and sharing them widely. Often in these discussions different and difficult questions are raised such as newer thinking and strategy by Resource Support Agencies (RSAs) or POPIs in not going for numbers but strengthening existing institutions created in a longer time frame.

²⁸ The Invent programme that has enabled 160 start-ups in five years has had a support of close to five million pounds with some of the leading institutions of the country and incubators such as Villgro creating ecosystem support in eight low-income states. The modest employment figures of 1930 direct and 27195 indirect jobs, or 12 jobs per start-up would pale in comparison to many of the highly underinvested FPOs that are providing jobs in rural areas and making in India. In contrast, the investments / start-up or FPO just does not match! For details see <http://tdb.gov.in/invent-program/> and <https://www.indianweb2.com/2019/10/14/govt-affiliated-incubators-enables-160-startups-impact-1-5-million-across-country/>

Table 4.1: Farmer Producer Organisations – An alternative model

Variable	NABARD/ SFAC	ASC Model
1. Purpose	To create commercially oriented institutions to benefit farmers	To create institutions that will provide commercial as well as other material benefits to improve members' livelihoods
2. Assumption about business	FPOs can make agriculture a profitable business	FPOs cannot help in intrinsic volatility and cyclical elements of agriculture Can help in minimising structural dimensions
3. Source of profitability	Capturing a larger share of the value chain	Reducing exploitation arising out of asymmetry of information, lack of network, primary processing
4. Basis of business planning	Analysis of commodities market/ input market etc	Study current 12 month livelihood pattern of members and identify opportunities through collectivisation
5. Success looks like	Strong FPO / strong farmers	Resilient farmers / relatively fragile FPO
6. Resilient farmers / relatively fragile FPO	An entity in itself and needs to look after its growth and profitability	ASC is just an instrument of expressing aggregated will of the members
7. Business model	To straddle deep in the value chain going up to B2C, if necessary	Focus on comparative advantage of the farmer and ensure price maximisation at the ASC gate. B2C for local market B2B for distant market
8. Risk management in commercial issues	Risk management in commercial issues	Low risk low reward Last mile connectivity for inputs and first mile connectivity for outputs
9. Expertise	Deep expertise in one or many commodities in the entire value chain	Shallow expertise in all aspects of farmers life which can benefit from aggregation
10. Managerial expertise	External managerial talent to manage the deep expertise in various parts of the value chain.	Local graduate empowered with tools to think and plan.

Source: Abridged version from Joshi (2019)²⁹

and growth support. If FPOs are business enterprises, then, why are they not linked with the start-up and entrepreneurial ecosystem adequately? Why is there no scope for failure whereas failure in start-ups is acceptable?

Ease of doing business: Most FPOs today complain of multiple licenses for them to operate and the absence of a level playing field in agricultural markets. Treating FPOs on par with cooperatives (and not the other way around) can enable better market linkage and can be incorporated better in state and central policies. If agriculture needs to transform, there needs to be provisions for the equivalent of a single-window clearance and enabling public procurement mechanisms.

Some low-hanging fruits: Enabling ecosystems for finance can be created through simple and doable switches in rethinking agricultural credit. Two such long-standing demands would be: *a)* get the RBI to issue a directive requesting banks

to report their lending to FPOs (a similar game-changer occurred with SHGs for bank linkages); *b)* get NBFCs, who have shown that FPOs are bankable to get priority sector lending status, thereby enabling them to scale and provide their innovative financial products to more FPOs. Similarly, clearer directives on CSR funding to incubators and institutions supporting FPOs can go a long way in addressing some of the capital inadequacies of the FPO model.

The brief overview does not seek to provide all answers (we have not covered discussions on ratings of FPOs and finance adequately for instance) but to suggest that the real potential of making farms as enterprises and farmers as entrepreneurs is indeed possible if FPOs are nurtured and nourished suitably. This requires rethinking both scope and scale and making sense of the diverse possibilities where farmers, with their friends, are reshaping their and our lives.

²⁹ Shirish Joshi, "Farmers' Producer Organizations (FPOs) in Rainfed Areas—an Alternative," 2019; Note prepared for the Revitalising Rainfed Areas Convention, February, 13–14 (New Delhi: India International Centre, 2019). Shirish Joshi's paper (2019) at the RRA convention has been followed with discussions in smaller groups on the ASC model. An abridged version has been reproduced here.

SOCIAL ENTERPRISES IN AGRICULTURE*

Ajit Kanitkar

5

INTRODUCTION

Social entrepreneurship has emerged as a distinct field of academic interest in the last twenty years due to a combination of events that include Bill Drayton and the Ashoka Foundation celebrating twenty-five years of their pioneering work in 2005 (Bornstein 2004), Mohammed Yunus winning the Nobel Peace Prize in 2006 (Yunus 2006), and corporations searching for newer meaning and purpose with a rediscovery of the ‘social,’ following corporate scandals and the global financial crisis (Brugmann and Prahalad 2007). From a focus on the person—the social entrepreneur and the process, that is social entrepreneurship, there is now increasing attention being paid to the product—the social enterprise. Like social entrepreneurship, social enterprises (SEs) too mean different things to different people. The two dominant trends in defining SEs—the European one that tends to focus on institutional structures that highlight the collective and participatory dimension and the American tradition of non-profits becoming more market driven (Galera and Borzaga 2009) seem insufficient to explain the diversity that exists in the Indian context. Similarly, Schorr’s (2006) call for a shift in understanding SEs from one related to small retail shops to one that would

grow and develop double bottom-line, that is consistent financial returns, even as they satisfy the social mission, it seems that Social Enterprise 2.0 too is not capturing Indian experiences enough.

India has been the hotbed of social entrepreneurship (the largest numbers of Ashoka Fellows are from India) and there has been a tendency to use Indian experiences and cases to feed into largely Western narratives and theories. Increasingly though, there is a realization that this fit has been uneasy and insufficiently accounts for the diversity of perspectives (Prasad and Satish 2018). The absence of a definition has not however hampered the growth of SEs in India. With an estimated two million SEs (British Council 2016), India is seen as one of the most dynamic social entrepreneurship environments globally. In response to the lack of access and affordability to basic services, a number of SEs have emerged since the early 2000s that have sought to solve problems of poverty, unemployment, and indebtedness of households.

The last decade has also seen a proliferation of articles on SEs through forums such as The Better India, Your Social Story, and Outlook Business’s annual feature, since 2009 on India’s 50 social entrepreneurs’, later Good Businesses.¹ While there is greater awareness on this nascent

* Based on an elaborate chapter from Kanitkar and Prasad (2019), Farming Futures: Emerging Social Enterprises in India. It is a summary of evidences from research on case studies of 15 SEs

1 ‘The Better India’ has a separate social enterprise category with articles since 2012. See <https://www.thebetterindia.com/topics/social-enterprise/> and <https://yourstory.com/social-story>. Outlook Business magazine’s Independence Day special featured 50 social entrepreneurs in 2009 and from 2012 has called social enterprises as ‘Good Businesses’. See https://outlookbusiness.com/specials/24-good-businesses_2012 for instance.

sector there have been very few detailed case studies on how many survive beyond the initial flourish and investments. What are the challenges that enterprises face as they grow? How are they managing both their dual objectives of purpose and profit? Why is it that despite their growth and celebration in certain circles, SEs are still not recognized as legal entities in India? What implications do these have? Kanitkar (2018) has provided a recent overview of the theory, philosophy, landscape, and a working definition of SEs that informs this study. While journalistic accounts did celebrate the growth it was not clear how many survived to grow beyond the recognitions and also what, if any, was the role of grants as opposed to equity or impact investing in the growth of enterprises.

WHY STUDY AGRI-BASED SOCIAL ENTERPRISES?

There is an active SE ecosystem developing in the country. A good overview of the sector's proliferation is provided by (Shukla 2018). Preliminary research indicated that there are some abiding challenges. For instance, as early as 2012, an Intellectap study (Allen et al. 2012) reports finance as a major constraint for budding SEs, an insight that is repeated in their 2018 report. Accessing capital both for start-up and expansion was observed as a big constraint in that study in addition to hiring and retaining talent. Thus, both the human and the financial resources that are the foundation of any enterprise were the weakest links as per the findings of that study. Building value chains that are sustainable for the poorer segments of society was seen as a huge challenge. This was contrary to the arguments of thinkers such as C. K. Prahalad and the donor community that advocated a market-led approach for development as panacea for India's poor.

The current discourse on SEs is skewed towards the western worldview of interactions between economy and society and does not take into account the complex socio-political-economic landscape of the third world such as India (Prasad and Satish 2018). The absence of appreciation and understanding of this reality

reflects in the dominating discourse that is based on the wish of the benevolent power of the market.

RESEARCHING SOCIAL ENTERPRISES – BEYOND DEFINITIONS

Researching SEs is almost like the story of an elephant and seven blind men. Some of the researchers have viewed from a lens of innovation and technology, a few others from the lens of mainstream management theories. There are studies to trace social entrepreneurship from sociological and anthropological perspectives. Thus, the study of SEs is an amalgamation of several disciplines such as innovation and creativity, management, strategy, entrepreneurship, start-up finance, and public policy, to list a few. Defining SEs in precise words might block us in unproductive semantics; so it might be desirable to proceed with a working definition rather than a precise agreed-upon definition by one and all. For purposes of this chapter, characteristics of SEs have been defined later, keeping in mind not to separate academic journals and practitioner's perspectives.

While theory building is necessary and important for the development of this nascent field, the author has chosen to focus on the practice of social entrepreneurship as it unfolds in several parts of India, on a real time basis. By doing so, it is hoped to be able to find some patterns and commonalities, decipher broad trends and directions of the growth of the sector, and then draw lessons that can feed simultaneously both the academic space as also the policy discussions.

The literature on SEs often reflects one's position within the state-market continuum. A predominantly rights-based development discourse is likely to view the emergence of SEs as a political conspiracy to blunt the critique of the negative consequences of power of the market forces. They would argue that the market is an evil that perpetuates inequity and injustice and thus needs to be strongly regulated, if not eliminated. The contrary position is the faith in the power of the market and harnessing that for

the betterment of the poor. This form would work equally well for all sectors: health, education, water and sanitation, skilling or agriculture.

Quite a few authors claim that SEs are in the business of changing the world around. Social enterprises alone can bring more enlightenment and happiness to the world. The proponents of this line of argument also pronounce that SEs as an idea is 'superior' to the existing prevailing concepts of responsible businesses, triple bottom line, sustainable businesses, B Corporations, conscious capitalism, and so on.

FARMING FUTURES AND EMERGING SOCIAL ENTERPRISES

The late Sharad Joshi, a farmer leader from Maharashtra of the early 1980s, conceptualized the dichotomy between Bharat and India, the farmers and agriculture on the one hand and rest of the country on the other.² Our focus of this study is on SEs in Bharat, SEs promoted for the benefits of a considerable number of people engaged in agriculture and agro-allied activities such as dairying and fruits/vegetable cultivation. We believe that the topic is extremely contemporary but also assumes critical importance given widespread agrarian distress.³ Farmer agitations have spontaneously emerged at several places in the country in the last few years. Depressed commodity prices in Indian and Global markets have brought to focus the issue of increased or living farm income even as India celebrates its top position in many agricultural commodities and there is a large surplus of food grains. There is a thick air of despondency, with farming often becoming an occupation for the middle-aged, elderly, and women who are unable to migrate. Given this scenario, are SEs the new hope for Bharat or agriculture? Can they bring back a sense of agency to farmers who have otherwise been seen as passive recipients

of governmental aid or 'subsidies?' This chapter hopes to throw some light on the future of farming.

The following heuristics on SEs are proposed, instead of a definition, following an extensive review of literature both by leading thinkers and practitioners. These statements below do not aim to provide a definition of SEs but an attempt to describe and as a guide for the scope of the chapter.

- Social enterprises are Mission First organizations. In SEs, purpose precedes profit. The compelling reason to begin an SE is to address a social cause, bridge a social deficit, and therefore to create a public good. In a private, for-profit venture, the enterprise is conceived to respond to an unmet need or demand. If responded well, it will generate profit for the entrepreneur creating a private good. Social and or other impacts are not necessarily a concern at the beginning though those benefits might also arise as consequences.⁴
- Social enterprises often occupy a space that is left by the government, is untouched by the market, and only partially addressed by the civil society sector. The commercial, for-profit Ventures will attempt to address a 'deficit' where they see a clear opportunity to earn revenue. The government will attempt to address that deficit through provisioning of services, mostly in a welfare and charity orientation. Wherever such provisioning is not possible, experience shows that the governments tend to abdicate its responsibility. While civil society organizations do fulfil this gap in some cases they will stay as long as grant support is available; market-based actors often will choose to focus only on low-hanging fruit. Social enterprises take on the challenge of occupying this space with the ambition of serving a cause and that too in an efficient manner. Social enterprises thus occupy a middle ground in the continuum

2. See <https://www.thehindubusinessline.com/2003/02/12/stories/2003021200050800.htm> for the debate.

Also <https://www.livemint.com/Opinion/1aNw7FGEBxnHoXL12650dM/Indian-agriculture-and-Sharad-Joshis-ideas.html>

3. See <https://www.downtoearth.org.in/news/agriculture/a-nationwide-wave-58214> for an account of farmer's protests across India reflecting agrarian distress and need to look beyond loan waivers as a response.

4. The goal of India's most trusted corporate in the early 1990s was, for instance, to set up a steel factory as the country needed steel for industrial development; having a planned city for the employees to reside was a follow-up action and not vice versa. For a comparison between social and corporate enterprises see Trivedi and Stokolis (2011).

of philanthropy or charity on one end of the spectrum and commerce and world of profit on the other (Dees 1998, 2007). Social enterprises embrace the notions of profitability and efficiency associated with the enterprise way of functioning without compromising their mission. Thus typically, they seem to be a hybrid organization, based on the foundation of values but practicing the principles of business and profitability.

- The work and working of SEs can be summed up as the trinity of access, affordability, and assurance. The SEs attempt to provide products and or services to those who are excluded, at a price that their customers can afford, and guarantee same quality of performance of their product and or service.
- A SE, thus, is seen as a means to achieve an end. The end objective is to achieve a

social impact, and the enterprise way of functioning is seen as the best way to attain that objective. Thus, social is the primary goal and enterprise objectives are secondary. It is about prioritizing the end and means. Profit is a means to further a social cause.

- The performance measure for an SE is the social impact that it creates. An SE aspires to create social value. For a commercial enterprise, the sole measure is profitability and return to the equity investors. It might be argued that even a for-profit enterprise generates a social impact such as creation of employment and payment of taxes for the government. However, the primary motive is not employment creation but profit maximization. Other benefits are unintended positive consequences and not by design.

Table 5.1 summarizes the definition of an SE for this research and contrasts it with the for-profit business enterprises.

Table 5.1: Contrasting business and social enterprises

Defining characteristics	Social enterprise	Business enterprise
The trigger	Identification of a social cause/problem that needs to be addressed	Identification of a business opportunity to offer product and/ or service at a price
Vision and objectives	Respond to social problems	Profit maximization
For whom	Underserved population, excluded by market, inability to pay (affordability), or sheer lack of accessibility (exclusion)	Any and every customer who has the ability to pay (thus, those who are not potential 'consumers' are excluded)
Led by	Social entrepreneur/s and supporting team	Entrepreneur/s and promoters
Early resource mobilization	Own sweat equity, interested stakeholders in the vision, philanthropy capital mostly as grant and/or subsidized loan	Own capital and later mainstream capital through mainstream banking and other financial institutions
Finance structure	Start-up grants, low-cost capital, patient capital (also now referred to as blended finance), both grant and loans	Mainstream financial instruments such as loans, bank borrowings, equity from shareholders, etc.
Revenue stream	At least 25% to 50% revenue from fees/income ⁵ with an aim to become operationally self-sufficient over a longer term	Full-scale commercial operations with break-even analysis and goals of profitability
Management capacities	Mostly own vision-driven and later expanded, often not necessarily present in the initial stages, but acquired later	Hired through professional sources and from the market at competitive remuneration
Sharing of benefits and rewards	Social returns and impact on the community, profits pooled back to further social objectives and appropriately pooled in for growth and expansion	Measured as return on investment and equity (RoI and RoE) market capitalization, share value appreciation, profits distributed as a dividend to shareholders and promoters as also capitalized
Measure of success	Social impact is the key measure. Triple bottom line with equal emphasis on sustainability of solutions to problems being attended to	Double bottom line sometimes might also be at the cost of long-term sustainability

Source: Kanitkar and Prasad (2019)

5 As suggested in British Council (2016).

MANAGEMENT AND GROWTH CHALLENGES FACED BY SOCIAL ENTERPRISES

There are many initiatives in the country targeting the start-up phases of SEs. These include incubation, provision of start-up capital, recognition regarding awards, and linking SEs with many promotional schemes of the government such as Make in India and Startup India. Some of these initiatives are too raw, and in a field like agriculture, we believe, a minimum of 3-4 years of operations is essential for an enterprise to evolve a business model.

The focus of the chapter is on management challenges that SEs face in their journey from an idea to scalable enterprise activity. While there is an emerging theory of SEs, the chapter focuses on practice of SEs, on the following three aspects:

- The first was to map the status of SEs in the country. This included a review at the macro level (understanding and mapping the ecosystem) as also several individual case studies focusing on a particular sector. Agriculture sector has been chosen for the chapter.
- The second was to undertake a comprehensive analysis of the SEs that were operational for at least more than three to four years. With the help of balance sheets of these SEs and analysis based on that information, several hypotheses regarding the espoused claims of forming an SE and their actual performance were tested. While doing so, it was hoped to derive learning in incubating, promoting, and managing SEs as also the challenges in creating a dynamic ecosystem of SEs in the country.
- The third was to explore the prospects for the SEs and the possible interventions that could further facilitate the emergence of the SEs and energize the whole ecosystem.

SELECTING THE ENTERPRISES

A universe of close to 250 SEs were examined across the country of which fifteen were selected for detailed case studies. Various reports, publications, information about awards and fellowships were reviewed. The sample was purposive but the intent was to cover as many enterprises across the country rather than focus on selected states. For instance, half of the 250 enterprises in a recent study (Ganesh et al., 2018) were drawn from a handful of states.

The selected SEs were preferably functioning in rural and semi-urban settings and/or for communities residing in rural India. Preference was for SEs in the rural space. Another filter that was used was the year of incorporation of the enterprises. Those formed between 2004 to 2015 were shortlisted. The idea was to study their organizational and enterprise performance over at least three to four years of their functioning. It was expected that the SEs would share their financial statements that would enable the study of their performance. Hence, there are no start-ups covered here.

An attempt was also made to include SEs across the value chain. In selecting the sample, it was proposed to include SEs that have reached scale. While it is difficult to objectively define scale, if need be, SEs that were organized on a smaller scale within limited geography and outreach were excluded. SEs were not chosen on the basis of their legal structure. Instead, organization had a revenue model was looked at.⁶

A case study methodology was followed, to understand how the SE attempted the balance in achieving social and commercial objectives. The purpose was to ascertain the dilemmas and the challenges in balancing the social and commercial objectives. In the process of interactions with the enterprises, both qualitative and quantitative data that was useful for analysis was obtained. So while the case study method was useful to learn processes in managing the growth of the SE, a detailed analysis of the financial statements of

⁶ This is borrowed from the methodology of a survey of SEs in India. (British Council 2016, https://www.britishcouncil.in/sites/default/files/british_council_se_landscape_in_india_-_report.pdf) We also *excluded* the study of microfinance institutions (MFIs), self-help group (SHG)/federation (SEs broadly formed for financial inclusion purposes) since there was already sufficient literature on MFIs and SHGs. We also did not include farmer producer companies (FPCs) and/or cooperatives as they are organizationally different and more complex.

the SE and associated institutions enabled an understanding of the enterprise dimension of the organization.

Through the case studies of 15 SEs in agriculture, we aimed at a better understanding of some of the key management challenges that SEs face.

PROFILES OF SOCIAL ENTERPRISES AND ENTREPRENEURS STUDIED

Table 5.2 shows the distribution of the social enterprises studied as per the regions they cover and their year of commencement of business operations.

The social enterprises included here have been chosen in a manner that they have been in operation for a minimum of four years. The average age of the enterprises is nine years and the enterprises are past the ideation and incubation stages, with a business model and seeking to grow. The above choice was purposive and omission of start-ups and those enterprises that have begun recently was deliberate. There are many stories and reports in social and popular

media on such enterprises and innovative ideas acclaiming their successes. Case studies from the north-eastern region are few in the list since not many could be identified that also had reasonably scaled activities.

Apart from Ekgaon that was founded in 2002, but began its online sales only in 2015, the rest of the social enterprises are 21st-century institutions representing one possible direction of the future of farming that increases farm income while being profitable.

In terms of regional spread there are three cases each from Maharashtra and Bihar, two from Karnataka and Maharashtra, two with a significant all-India presence and the rest distributed across the country including Assam, Odisha, Andhra Pradesh, Telangana, Tamil Nadu, and Madhya Pradesh, thus covering ten states across India.

Legal Status

The social enterprises included here are registered as NGOs/Trusts and/or for-profit private limited companies. Table 5.3 presents the registration details of the cases studied.

While all enterprises are registered as for-profit entities, five of them have not-for-profit wings that in some cases have preceded the social enterprise.

Table 5.2: Social enterprises included in this study

S No.	Registered name of the social enterprise	Main area of operation	Founded
1	AgSri Agricultural Services Private Limited	Telangana	2010
2	Earth 360 Eco Ventures Private Limited	Andhra Pradesh	2010
3	Ekgaon Technologies Private Limited	Tamil Nadu, Madhya Pradesh	2002
4	Ergos Business Solutions Private Limited	Bihar	2012
5	FlyBird Farm Innovations Private Limited	Karnataka	2013
6	Fresh Produce Value Creation Services Private Limited	Maharashtra	2014
7	Green Agrevolution Private Limited	Bihar	2010
8	KNIDS Green Private Limited	Bihar	2012
9	Krishi Direct Trade Private Limited	Maharashtra	2014
10	Milk Mantra Dairy Private Limited	Odisha	2009
11	Safe Harvest Private Limited	All India	2009
12	Simple Farm Solutions Private Limited	Karnataka	2013
13	Skymet Weather Services Private Limited	All India	2003
14	Tamul Plates Marketing Private Limited	Assam	2009
15	Under The Mango Tree Naturals and Organics Private Limited	Maharashtra	2009

Source: Kanitkar and Prasad (2019)

Table 5.3: Legal registration and organizational format

S No.	Registered as for-profit entity only	Hybrid (Registration and organization as two entities: one as for-profit and another as NGO/ Trust receiving grants)
1	AgSri	Fresh Produce Value Creation Services Private Limited (Krishi Pragati Foundation is the NGO)
2	Earth 360	Green Agrevolution Private Limited (Farms-n-Farmers Foundation is the NGO)
3	Ekgaon	Knids Green (Kaushalya Foundation is the NGO)
4	Ergos	–
5	FlyBird	Under the Mango Tree (UTMT Society is the non- profit wing)
6	Krishi Direct	Tamul Leaf Plates (Dhriiti, the Trust that supported Tamul)
7	Milk Mantra	–
8	Simple Farm Solutions	–
9	Skymet	–
10	Safe Harvest	Its network of NGOs are grant-receiving entities

Source: Kanitkar and Prasad (2019)

Who are these Social Entrepreneurs?

Some of them have begun their activities with a group of like-minded individuals as co-promoters whereas in some case studies, these are individual efforts. Table 5.4 summarizes the background of the individuals covered here.

Thirteen of the promoters were post-graduates and one each a doctorate and a bachelor in engineering. Seven of the thirteen had a business management degree that seems to have helped them in managing the enterprise. Interestingly though, most of the entrepreneurs leading the enterprises have no formal agricultural background (Kaushlendra of Knids Green being an exception).

Table 5.5 presents an overview of the social enterprises covered in the study from the viewpoint of perceived gaps identified in the existing ecosystem and the social problem/s that the enterprise aims to address. If the entrepreneurs identified a certain deficit or a social problem that needed to be addressed, they evolved their business around those gaps and deficits.

Social Objectives of the Enterprises in this Study

In Table 5.6 the attempt is to focus more precisely on the social objectives that the enterprises attempt to achieve. These objectives are in response to a perceived gap in the present

ecosystem within which they operate. The promoters of the social enterprises decided to address some or most of the gaps through their enterprises. Three broad identified characteristics of their interventions are:

- Access-to information, products, services, finance, technology, markets or institutional support structures.
- Assurance-of quality, consistent offering of services or products otherwise made available both at the farmer's end and or at the consumer's end.
- Affordability-of products and services to those who are usually left out either by the market mechanism and in government interventions.

In the existing ecosystem there was a deficit often on all fronts. Access to the products and services was non-existent or limited; assurance of the quality of performance of products being sold was low; and what was being marketed was not affordable to the potential customers. The social enterprises tried to address all or some of the three deficits as summarized in Table 5.7.

Table 5.4: Social enterprise promoters' educational, and professional background

S No.	Social enterprise	Educational background of the key promoter	Work experience	Observation on the journey of the promoter/s
1.	AgSri	Ph. D.	As a researcher in international institutions in same field but not as entrepreneur	Had to learn social entrepreneurship management on the job
2.	Earth 360	Electrical engineer	As a NGO professional but not as an entrepreneur	Had to learn through experience and engineering background was useful for developing appropriate machinery
3.	Ekgaon	Post-graduate diploma from forest management institute	No experience in the business activities chosen	Learning by doing
4.	Ergos	Post-graduate in management with specialization in marketing	No experience in the business activities chosen, worked in financial service sector	Self-incubation, learning by doing
5.	FlyBird	Post-graduate in information technology	No experience in chosen business	Learnt by observing farmers and their difficulties in irrigation
6.	Fresh Produce	Post-graduate in management	Worked as professional in large private sector business organization in fresh fruits and vegetable marketing	Built on learnings offered in earlier jobs and evolved business model to bridge gaps found earlier
7.	Green Agrevolution	Textile technologist	Worked on diverse assignments in private advisory services in FMCG, oil, retail, healthcare	Learning by doing, from not-for-profit to for-profit and hybrid business model
8.	Knids Green	Post-graduation from Indian Institute of Management (IIM) Ahmedabad (Agri-business)	Opted out of placement and worked on his enterprise from start	Learnt from active involvement in creating a local ecosystem
9.	Krishi Direct	Post-graduate in engineering and later in management from Kellogg School of Management	Work experience of ten-plus years but no prior experience in India, spent initial years working with another venture and gathered relevant experience in agri-value chains	Learning by doing and building on experience gained as an intern in India
10.	Milk Mantra	Post-graduate in management	Occupied senior positions in a large corporate in and outside India but no prior experience in the dairy industry	Organized team to bridge the skill gaps and learnt on the job
11.	Safe Harvest	Post-graduate in economics	No prior experience in value chain development but significant expertise in development sector	Learnt it as the social business began to function.
12.	Simple Farm Solutions	Post-graduate in engineering	As an employee in the business run by father and exposure in a training programme in IIM Bangalore	Observed difficulties of farmers, developed ideas with fellow participants in training and began implementing ideas
13.	Skymet	Degree in journalism	No prior experience in the field of social business	Organized a team and learnt on the job, sensing new opportunity
14.	Tamul Leaf Plates	Post-graduate in rural management	No prior experience in chosen enterprise activity	Learnt while the enterprise was incubated
15.	Under The Mango Tree	Masters in Regional Planning from the Massachusetts Institute of Technology (MIT)	No prior experience, experience was in finance and unrelated sector	Learnt as social enterprise activities expanded

Source: Kanitkar and Prasad (2019)

Table 5.5: Perceived social problem and core idea of the social enterprise

S No.	Enterprise	Perceived gaps or needs	Core idea of the enterprise
1.	AgSri	Conventional sugarcane cultivation is a water guzzler and hence unsustainable for the farmer and the economy	New method of cultivation of sugarcane (planting one-month old plant raised in nursery) leading to significant reduction in seed-cane, water, and fertilizer usage, resulting in substantial gains in productivity
2.	Earth 360	Millets, the core of food basket and cultivation practices in rural India, got replaced by wheat and rice in the last 30 years as an unintended consequence of the Green Revolution. This has deprived both rural and urban consumers valuable sources of nutrition and has led to unsustainable mono-cropping solutions	Ambition of reviving the millet economy in the drought affected regions of Andhra Pradesh and all over the country and building a value- chain linking farmers and consumers in a decentralized manner with infusion of appropriate technological interventions at the farmers' end
3.	Ekgaon	While technology has the potential to connect, small farmers might miss out on the possible benefits of technology and connectivity	Using the Internet to connect farmers with input and output market
4.	Ergos	Farmers, especially small and marginal, don't have access to warehouse facilities that are located in distant market yards (Agricultural Produce Market Committees—APMCs). Payments often follow non-transparent management practices, often leading to distress sale immediately after harvest	Providing professional warehousing services almost at the doorstep of the small farmers, including financial products in Bihar, thereby providing options to prevent distress sale of agri-commodities
5.	FlyBird	Erratic electricity supply from providers forces many farmers to provide untimely and unmeasured irrigation for crops, leading to low productivity and significant wastage. The imported equipment is too expensive for small farmers	Making affordable, reliable, and simple irrigation controllers that ensure 'smart' irrigation to crops in the light of erratic electricity supply
6.	Fresh Produce	Farmers are stuck with B, C, and lower quality produce as corporate private sector aggregators who promise to link with the market pick up only the best (A) grade fresh produce. There is no assurance that buying will be certain round the year, making crop planning for farmers a gamble	Building an efficient supply chain for fresh fruits and vegetables for farmers for supply to hostels, restaurants, consumers, and export markets
7.	Green Agrevolution	Small farmers are left out in most of the value chains	Linking small farmers to the urban market through innovative methods
8.	Knids Green	Market linkages for farmers producing fruit and vegetable markets are missing	Establishing market linkages for farmers producing fruit and vegetable markets in Bihar
9.	Krishi Direct	Farmers producing perishable commodities often face distress sale, often as low as 50 paise a kilogram. Yet there is a demand for high-quality produce that farmers are not aware of	Connecting tomato farmers to the value-chain actors and urban markets
10.	Milk Mantra	Dairying in milk-deficit Odisha has not benefited from Operation Flood and official state-promoted dairy federation has been inefficient and loss-making. There is a significant untapped potential in the dairy sector capable of generating livelihoods for the poor	Promoting ethical milk business and practicing conscious capitalism in a traditionally milk deficient eastern Indian state
11.	Safe Harvest	Over-exploitation of land productivity by application of excessive dosage of chemical pesticides and fertilizers on one hand and growing consumer awareness for affordable 'safe food' in urban markets	Creating a unique brand identity for agricultural produce that is pesticide free and promotes value chain, linking farmers and urban consumers
12.	Simple Farm Solutions	Existing farm machinery often at high capital investment offered by corporates and those products overlook needs of farmers with small parcels of land and low capital investment appetite. On the supply side, labour shortage at critical times and higher costs of labour	Developing, manufacturing, and marketing innovative, affordable, and quality machinery for farmers with small landholdings and reducing drudgery
13.	Skymet	Lack of timely, accurate, and detailed localized weather advisory services for all stakeholders (farmers, insurance companies, and governments)	Providing accurate and reliable weather advisory services to a range of stakeholders in the economy in general and those connected with the agriculture sector in particular
14.	Tamul Leaf Plates	Existing chemical products environmentally unsustainable, leading to significant damage to local ecology	Promoting decentralized production of leaf plates using locally available raw material; replacing synthetic product with environmentally sustainable Product
15.	Under The Mango Tree	A vast and yet untapped opportunity that has potential for both direct livelihood enhancement and indirectly, productivity of other agricultural crops	Promoting bee-keeping for better agricultural productivity and market linkages for honey

Source: Kanitkar and Prasad (2019)

Table 5.6: Social goals articulated and demonstrated – access, assurance, and affordability

S No.	Enterprise	Social goals
1.	AgSri	Water conservation, environmental protection, and low carbon footprint (<i>assurance</i>)
2.	Earth360	Diminishing role of millets in the food basket of the poor and getting it back at the centre of action both for farmers and consumers (<i>access</i>)
3.	Ekgaon	Digital platform as a tool to build linkages both at the back end and at market end (<i>access</i>)
4.	Ergos	Existing warehousing services facilities are skewed towards large farmers and hence not accessible as also affordable. Farmers lack trust (<i>assurance</i>) too, unsure if the facility is free from wastage or pilferage.
5.	FlyBird	Substituting high cost imported controllers (<i>access, assurance, and affordability</i>)
6.	Fresh Produce	Buying entire produce (not just A-grade) of farmers thus overcoming major deficiencies in other private operators (<i>access and assurance</i>)
7.	Green Agrevolution	Promoting a value-chain for farmers in Bihar (<i>access</i>)
8.	Knids Green	Market linkages for farmers producing fruit and vegetable markets (<i>access</i>)
9.	Krishi Direct	<i>Access and assurance</i> to market for a volatile perishable crop such as tomato
10.	Milk Mantra	<i>Assurance</i> of ethical business practices and fair return to farmers influenced by the belief of principle of conscious capitalism as also assurance of quality to urban consumers
11.	Safe Harvest	Access for farmers producing non-pesticide agricultural produce and assurance to urban buyers for the fidelity of NPM (non-pesticide management) product
12.	Simple Farm Solutions	Small farmers who are never at the centre of any innovation for machinery manufacturers; thus <i>access and affordability</i> ; co-creation of design of machinery and testing at farmers' site so as to ensure easy adoption and ease of maintenance at a later stage
13.	Skymet	<i>Assurance</i> of quality weather advisory services at affordable costs; accurate, timely, and relevant for local conditions, so necessary for farming operations information
14.	Tamul Leaf Plates	Access to market for a large number of scattered producers
15.	Under The Mango Tree	Responding to both productivity enhancement and creating access market linking

Source: Kanitkar and Prasad (2019)

INSIGHTS FROM THE STUDY OF SOCIAL ENTERPRISES

Certain patterns and commonalities were observed in the individual journeys of social entrepreneurs. While each enterprise is unique, there are a number of lessons for the stakeholders including individuals who aim to promote their own SEs in times to come. The case studies offer rich insight into the challenges that they are likely to face and the capabilities that they need to acquire to be better equipped and be successful in their business activities.

Stories of Courage and Personal Risk-taking

The fifteen social entrepreneurs profiled here have displayed great personal courage and conviction. All of them have a huge risk-taking appetite. Leaving a secured career trajectory with certain assurance of reaching top management/ leadership positions, albeit in an enterprise promoted by someone else, requires huge risk-taking aptitude. Ample evidence of this trait is seen in many of the individuals who were covered here.

There were three case studies from Bihar, the entrepreneurs were well-settled in their respective

professions while working in Bengaluru, far away from their home state. They had no connection with agriculture except a passion that connected them to return to Bihar, their home state to do some grounded work and contribute to the well-being of fellow farmers there. This was a tough and risky personal career choice. But all three took the plunge. The two women entrepreneurs in this study, too had assured jobs and a definite career path that did not pose many uncertainties.

Social Entrepreneurs as Innovators

Management literature on corporate entrepreneurship offers numerous evidences of how the entrepreneur is able to forge a breakthrough in either product design, manufacturing, marketing or in all these three domains to make a dent in the market. Innovation helps the entrepreneur to offer something new to fulfil an existing or even a non-existent demand of consumers. The trajectories of personalities such as Apple founder Steve Jobs to an owner of a small business display these qualities - of an innovator disrupting the status quo. This point was first made in a most emphatic manner by C. K. Prahalad in his book *The Fortune at the Bottom of the Pyramid*. The famous example of the 'Jaipur Foot' testifies to these observations. The cost of an artificial limb was brought down by 54 times (5,400 per cent) from the nearest competitor, an imported product. The social entrepreneurs profiled here demonstrate many qualities, innovation and creativity being one of them.

Search for the 'Right' Business Model

While entrepreneurs in general and social entrepreneurs in particular might quickly identify a gap or a deficit in the existing product or market ecosystem that they wish to address through their business, the appropriate response in terms of devising a 'right' business model may take many years. The business needs to commit significant amount of both human and financial resources. There are no blueprints available and most of the entrepreneurs covered here have found a 'right' business model after going through several

phases of experimentation before settling down on the current business model. What is the average time for incubation? Is there a standard prescribed time norm for the enterprises to get this model right? From the case studies, it is difficult to predict this time frame. However, what is clearly visible is that the search for the 'right' business model requires a long haul. There are no readymade business models out of the shelf. There are no bankable project reports that can be copied and implemented off the shelf. The time for testing, calibrating, retesting, and recalibrating might take even five to seven years till the SE is able to finalize its business strategies.

Collaboration and Partnering as Strategy to Build Farmer Linkages

Some of the SEs which do not have a hybrid model are proactively collaborating with other actors in the enterprise ecosystem, specifically to build interface and subsequent business linkages with farmers. In doing so, they seem to be adhering to the strategy of building on core competency. If the enterprise specializes in establishing market linkages and marketing products and services, they develop partnerships with Farmer Producer Companies (FPCs), Federations of women, Joint Liability Groups (JLGs), farmers' clubs, and so on. All these formal and informal institutions of farmers have been promoted under the auspices of several programmes supported by national institutions such as NABARD and Small Farmers' Agribusiness Consortium (SFAC) of the central government. Other programmes such as the Agricultural Technology Management Agency (ATMA) have also encouraged farmers to promote formal and informal groups. In many of these government and NGO supported programmes, while valuable social capital is created, the organizations remain clueless in terms of actions that need to be taken to engage with the market. Neither have they had requisite professional experience nor financial capital to join marketing activities. Some of the social enterprises have stepped in to fill this space. While Farmer Producer Organizations (FPOs);

FPCs when registered as a company) continue to focus on mobilization and increasing productivity, the subsequent value chain interventions are undertaken by the SEs in the agri-sector that have the potential to contribute significantly to the well-being of small and marginal farmers, who can then engage with markets on a collective basis in partnership with social entrepreneurs.

Balancing Social and Business Objectives - A Tightrope Walk

A SE, by its very definition aims to achieve both commercial and social objectives. While doing so, they experience dilemmas that require them to arrive at decisions that are inherently complex. What are these dilemmas? What are the trade-offs that they have to weigh on before settling on a particular decision? There were several examples among the SEs covered here that present illustrations of these dilemmas. These entrepreneurs had to face conflicting and competing decision options in pursuit of their business.

Cross-subsidizing the small and marginal farmer with revenue streams generated from other key stakeholders such as processors, large traders and financial institutions, among others was another pillar of the business strategy. They were also conscious of monitoring key variables both on the commercial side as well as social side of the business - such as percentage capacity utilization (commercial) and percentage of marginal farmers utilizing the warehousing services (social).

Finding Competent and Motivated Colleagues and Staff

Like any other enterprise, SEs and their promoters have to identify, recruit, train, nurture and retain competent staff to manage the business operations. This task becomes more challenging because in the initial years, the enterprise might not be in a financially sound position to offer competitive salaries and work environment to attract employees with necessary

skill-sets. The nature of the enterprise also builds in a level of uncertainty of secured employment that a prospective employee is seeking. The SEs have addressed this challenge in different ways while recognizing the need to have qualified staff. However, there were at least three enterprises where key management staff had quit the enterprise (in between field interactions and writing of this chapter), and dialogue had to be resumed with a new set of senior employees in those enterprises.

Finding Funding for the Enterprise - An Abiding Challenge

Funding for a SE is a dynamic process right from the stage of incubation of an idea to the next stage of establishing proof of concept. Once the SE is on the road to expansion, the nature and scale of funding requirements also undergoes a change. Many of the enterprises have access to some grant funding and incubation funds for commercial operations; except a few, all others are continuously under stretch situations. Some of them have ploughed back personal awards and consultancy income to meet needs of working capital finance.

In spite of many of the promotional schemes and programmes of the current and earlier governments, there seems to be a permanent and persistent bottleneck for all emerging entrepreneurs and more so for social entrepreneurs to source adequate funding both for capital expenditure and operations. There is clearly *no ease of doing business* when it comes to SEs for agriculture catering to farmers' interests in rural areas. There are several instances of challenges faced in finding funding for each SE presented here.

Performance of Social Enterprises in the Study

Social enterprises aspire to achieve both social and commercial goals. Profitability and balance-sheet information is a direct and unambiguous measure of any enterprise in any

sector of the economy. An enterprise is either a profitable or loss-making entity. There are no other possibilities beyond profit and loss. Over and above the profitability matrix, mainstream financial institutions have devised several other parameters to evaluate the financial well-being of any enterprise. Return on Investment (RoI) and Return on Equity (RoE) are the universally accepted. There are internationally accepted best practices for sharing and dissemination of financial health of an enterprise. RoI and RoE are also sector-specific and factor in the gestation period needed for the enterprise depending on the nature of the enterprise portfolio. RoI and RoE are different for an infrastructure project such as a port and an airport and say a restaurant.

If we use some of those standard parameters such as gross profit, net profit, and profit allocation to create reserves and surplus for the enterprise (as reported in the annual financial statements of the enterprise) and apply it to the enterprises covered in this study, except for one or two enterprises, all the remaining entities are not yet profitable even after five to seven years of their operations. Some of them continue to struggle even to generate operational surplus. These are striving hard to reach break-even in their operations.

Earlier in the chapter, the idea of three broad pillars was introduced, the trinity of *access*, *affordability*, and *assurance*. The SEs design their business models and functioning to address one or all of the deficits in the trinity. The objective here was neither evaluation nor auditing of the enterprises, but mapping the current status, a sort of documenting the state of social enterprises on an as-is-where-is basis. From these fifteen case studies, it has been observed that there is still some long way to travel for these enterprises where one would identify them as success stories. These are not necessarily best-case success stories but are organizations in the making and in their journey to attain financial viability.

A related question is to study the performance of these enterprises *vis-à-vis* their social objectives. While there are comparatively easier benchmarks to measure profitability and hence attainment of economic objectives, performance on social parameters are difficult to quantify and evaluate.

Some observations and learnings are presented here.

Outreach with X or Y number of farmers has been one of the most easiest and direct method of measuring social goals if lack of access has been identified as one of the triggers for launch of a SE. The number of farmers reached either for providing extensions/advisory services or enrolled for procuring their produce or having benefitted from sale of inputs or market linkages or those provided with warehouse facilities, are direct measures of success as identified through number of farmers. In most of the case studies in this book, enterprise promoters in addition to sharing financial information, have also discussed with us outreach numbers.

In addition to access, assurance (of quality, price, and linkage) is another dimension of assessing the social goals. So while an enterprise might have enrolled 4000 farmers in its supply chain, if it actually has 500 active farmers regularly supplying their produce to the enterprise, scale and outreach numbers alone are inadequate reflection on the social performance dimension of the enterprise. Similarly, if there are huge dropouts (similar to dormant membership) amongst the customer base in the market, one might argue that due to lack of consistency in business dealings, customer retention is low.

The third aspect in addition to access and assurance is affordability for the receiver of enterprise services and products. We have an interesting example in one of the case studies where selling farm machinery costing INR 30,000 to INR 40,000 actually is economically a sound proposal for the enterprise as compared to selling a machinery costing just about INR 3000 to INR 4000. Small farmers would certainly benefit from lower cost equipment as they would find it affordable. However, if the SE decides to stick to pursuit of social objectives, it might actually focus on selling low price-lower margin products and thereby not earn sufficient revenues to cover its costs. In another case study, the social vision of the promoter is to incubate a decentralized (not a centralized huge capacity) millet processing, community-based, enterprise model. While such a model might make the services affordable to a large farmer, in terms of time required to reach

Table 5.7: SEs and access, affordability, and assurance

Social enterprise	Access	Affordability	Assurance	Comment
AgSri	To the farmers through cooperatives	Yes but farmers want subsidy	Yes	In spite of productivity enhancement promise, there seems to be rather slow uptake of the technology
Earth 360	For consumers keen to buy millet-based products	-	Farmers cultivating millets for marketing	
Ekgaon	For inputs and markets through internet platform		To farmers on inputs and market linkages	There are now many platforms offering similar services across the country
Ergos	Small and marginal farmers, warehousing at doorsteps	At price they can afford	Product is safe, liquidity too is assured	
FlyBird	Comparable price makes it accessible to small farmers	Cheaper compared to high-priced imported product	Tested with farmers and hence on quality	
Fresh Produce			Entire produce will be purchased and not just A-grade, consumers benefit from traceability	
Green Agrevolution	To markets		For urban consumers	
Knids Green	Small farmers to markets		For market linkages and quality for consumers in cities	
Krishi Direct	-	-	For perishable produce for processing	
Milk Mantra	-	Urban consumers benefit	To milk producers on ethical practices and timely payment	
Safe Harvest	To farmers in different locations and connect to markets	-	Of no pesticide quality product to urban consumers	
Simple Farm Solutions	-	Price competitive and thus small farmers can afford	Based on their needs so assured quality for famers	
Skymet	To farmers irrespective of landholding	Available since government is the service provider	The advisory that can be relied upon	
Tamul Leaf Plate	Decentralized production system thus easy to reach for farmers	-	-	
Under the Mango tree	-	-	Of high quality for consumers and price realization for farmers	

Source: Kanitkar and Prasad (2019)

a large number of farmers (access), it would be taking a long gestation period.

In Table 5.7, an attempt has been made to summarise the impressions of the performance of the SEs on this trinity.

Need and Importance of a Hybrid Model and Blended Finance

Two kinds of ‘for-profit’ entities were observed, with some SEs operating a hybrid model; which in essence meant two different legal formats of organization.

Of the two, one type is engaged in commercial activities (for-profit, income generating) such as selling inputs; selling advisory services for a price; building linkages with wholesale, retail, and consumers in the market; brand promotion; etc. These for-profit entities are legally registered as private limited companies with a single or group of promoters. These enterprises sell products or services, for example, honey collected from farmers, farm equipment for small farmers, and nursery plants for sugarcane farmers. The revenue that is generated from these operations is the income stream for these SEs.

The second type of SEs are simultaneously both a for-profit and a not-for-profit entity. The not-for-profit is receiving grants and donations. For these hybrid entities, the source of revenue is divided among the for-profit and not-for-profit organizations. These enterprises are typically addressed as hybrid entities.

The presence of both the hybrid and private sector model raises several interesting questions. In the paragraphs below, some observations that have been derived from the case studies are presented.

One of the entrepreneurs was candid in interactions saying that his investors were reluctant to spend ‘their money’ on promotional activities such as training of farmers, organizing them in groups, promoting better production of vegetables, etc. ‘They want their investment to go for business expansion,’ was his experience with those investors. The investor’s expectation that enterprise growth will automatically happen without investing in the back end of the value

chain is to be noted. Social enterprises are expected to achieve a double or a triple bottomline achieving several, often conflicting objectives, set out by their promoters. However, if the development, research and extension costs are not met by the enterprise, it might be unrealistic to expect that the enterprise would attain social objectives. Last mile connectivity is a word that has become a cliché in the development sector. However, experiences in several sectors such as health, education, and nutrition do indicate that if poor and marginalized communities, who are often invisible and disempowered, have to be reached, the intervening agency needs to commit to additional efforts, both in terms of time and financial resources. Only when such efforts are made, the marginalized can be included in any mainstream developmental activity. The same experience holds true for organizing economic activities. It might be comparatively easier to organize male farmers engaged in sugarcane cultivation, horticultural crops, or dairying. The same can’t be said with confidence if women tribal farmers cultivating minor millets are to be organized to undertake an economic activity leading to better income for them.

An SE working with tribal women farmers would need additional resources to build an efficient agriculture value chain for produce of such farmers. These additional costs are typically research and development, extension, and promotional costs that certainly necessitates infusion of grant money either into the SE or an associate entity - a trust or an NGO in the hybrid model. It might be impractical to expect that a SE would be able to generate sufficient revenues, earn significant surplus and pool it back to develop farmers’ base. Even in corporate sector promoted businesses, greenfield projects have long gestation periods. These are subsidized by the government by way of offer of land at no or concessional costs, tax breaks for a certain number of years, and exemptions of other types. These hidden subsidies make those investments attractive for a corporate sector. Such considerations need to be taken into account when one is examining the mandate of SEs.

There were also several examples where the NGO in the hybrid entity is taking responsibility

of all non-commercial and development activities. The grant receiving entity in the hybrid model of SEs have several roles.

Firstly, some of those entities have provided a training ground as an incubator for the promoter to test her/his idea of the enterprise. Only after gathering sufficient experience of working with the farmers, understanding the commodity market, gaining insights into both the production and marketing process and understanding the entire value chain that the social entrepreneur has consolidated her/his experiences and launched the SE.

Secondly, the hybrid entity provides flexibility and a cushion to absorb some of the early business risks. It also provides sufficient bandwidth to explore expansion possibilities either in terms of diversifying the product mix, enlarging farmer base, or reaching to new geographies. Two SEs from Bihar described here work with a hybrid model; both of them derived advantage of having grant money to expand and consolidate their business operations while the third SE from the same state (Ergos) is not a hybrid entity.

Third and very critical role of the hybrid entity is allowing space for the SE to innovate, especially to achieve the social objectives in terms of access, assurance, and affordability. The grant money can act as a catalyst for boosting innovation.

So, essentially the role of hybrid entity is to strengthen the possibility of the SE attaining its commercial objectives without missing out on social objectives defined either as inclusion, last-mile connectivity, or wider outreach to deserving farmers. In earlier paragraphs, access, assurance and affordability are described as the key pillars.

From the above discussion, it is evident that enterprises that are started for a cause need initial start-up grants. It is unreasonable to expect that a promoter of an SE will have huge resources to ensure the last-mile connectivity in terms of reaching out to farmers. Social enterprises have typically stepped in where there are both market failures and government oversight and or neglect. Such pioneering efforts will not necessarily start with a revenue stream in the first few years, they would necessarily require a promotional grant capital. However, as they move on the continuum from a fully grant-based to full revenue sustained

operations, different types of capital infusion mechanisms would be necessary. And those would have different characteristics in terms of cost of capital, waiting time, terms, and nature of stakeholders and expectation of financial and social returns. Funds will be needed for both working of the business as also expansion of the business through infusion of capital for infrastructure for the business. There is no one clear trajectory of financial needs for such enterprises unlike other mainstream businesses. Each entity will have a different trajectory depending on the life cycle of its activities and the business model. The funding support might need to align itself with the life cycle of these enterprises. It is also possible that no single funder can meet all the demands of such an enterprise and thus it may be necessary to have a diversity of funders with diverse contributions, ranging from clear grants, to working capital, to venture funds with a long (patient) wait for returns to commercial capital at market-based costs. Our case studies do indicate the nature of the diversity and the need to have this diverse, yet blended flow of money.

The governance of hybrid organizations is another critical area. In our interactions, we observed varied practices in terms of the governance structure. In some SEs that had a hybrid structure, the owner-promoter of both the NGO and for-profit activities was the same individual. However, we also observed that in a few other SEs, the two entities were at arm's length, thereby avoiding possible conflict of interests as also clearly demarcated boundaries for all financial and management functions including location of offices and employment of separate human resources for each entity. A clear, separated area of operations with two separate governance structures (Board of Directors) and transparent reporting of annual performance are the fundamental requirements for any organization, be it an NGO and or an SE.

One SE which began as a for-profit enterprise but was advised by a donor to hive off and create a separate entity to carry out development tasks. Business or commercial transactions and farmer extension task should be separately done, was the counsel from the donor. They acted upon

this advice. The grant funding of about INR 5 crore enabled them to expand their operations to newer geographies. In the absence of this funding, on their own, it would have certainly taken a longer time for them to plough back the net profit. Another social entrepreneur reflecting on the journey said that given an option to start again, would prefer not to have a dual or hybrid structure. It should only be a for-profit entity. A third entrepreneur had serious reservations about the suitability of a private limited company as an ideal legal format to organize business. The compliances, according to this person, were too cumbersome and hence partnership and/or Limited Liability Partnership (LLP) were better suited for organizing a business.

To conclude, while there is a need to have more evidence on suitability or otherwise for hybrid entities as a form of organizing an SE, it was observed that many social entrepreneurs have a dual structure that attempts farmer outreach, development and training, propagation of improved production practices through a grant or subsidy route, and thereby the entrusting of market-based activities of commercial or revenue generation to a for-profit enterprise.

MEASURING IMPACT OF A SOCIAL ENTERPRISE

Impact of developmental projects is a topic of intense deliberations in the last few years among professionals in the sector. While those with a corporate sector background argue for a clear, transparent, and unambiguous impact matrix, those from the development sector sometimes tend to be on the defensive when debates about impact happen. In corporate organizations, the annual financial statements are a direct reflection of the performance of that particular enterprise. Thus, a business enterprise is either making profit or is in loss. There are no other theoretical possibilities beyond profit and loss. However, how does one assess the impact of a SE that is supposed to balance both commercial and social goals? Are there impact matrices that can measure the complex objectives of a SE? Are

the ones used appropriate for the SEs? Should one focus first on business goals and later on the social goals or should it be vice versa? There is a direct impact and there are indirect or associated impacts. There are a number of questions around the notion of impact. While exhaustive data from all the enterprises studied here were not collected, the profiled SEs were not found to be keeping detailed and accurate measurement of their impact. It is possible that some of them might not have tracked such impact systematically as they struggled to overcome the challenges to become viable. Some of them also had hesitation in sharing financial information, though technically such information is available in the public domain and anyone can access it by paying the required fees to the office of the Registrar of Companies (RoC) and obtaining the filed information. In the following paragraphs, some observations of the authors are presented.

For instance, the promoter one of the dairy enterprise covered refused to call themselves as social entrepreneurs. They prefer to profess and practice what is articulated as conscious capitalism. In that particular business, with a significant balance sheet size of over INR 180 crores, the enterprise is yet to report an operational surplus in the eight years of its functioning. But its impact is visible in terms of creating an asset base of over INR 70 crore in a region (of eastern India) where even the huge national programme of Operation Flood of National Dairy Development Board (NDDB) could not make much headway in twenty to thirty years. The new age enterprise had to invest heavily in the extension activities to train farmers and set up a transparent milk procurement system.

Performance Measures that are Indirect and Promote Public Good

Saving water for a sugarcane crop is like creating or rather saving a huge public resource. One of the enterprises is promoting this public good. So while the farmers are directly benefitting by increase in crop productivity and savings in input costs, there are larger, ecological benefits

measured in terms of savings of litres of water that has a positive contribution towards the overall well-being of a community. Attributing values to such impact measures is indeed a challenging proposition.

A weather advisory service is a similar illustration. There are direct positive outcomes of accurate and timely advisory services for an individual farmer, there are also larger societal benefits. So while individual access is assured at an affordable cost for a large number of farmers, the government is also an important beneficiary of the enterprise we have studied in this volume. A dairy enterprise in our study has facilitated access to bank loans for 3,000 farmers to buy milch animals in Odisha. It has created public infrastructure of INR 65 crore for dairying. While conducting ethical business with farmers, its transparent milk pricing system hopefully might have generated pressure on other actors in the ecosystem to follow similar practices. If that has happened, how does one measure such indirect impact is the question that needs to be addressed.

Agricultural operations are organized around a value chain starting from inputs at the farmers' end and continue right up to the consumers in the market. These are popularly described as 'farm to fork' value chains. Some others have described the same as plough to plate. In the SEs profiled, some like Ekgaon and AgSri are working on a particular segment of the value chain, namely the inputs and/or the productivity enhancement aspects. There are others like Milk Mantra and Ergos that are adding value on the output side of the value chain. The measurement of the impact would also depend on the cost savings, if deficits are bridged on the input side. By adopting AgSri technology, a farmer is able to save on few thousand litres of water and thus a saving on cost. Similar is the saving on input costs when a purchase is effected at a bulk price by availing the services of the Ekgaon platform. The benefits on the output side are thought to be better price realization such as those in Safe Harvest or Ergos warehousing services. Marketing efforts by Krishi Star and UTMT result in similar opportunities on the market front for farmers. In all the above examples, it is necessary to capture the impact

of the enterprise. It is observed that in the enterprises studied, there is lack of accurate data on this aspect. Future studies could address this shortcoming.

In the initial paragraphs it was discussed that the SEs studied are organizations in the making. It is observed that they have to cover significant ground to demonstrate convincingly their economic and social impact. All of them have certainly initiated first steps in what is generally referred as 'proof of concept'. Many of them have moved clearly ahead of the proof of concept and have expanded in multiple dimensions including geographical coverage. For most of them opportunities to impact are multiple. The enterprises in the study need infusion of huge resources to achieve those impacts. Several questions would be asked of such enterprises since they claim to be a different, than other for-profit entities in the mainstream business. Beyond profits, what else happened? Who apart from the enterprise benefitted? Was the benefit socially relevant? How much of socially relevant benefit is an acceptable substitute for low profits? These are all relevant and pointed questions but we would urge the readers not to judge their performance because, it might be slightly premature.

Lastly, these enterprises and many more that are outside the scope of this study, offer new hope for a new paradigm of agriculture for the country. If the SE in agriculture can provide value to both urban consumers and rural citizens who are mostly farmers, that would be a unique proposition. Indian agriculture of the future needs a new breed of such organizations. The SEs engaged in agriculture and many other sectors can bring about a new direction of hope for many citizens.

THINKING HOLISTICALLY TO PROMOTE AN ECOSYSTEM THAT NURTURES SEs

If we have to nurture, promote, and strengthen, there is a need to have a comprehensive and holistic view about the functioning of the SEs. This is broadly an ecosystem approach that looks at the context, not from a piecemeal fragmented approach but in systemic way. The policy environment is conducive for this work as evident from the announcement in the annual budget of the government.

Social Stock Exchange in the Union Budget 2019–20

On July 5, 2019, the honourable Finance Minister Ms Nirmala Sitharaman, in presenting the budget for 2019–2020 mentioned about the government's intention of creating a social stock exchange. To quote from her speech, she said, *“It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion. I propose to initiate steps towards creating an electronic fundraising platform – a social stock exchange – under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.”*

Elements of a Dynamic Ecosystem

The starting point of a dynamic ecosystem is the need to have an accurate database. This is a simple yet complicated task. How many SEs are functioning in the country as of 2019? We do not have accurate information on this. The numbers might vary depending on which agency is keeping the information. Part of the reason is the absence of a clear definition that we addressed earlier in

this essay. But we need a nodal ministry and or an agency with a clear jurisdiction of what it will supervise and promote. For instance, whose task is to promote SEs in the country? Is it NITI Aayog? Is it the Ministry of Finance, or Ministry of Micro, Small and Medium Enterprises, or Ministry of Rural Development, or Ministry of Agriculture, or Department of Science and Technology? If someone has a path-breaking idea in education, agriculture, or the health sector, should that person seek support from the line ministry of agriculture or health or does this fall under some other ministry? Similar questions will be raised at the state level where activities happen. Do we have information on how many awards are given each year? What happens to the awardees? Are these awardees moving from an award stage to the business stage? Are these businesses registered? There are many such questions that might help us to build a real time information base and based on that other stakeholders can build their activities.

Incubating centres are essential stakeholders in a dynamic ecosystem for any enterprise. Social enterprises need many such incubating centres. In the case studies covered here, there are examples of a few enterprises supported and advised by Villgro, one of the incubation centres based in Chennai. Their contribution was well acknowledged by the entrepreneurs. However, if we have to see a thousand SEs to flourish in the country, we need at least hundred such dynamic incubation and facilitation centres. Institutes of technology and management (the IITs and IIMs) are such leading centres but it is important that more and more such incubation centres are located and supported in medium and small towns where there is huge untapped energy to pursue social entrepreneurship as a career option. Many of the support activities do not cross the boundaries of English-speaking elite institutions. For SEs to thrive in the country, we need to bridge this divide.

Social enterprises need adequate and diversified capital. Debt (loan), equity, and grant have been the three sources of funds for any enterprise activity. Providers of each funding instruments have their own expectations in terms of return to capital. There is a need to orient

professionals in the financial institutions on the SEs as a new form of organization. There is no precedence for them to extend financial assistance and hence a lot of awareness and education of funders, bankers, donors, and legal professionals too is needed. Credit rating or rather financial experts of a different skill-set would be necessary to strengthen this ecosystem. In Earth 360, we have seen evidence of a chartered accountant playing this role, not just limited to financial advisory but diversified role as a business and strategy consultant. As the enterprises move from incubation and pilot stage to large-scale operations, the sector would need a large number of such business counsellors and advisors. Lack of such professionals might affect the growth of the sector as unfortunately seen in a related sector that of farmer producer companies. There are on paper more than 10,000 such FPOs but not more than a few hundred are functional and growing largely because of lack of managerial and business development support services to these budding organizations.

Finally, while this is one of the early efforts in studying and documenting the work and working of fifteen SEs in agriculture, similar and multiple efforts of research and knowledge generation is needed across many sectors of the economy. There are a large number of SEs in waste management, education, skilling, and health to name a few. For the field to develop a better and richer understanding of the sector, there is an urgent need to study such enterprises in depth. While there are many annual awards that recognize the emerging entrepreneurs, there is no systematic follow-up study of the awardees. In the absence of such studies, there is inadequate knowledge on the challenges faced by the social entrepreneurs; the survival rate, the financial resources committed, and so on. It is necessary that rigorous research and case studies are instituted by policy makers to generate learning that will also have specific recommendations for policy setting.

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SMART FOOD - FOOD THAT IS GOOD FOR YOU, THE PLANET AND THE FARMER

Joanna Kane-Potaka and Parkavi Kumar

6

THE NEXUS OF BIG ISSUES THAT NEED SOLVING

In the wake of climate change and water scarcity, it is important to ensure that the Indian agriculture sector is equipped with climate-resilient approaches and crops that can survive more stressful environments to maintain food production and meet the increasing demand. On the other hand, there is a global shift towards linking agriculture and nutrition to effectively combat the issues relating to nutrition and health. This calls for an overarching need to focus on crops that are suited to meet the current environmental challenges, nutritional needs and provide a sustainable livelihood for the farmers.

This encapsulates the definition of Smart Food, which is food that fulfils all the criteria of being Good for You (nutritious and healthy); Good for the Planet (e.g., low carbon footprint) and Good for the Farmer (e.g., climate-resilient and survive with less water). Thus, a focus on Smart Food contributes to addressing some of the largest issues, globally and in India, in unison: poor diets (malnutrition to obesity); environmental issues (water scarcity and environmental degradation); and rural poverty.

Biodiversity is one part of the solution—we need more diversity on farms and in our diets. However, focusing on niche markets alone or

foods that will be eaten only occasionally will not have a major impact within a reasonable timeframe.

Diversifying the current staple foods is one solution that can have significant impact if achieved with Smart Foods. Usually, staples comprise about 70 percent of a food plate and are eaten up to three times a day. Also, staple grains such as rice and wheat, are often highly refined and the least nutritious part of the meal. Rice, wheat and maize provide over 50 percent of the calories globally. Wheat and rice contribute 70 percent of the carbohydrate intake of Indians¹.

The biggest challenge in diversifying staples is that we have a 'Food System Divide'. For decades, the vast majority of global investments have been poured into just three crops—rice, wheat and maize—the 'Big3'. This includes policy support, private industry investment, R&D, product development and even development aid. In India, these investments are mainly around rice and wheat.

The Green Revolution created a major change in the food system, popularising rice and wheat across India. Mass starvation could be averted by introducing high-yielding varieties and with government support, ensuring its availability and the accessibility of fertilisers. The Government of India (GoI) currently provides farmers and consumers safety nets like, for example, the Minimum Support Price (MSP), Public Distribution System (PDS) and Mid-Day Meals (MDMs). Until 2016, the MSP covered rice, wheat,

¹ <https://www.sciencedirect.com/science/article/pii/B9780124017160000258>

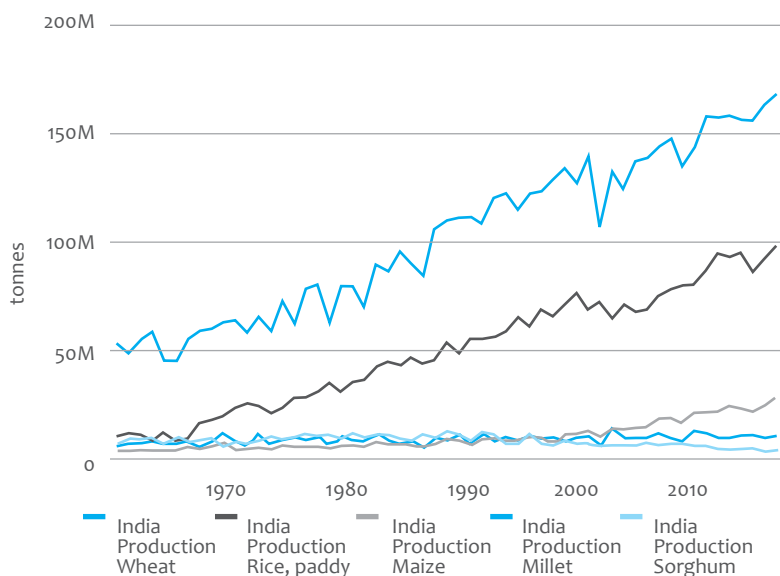


Figure 6.1: Production in India of rice, wheat, maize, millets and sorghum, from 1961 to 2017

Source: FAOSTAT (Oct 11, 2019)

pulses, oilseeds and cotton², PDS provided rice, wheat, pulses and sugar³ and MDMs supported a menu predominantly comprising rice, wheat and pulses⁴. As a result, farmers had little incentive to grow alternative crops that were more suitable to their agro-ecologies and changing climate.

Figure 6.1 shows a significant rise in the production of wheat and rice, and almost a static growth of millets and a decline of sorghum. Maize, which is part of the Big 3 staples globally, the largest producers being USA and China, is now taking off in India.

With this strong support, rice and wheat value chains became robust. When industries are well supported, they are more successful and consequently attract even more support and investment; hence, the cycle continues. This has created a 'food system divide' because of which it is difficult for other foods to break in as a staple, as their value chains are not as well developed and there is an uneven playing field. But we must

take on the challenge to achieve a major impact. We can learn from the successes of the Big3 to create a Big5, later the Big7 and so on.

The Big3 phenomenon underlines the value of emphasising on just one or two crops and having a dedicated, focused effort. In 2017, the global spotlight was on pulses with the UN International Year of Pulses. At a similar time, GoI had a 'pulses self-sufficiency' goal and was highly successful in increasing productivity and production and reducing imports⁵. Now, the Indian government has turned its attention to millets and sorghum. This is partly because the focus has not only shifted towards nutrition, water scarcity and farmers' plight, but also due to the stress laid by several organisations and individuals advocating the return and support for millets and sorghum.

THE VALUE OF MILLETS AND SORGHUM

Millets and sorghum fit the Smart Food criteria of being good for you, the planet and farmer. Their nutritional benefits fulfil some of the biggest health needs. Their resilience and survival in hot, dry conditions also make them particularly significant in the light of climate change concerns. Moreover, before the dominance of the Big3 came about, they were the traditional staple in India and many other countries. Millets and sorghum also fit most of the big global health food trends of being an ancient grain, a super-food, gluten-free, having low glycemic index (GI), good for losing weight, etc. This is relevant because if millets and sorghum are to be in the mainstream and make up the Big5, they also need to be major global commodities.

² <https://www.nfsm.gov.in/>

³ <https://pdsportal.nic.in/>

⁴ http://mdm.nic.in/mdm_website/Files/Food%20Grain%20Allocation/2019-20/3rd_4th_Qtr_2019-20_Allocation_of_FG.pdf

⁵ Ministry of Agriculture and Farmers Welfare, Government of India Sep 2018. Pulses Revolution from Food to Nutritional Security: <http://dpd.gov.in/Retrospect%20and%20Prospects/Pulses%20Revolution%20From%20Food%20to%20Nutritional%20Security%202018.pdf>



How millets and sorghum are Good for You, the Planet and the Farmer

Millets and sorghum are highly nutritious and fulfil some of the biggest nutrition and health requirements⁶:

- Finger millet has three times the amount of calcium found in milk
- Some types of millets have very high iron and zinc content (much higher than that in meat). Although plant-based iron has lower bioavailability, high-iron millets can provide as much iron as red meat, close to the recommended daily allowance of iron
- Millets and sorghum have low GI, hence are important in view of rising incidence of diabetes
- They are also high in fibre

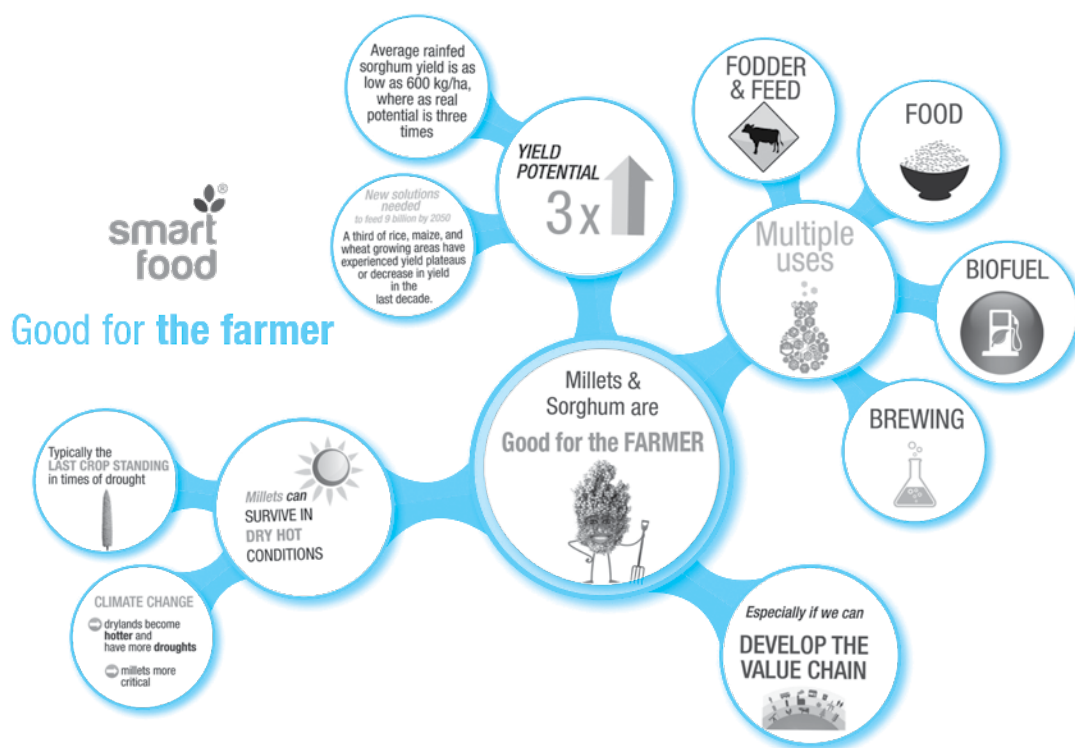
In this context it should be noted that:

- Iron and zinc deficiencies rank among the top three micronutrient deficiencies globally; anemia is a major concern
- Calcium and protein deficiencies are high in Asia and Africa
- All these are particularly important for children and women
- With rising diabetes, the need for food with low GI is critical
- On-farm diversification with millets and sorghum provide a good risk management strategy for farmers because of the strong resilience of these crops to harsh conditions⁷
- Multiple, largely untapped uses for food, feed and fodder, brewing and biofuels offer parallel markets for the produce
- Have a low carbon footprint⁸
- Survive in high temperatures
- Survive with very little water; pearl millet often described as the last crop standing in times of drought

6 <https://www.smartfood.org/the-initiative/good-for-you/>

7 <https://www.smartfood.org/the-initiative/good-for-the-farmer/>

8 <https://www.smartfood.org/the-initiative/good-for-the-planet/>



- Serve as an adaptation and mitigation strategy for climate change

Moving from the Big3 to Big7-Smart Food Approach

With the support of the Big3, farmers have had little incentive to grow alternative crops that would be more suitable to their environment and the changing climate. This scenario is on the verge of changing, especially with the financial support offered by the central and state governments to revive millet cultivation, combined with the efforts of private industry, non-profits and governments to promote millets and sorghum with consumers and processors.

KEY PLAYERS IN THE VALUE CHAIN

In India, millet and sorghum cultivation has been strengthened by several government support schemes and research interventions. The year 2018 was declared by GoI as the

National year of Millets, and it is also leading the charge internationally to have a United Nations International Year of Millets⁹.

Following are some of the key efforts undertaken to strengthen the millet cultivation, promote consumption and encourage industry investment.

Initiatives by Central and State Governments

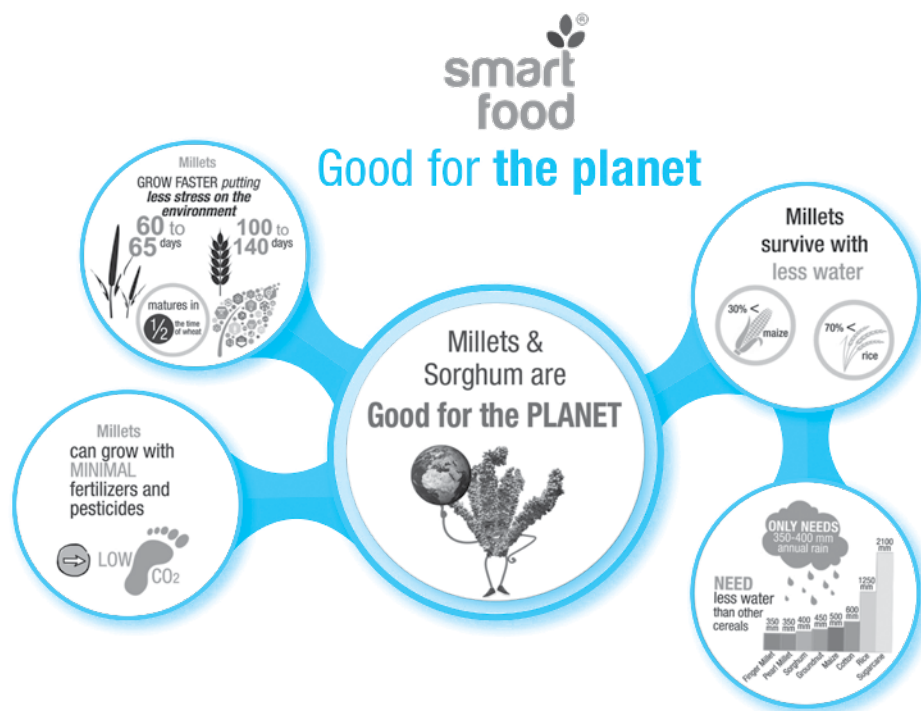
Including millets into key schemes

In 2017, millets and sorghum were added to the MSP scheme; specifically sorghum (jowar), pearl millet (bajra), finger millet (ragi) and small millets like little millet (kutki), kodo millet, barnyard millet (sawa), foxtail millet (kangni) and proso millet (cheena)¹⁰. In 2017, the PDS was declared to include sorghum, pearl millet and finger millet.

In September 2019, a letter from the Ministry of Human Resource Development (MHRD) to the states requested that sorghum, pearl millet, finger millet and kodo millet be included in the

⁹ <https://www.icrisat.org/fao-nod-to-indias-year-of-millets-2023-proposal/>

¹⁰ <https://www.smartfood.org/press-note-on-nsfm-coarse-cereals-and-national-year-of-millets/>



MDMs¹¹. A few state governments have issued policies towards its implementation. The state government of Maharashtra recently announced that the quota of rice disbursed to schools will be reduced by 25 percent and replaced by sorghum, pearl millet and finger millet (nachni)¹².

Initiative for Nutritional Security through Intensive Millets Promotion (INSIMP)

INSIMP¹³ was launched in 2011–12 under Rashtriya Krishi Vikas Yojana (RKVY-National Agriculture Development Plan) marks the very beginning of promoting millet cultivation and consumption for nutritional security in India. The programme was aimed at supporting the states by providing financial assistance for critical areas in the millet value chain such as seed production, installing processing units and organising awareness camps. The scheme was implemented in 16 states-Arunachal Pradesh, Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, West Bengal and Sikkim.

The scheme also provided financial assistance to set up three National Centres of Excellence (CoEs) in 2011:

- Chaudhary Charan Singh Haryana Agricultural University (CCS HAU), Hissar, for pearl millet¹⁴
- Directorate of Sorghum Research, Hyderabad for sorghum
- University of Agriculture Sciences, Bengaluru, for finger millet and small millets

Rain-fed Area Development Programme (RAPD)

RAPD¹⁵ is a scheme implemented in 2011 under RKVY with a budget outlay of INR 250 crore (35 million USD). Although this scheme was not specifically on millets but on rainfed farming system in general, millet and sorghum cultivation forms the major part of rainfed farming. This scheme was aimed at maximising farmers' returns by increasing productivity and minimising risks in rain-fed cultivation.

11 <http://www.smartfood.org/do-letter-mhrd-regarding-millets/>

12 <https://mumbaimirror.indiatimes.com/mumbai/other/state-boosts-mid-day-meals-with-millets/articleshow/70110875.cms>

13 <http://nfsm.gov.in/Guidelines/DRAFTguidelines%20of%20Initiative%20for%20Nutritional%20Security%20through%20Intensive%20Millets%20Promotion.doc-1.pdf>

14 <https://www.theindiapost.com/nation/haryana/centre-excellence-pearl-millet-ccs-haryana-agricultural-university/>

15 <http://agricoop.nic.in/sites/default/files/RADP5913.pdf>

Accelerated Fodder Development Programme

This programme under RKVY provided financial support for cultivation of forage varieties and dual-purpose varieties of sorghum and millets¹⁶.

Nutri-farms Scheme for districts with high malnutrition

With a budget of INR 200 crore (USD 28 million), the Nutri-farms Scheme was launched in 2013–14 promoting cultivation of nutrient-rich food crops in 100 high-burden malnutrition districts across nine states. Pearl and finger millet cultivation was promoted as part of this programme¹⁷.

Sub Mission on Nutri-cereals under National Food Security Mission (NFSM)

In 2017, on the basis of the recommendations of NITI Aayog, GoI decided to create a submission on nutri-cereals instead of the existing NFSM-Coarse Cereals. NFSM-Coarse Cereals are divided into two components: NFSM-maize and barley and Sub Mission on Nutri-Cereals covering sorghum, pearl millet, finger millet, little millet, kodo millet, barnyard millet, foxtail millet and proso millet. In April 2018, the government termed sorghum, millets, buckwheat and amaranth as 'nutri-cereals' for production, consumption and trade. Subsequently, the submission on nutri-cereals and inclusion of millets in the PDS under NFSM started with an outlay of INR 300 crore (USD 42 million) for the year 2018–19¹⁸.

Karnataka Millet Mission

Karnataka was the first state to undertake major innovative initiatives to develop the millet and sorghum value chains. Before 2013, the Karnataka government was already supporting millet and sorghum production; and after

discussions on the Smart Food initiative approach, it expanded to include strong consumer and processor advocacy and support. In 2013–14, the government of Karnataka initiated millet procurement and distribution through the PDS. In 2014–15, the state announced a bonus over the fixed MSP for sorghum and finger millet and the MSP was further increased in the year 2015–16. An International Organic and Millet Fair (Siridhanya Mela)¹⁹ was initiated by the Karnataka State Department of Agriculture (KSDA) and the inaugural event was held in April 2017. The success of the Fair has resulted in it now being conducted annually. It highlighted the much-needed common platform and interactive interface for all the stakeholders in millet production, processing and consumption, including connecting farmers to markets. This platform helped with forming the basis for negotiating MOUs between large buyers (processors and retailers) and farmer groups for the direct purchase of millets and sorghum. The Fairs were promoted through a nationwide roadshow featuring discussion forums of key government and industry players. In 2018, the government introduced a competitive scheme to support incubation of SMEs in millets and sorghum²⁰.

Odisha Millet Mission

The Government of Odisha launched a Special Program for the Promotion of Millets in tribal areas for a period of five years starting 2017. A number of pilot projects are also underway to introduce millet-based diets in Integrated Child Development Schemes (ICDS) and MDMs. The programme focuses on inclusion of millets in the state nutrition programme, increase in household consumption, improved availability and productivity of millet seeds, and strengthening of farmer cooperatives and Farmer Producer Organizations (FPOs) for better marketing. The programme has been implemented in 72 blocks in 14 districts of Odisha²¹.

16 <http://nfsm.gov.in/Guidelines/Acceler150311.pdf>

17 <https://www.nfsm.gov.in/Guidelines/NutriFarms.pdf>

18 <https://www.nfsm.gov.in/Guidelines/NFSM12102018.pdf>

19 <http://itf2019.organic-millets.in/omitf2019/>

20 <https://www.newskarnataka.com/bangalore/first-incubation-centre-for-millets-within-a-month>

21 <http://www.milletsofodisha.com/>

The governments of Tamil Nadu, Kerala and, more recently, Maharashtra, are all developing millet and sorghum strategies.

Advancements by Research Institutions

Scientific research plays a critical role and has brought on-farm interventions, better seed varieties and low-cost processing technologies to facilitate this diversification on farm. Research interventions play an important role in addressing bottlenecks in various stages of the value chain.

The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)

ICRISAT²² undertakes scientific research and development across the whole value chain, from breeding better varieties to on-farm practices to driving agribusiness, e.g., operating an incubator for SMEs and undertaking product development. The Institute is focused on the drylands, specialised in technologies that best suit these conditions and also with a specialisation of crops that best survive in these agro-ecologies, specifically millets, sorghum, pigeon pea, chickpea and groundnut. ICRISAT's gene bank serves as the world's largest repository for the collection of germplasm of for these crops. ICRISAT continues to develop better seed varieties, e.g., drought-tolerant, disease-resistant and high-yielding, that cater to the changing needs of the industry. One of the major interventions towards bridging the gap between agriculture and nutrition was under the bio fortification programme; ICRISAT and Mahatma Phule Krishi Vidyapeeth University jointly developed a high-iron variety of pearl millet, called Dhanashakti, which was released in 2012 in Maharashtra and in 2013 across India, making it the first bio fortified pearl millet released in India.

The Indian Council of Agricultural Research (ICAR)–Indian Institute of Millet Research (IIMR)–

ICAR-IIMR not only runs a breeding programme but also had the foresight to recognise the need to work across the whole value chain, supporting agribusinesses and promoting the value of millets and sorghum to consumers. As a result, they also provide a range of new technologies on millet value-added foods for commercialisation. Technologies for ready-to-eat and ready-to-cook millet products such as sorghum- and millet-based flakes, cookies, extruded snacks, vermicelli, pasta, idli mix, multi-grain flour, etc., has been licensed to food product manufacturers. IIMR has established an incubator for SMEs-Nutri-Hub²³.

Council of Scientific and Industrial Research (CSIR)

Central Food Technological Research Institute (CFTRI)-Post-harvest technologies and novel food ingredients brought about by CSIR-CFTRI, Mysore, also improved the market's access to smallholder farmers. Simple leg-operated millet dehulling machinery, finger millet dehusking machinery, cereal products such as sorghum flakes, foxtail millet flakes and shelf-stable roti from cereal and millet are some of the equipment developed for millet industry. In 2017, CSIR-CFTRI announced two of its millet technologies-composite finger millet bread and pedal-operated millet dehuller-free of charge to the entrepreneurs²⁴.

Indian Council of Agricultural Research (ICAR)

Central Institute of Agriculture Engineering (CIAE): ICAR-CIAE provides farm machinery such as manually operated pull type three-row planter for millets, bullock cart-drawn three-row planter with fertiliser drill for millets and tractor drawn six-row planter with fertiliser drill for millets. Processing equipment such as motorised multi-millet thresher, millet flaking machine and millet mill are also made available for licensing²⁵.

22 <https://www.icrisat.org/>

23 <http://www.millets.res.in/>

24 <https://www.cftri.res.in/>

25 <http://www.ciae.nic.in/Content/index.aspx>

M S Swaminathan Research Foundation (MSSRF)

MSSRF has been supporting and promoting millet cultivation in Kolli hills in Tamil Nadu and Koraput in Odisha. It has been instrumental in documenting traditional knowledge and dissemination of best cultivation practices among the tribal farmers for the revitalisation of millets. The success story of MSSRF in bringing about farmer-led value chain for millets offered several valuable lessons for developing a holistic value chain for millets and sorghum while taking into account the interconnected aspects such as conservation, consumption and marketing of local produce. Professor Swaminathan has also been a strong advocate for the government supporting millets and sorghum²⁶.

Nonprofit Organisations

Nonprofits also play a key role in demonstrating successful models on production, processing and consumption of millets and sorghum and in implementing the government schemes.

Deccan Development Society (DDS)

DDS is a grassroots organisation comprising more than 5,000 women members from the state of Andhra Pradesh. In 2007, the society inaugurated the Millet Network of India (MINI) to revive millet cultivation in the state. Currently, the MINI has over 120 members representing 15 rain-fed states in India. This network played a key role in developing the framework for central and state government schemes to revive millet cultivation encompassing concepts such as agrobiodiversity, nutrition security, climate-resilient cropping system and drought mitigation. The Society also ventured into setting up an Organic Millet Restaurant called Cafe Ethnic in Zaheerabad, a community production centre to produce millet-based ready-to-cook and ready-to-eat products in Pastapur village and a retail outlet, DDS Sangham Shop in Hyderabad²⁷.

26 <https://www.mssrf.org/>

27 <http://www.ddsindia.com/www/default.asp>

28 <https://www.wassan.org/>

29 <http://www.dhan.org/>

30 <http://www.nesfas.in/>

Watershed Support Service and Activities Network (WASSAN)

WASSAN conducted a pilot study to introduce millets into the PDS in Anantapur district of Andhra Pradesh in 2009 with financial support from World Bank under Andhra Pradesh Drought Adaptive Initiatives project (APDAI) with the support from Department of Civil Supply, Government of Andhra Pradesh and District Administration of Anantapur district. The results brought out consumer acceptance, economic viability and administrative feasibility of introducing millets into the PDS and also highlighted the possibilities of surplus production through area expansion (into quality lands) within the district given a price incentive. WASSAN is currently the implementing agency for the Odisha Millet Mission²⁸.

Dhan Foundation

The Action Research Project 'Revalorising Small Millets in Rain-fed Regions of South Asia' supported by the International Development Research Centre, Canada, was implemented by DHAN Foundation in India. The project formed 292 experimental farmer groups of various forms across all the sites in South Asia. In India, the DHAN Foundation has undertaken project activities with the women Self-Help Groups (SHGs) and farmers' groups in Tamil Nadu and Odisha. The Foundation also implemented 'Scaling up Small Millet Post-harvest and Nutritious Food Products Project' along with McGill University from 2016–18. This project aimed to develop and apply ways for scaling up small millet processing and value addition technologies²⁹.

The North East Slow Food and Agrobiodiversity Society (NESFAS)

NESFAS also aimed at mainstreaming millet consumption in the states of Meghalaya and Nagaland. NESFAS organized Mei Ramew (Mother Earth) festivals and farmers' markets to promote indigenous crops including millets³⁰.

Private Sector Millet Revolution

This renewed focus on millets and sorghum in India is nourishing the start-up revolution. Sorghum and millets fit some of the recent food trends such as gluten-free, organic, whole grains, high-fibre, diabetic-friendly, healthy snacking and sustainable diets. With the growing interest in avoiding refined carbohydrates, millets and sorghum offer a wide variety of options. The product range has also expanded in recent years with ready-to-cook and ready-to-eat convenience foods made with millets and sorghum. Starting from millet-based weaning food to millet-based workout diet, food and beverage brands are coming up with innovative millet products and making the most of the increased demand for health foods.

Farm-to-Fork restaurants

In India, farm-to-fork restaurants are gaining popularity. These restaurants with the ideology of sourcing locally grown foods and offering healthy and sustainable diets, find sorghum and millets more attractive than current staples. Restaurants such as Paaka Organic Café in Hyderabad, GoNative in Bangalore, Annamaya in New Delhi and The Bombay Canteen in Mumbai provide their customers with fine dining delicacies made from these traditional grains. Organic cafes are also coming up with variations of some of the commonly consumed food using millets. Rice-and wheat-based dish such as dosa, idli, khichdi, upma and roti are being made with different types of millets to provide healthier options for the consumers.

Product manufacturers

Top food-and-beverage companies are launching healthy alternatives that are millet based. A few years ago, Kellogg's introduced finger millet (ragi) Chocos. Recently, ITC's Aashirvaad Nature Superfood range has launched three types of gluten-free flour-sorghum and finger millet, multi-millet mix and finger millet flour. Early this year, MTR foods launched multigrain breakfast premix, iD Fresh launched finger millet idli or

dosa batter and Heritage Foods launched finger millet lassi. 24Mantra is recognised as the largest organic company in India, with a wide range of millet grains and products. Apart from these big players, small-to-medium enterprises with brands such as Soulful, Slurrp Farm, Anil Foods, Manna Foods, InnerBeing, Rigdam Health Sutra and many more also offer a range of millet-based ready-to-cook and ready-to-eat products for the urban segment.

E-commerce platforms

Big Basket, Amazon and Grofers provide these SMEs with the required online platform for scaling up. Big Basket is the largest online supermarket in India and has witnessed a 200 percent growth in millet and sorghum product sales over the last 18 months.

Retailers

Several large and small retailers are also competing to showcase millet snacks and grains under healthy food options. Big Basket's organic store also showcases their BB Royal range of millet grains, making it available in over 30 cities in India. Traditions by Foodhall, a premium lifestyle food superstore also features unique ready-to-cook and snacks products made with millets in their nine retail outlets across Mumbai, New Delhi and Bangalore. Many organic and millet small retail outlets have been established just in the couple of years, e.g., FoodLife (Bangalore), go bhaarati (Hyderabad), Native Food Store (Chennai), Kiah Super Foods (Hyderabad) and so on.

Brewery

In the North-eastern states, a millet brew, chang, is one of the traditional drinks. Microbreweries are taking advantage of the increased interest in millets and sorghum and are experimenting with recreating traditional beer and crafting new varieties, including creating gluten-free beer. Great State Ale works from Pune, Biere Club from Bangalore and Toit Brewpub from Bangalore are among the top brewers testing and perfecting millet brews.

INTERNATIONAL EFFORTS

Smart Food Initiative

The initiative is led globally by the largest agricultural research associations in Asia and Africa³¹, ICRISAT, and the millet and sorghum activities within India undertaken in collaboration with ICAR-IIMR. In 2017, the Smart Food initiative was selected as one of the top global food innovations³². Food Tank also listed the Smart Food initiative by ICRISAT as one of the 119 organisations up the food system in 2019³³.

A key objective of the Smart Food initiative is to mainstream selected Smart Foods (starting with millets and sorghum) as staples across Asia and Africa and to popularise them globally. The approach is to drive consumer demand while also encompassing all segments to ensure that the whole value chain is developed and connected back to farmers. The strategy adopted by the Smart Food initiative involves:

- Developing the Smart Food concept and messaging through science-backed information, marketing strategies and materials, and classification and accreditation of Smart Food.
- Creating a demand pull with consumers for Smart Food by undertaking a viral campaign with creative messaging, ambassadors and influencing the influencers; facilitating and advocating processing of modern convenience products with Smart Food; and facilitating engagement with the health, food service and media industries.
- Ensuring that smallholder farmers and rural communities in Asia and Africa benefit through a range of approaches facilitating and

advocating for on-farm support; connecting farmers to value chains; linking Smart Food messages with health activities on the ground; and policy support, research and development.

- Identifying and catalysing filling of knowledge gaps and scientific research needs on how these foods affect you (nutrition and health), the planet, the farmer and the whole value chain (cooking, processing and marketing).

The Smart Food initiative has run pilots in India³⁴, Myanmar³⁵, Kenya³⁶, Tanzania³⁷, Mali³⁸, Niger³⁹, and Nigeria⁴⁰ to show the acceptability and nutritional value of millets and sorghum when presented and marketed in the right way. This was achieved by a methodical approach of selecting the right combination of Smart Foods for specific nutritional needs, working with cooks and communities to design new, simple and culturally appropriate recipes and building awareness about the nutritional benefits of consuming Smart Food in fun ways that also impact the image of the foods.

One pilot study conducted by Smart Food, in association with the Akshaya Patra Foundation, brought out several lessons for large-scale introduction of millet-based meals under the MDM scheme and also validated the nutritional superiority of millets over fortified rice-based meals. Under this study, approximately 1,500 adolescent school children from peri-urban Bangalore, Karnataka, were provided with millet-based MDMs, balanced with pigeon pea and vegetables. The dietary intervention programme conducted for a period of three months showed significant reduction in the extent of undernutrition. A random sample of 10 percent of the children showed 50 percent faster growth than those eating fortified rice-based meals and the children rated the meals 4.5 or higher out of

31 <https://www.smartfood.org/executive-council/>

32 <https://www.icrisat.org/smart-food-selected-as-a-global-launch-food-innovation/>

33 <https://foodtank.com/news/2019/01/119-organizations-to-watch-in-2019/>

34 <https://www.smartfood.org/activities/india/>

35 <https://www.smartfood.org/activities/myanmar/>

36 <https://www.smartfood.org/activities/kenya/>

37 <https://www.smartfood.org/activities/tanzania/>

38 <https://www.smartfood.org/activities/mali/>

39 <https://www.smartfood.org/activities/niger/>

40 <https://www.smartfood.org/activities/nigeria/>

(Kenya Standard number-KNWA 2839-2:2018) and wheat flour with sorghum⁴⁷ (Kenya Standard number-KNWA 2839-5:2018).

SUSTAINABILITY LABELLING

The impact of food items on a planet is significant and there is a severe gap when it comes to conveying the environmental footprint of a food product to its consumers. Labels such as 'Organic', 'Eco-friendly' and 'Naturally grown' do offer a synonymous connotation to sustainable food production, but are not comprehensive enough to measure the impact on water resource and the end-to-end carbon footprint. There are a few initiatives from private firms such as Unilever and P&G to implement ethical and sustainable production and sourcing of agriculture commodities. Even here, very rarely are these efforts transcribed as labels or certification in the final product and to the end-user. For example, Unilever, one of the largest Fast-Moving Consumer Goods (FMCG) companies has committed to produce crops with high yield and nutritional quality while keeping the resource inputs as low as possible through Unilever Sustainable Agriculture Code 2017⁴⁸. The code elaborates a set of principles and lists them under three criteria—mandatory, expected or leading. Legal compliance such as license for the use of water quantities are listed as mandatory; while local sourcing and integrated pest management are listed as expected and reduction and reuse of water is listed as leading.

Sustainable Sourcing

Nestle has committed towards sourcing 100 percent raw materials locally and has partnered with International Fertiliser Development Centre to train more than 30,000 Nigerian farmers on millet and sorghum farming⁴⁹.

WAY FORWARD

India is in an interesting position: While it needs Smart Foods like millet and sorghum to tackle issues of malnutrition, environmental and farmer welfare issues, it also has the opportunity to be a world leader in such Smart Foods.

India is not unique in these challenges and many countries can benefit from the Smart Food approach through development of major new industries in millet and sorghum. This is a major business opportunity as well as a social and environmental need. India is the most advanced country in the world for product development of millets and sorghum and has the widest production of these crops, growing all the types of millets and sorghum.

There are also untapped strategic opportunities for India to collaborate with countries in Africa, to share technologies and expertise in millets and sorghum and jointly develop the industries and markets. Business joint ventures, government collaborations and more opportunities are at the fingertips of India.

The biggest challenge for global recognition is that traditional millet-growing countries have not focused enough on modernising millets, and in the West, very little is known by consumers about these grains. As a result, market awareness (consumer and industry) is one of the first steps needed to build markets. As mentioned earlier, millets and sorghum fit the largest global health food trends and there is a need for these crops to help cope with and contribute to combating climate change. Just like the 2013 UN International Year of Quinoa was the tipping point for quinoa becoming globally known, and the 2017 UN International Year of Pulses drove significantly more products onto the market, we now need to find the trigger to bring millets and sorghum onto the global stage.

47 <http://onlinecatalogue.kebs.org/webquery.dll?v1=pbMarc&v4=592587&v5=3X&v8=592588&v9=4&v10=N&v11=184708&v13=4A&v20=4&v22=4A@KNWA%202839-4:2018&v23=0&v25=Joint%20Technical%20Committee.&v27=15018&v35={0}{0}{0}{0}&v46=592588>

48 https://www.unilever.com/Images/sustainable-agriculture-code--sac--2017_tcm244-515371_en.pdf

49 <https://www.nestle-cwa.com/en/csv/nestl%C3%A9-nigeria/our-projects>

GENERATING SELF EMPLOYMENT AMONG THE POOR - AN ALTERNATE WAY TO PROPEL INCLUSIVE ECONOMIC GROWTH

7

Madhu Sharan and Sahaana Sankar

INTRODUCTION

Employment, if accompanied by a reasonable level of income, is a powerful tool to fight poverty and inequality. Recognizing poverty to be the biggest global challenge, the United Nations referred to eradicating poverty as its number one goal in achieving Sustainable Development Goals (SDGs) by 2030. Recent review of the SDGs point out that extreme poverty rates have fallen by more than half since 1990.¹ While this is a remarkable achievement, one-in-five people in developing regions still live on less than \$1.90 a day. Millions more make little more than this daily amount and are at risk of slipping back into extreme poverty. It is imperative to create job opportunities for this category to enable them to at least live at a minimum subsistence level. Globally, more than 800 million people are still living on less than USD 1.25 a day and many lack access to adequate food, clean drinking water, health and sanitation facilities. Women are disproportionately affected; they are more likely to live in poverty due to unequal access to paid work, education and property. Progress has also been limited in regions, such as South Asia

and sub-Saharan Africa, which account for 80 percent of the people living in extreme poverty.²

It is a common belief that the main reason for poverty is unemployment but this is incorrect. Over 200 million people across the world are unemployed. This is a huge number but pales in comparison to the 900 million who are employed but earn so little that they and their families are unable to meet their basic minimum standards of living, earning less than USD 2 per day.³ For the poor, their prime asset is their labour, which they either sell to their employers in an employment relationship; or to themselves in self-employment. The poor are largely engaged in self-employment and we turn to it now.

SELF-EMPLOYMENT-DEFINITION AND PROFILE

Enabling self-employment has been a way of creating a larger space in job markets to promote work opportunities for the unemployed people and to empower them financially. It's an effort by policymakers to bring more and more into the

1 According to SDG Fund reports (<https://www.sdgfund.org/goal-1-no-poverty>), global poverty has reduced from 1.9 billion in 1990, to 836 million in 2015.

2 <https://www.sdgfund.org/goal-1-no-poverty>

3 ILO, 2013.

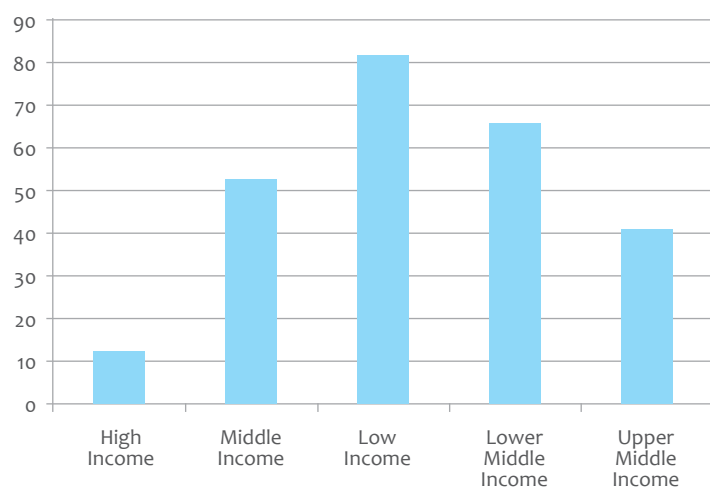


Figure 7.1: Percentage of Self - Employed Persons in Global Economies

Source: <https://data.worldbank.org/indicator/SL.EMP.SELF.ZS>

fold of mainstream market activities. However, it has been done without giving much thought to the nature and kind of self-employment opportunities that are being created. If done properly and with the right market conditions, self-employment is a great option to bridge the gap that often arises in government efforts to create quality employment opportunities. It helps spur entrepreneurship opportunities and also helps tackle rising unemployment rates.

Self-employment is generally defined as persons operating individual enterprises, perhaps employing others or perhaps not (the latter sometimes being called ‘own-account workers’), and persons operating or working in household enterprises. The self-employed may be in urban or rural areas. They may be in agriculture or outside of agriculture.

In the developing countries, self-employment is the norm. 53 percent of workers in low income countries and 36 percent in lower middle income countries are self-employed, predominantly in agriculture in both cases. In South Asia, 85 percent of Indian workers are in self-employment or casual employment.⁴ Figure 7.1 provides an estimate of self-employed persons in the world.

Self-employment is often associated with working ‘informally,’ or ‘in the informal sector’, but this is not true as ‘informality’ is not well defined and even if ‘informal employment’ has been defined in terms of those who are working

outside the protection and regulation of the State, there is no clear data on the number of self-employed people by this definition.

Additionally, on some occasions, self-employment, is also equated with entrepreneurship, but this is also erroneous as entrepreneurship involves a certain measure of initiative, foresight, risk taking on the part of the entrepreneur to grow one’s business, which may not always be the case. In contrast, a self-employed person is anyone who is working for oneself instead of working for a wage or salary in an organization run by others, which is the case of wage employment. Moreover, for many, especially in developing countries, the goal of self-employment is limited to a short period of time until one finds a more remunerative job, either in the Government or in the private sector.

And, finally, the self-employed are also a ‘poor group.’ The International Network of ‘Women in Informal Employment: Globalizing and Organizing (WIEGO),’ draws a profile of self-employed people represented in Figure 7.2

As can be seen, the self-employed are concentrated in the high-poverty-risk, low-average-earnings categories.

GLOBAL GENDER GAP IN SELF-EMPLOYMENT

According to the Global Poverty Project, women make up half the world’s population and yet represent a staggering 70 percent of the world’s poor. Women face worse prospects in almost every aspect of their daily lives – education, employment opportunities, health or financial inclusion.

In terms of economic growth, it is best to say that economic growth is gender blind and while it has, in the past, created some employment opportunities, these opportunities were superimposed on a social fabric that was gender unequal and indisposed towards women. Unpaid care and domestic work fall within this ambit of gender inequality leading to unequal opportunities for women in the labour market. According to ILO’s findings, women’s pay is 20

4 Gary S. Fields, ‘Self-employment in the Developing World.’ 2013

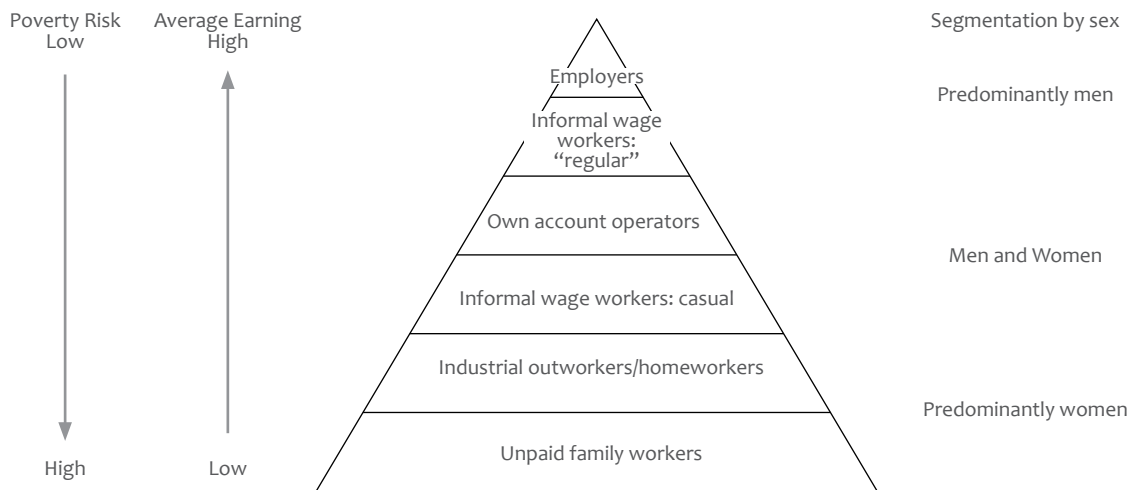


Figure 7.2: Profile of self-employed

Source: Chen (2012, p. 9)

percent lower than men's, as a global average. This discrepancy is linked to a career-long 'motherhood wage penalty', which contrasts with the fact that fathers enjoy a 'wage premium.'⁵

This trend is also reflected in self-employment *vis-a-vis* total employment in the countries across the world. A substantially high percentage of women in low and middle income countries are involved in self-employment as, due to high incidence of poverty and low level of literacy, skills and general awareness, they lack the bargaining power to be employed in paid private and government jobs. Hence, they mostly end up working in the unorganized sector or taking up self-employment.

According to an ILO Report of 2018, women were more likely to work in low-skilled occupations and face worse employment conditions than men. Women are also "more exposed" to informal jobs lacking social protection in more than 90 percent of sub-Saharan countries, 89 percent of Southern Asian States and almost 75 percent of Latin American nations.⁶ Figure 7.3 depicts the global representation of self-employed women as compared to the total self-employed.

SELF-EMPLOYMENT IN INDIA: TRENDS AND PATTERNS

With growing unemployment and lack of adequate job opportunities in India, self-employment has assumed alarming proportions. Nearly half the labour force in the country today is self-employed. While the National Sample Survey Office's (NSSO) data of 2011-12, pegged self-employment at 3.5 percent, the latest NSSO job survey for 2017-18 had shown a spike in the unemployment rate to over 6 percent, a 45-year high, but the report was not released by the government, which termed it as a draft report.⁷

India's working poor (just under 60 percent, taking USD 2 as poverty line) are characterized by structural inequalities, degrees of informality, low wages, little or no social protection, very low levels of education, skills and health. Given the lack of suitable jobs and avenues for investment, people opt for self-employment and use their funds in owner-managed enterprises. Self-employment in India is synonymous with 'under employment,' as almost 81 percent of the self-

⁵ <https://ourworldindata.org/female-labor-force-participation-key-facts>

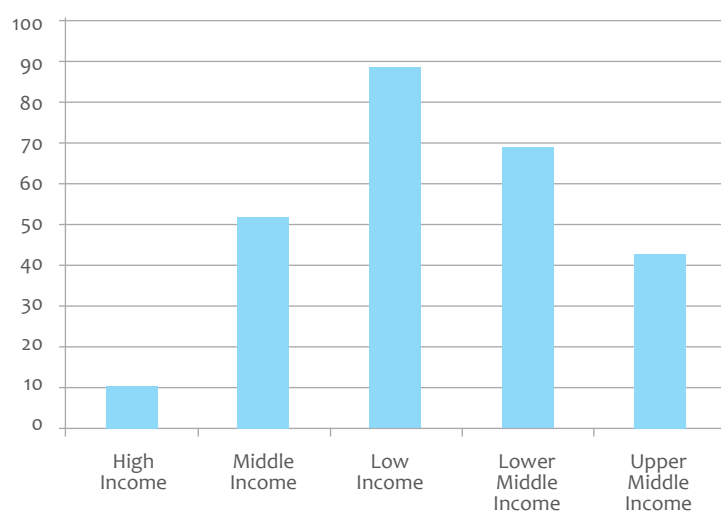
⁶ <https://news.un.org/en/story/2019/03/1034221>

⁷ <https://www.indiatoday.in/business/story/india-unemployment-rate-6-1-per-cent-45-year-high-nssoreport-1539580-2019-05-31>

Table 7.1: Self Employment as a percentage of total workers

Type of Employment	SELF EMPLOYED			
	1999-2000	2004-05	2009-10	2011-12
Survey Years	1999-2000	2004-05	2009-10	2011-12
Rural Male	28.99	28.86	28.35	28.99
Rural Female	11.18	12.03	9.62	8.95
Urban Male	8.40	9.46	4.81	10.49
Urban Female	1.61	1.97	1.74	1.99
All Persons	50.17	52.31	49.53	50.42

Source: National Sample Survey Office, Employment and Unemployment Surveys, various rounds

**Figure 7.3:** Percentage of self-employed women vs total self-employed

Source: <https://data.worldbank.org/indicator/SL.EMP.SELF.FE.ZS>

employed work in the unorganized sector and live on less than INR 20 a day.⁸ This brings us to another reality that, in India, if a person does not have a job, she or he becomes 'self-employed'.

As per the estimates (NSSO- 2011-12), 50.42 percent of the people are self-employed including primary, secondary and tertiary sectors in India. At 54.2 percent, the number of people self-employed is higher in rural areas as compared to 41.4 percent in urban areas.

Close to 81 percent of all employed persons in India make a living by working in the informal sector, with only 6.5 percent in the formal sector and 0.8 percent in the household sector⁹. 97 percent of the workers in informal sectors are self-employed¹⁰.

8 The National Commission for the Enterprise in the Un-organized Sector (NCEUS) 2007 report found that almost 8 out of 10 Indians lived on less than INR 20 a day (USD 0.28 a day).

9 Women and Men in the Informal Economy – A Statistical Picture (Third edition), 2017 International Labour Organisation (ILO)

10 NSSO, 2011-12

11 NSSO Report on Employment and Unemployment Situation in India and Informal sector 2011-12(68th Round)

Sectors of Self-Employment

Speaking of the sectors of self-employment, in rural areas nearly 63 percent of male workers are engaged in agriculture. A large proportion of workforce under the self-employed category is still dependent on the agricultural sector (48.9 percent employment share in 2011-12). The percentage of male engaged in secondary and tertiary sectors stands at 19 percent and 18 percent, respectively. Historically, in rural areas a larger percentage of the female workforce is involved in agriculture. The NSSO survey showed that nearly 79 percent of the female workforce is engaged in agriculture while secondary and tertiary sectors shared 13 percent and 8 percent of female workers, respectively. In urban areas, the agricultural sector engaged only a small number of total workers i.e. nearly 6 percent of male and 14 percent for female workers.

However, with the gradual decline of jobs in the Agriculture sector (from 18.4 percent in 2011-12 to 15.4 per cent in 2015-16.), a growing proportion of the workforce is moving to non-farm activities and a falling proportion is engaged on a casual wage. Self-employment in these sectors also got encouraged due to favorable government policies and programmes, which promotes owner managed enterprises. The 68th Round of NSSO survey reveals that among informal sector workers, about 75 percent in rural areas and 70 percent in urban areas are engaged in smaller enterprises. These enterprises have taken various forms. In India there are 63 million enterprises. These are owner-managed enterprises and include units run by hawkers, shopkeepers, merchants in wholesale trade, and distributors. These can be workshops, small and medium enterprises; these can be in agricultural, manufacturing or service sector. However, the survey also reveals that 50 percent in rural and 60 percent in urban areas do not find their self-employed jobs remunerative. The share of self-employed persons earning less than INR 3000 per month was more than one in five in urban areas and just under half in rural areas¹¹.



Figure 7.4: Employment type by location and gender

Source: Periodic Labour Force Survey, 2018-19

Data from the several rounds of NSSO surveys demonstrate that due to structural transformation in the country, the biggest increase in non-agricultural employment has been in the construction sector, where the share of employment in rural areas has increased from 14.4 percent (1999-00) to 30.1 percent (2011-12). This has been accompanied by a change in employment status, with a rise in casual wage employment and a decline in self-employment¹².

Another prominent sector where self-employment has seen growth is in the services sector. In terms of employment, the share of the services sector in urban areas is 58.7 percent (2011-12), compared to just 16.1 percent in rural regions. The secondary sector employs nearly 35 percent of male workers and 33 percent of female workers in the self-employment category. 278 persons out of 1000 persons work in the tertiary sector and remaining 193 persons out of 1000 persons in the manufacturing sector i.e., manufacturing and construction sectors.

Under UPS approach, majority of the persons at combined level of rural and urban sectors are employed in primary sector i.e. agriculture, forestry & fishing and mining & quarrying, followed by tertiary and then secondary sectors.

Table 7.2: Sector wise distribution of self Employed persons (Per 1000 persons)

Approach ¹³	Primary Sector	Secondary Sector	Tertiary Sector
UPS	529	193	278
UPSS	539	193	269
CDS	528	192	280
CSW	543	189	268

Source: NSSO 68th Round, 2011-12

Gender and Self-Employment

Women's labour force participation in India is one of the lowest in the world. Women comprise half of the Indian population but make up less than a quarter of the labour force. Three in four Indian women do not work in the country.

12 NSSO: All India Debt and Investment Survey, 2002-03 and 2012-'13

13 Three reference periods are used in the National Sample Survey (NSS) Employment and Unemployment Schedule: (i) one year; (ii) one week; and (iii) each day of the reference week. This yields three different measures of the activity of an individual: (i) usual activity status (US); (ii) current weekly status (CWS); and (iii) current daily status (CDS). In addition, the usual status is further distinguished between persons who are: (a) engaged in the activity for a relatively significant period of the 365 days preceding the date of survey; or (b) remaining persons who were engaged in that activity for at least 30 days during the 365 reference day period. These are referred to as usual principal status and usual subsidiary status, respectively. Finally, the usual principal and subsidiary status (UPSS) consists of both categories of persons - (a) and (b). Source: Ministry of Statistics and Programme Implementation, Government of India.

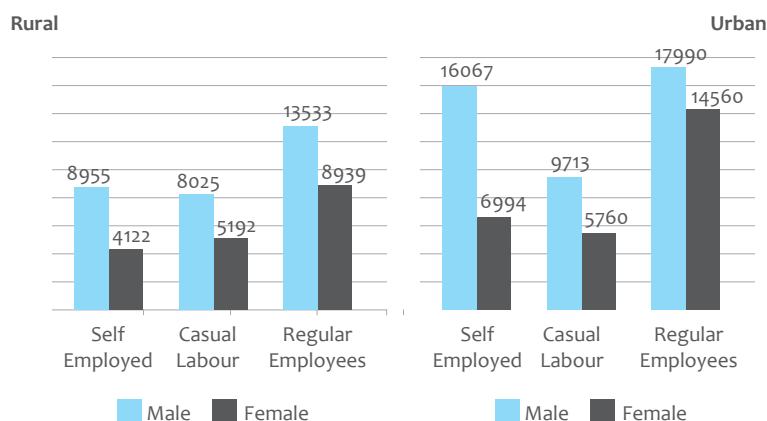


Figure 7.5: Monthly earnings of male and female workers (INR)
Source: Periodic Labour Force Survey Report, 2017-18

Additionally, gender wage gaps in India are highest in Asia. Women are paid 34 percent less than men in the country for performing the same job with the same qualifications¹⁴.

Additionally, there has been a worrying 18 percent decrease in labour force participation of women in rural areas and 14 percent in urban. According to PLFS 2017-18, in rural areas, where the majority of women live, joblessness has doubled from 1.7 percent in 2011-12 to 3.8 percent in 2017-18. In urban areas, too, it has doubled in that period from 5.2 percent to 10.8 percent.¹⁵ Among the women who do go out to work, impelled by a stark need to supplement family incomes, the wage or salary levels are shockingly low, as can be seen in Figure 7.5.

It needs to be mentioned that even among the regular wage or salary earners, women's monthly earnings are 34 percent less than men's in rural areas and 20 percent less in urban areas. The biggest difference in earnings is in the vast self-employed sector where women's earnings are half of men in rural areas and 60 percent less in urban areas. This is because self-employed workers (who run their own small enterprises like petty shops or service providers of all kinds) usually have the women folk of the family assisting in the work, with hardly any demarcated earning. Also, many of the very small shops (like selling

candies or tobacco products or vegetables) are left to women while the men go for other work.

However, the main employment for women in the self-employed category comes from personal and other services which employ over 44 percent women in urban areas and about 9 percent in rural areas. These are all the maids, cooks, *ayahs*, housekeepers, sanitation workers, and similar service providers that smoothen the lives of urban families with disposable incomes¹⁶. Women are also employed in large numbers in outsourced care work like health workers, 'anganwadi workers', cooks in schools, and nurses etc. - all of them at very low wages and no job security.

CREATING QUALITY SELF-EMPLOYMENT

Despite the challenges mentioned above, there has been an explicit focus within the present government to promote self-employment opportunities. But moving ahead, this push needs to be in a manner that balances the need within labor markets to access quality jobs while also ensuring that ample employment opportunities are being created. Given the right environment to operate in, self-employment can actually be beneficial.¹⁷

To achieve the above, the following are critical requirements:

Access to Timely, Easy and Affordable Capital: For gainful self-employment, the greatest missing link of access to timely and easy capital must be addressed. Through a host of schemes, like the MUDRA scheme of providing capital to those within the Medium and Small Business Enterprises sector, the government has sought to provide capital to people who wish to start something of their own. Despite this, many such schemes are yet to either reach their intended benefactors or are still too small in their ambit to create a significant change. Individual entrepreneurs, especially operating at a micro level and in rural areas need the support of local

14 'Mind the Gap,' the State of Employment in India. Oxfam, India, 2018.

15 Source: Periodic Labour Force Survey (PLFS) 2017-18

16 <https://www.newsclick.in/Unemployment-Women-India-Labour-Force-Survey-Report>

17 Dhruv Mukerjee 'Is India Heading Towards a Self-employment Trap?' People Matters.

level intermediaries like Business Correspondents (BCs), NGOs, MFIs, rural banks etc. to bridge the information gap and facilitate access to timely and affordable capital for start-ups. This issue becomes more grave in case of first time rural women entrepreneurs.

Access to good quality skill-training: It is important to skill, up-skill (as the case maybe) and provide some kind of handholding support, especially to first time women entrepreneurs for them to become successful. Under the Skill Mission, Government of India runs several training programmes through the National Skill Development Corporation (NSDC) and other agencies and it is imperative that self-employed entrepreneurs are able to benefit from these skill programmes.

Creating a conducive policy environment: An enabling policy environment that helps address ground reality issues in starting self-employed ventures is most critical. Policymaking also has to take into consideration the bureaucratic hurdles and systemic inefficiencies that come into play when people are self-employed. Issues of registration, taxation (to start SMEs), need to be simplified for people to opt for lucrative self-employment rather than as a compulsion due to lack of jobs. India still ranks pretty low in the ease of business index which makes setting up personal ventures even more difficult. Over insistence on digital technology should also be abolished till the government can provide access to digital technology to 100 percent of the population. Banking laws need to be made simple so that people can have a zero balance account and can withdraw and deposit money without having to lose money in the process.

Acknowledging these gaps in creating quality self-employment and the fact that women are especially disadvantaged when it comes to setting up their own enterprises, Hand in Hand India, a leading NGO in India has been working relentlessly for the last 15 years to fight poverty and create jobs among those living at the bottom of the pyramid, most specifically, women and we turn to it now.

Table 7.3: HiH India’s programmes and its benefits in rural communities

The 5-Pillar	Programme	Impact in the Communities as on 1 st October, 2019
Child Labour Elimination, Education	Through education by bridge school inputs	334,217 children mainstreamed: Enrolled and maintained in government schools
Women Empowerment and Job Creation	Training, capacity building, providing credit (microfinance), enterprise creation	3,934,927 jobs created 2,183,373 million women mobilised in 179,769 SHGs
Skill Development & Technologies	Promoting skill development, e-literacy, grass roots-level democracy among women, youth and farmers	139,843 women imparted skill training 6,713 youth imparted skill training
Health	Access to affordable health care	645,672 Health Camp beneficiaries
Environment	Solid waste management; Natural Resource Management	Benefits to 559,431 households Area covered 23,324 Hectares

Source: Hand in Hand India

ENGENDERING SELF EMPLOYMENT- THE HAND IN HAND INDIA MODEL

Job creation and employment are key issues to fight poverty and promote economic growth and Hand in Hand India (HiH India) is committed to creating jobs and employment opportunities among the rural poor especially women through its unique model, which is both empowering and sustainable. HiH India, a public charitable trust, which started on a humble scale in Kancheepuram, Tamil Nadu in 2002 has now grown into one of the largest NGOs in the country, working across 16 States and having created over 3.8 million jobs among the rural poor as on August 2019. With a dedicated team of over 1173 employees and 54,642 volunteers, the organization has been working in integrated areas of education, health, skill development, job creation, women empowerment, microfinance and environment and is steadily moving towards achieving its mission of creating

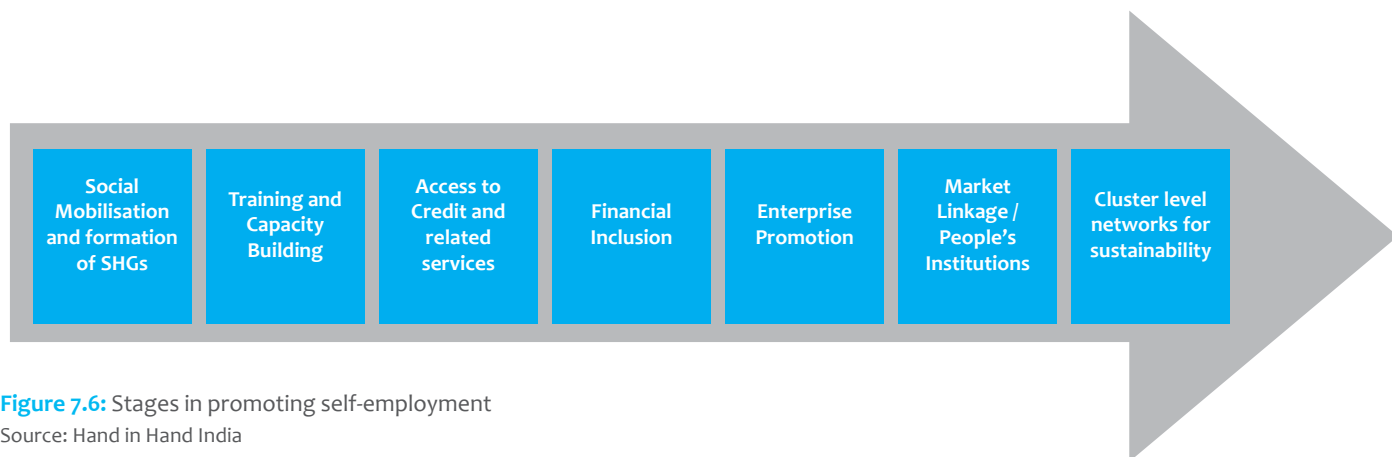


Figure 7.6: Stages in promoting self-employment

Source: Hand in Hand India

5 million jobs by 2020!¹⁸ Additionally, HiH India's model of 'Job Creation' has been replicated in over 10 countries across the globe.

HiH India's model of 'job creation' is designed to address the two greatest global challenges of poverty and gender inequality. Women bear the brunt of poverty in India and gender discrimination continues to be a deep rooted, persistent issue. Challenging their male counterparts, women in India face severe disadvantages in almost every aspect of their daily lives—education, health, employment opportunities, financial inclusion or political participation.

It is this inequality and discrimination that HiH India seeks to tackle through its unique, integrated approach of five pillar activities.

Additionally, with a mission to promote self-reliant communities, Hand in Hand India implements a Village Uplift Programme (VUP) that works with the panchayats (village-level democratic institutions) to bring about integrated and sustainable developments in village communities by integrating our 5 pillar activities in rural India. As on September 2019, 408 village panchayats have been covered, of which, 309 projects are completed.

Hand in Hand India 'Self-Employment' Model for Job Creation and Women Empowerment

HiH India's 'Jobs for Growth' programme is essentially a model of 'self-employment' which aims to create sustainable livelihoods among women to alleviate household poverty and facilitate their process of empowerment. The model follows a structured process of social mobilization, training and capacity building in integrated aspects of SHG management, business development, financial literacy, skill development and finally provides access to credit and entrepreneurial development services to promote enterprise development and jobs for growth.

The systematic process of promoting 'Self-employment' follows the following stages as illustrated in Figure 7.6.

This structured process has led to effective implementation of several projects with meaningful results in the lives of the communities. Case studies of a few projects which have created significant spread effects through entrepreneurship and self-employment are presented below.

¹⁸ To know more, please visit www.hihindia.org

CHRONICLES OF ENTREPRENEURSHIP THROUGH SELF- EMPLOYMENT

The Bottom of the Pyramid segment in India requires continuous working capital to boost and sustain their livelihoods. Here three different projects are presented that have proved women's ability to not only succeed but thrive as entrepreneurs.

Case 1 - Addressing Social Change along with Economic Self-Reliance among the Ultra-Poor in Rajasthan

With the aim to promote entrepreneurship and empowerment of over 3000 women belonging to the ultra-poor communities, HiH India, with support from a Sweden based organization, Forum Syd, is implementing a project in two blocks of rural Jodhpur in Rajasthan. While the duration of the project was for 3 years (2017-2019), it has been extended for a year i.e. till December 2020, for sustainability.

The overall approach of the project is to facilitate social and economic empowerment of women through a holistic process of SHG formation, integrated training in SHG management, financial education, skill training and enterprise development and finally providing access to credit for enterprise promotion. The uniqueness of the project is that in addition to promoting economic self-reliance among poor women, it endeavors to address gender concerns by training women on social issues related to community welfare and women empowerment.

The project achieved important milestones in 2 years of its implementation and we highlight some evidences of the findings of the mid line survey as compared to the base line survey.

- **Generating Self Employment among Women:** Out of total 3000 SHG women, 2160 were able to either start or strengthen

Box 7.1: Project Impacts

- Out of the total SHG members, 72% were able to either start or upscale their enterprises and earn additional incomes.
- 93% women have been able to increase their incomes in the range of 72%--166%.

Source: Hand in Hand India

their enterprises in 2 years! Among them, at least 52 percent hired labour outside their families to help in their enterprises.

- **Increase in Incomes:** A critical goal of the project was to improve income level of SHG women and this objective was achieved with 93 percent women having been able to increase their incomes significantly i.e. in the range of INR 3000--18,000 over the average baseline income of INR 1720/-. Average profit earned through enterprises by women is INR 2980 per month.
- **Impacting Financial Behavior** (individual savings, investment in social security schemes etc.): All the target group women i.e. 100 percent have started saving on a regular basis as compared to 82 percent during the time of the baseline. More than 50 percent women have registered themselves for insurance and other social security schemes. They now have PAN cards, Aadhar cards and Bhamashah cards¹⁹ to access benefits of different government schemes.
- **Addressing Gender Issues** (indicators of increased choice, decision making in family and public life, gender roles-norms, self-esteem, self-confidence, less drudgery): Social empowerment of women can be evaluated in several ways like developing a sense of autonomy, self-confidence; addressing issues of social exclusion at household or community level either individually or collectively etc. The systematic and sustained training and mentoring support provided in this Project have resulted in SHG members experiencing an increased sense of confidence and autonomy as regards to aspects of their

¹⁹ Under the scheme, the women from below poverty line (BPL) families are benefited through direct benefit transfer.

mobility, decision making abilities at the household and community level. There is an increase of 40 percent (from 50 percent to 90 percent from baseline survey findings) in aspects of decision making abilities on financial and household matters and joint decision making among women. This increase in decision making powers was mostly related to buying assets, selling assets, taking the loan in need, pledging of assets etc.

There is also a visible change in women's capacities to negotiate and demand their rights related to issues of water, sanitation, health services in their villages, education of their children, entitlements of housing, and financial inclusion services for themselves. Additionally, women have demonstrated an increase in their individual assets, social belongingness, self-confidence and aspirations for a better future, in the two years of project implementation. For the first time, over 500 women not only participated in the Gram Sabha meetings but also presented their demand resolution related to better facility of water, sanitation, education etc. to the Gram Panchayat in Jodhpur.

Case 2 - Tap of a Button-Bringing Markets to Rural Markets through a Smartphone

One of the biggest challenges for enterprises, bottom of the pyramid or otherwise, is access to the right market and right clients for sustainability. For rural women pursuing non-farm businesses, this is particularly challenging owing to the small size of the local markets and uneconomical prices. While lack of awareness on market trends and opportunities is bridged to a certain extent by marketing training, there still remain barriers such as poor marketing skills and presence of market agents who capture majority profits.

This case study highlights a successful CSR partnership of Vodafone Foundation with Hand in Hand India to overcome the above challenges and enable 50,000 rural women entrepreneurs of Tamil Nadu to transact business on B2B

platform using digital technology. Hand in Hand India leveraged the 'group solidarity' power of its SHG women and mobilized them in trades of embroidery, dairy and allied agriculture trades, apparel, handicrafts, vegetable cultivation etc; facilitated access to markets and provided marketing support to form various trade specific 'enterprise hubs' across Tamil Nadu. For the first time ever, through this project, an exclusive B2B market place for SHG women entrepreneurs was established to facilitate transactions through digital platforms including mobiles and tablets! This innovative project brought together three concepts of women empowerment, access and use of digital technology and entrepreneurship in a novel way.

To take women entrepreneurship to the next level, Hand in Hand India developed a web portal and mobile application with its in-house Information Technology expertise. A dedicated team was in place to train women on digital literacy and functionality of the app. To avoid language barriers (as women were not fluent in English), the application was developed in Tamil and English. Building trust amongst the women, instilling confidence in them that the application could be a breakthrough for forging market linkages was a key aspect for success. Concerns such as comfort with placing an order, if the delivery would be on time and availability of products they need, plagued their minds.

Initially started off as just SMS services, the technology has now grown to a mobile application and a web portal too. These platforms have not only created a virtual market place for over 64,279 women but have trained them in digital literacy, opened access to markets and have increased their income. The Ernst and Young midline report indicates that 95 percent of the respondents have reported an increase in 52 percent increase in income over a period of 2 years from just using the mobile application. While maximum transactions were in the agriculture sector, there was a significant increase in transactions in the FMCG and service industries too! This platform allowed women to understand market demands, to diversify and customize their products for their customers,

Benefits beyond Profitability

S.No.	Benefit	
1	Participation in income related decisions in houses	86%
2	Participation in Education related decision of children	93%
3	Participation in health related decision of children	93%
4	Increase in self confidence	98%
5	Contribution towards household expenditure	84%
6	Now possess a mobile phone	82%
7	Enhanced confidence in speaking so customers and vendors	80%
8	Treated with more respect and dignity in the family	94%
9	Treated more respectfully in extended family and neighbourhood	85%

Advantages of the App

Advantages of App		
S.No.	Advantage	%
1	Increase in Income	72
2	Additional/Increase in Sales	72
3	Reduced cost of Procurement of raw material	63
4	Lowered Transportation Costs	66
5	Enhanced knowledge on technology	56
6	Reduced costs by eliminating middlemen	51
7	Increased geographical reach	47
8	Diversification of Business (Products)	47

Figure 7.7: Results of the mid line review

Source: Midline review of project, Hand in Hand India

increase productivity and ensure quality control of products. Piloted in Tamil Nadu, the platform is to be scaled pan-India.

Findings of the mid line survey demonstrate that women's businesses scaled great heights due to the training, mentoring and application of digital technology.

Case 3 - Up-Scaling Micro Business Enterprises

The three decades of SHG movement have successfully placed some women at a higher level of entrepreneurship than others and it is time we provide them customized support to upscale their enterprises. These enterprises are neither too big nor too small, falling under what is known as the 'missing middle' category but each of these entrepreneurs have a 'fire in their belly' to succeed. To scale up these women's businesses from micro to macro, support such as financial training, business plan preparation, capital and bank credit are essential but not easily available under the SHG bank linkage programme. With this objective, HiH India in partnership

with IIT Madras has designed an innovative entrepreneurship programme to enable micro women entrepreneurs to expand their businesses to macro enterprises.

The programme focused on rural women entrepreneurs who were handpicked and screened by a strict selection criterion including educational qualification, track record of business and family consent. A percentage of women included those with good ideas but with difficulties in establishing or scaling their business. Women from various trades, from tailoring to food business were invited to ensure diversity and dialogue. The course was delivered in Tamil so the participants could follow and make the most of it.

The course goes beyond a classroom module; it prepares them for the rigour of running a small scale enterprise. Through the course, women are provided access to formal institutional finance, technical expertise, mentorship and management skills (including preparation of a business plan, SWOT analysis, marketing, accounting and legal support).

Post Training Follow Up

Closely monitored and supported by Hand in Hand India staff, each entrepreneur was trained on writing business plans, enabling them to identify goals and drivers of profitability. The Hand in Hand India team also facilitated access to credit for the women. Women entrepreneurs' strong business plans and personal drive proved to be anchors for facilitating access to higher amounts of credit from banks. They not only benefitted from a host of senior lecturers from IIT Madras, Department of Management, delivering topics of importance, but also from mentorship support for 6-months post training from successful entrepreneurs that gave them the edge to succeed! These mentors provided critical business advice and technical support. Six months after the programme, a reflective session was called for to assess the key learnings for the women.

The programme provided rural women with a platform to network and interact with IIT alumni, IIT professors, mentors, bankers, the RBI and other key stakeholders that kept them motivated. The lessons learnt were directly practiced in their day to day business, boosting their confidence.

Outcomes of the programme were as follows

- Better understanding of business concepts; This led to improvement in business acumen especially on the role of marketing and financial decision making in the success of their businesses. Preparing a business plan provided them with a deeper understanding of their goals and the drivers of profitability.
- Understanding on how and when to raise capital for their business: The business plans prepared by these women entrepreneurs helped in this. The training was instrumental in coaching the women on pricing sensitivities, interest rates and most importantly informed decision making when it came to access to credit.

- Scale, diversification and sustainability: The women understood that small things could make their business stand out. For instance, learning '*aari*' embroidery would add value to regular tailoring business income as they understood how to modify the pricing for the value adds. The training allowed women to look beyond traditional definition of their trades and modified their products based on customer demand.
- Confidence & peer group learning: One of the biggest outcomes of the programme was the network and peer group support the women left with. The motivation, learning and strength from fellow participants and the reiteration that they were not alone in the entrepreneurial journey boosted their confidence. Their confidence went beyond business and translated to the home and community front too. With a voice, independent thought process and financial security, the women graduated from the programme truly empowered! Looking at their confidence, the men, families and communities have accepted women as independent decision makers.

As on September 1st 2019, 233 women through three batches have graduated from the IIT Madras training programme in partnership with Hand in Hand India. A total of 150 business plans were prepared and 62 loan applications were submitted to banks and other financial institutions, and 45 women entrepreneurs received a total funding of approximately INR 160 lakh.

Summing up, one can safely say that taking into account the grim employment situation in India, it is important to create a conducive environment for self-employment to promote work opportunities for the unemployed people and to empower them financially. If done properly and with the right market conditions, self-employment is a great option to bridge the

gap that often arises in government efforts to create quality employment opportunities. It helps spur entrepreneurship opportunities and also helps tackle rising unemployment rates. Through its plethora of projects and experience in the field, Hand in Hand India has proved that through empowering women, a competitive, powerful cadre of population at the bottom of the pyramid can contribute to economic and personal growth. Women have broken barriers, proving that

entrepreneurship and self-employment can bring them out of the vicious circle of poverty. With an advocacy based approach, these women look beyond just their businesses - they contribute to society, the environment and even policy. With over 3.8 million women empowered, Hand in Hand India's model has proved that investing in women is an investment for propelling economic growth.

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MULTI-STAKEHOLDER PARTNERSHIPS FOR IMPACTING AT SCALE

8

D. Narendranath and Sumita Kasana

DO PARTNERSHIPS MATTER?

The great epic Mahabharata, in the Aadi Parva describes itself thus: “Yadi hasti tadanytra yannehasti natat quachit” (what is here is everywhere and what is not here is not anywhere else). The phrase denotes the vastness and all-encompassing nature of the Magnum Opus that it is. Sure enough, even today the Gurus do not tire giving examples from the Epic. There are countless lessons there for any facet of life-love, duty, devotion, daily matters and even business management. The ancient text also talks about how to choose beneficial partners in life, or business. Modern management texts talk about strategic alliances and partnerships, which are complex arrangements that companies get into in order to launch into a higher orbit or just to stay afloat. The choices one makes at the time of bringing in partners are crucial and can have telling impact on the satisfactory achievement of the goal itself. The most defining moment in the Mahabharata is the Great Battle that left a trail of destruction for the cousins in two camps. One of the most amusing incidents that build up to the battle is about how both Duryodhan and Arjun went to Krishna for seeking a ‘strategic alliance’ if we may call it that, just prior to the show-down. Other than the broader need for winning the war, what were the specific calculations both the leaders made, we do not know, but the results of the choices that they made then decided the

course of the war. As an astute strategist we can safely say that Duryodhan made a deliberate choice when he opted for the Narayani Army rather than a Charioteer; but then he did not win the war even with an army one and half times larger than the opponent. May be he did not realise that times had changed. May be he did not fathom that size no more mattered and there was much more to fighting than just the physical combat-there were mind games, sleight, backroom manoeuvres, and even deceit, and the phrase ‘everything is fair in warfare’ had just been coined. We can only guess who would have won the war if Krishna and his army had not joined it. Without access to the ‘out-of-the-box’ thinking and strategies devised by Krishna, the Pandavas may even have struggled to win. But we see that the choice of partners definitely helped alter the course of action and could even have upset the results.

Strategic alliances and partnerships are technically two different terms in strict legal parlance. But in a more literal sense we can use the terms interchangeably and for the purpose of this Chapter we will mean the same thing by both the terms. It is now an accepted tactic in businesses to bring in partners for strategic alliance when seeking do something differently -an arrangement that allows each of the partners to maintain their autonomy yet reach a goal higher than hitherto reached. This is an agreement for cooperation or collaboration between businesses, with the ultimate result being a synergy where each party will benefit more from the alliance than from

individual efforts alone. 'Such alliances allow each partner to pool resources while concentrating on their competitive advantage and simultaneously growing their respective businesses'.

A lot of the recent discourse on development also seems to be advocating for partnerships for achieving scale and impact. Given the complexities in the problem of poverty, the nature of partnerships also could be complex. The 17 Sustainable Development Goals adopted by the UN Member States in 2015 is a global statement of intent to alleviate poverty and misery from the face of the planet by 2030. The SDG 17 emphasises on the value of collaboration and the need to forge robust partnerships so that the previous 16 SDGs can be achieved in full earnest. The description accompanying the Goal Statement highlights the interconnectedness of the world today. Advent of technology and communication has made easy the sharing of knowledge, ideas and resources. Well curated partnerships can help make the resource investments more productive; foster innovations and facilitate better policies.

NGO-GOVERNMENT PARTNERSHIPS

India has a vibrant civil society movement, which goes back many years and pre-dates independence. The co-operative movement in India is about 115 years old. Similarly, there have been countless ideas and innovations, which emerged in the NGO space that informed the major programmes that the government launched at different times whether it was in the field of self-employment, wage employment, watershed development, microfinance, even health or education. The two major flagship programmes of the Ministry of Rural Development today, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the National Rural Livelihood Mission (NRLM) have their genesis in NGO programmes. It has been observed in the recent few years that the government policy makers take an idea that has proven successful on reasonable scale in the NGO space, converts that into a government

scheme and promptly issues guidelines. This has happened with a significant number of ideas such as the SHGs, watershed development, non-formal schools and the community health activist programme. One would expect that the civil society that invented these models in the first place would be natural partners in scaling these models across the country. However, in more cases that not, we see that NGOs are left out from the big programmes.

It is no contest that the state has the mandate to reach across the country but what is the instrumentality that the state has to reach out and ensure sustainable outcomes at the community level? The state allocates a massive quantum of resources through its multiple departments. The departmental outlays are spent as per guidelines. The guidelines mandate how the resources are spent and do not pin accountability for outcomes. In fact, it is perhaps not possible or even right to seek outcomes from a given department, because the outcomes depend on slew of externalities that the department has no handle on. For example, the health condition of a set of villagers would depend a lot on the nature and quantum of food they consume, on the availability of clean drinking water, existence of functioning solid and liquid waste management systems, and even basic amenities like liveable houses, roads, electricity and play grounds. With none of these in their control how can the health department personnel accept responsibility for healthy living of the villagers—for that matter agriculture department for farm prosperity and banks for financial inclusion? Fund allocation does not automatically ensure outcomes.

It is obvious from the above that what we need is convergence of resources and targets of multiple departments and for them to function in unison, a Himalayan task in itself. But even this will not be adequate to ensure outcomes. The biggest systemic problem the departments face (alone or in convergence) is the last mile disconnect; especially in reaching out to the marginalised groups. For achievement of robust outcomes at the level of the deprived communities what we require are NGOs who can work along-side both the departments and the community—in organising them and achieving

the outcomes. As the SDG exhorts what we need are multi-stakeholder partnerships.

There are not many examples in the recent times to quote experience from. For the purpose of this Chapter we will be drawing on case studies of two government-NGO partnership projects aimed at achieving significant scale in two States- West Bengal and Odisha-where PRADAN is a partner. The project in West Bengal is called the Usharmukti Programme that aims at coopting Integrated Natural Resource Management principles in implementation of MGNREGA and treating about 1.2 million hectares of land in the western highlands of West Bengal, rejuvenating seven depleting rivers, thereby enhancing water availability to the villages in six districts. Having realised that it is an ambition which the department cannot hope to realise by itself, the government decided to seek support from NGOs, donors and other departments.

Another large multi-partner project that has been initiated by the Ministry of Agriculture, Cooperation & Farmers Welfare of the Government of Odisha expects to organise 100,000 small farmers in 12 hill districts in Odisha, and support them to earn INR 100,000 annually from farming. The one lakh farmers are to be organised into about 60 Agriculture Production Clusters (APC). In order to realise this audacious goal, the ministry has sought to mobilise different ministries and departments, NGOs, donors and market actors to build a synergistic coalition. PRADAN has a role as the lead NGO in both these projects. The chapter will try to draw out some principles based on which to build multi-stakeholder partnerships from these experiences of the Usharmukti and the APC Projects.

CASE STUDY I USHARMUKTI

Context

The western highlands regions of the state of West Bengal comprises of the entire district of Purulia, a large part of Bankura, West Midnapore and parts of Bardhaman and Birbhum. The

region is characterised by high yet erratic rainfall, leading to risk-prone mono-crop rice farming. Abysmal public investments in water harvesting and irrigation, has led to reduced faith of the community in agriculture and increasing out-migration to cities.

Usharmukti - A Multistakeholder Partnership

In 2017, the Government of West Bengal conceived and launched a unique, multi-stakeholder partnership project, Usharmukti, focusing on western highland districts of West Bengal. Usharmukti, through MGNREGS, focuses on treating large areas for groundwater recharge, revitalizing rivers and creating scope for farm intensification and diversification. Besides the Government, the other partners in Usharmukti include Bharat Rurul Livelihood Foundation (BRLF), seven NGO partners with PRADAN as the leading NGO partner and BRLF. While BRLF provides the financial and knowledge support, the NGOs engage in community mobilisation, capacity building of the community and ground functionaries, and handholding implementation of MGNREGS through Integrated Natural Resources Management (INRM) approach.

The project endeavours to rejuvenate the decaying rivers of Ajay, Mayurakshi, Damodar, Kansai, Shilai and Subarnarekha and their tributaries through treating a large area of about 1.2 million hectares of the degraded catchment.

The major objectives of the project are:

- Restoration of degraded land, soil enrichment and in-situ water harvesting
- Conversion of agriculturally marginal lands to appropriate land use
- To reduce the impacts of climate variations and to make the communities resilient to climate change
- Intensification and diversification of farming

The NGO partners in addition to PRADAN are Prasari, Loka Kalyan Parishad, Development Research Communication and Service Centre, Rural Development Association, Samayita Math and Tagore Society for Rural Development.

Some of the important steps undertaken through Usharmukti to strengthen the partnership for effective implementation of the project are:

- Selection of suitable partners: Identification of the right partners is one of the most crucial aspect of the partnership. The Panchayat and Rural Development Department, being the primary stakeholder brought in BRLF, Prasari and PRADAN based on earlier positive experiences. The other NGO partners were selected through a rigorous process.
- Shared understanding among partners: A series of workshops and meetings were organised at the state, district and block levels involving all the respective stakeholders, through 2017, to develop a shared understanding on the project, its vision, the approach and strategy, guidelines and the need for the multi-stakeholder partnership for the project.
- Defined roles and responsibilities: A tripartite agreement was signed between the state government, NGO partners and the BRLF articulating the roles and responsibility of each of the stakeholders as follows:
 - The State MGNREGA cell headed by the Commissioner MGNREGA has responsibilities of fund allocation as per requirement, regular review and monitoring, timely issue of circulars and guidelines to debottleneck operations, and facilitate convergence.
 - BRLF brings in the necessary funds for NGO support, facilitates partnership-building processes and also carries our review and impact monitoring
 - The NGOs catalyses implementation by the block and panchayat frontline staff by building their perspectives and skills, and handholding
- Creation of coordination mechanism: Effective coordination mechanisms have been put in place at the state, district, block and panchayat levels by creating empowered cells, headed by the top leadership at the level of Commissioner, and bringing in representation from all departments. There is also a NGO Consortium which functions

as a learning forum and facilitates in problem solving.

- Capacity Building and Knowledge Sharing: A comprehensive knowledge and capacity building protocol to induct required knowledge and skills at all levels has been

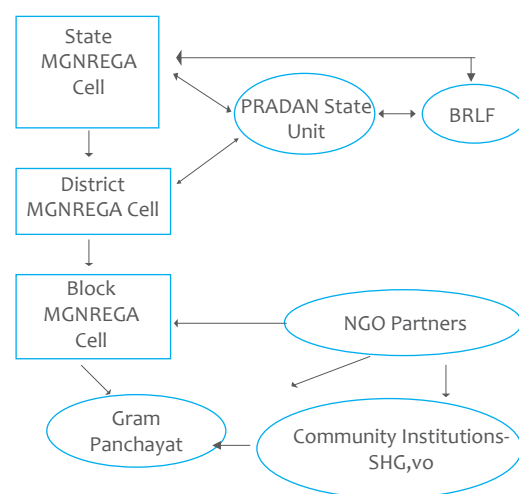


Figure 8. 1: Implementation architecture - Usharmukti
Source: Project documents

created by the State Cell. All ground functionaries of the NGO, district, block, and panchayat have been trained on planning processes, how to conduct training, preparing Detailed Project Reports (DPRs), and the MGNREGS processes. The state cell also issues circulars, government orders, technical manuals and IEC materials from time to time. In addition to training events, exposure visits are organised for district, block, Panchayat functionaries and community leaders on regular basis to learn from the best practices.

Usharmukti has a dedicated web site which is well-stocked on resource material. It is a one-stop resource for material ranging from manuals and best-practice documents, videos to latest circulars and government orders. The NGOs are encouraged to actively contribute to the Panchayati Raj Patrika regularly. Usharmukti also has an active WhatsApp group where everyone from the ground functionary to the Commissioner are connected real-time.

Achievements So Far

The project was initiated in 2017. In a period of just about one and a half year, DPRs for a total of 2034 out of 2365 micro-watersheds have been finalised and uploaded in the MIS. Out of this plans worth INR 90 crores were sanctioned in the 2018-19 budget and approximately INR 40 crores were spent. It being the first year, a lot of systems and protocols are yet to be in place, thus there was a significant gap in plan-achievement.

CASE STUDY II PROMOTION OF AGRICULTURE PRODUCTION CLUSTERS (APC) IN TRIBAL REGIONS OF ODISHA

Context

The highland regions of Odisha comprise of 20 districts in north, west and southern part of the state. These highlands have a forest-clad undulating topography, dominated by tribal population. The Odisha highlands fall under the Agro-climatic Zone VII with more than 35 percent of area under forest cover with an average rainfall of 1500 mm. The region is abundant with natural resources but suffers from extreme poverty because of low and unpredictable agriculture, declining source of sustenance from the forest and livestock and lack of employment opportunities locally.

These challenges, however, can be translated into possibilities with investment in the farming sector. There is a need to develop highly remunerative diversified farming systems suitable to the context and develop parallel ecosystems to support access to market, resources as well as knowledge and technical know-how. In this

Table 8.1: Districts and CSO partners under the APC project

S.No.	Districts	Blocks	CSO Partner
1	Rayagada	4	PRADAN, Harsha Trust
2	Kandhamal	3	PRADAN
3	Mayurbhanj	4	PRADAN, Centre for Youth and Social Development (CYSD) Shristi
4	Koraput	8	PRADAN, CYSD Harsha Trust Foundation for Ecological Security (FES)
5	Keonjhar	5	Ideal Development Agency (IDA) PRADAN, Shristi
6	Kalahandi	3	Anchalik Janaseva Anusthan (AJSA) Jana Sahajya
7	Dhenkenal	1	Shristi
8	Jharsuguda	2	SEWA (Social Education for Women's Awareness)
9	Sambalpur	2	SIDI (Sambalpur integrated development Institute)
10	Bolangir	5	Adhikar, Vikalapa Shramik Shakti Sangha (SSS), Bolangir Gramodyog Samiti (BGS), Janamukti Anusthan (JMA)
11	Boudh	1	Youth Council for Development Alternatives (YCDA)
12	Nuapada	2	Lokadrusti

Source: Collated by authors from project documents

Table 8.2: Budget allocation for the project by different stakeholders

S.No.	Stakeholder	Amount (in INR crore)
1	Department of Agriculture and Farmers' Empowerment	293.4
2	OLM	70.86
3	APICOL	17.8
4	BRLF	16.74
5	CSO partners	3.6
Total		401.6

Source: Collated by authors from project documents

context, Government of Odisha in November 2018, launched a multi-stakeholder project 'Promotion of Agriculture Production Cluster (APC) project in tribal regions of Odisha' to trigger growth in farm sector wherein different

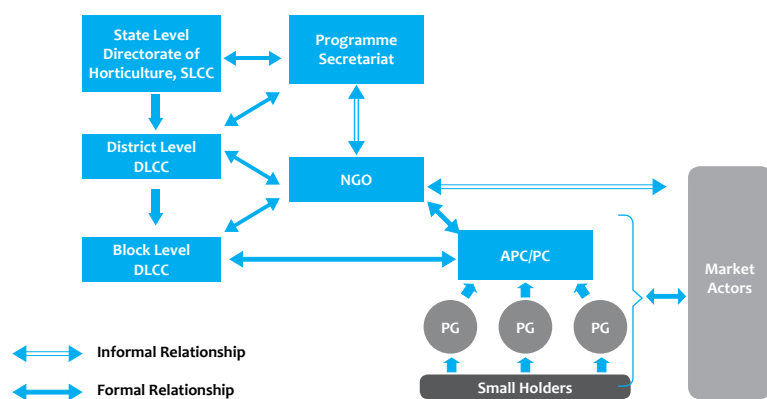


Figure 8.2: Implementation architecture - APC Project

Source: Project documents

Table 8.3: Convergence of schemes under the APC project

Particulars	Probable Sources/ Department
1. Irrigation	OLIC
	OAIC
	Department of Agriculture
	OAIC
	OLIC
	MGNREGA, Department of Agriculture
2. Farm mechanization	Agro Service Centre
	Department of Horticulture, ITDA
	Department of Horticulture
	Department of Horticulture in convergence with MGNREGA
3. Fruit tree Plantation	Department of Horticulture in convergence with MGNREGA
4. Aggregation, sorting and packaging centre	Department of Horticulture, ITDA
5. Shed construction for livestock	MGNREGA, ITDA

Source: Collated by the author from projects documents

The APC is a multi-stakeholder partnership between the Directorate of Horticulture, Agriculture and Farmers Empowerment Department of the Government of Odisha; Odisha Livelihood Mission (OLM) under Panchayati Raj and Drinking Water Department, The Agricultural Promotion and Investment Corporation of Odisha Limited (APICOL), Bharat Rural Livelihoods Foundation (BRLF) and

PRADAN as the lead Civil Society Organization (NGO) with 16 other NGO partners.

The APC project strategizes promotion of remunerative crop production by improving the farming skills of the small and marginal farmers especially women. Under the initiative, through multiple partners it is proposed to organize 100,000 women farmers into 650 Producer Groups for synchronized and climate resilient farming suitable for small holders. A total of 750 local youth would be mentored as agri-entrepreneurs and value chain enablers to catalyze the change process and for long term sustainability.

Strategic Alliance and Coordination Mechanism

The APC special project has evolved after a series of consultations between the Department of Agriculture and Farmers' Empowerment, BRLF, OLM and PRADAN, with common objective of sustainable and significant enhancement of income of the small farmers in the Odisha highlands through convergence.

To meaningfully achieve the objectives, the Directorate of horticulture is integrating the relevant schemes under the department in the APC project areas. Simultaneously, the project mobilizes resources from other departments also to create sustainable productive assets that hold promise for better village economies. The existing members in SHGs promoted by OLM are being further mobilized to form Producer Groups. The community mobilization part is being undertaken with the support of potential partner NGOs who are working in the project areas and have a good understanding of the local context. PRADAN having expertise in the promotion of livelihoods through collectives is playing the role of Programme Secretariat. PRADAN supports and mentors the partner NGOs, coordinate with the Directorate Horticulture and OLM for smooth implementation of this project.

The APC project has developed a coordination mechanism with all the stakeholders at the state, district and block levels. The Coordination Committee meets regularly for joint monitoring, impact assessment and review of the project

comprising of all stakeholders and is headed by the Principal Secretary at the state level, District Collector at the district level and Agriculture/Horticulture Officer at the block level. Table 8.1, 8.2 and 8.3 shows the project districts and the NGO partners involved, the budget allocation and the different schemes converged under the project respectively.

Community-based Institutional Mechanisms

This project is taken up in the areas where social mobilization has been done carried out by OLM or CSOs. The focus has been to leverage the existing social mobilization base to strengthen the livelihood processes. At the village level, a Producer Group is formed which would be responsible for village level resource planning and synchronized agriculture and marketing of the produce at the village level. A Producers Group is formed involving around 150 farmers from a cluster of 1-4 villages that becomes the General Body and meets every quarter.

The executive body of 13 members of the PG meets fortnightly.

Achievements

The Project was inaugurated by the Odisha Chief Minister, Mr Naveen Pattnaik and is one of the most coveted and high investment projects by the Department involving multiple stakeholders. The project received the prestigious SKOCH Governance Award in September 2019, which is considered as highest civilian honor in the country conferred by an independent organization. Table 8.4 gives an overview of the achievements of the project presented in the SLCC held on September 2019.

Table 8.4. Achievements of the APC project (till August 2019)

Parameters	Achievement
Number of Producer Groups formed	548
Number of villages covered	1,366
Number of families covered	57,379
Number of families doing high-value crops	34,768
Total area under High-Value Crops (Acre)	11,074
Total area under Non-Pesticide Management (NPM)	2,614
Total plantation (Acre)	1,628
Total number of Community River Lift Projects Planned (CRLP)	277
CRLP approved	82
CRLP installed	26
Revival of old CRLP planned	248
Old CRLP Revived	29
Micro River Lift Projects Planned	146
Micro River Lift Projects Installed	83
Number of families covered under livestock rearing (goat and backyard poultry)	18,630

Source: Presentation made to SLCC, September 2019

MAJOR TAKEAWAYS FOR BUILDING GOVERNMENT – NGO PARTNERSHIPS

In the following sections, an attempt has been made to assemble together a set of principles that could be of use in trying to build partnerships between the Government and NGOs primarily, and other partners as need be like the donors or resource institutions. These principles should help us think through the steps to identify most suitable partners, to cobble together the coalition, function together towards achievement of the stated goals and to remain together till the formal closure. A limited set of experiences from Usharmukti and Project APC are being referred to here, to list a few lessons. What are the essential pre-conditions that need to be in place for a fruitful partnership to emerge? What are those factors that keep a partnership going and how do we strengthen partnerships?

Pre-conditions

That brings us to the question as to what can facilitate effective Government-NGO partnerships. What set of enabling conditions need to exist before a large-scale Government NGO partnership can be conceived?

The Intent

One obvious factor that comes into mind is that there needs to be a realisation at the level of both parties that partnerships are required. This can only come from an objective understanding of one's own strengths and limitations. It is a universal truism that nobody is perfect; but does the relevant person at the right moment of time feel so? That is the moot question. The state undoubtedly has the decree, the authority and the financial muscle to undertake development projects. The NGOs traditionally have been involved in various aspects of facilitating citizen-centric development which includes mobilisation of communities, knowledge and technology transfer, reaching to the weakest, innovations, relief and rehabilitation and so on. The engagement of the NGOs at the community level has also created a large number robust community-based institutions including skilled and motivated human resources. Thus, one can say that a fertile ground exists for fruitful partnerships to emerge so that scale and impact can be achieved ensuring that the people with propensity to get excluded do not, and the change is institutionalised at the community level.

Yet why do we not see many partnerships between the state and the NGOs being initiated? One of the most prominent causes is the belief that partnerships are not required. The state is the more powerful party here and if the state believes that it can go alone, then of course it is not in any organisation's capacity to veer the state around to a partnership. By state, of course what is meant is a certain individual, mostly a senior officer at the district or state level who controls resources. If the officer is convinced that partnerships are useful, then it becomes policy and if the incumbent person is not convinced then nothing can move the mountain.

While there is reluctance at the level of the officials, even many of the NGOs are not keen on partnerships as they believe that they are not in the business of scale; the state has that mandate. In such case too, there will be no efforts to look for partnership projects. A lot of organisations lack trust in the state. The major complaint is about the quantity and quality of funding. At one level the activities are mostly not adequately funded and at another level the release of funds remains extremely erratic. This leads to cash flow problems for NGOs, and sometimes problems for the community, like in farming related projects when farmers miss precious time waiting for project support. Therefore, organisations have become sceptic about partnerships; most of them having unpleasant memories of the past. In many cases improper selection of project implementation agencies also results in low quality implementation. This too discourages well-meaning officers who otherwise could be ready to seek partnerships. The main reason here could be that of not having a robust shortlisting and selection mechanism. Not following a proper selection procedure leads to various agencies, even of questionable motives getting into the programme, causing bad name for genuine organisations.

In case of the Usharmukti project the Additional Secretary and Commissioner, MGNREGA, Government of West Bengal has played the lynchpin role. After having a positive experience of witnessing productive NGO – Block / Panchayat collaboration in a few districts, the Additional Secretary was convinced that the experiment can be scaled up for much higher outcomes. In Odisha, the officer who has played a decisive role in the inception of the APC Project is the Principal Secretary of Department of Agriculture, Government of Odisha. Like in West Bengal, it was the Principal Secretary's conviction that sowed the seeds of the partnership project with very ambitious aims. The two officers were able to then build a favourable environment around the idea and bring together multiple actors.

On the other side there were also NGOs who were willing to trust the State once again and try out partnering since there seemed a vision

and a sense of purpose. When the officer in the key position displays conviction and vision it encourages more players to rally around the idea. The presence and encouragement from BRLF, which has a mandate for promoting state-NGO partnerships, was a welcome phenomenon.

Articulation of the Need and Clarity of Vision

As discussed earlier a clear public statement on the need for starting a partnership has to be there; and this has to be made by the government officer who would be the nodal authority for the partnership to ensue. This statement will be the dealmaker for the partnership. This statement articulates an inspiring goal and explicitly makes clear the intent for building partnerships. All department officials, NGO partners, resource agencies and the community rally around that declaration.

For that statement to emerge, the concerned officer has to feel the need, emanating from a larger vision and also the realisation that she and her department may not be able to achieve the vision if they go ahead by themselves. There has to be a realisation of one's own inadequacies in achieving a goal if help is to be sought. Most often the initial informal dialogue with the incumbent authority is undertaken by members of NGOs or by another senior officer who has had a positive experience with partnerships. But it is important that there is a public statement of intent for building a partnership. The support sought may not be just in implementation, but also in policy formulation, research, documentation, evaluation and knowledge and capacity building.

The two officers must have realised that they would be able to allocate resources required for the programmes but the social mobilisation and the process innovations required, need to be ensured by the NGOs. The NGOs also should continue to work with the community even after the livelihoods assets are created, on the front of livelihoods promotion. Once a community centred programme implementation methodology is created it becomes easier for gradually layering resources from different departments and programmes. Previous experiences have also

been of help in these matters. In Odisha the positive experience and ambience created through Mission Millets Programme anchored by WASSAN was a major influence on the thinking of the Principal Secretary. The Mission Millets is a multi-location, multi-stakeholder partnership aimed at reviving millets as a major crop in the rain-fed areas. In West Bengal the Springshed Revival Programme in the Northern Hills, in which BRLF brought in the financial resources and many NGOs like Prasari were participants, was an encouraging pre-cursor that had created a facilitative climate. Informal discussions held by the senior officers with civil society helped clarify the objectives and the contours of the programme after which the projects were formally announced. The pre-launch activity of intense discussions with potential NGO partners, donors and departmental staff at all levels acted as the design phase and helped detail out the project constituents such as the goals, budget contributions, the architecture, the systems and processes, and the distribution of roles and responsibilities. The formalisation was a simple procedure after that.

Evolving Understanding about Strengths and Weaknesses

It is often said that we build partnership on strengths. But a more nuanced statement would be that partnerships are built on a realistic understanding of one's strengths and those of others and a candid admission of one's shortcomings. The glue that holds a partnership together is not the confidence of one's strong points but an honest appreciation of one's weak points. The endurance of a partnership depends on how strongly each partner realises the importance of the others.

Having established that the partners need to be appreciative of each other, an important pre-condition to a successful partnership is that the partners need to be well aware of what each partner brings to the table. The partnership is not a casual arrangement but a serious engagement; there is a reason on why each of the partners is there in the partnership. Some of the partners may be there for the implementation of the

programme (say watershed development); while another may bring in the money; and some other may be in capacity building. A set of the partners may be in knowledge and technology provision; yet another may provide the overall management support. How well one understands one's own and others' roles and duties well, would determine the durability of the partnership.

While the group may expect a certain capability from a partner, it goes without saying that it is important to ensure that the capability as claimed actually exists, as evidenced through unbiased reports. Also, there is need to ensure that the partners are above-board in their own internal financial and other dealings. A formal due-diligence audit should be mandatory if we are thinking of setting up partnerships for the long-term.

Both Usharmukti and the APC project have set of capable partners and each of the partners brings in specific capabilities. The government departments bring in the programme investments, whereas the donors bring in the NGO costs. The departmental investments are specifically for livelihoods assets creation and nothing more. The role of the NGOs is not only to ensure that the government allocations are invested properly and reach the deserving communities, but they broaden the agenda to farm-based livelihoods and sustainable incomes. Since the livelihood's agenda is broader than asset-creation, agencies such as the Livelihoods Mission in Odisha have been brought in which provides capacity building support to farmers' groups and helps in market linkages.

BRLF which is the donor partner for NGO costs also ensures that a due-diligence on the systems and capacities of the organisations is carried out. BRLF also works with the lead NGO PRADAN in policy advocacy so that the lessons that emerge from the field are converted to government orders and guidelines in a timely manner.

Like-mindedness

Another factor that contributes to the longer-term sustenance of the partnership is that the

partners are chosen carefully for their ideology and approach. It is the responsibility of those conceiving the partnership to ensure that the organisations and individuals who come on board have similar ideas about development. So, while we look for specific technical capabilities, it is good to be watchful of the development philosophy of the organisations. Both in Odisha and West Bengal most of the NGOs selected are existing BRLF partners who already are engaged in livelihoods promotion among the tribal communities.

Need for a Process Facilitator

Partnerships are complex because of the diversity of the people involved and the vantage each one comes from. There are complex human processes involved here as much as technologies and systems. True partnerships exist where there is not only the meeting of minds, but there is the meeting of hearts. Ignoring the human processes and sensitivities involved in many-sided partnerships will be to the peril of all involved. Involvement of a process facilitator who is unbiased should be explored as a critical ingredient to building the partnership. The role of the facilitator actually begins even as the partnership is being conceived; in defining the larger vision, the possible architecture, the relationships and the processes. The facilitator may play an important role in identifying partners and also in negotiating roles and responsibilities. The facilitator also could help in designing the systems and processes to be followed. Even as the operational components of the partnership are being put in place, the most important intervention of the facilitator will be to put in place a value framework. Nurturance of fundamental principles such as transparency, trust, autonomy, collaboration and so on is extremely crucial to the endurance of the partnership. Identifying and empowering a process facilitator is an essential step to be taken right at the beginning. This facilitator would be a co-traveller through the project period.

Yet the fact is that in both the Usharmukti and the Project APC there has been no process

facilitator explicitly appointed. PRADAN and BRLF who have experience in partnership processes are informally playing the role, in addition to their assigned roles. PRADAN and BRLF maintain an oversight of the programme in order to ensure that the communication channels are open and the spirit of professional collegiality is maintained. There are regular interactions with the partners and the officials individually and in groups to ensure that all points of views are received and the most suitable policies are formulated. These interactions are in addition to the routine monitoring and review meetings which help build a facilitative working environment.

Funding

Many of the government programmes as they are originally designed do not have provisions to pay for the costs of the NGOs. They have funding for the community-based investments but not for payment to NGOs. In such cases it might be useful to bring in one or more external donors into the group support NGO costs based on the overall plan. For the donor too, it is a win-win arrangement, as their limited support to the NGOs will help unlock a substantial quantum of resources from the government. If there are external donor partners, it also will be beneficial to the NGOs as there will not be any fund-release uncertainties, which is routinely associated with government funds. BRLF, the Ford Foundation and Arghyam are funding the NGOs and the overall project management costs exclusively for the partnership, whereas the NGOs are drawing additional support from their existing partners like the Axis Bank Foundation, Hindustan Unilever Foundation, Azim Premji Philanthropic Initiatives, The World Bank and Bill and Melinda Gates Foundation, in the Usharmukti and APC Projects. There is no state funding for either the NGO costs or for the overall project management. While this is not the best arrangement for the NGOs as they have to arrange financing from multiple sources because of insufficiency from any one source, it is a step forward in the sense that there is recognition at the level of the state that adequate funding for

NGOs is important and arranging that has to be part of the initial plan.

FACTORS THAT STRENGTHEN THE PARTNERSHIP

A task well begun is half-done. Thus, the launching of the partnership with the right preparation and the right set of partners is a desirable beginning. However, it also true that task well begun is only half done. The other half also needs to be carried out successfully, then only can we claim that the task is completed successfully. A lot of care has to be taken to ensure that the partnership itself and the purpose for which the partnership was put together are not compromised.

Defining a Shared Vision

The first and foremost step that is needed to nurture the partnership, once the partners are in, is for all to gather and evolve a shared vision, a challenging goal and the foundational values. This might even be a facilitated process yet the important point is that the government officers, NGO staff, the researchers, donors and the other partners must be excited by the same vision of change among communities that they are intending to serve through this partnership. This dialogue right at the beginning is also necessary because of each of the parties brings a different world view, language and theory of change. It is an opportunity to align these differences and mobilise themselves to work together. Fixing a challenging goal is an unavoidable step. A goal that is defined in operational terms, and high enough so that each of the individual present is inspired by it, owns it and commits to it.

The major investments in Usharmukti are sourced from the MGNREGA; and in Project APC it is the agriculture department. Yet in Usharmukti the aim is to rejuvenate seven depleted rivers in the western highlands and in Project APC the mission is to create 100,000 farmer lakhpatis. These are formidable goals that are inspiring and challenging. Each partner

including the departments realise that these are goals that need everyone to pull hard and together. Setting and agreeing to a super-ordinate goal of this nature itself is a step in building a unified force.

Clear delineation of roles and responsibilities

Each partner is in the partnership for a reason. It is of supreme importance that these roles and responsibilities, deliverables, penalties, accountability framework, and rights of each partner are delineated clearly. These roles, duties and rights are to be evolved based on detailed discussions held jointly with all partners. It is also necessary to detail out grievance redress and exit mechanisms.

To ensure that these are well understood and owned by each partner it is often the practice that each party enters into a formal agreement with the government department.

Depending on the situation and the need, the contracts could be bi-partite or multi-partite. In both the West Bengal and Odisha projects there are a slew of MoUs – both bi-partite and tri-partite between the department, donors and the NGOs. In case the support from the donor is only for a specific component with an NGO, then there would be a bi-partite between the donor and NGO too. The agreements are drafted and executed depending on the need of the project for delineating responsibilities clearly.

Reinforcing Values and Vision

Some of the basic values in any functioning partnership would be trust, autonomy, mutuality and dignity. These are indicative and in an actual situation the set of partners need to generate their own list. Ideally these values are evolved through a discussion among all and documented. It is then circulated and made known to all. The role of the facilitator in evolving the list of values is crucial to ensuring that everything significant is incorporated and the list is owned by all.

Strict observance of these values would ensure that there is transparency in the dealings and there is democratic space available to all partners to contribute as equals and be heard when

there is a grievance. More importantly it would motivate each partner to perform to their best knowing that their contribution is valued, with the awareness also that all contributions together lead to the desired outcome. Adherence to these values at all points of time in the partnership is mandatory, irrespective of the short-term results. The achievement of the end-results in the best possible manner does not depend upon setbacks in the immediate term. It depends upon the ability of the larger group to re-mobilise itself, fix accountabilities, support each other and focus on getting back on track while maintaining transparency and dignity.

This necessitates reinforcing and internalising the values on a regular basis. Every partner, especially the government departments, donors etc., who hold unequal power compared to the implementing partners, needs to ensure that in any manner of interactions-whether one-to-one or in small or larger groups-the basic values are constantly emphasised. One cannot underplay the necessity of regular reflection events (as separate from target plan-achievement review meetings) where the partnership processes especially the observance of values are reviewed.

It goes without saying that there would be many more processes in the partnership to ensure that all the partners are constantly reminded of the significance of the partnership, and the deliverables in the partnership as mandated to each member are meticulously adhered to. The most important aspect is for each partner to realise that everyone's contribution is as important as one's own. The given task is not complete till everyone's task is finished. Thus, a process of laterally reaching out and helping each other in ensuring overall task accomplishment is a good practice to be encouraged in partnerships. This at one level ensures that all the project goals are achieved, but more importantly, helps build a team spirit.

In addition to the events, there are also the routine processes like planning, budgeting, monitoring, reviewing and reporting, and re-planning. The values that we cherish of transparency, trust, participation, etc., need to inform these processes also.

How easy or difficult is pinning accountability and taking responsibility for setting things right that have gone wrong is also an important indicator of a successful partnership. Unlike in a bi-lateral arrangement, in a multi-actor project, it could be difficult to pin-point which actor is directly responsible for a slip-up. But it has to be done; only then can we identify the agency to be tasked with fixing the fault. It is also true that if not handled with utmost care, improper fixing of responsibility can also lead to partnership breakdowns.

As for values, even though there are no explicit statements or documentation of values, yet observing the partnership processes in both Odisha and West Bengal, the values can be identified. We see trust and equality in operation which is an extremely rare phenomenon when government and non-government staff work together. The camaraderie and the openness, the senior officers try to maintain with the NGO staff and the relatively junior officers, point to a healthy operating environment. There is less fear in expressing views, as compared to the routine departmental way of functioning.

It is obvious that these values flow from above, but that has helped created a facilitative climate of achievement and hard work. The interactions that we see between the staff of the departments and the NGOs is less about monitoring and supervision, but more about learning, seeking support and even challenging to do better. There is seemingly enough space and autonomy for the partner NGOs to innovate and experiment, within the scope of the larger project. Mutuality and inter-dependence are another set of values seen in operation, as there is a general conviction that the partners need each other and only together can they achieve the big goal they have set for themselves. Watching the various meeting and other communication processes, it is also visible that these values are reinforced as and when there is an opportunity.

Ensuring Timely Fund Release

Funds are important, especially for NGOs who are dependent on grants. Even larger NGOs would not have large quantities of untied funds with which to tide over delay in funds

release by donors. In a number of government funded projects, a major lacuna is the inordinate delays that occur every time in releasing funds. This happens both with NGO costs and also with programme funds. Both these types of delays can have adverse effects on the smooth implementation of the activities.

In case external donors are supporting the NGOs costs, then there is a relief on that part. However, this still will not ensure the community investment funds are released on time. While co-ordinated efforts at all levels must happen in order to ensure timely release of funds, some special steps also need to be taken to guide funding any partnership projects. Since this would be a special project of the government, the relevant department must ensure that appropriate guidelines are issued in order to prioritise the releases for this project.

As observed, the release of funds for the programmes is slow in some cases. In the Usharmukti there is an issue that the wage release is delayed. Similarly, there was a delay in release of working capital funds to Producer Groups promoted under the Project APC, by the Odisha Livelihoods Mission. But since there is a regular review of the project by the senior leadership of the state, there is special attention paid to unlocking the bottlenecks. This being the setting up stage of the partnership, there is much more ground to be covered in terms of increasing ease of doing business; but the ground is ready and there are visible changes.

Putting in Place a Project Management Unit with Special Skills

In a large-scale project of this nature, it is only obvious that there must be a Project Management Unit (PMU) that will ensure the outcomes. A PMU is the external face of the project and therefore must represent the values and stance of the Project. The extent of purposiveness and sophistication the PMU develops will have an immediate and direct impact on the overall achievement of the Project. Thus, the PMU needs to be created carefully.

In complex partnership projects as the ones being envisaged, it must be ensured that a PMU must have senior development professionals who can understand and handle the complexities. The PMU most importantly anchors the essential tasks of initiation, planning, budgeting, implementing, monitoring, review and closure.

In development projects where there are multiple parties involved and we are looking for community-based outcomes, the PMU needs to follow up on not just target achievement and cost and time efficiencies, but also must deal with these issues based on community realities. The PMU must be responsible not only towards the government department concerned and the donors, but also must be sensitive to the field realities and the uncertainties associated.

In addition to the routine management responsibilities, the PMU also should have the ability to visualise the kind of issues at the implementation level and make available support for the same. Appropriate technical support agencies may be brought in for this purpose.

In addition to the complexities of the social development, another important factor to be aware of is that the project is based on a live partnership between agencies coming from multiple vantage points. It requires high amount of sophistication and sensitivity to facilitate a smooth relationship, helping each partner envision the larger picture and not get stuck on daily quibbles. The PMU needs to be led by persons of high social and emotional maturity.

Most advanced technology for gathering and analysing information and timely decision making is an important area that the PMU needs to invest in. Use of an appropriately designed decision support system can enhance the quality of decisions and will help conserve resources.

An important role of the PMU will be policy formulation by working closely with the departments. Government orders and policy guidelines would need to be issued on a very regular basis to deal with various issues or bottlenecks faced by the implementing partners. By putting in place an effective feedback loop, the PMU must be able to convert field signals to appropriate policy guidelines.

In summary the roles of the PMU could be delineated as:

- Providing overall operational leadership to the partnership in order to achieve project objectives and maximize impact
- Setting up standard systems, processes and norms for planning, budgeting, coordination and monitoring and reporting
- Coordinating and facilitating all capacity building events for the NGOs and the Government
- Knowledge management and dissemination
- Facilitating and maintaining an enriching relationships among the stakeholders
- Ensuring necessary flow of communications between State Government and NGO partners
- Ensuring timely issue of circulars and government orders and access at all levels
- Trouble-shooting and problem solving support to NGO partners
- Ensuring proper closure.

PRADAN is formally inducted as the Project Secretariat, which is like a PMU in the Project APC and in the Usharmukti PRADAN is a lead NGO but also informally plays some of the roles of the PMU. One of the most prominent results of this close engagement at the level of the senior leadership is ensuring quick promulgation of government orders and guidelines. In Usharmukti one of the significant circulars was that the Usharmukti plans will receive priority in the Project blocks and 70 percent of the projects by amount had to be from these plans. There is a focus in Usharmukti on building livelihood assets. Thus, the circulars try to create focus on livelihood assets for individual beneficiaries, like farm pond, other water harvesting structures, plantations etc. One of the orders have specially banned land levelling as an activity, as across the state, land levelling is a popular activity to show fake labour and swindle resources. Similarly, in the APC Project the focus is on convergence and a lot of powers have been devolved to the District Collector to facilitate convergence of schemes in the district. An elaborate set of project guidelines which give primacy to community-based planning processes for convergence, are under

preparation. The project is regularly monitored from the level of the Principal Secretary and immediate instructions are issued in case of policy bottlenecks or procedural delays.

PRADAN plays a crucial role in the training of the partners NGO staffs that they in turn are equipped to build capacities and facilitate implementation by the department/Block or Panchayat functionaries. PRADAN as the lead organisation in capacity building prepares the training modules, formats, and protocols and provides them to the cutting-edge staff. Quality assurance is an essential task that PRADAN delivers, by vetting the plans and also providing hand holding support to the field level functionaries. MIS maintenance is another important role delivered by PRADAN. In the Usharmukti and Project APC there are dedicated MIS officers and data collection protocol. PRADAN in its nodal role ensures accurate and timely data flow so that appropriate reports are generated that can help keep track of progress.

MAJOR CONCERNS AND WAY FORWARD

Institutionalisation of partnership

A major threat to the hitherto encouraging experience is the apprehension of what will happen after the key officer leaves the current post due to promotion or transfer? There are umpteen examples of very promising partnership initiatives that have fallen by the way side because the officer who initiated the partnership moved on. Both the Usharmukti and the project APC are currently doing well, but are in the initial phase. The euphoria and excitement of the early days are still alive and all the main protagonists who were instrumental in setting up the project are still around. It is time to think of how the programme can be institutionalised. It was heartening to note that this matter has not escaped the attention of key actors in the partnership at both places.

One of the key steps being taken is to create adequate documentation of the arrangements,

through MoUs, written communications and so on, so that there is transparency and record for posterity of the process of how the partnership has been given shape to. There are active social media groups which has everyone as members and active dialoguing. This in addition to building the dialogue is a permanent record of transactions. These processes create the institutional memory. Similarly, the policy guidelines, advisories and orders that are issued from time to time are compiled in one place and placed in the public domain.

Another important step is to create enough public interest and appreciation. Regular publication of interesting human-interest stories in the media is an active mandate for the programme secretariat and the department. Thus, there are regular articles getting published in newspapers even though there is room for improvement. The quality and depth of the articles can further be improved. More researched papers can be generated. Active presence in social media spaces such as Twitter and Facebook, increase the spread of information and build stakeholders.

Increasing the base of stakeholders is also important. So, there is a move to bring in many more departments than just one or two, so that more people have stake in the success of the programme. In Odisha, in addition to the Agriculture Ministry, the Ministry of Rural Development ministry (now Livelihoods Mission; efforts on to bring in MGNREGA) is already there. Attempts are being made to bring in the Forest Department and Tribal Affairs Ministry. More private sector market players are also being invited to participate in the consortium. Similarly, in West Bengal also other ministries and departments are being roped in.

Creating interest at the level of the political leadership is also important for long term sustenance. Deliberate efforts are made to ensure that the political executive of the state is aware and appreciative of the good work that is happening in the partnership. Important events such as the launch or agreement-signing are attended by Ministers and higher-up's in the bureaucracy to ensure it is the radar of the senior leadership of the state and they remain committed.

Dedicated web-sites that are active and store-house of information for all types of audience, is also must for such programmes. Thanks to the foresight of the leadership, both the programmes have active web pages. The successes from the field and the learning material emerging are all put up for public viewership.

Concurrent monitoring and learning and research are also advisable activities much of which is not happening now. Roping in a high-quality research agency right at the beginning who would accompany the programme and create evidence for programme improvement and policy advocacy would be desirable.

More partnerships

There is never a perfect result. There are always possibilities for improvement. Detailed in the Chapter are experiences from two active experiments. There are already results emerging

and more lessons will emerge as the projects progress. If we are convinced that partnerships are the way ahead, we should be able to already take on board the lessons and get ready to roll-out more partnerships. The challenges of tomorrow require new approaches and initiatives. The citizens through their own organisations and the civil-society must engage as equals with the state agencies and the market institutions in order to ensure holistic develop all around. Gone are the days in which citizens from the poorer sections were passive recipients of largesse and were shy of the markets. Today the citizen wants to participate; engage; lead. Institutional mechanisms that respond to those aspirations have to be given shape to so that we can really witness people-centric development envisioned by the founding fathers of our democracy. The need is to innovate new ways of engagement and roll out more new experiments.

FIVE YEARS OF CSR IN INDIA

9

Shankar Venkateswaran

INTRODUCTION

Since Section 135 of the Indian Companies Act, 2013¹ (referred to here as the CSR Clause), along with Schedule VII² and the Rules³ (which have several amendments), came into force, much has happened. Calculations suggest that companies were expected to spend a little under INR 95,000 crore on Corporate Social Responsibility (CSR) of which an estimated INR 64,000 crore would have been spent between 2014-15 and 2018-19 (bases for estimates provided later). Several researchers, think-tanks and consulting outfits, both from the corporate and non-profit sectors have been tracking performance of companies and reporting on it. The Ministry of Corporate Affairs (MCA) set up two High-level Committees (HLCs) to review this section, one in 2015 and the other in 2018 and the report of the latter was released in August 2019 (these 2 HLC reports are referred to as HLC, 2015⁴ and HLC, 2018⁵ in this chapter). It has also set up a portal that tracks and analyses data on CSR performance of companies.

Five years is a good time to reflect on what has happened since the CSR Clause came into force. This chapter provides such a reflection,

using the data and analysis that is available in the public domain. It also leverages the experiences and observations of the author who has had the opportunity to spend the past 25 years in the non-profit sector (much of which was spent engaging with companies) and the corporate world, working on corporate sustainability (including CSR) in the lead up to this legislation and the subsequent years of its practice.

The chapter begins by placing CSR, in the context of social and human development, arguing that fundamentally, CSR is development undertaken by a company and must follow the same principles. It then goes on to provide a brief history of the CSR Clause and details out its key provisions. Based largely on data, it then draws lessons from five years of practice and examines the recommendations of the two HLCs. Based on this and other perspectives, it offers a critique of the CSR Clause in terms of both the positives and opportunities for improvement. It ends with some ideas on the way forward for the three principal actors-companies, policymakers and non-profits.

This chapter builds on an essay written by the author for a conference organised by Duke Human Rights Center, Keenan Institute for Ethics, Duke

1 “Companies Act, 2013,” <http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>, accessed on September 30, 2019

2 “Schedule VII of the Companies Act, 2013,” as modified from time to time, <http://ebook.mca.gov.in/Actpagedisplay.aspx?PAGENAME=17923> accessed on September 30, 2019

3 “CSR Rules Notification,” http://www.mca.gov.in/Ministry/pdf/CompaniesActNotification2_2014.pdf, accessed on September 24, 2019

4 Report of the High Level Committee (to suggest measures for improved monitoring of the implementation of the Corporate Social Responsibility Policies), 2015, Ministry of Corporate Affairs, Government of India, http://www.companiesact.in/mailer/HLC_report_05102015.pdf, accessed on September 30, 2019

5 Report of the High Level Committee on Corporate Social Responsibility, 2018, Ministry of Corporate Affairs, Government of India, http://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf, accessed on September 24, 2019

University in June 2018 and a subsequent article published in IDR⁶ in October 2018.

WHAT IS CSR?

It is, perhaps, important to discuss the notion of CSR in a business context. Globally, the term has been interchangeably used with concepts like responsible business, corporate sustainability, triple bottom line, etc., and is understood to be as much about how a company made profits as *what* it does with the profits. These aspects are covered by the National Guidelines on Responsible Business Conduct (NGRBC),⁷ released by the MCA in 2019, which was preceded by the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business⁸ released by the MCA in 2011.

In India, however (and in this chapter), CSR was always understood as community development or corporate philanthropy or corporate initiatives in the community and somewhat tenuously linked with the core business of a company. In fact, in companies that have been around for a long time it was an activity, driven (with some exceptions) largely by the owners, the CEO and the family. It is only in the last few decades that specialised

At its core, the practice of CSR in India was, and continues to be, about social and human development. It is about providing opportunities for the poor and marginalised communities to build a better and sustainable life for themselves, within planetary limits—the latter figuring in the equation relatively recently. Therefore, in terms of purpose, CSR has never been very different from the work undertaken by the other development actors—the state, NGOs, multilateral and bilateral agencies.

At the same time, there are some important differences between the way companies approach development and how other actors execute development. Figure 9.1 provides a simplistic vision of the various approaches to development. The left-hand side of this continuum is pure philanthropy, simply meeting needs through direct provision, with outputs clearly measurable in the short term. Moving to the right are more complex forms of interventions requiring policymakers and the judiciary. Right to Information, Right to Education, etc. are some of the outcomes of the ‘Creating Entitlements’ piece. The right-hand side, therefore, represents outputs and outcomes that are hard to predict, potentially confrontational and likely to happen only in the medium to long term.

Where do companies lie in this continuum? Most companies operate in the ‘Welfare’ mode, though the more mature ones are now moving to the ‘Empowerment’ mode, encompassing activities around gender, affirmative action, etc. This is not surprising since development is not the core business of companies, so they prefer activities that are palpable, provide short-term and quantifiable results, which the Rights end of the spectrum does not quite fit in to. Also, companies are unlikely to confront the government on development issues.

The second difference between the practice of CSR and development is that CSR is driven principally by company interests. For instance, CSR initiatives of manufacturing

Box 9.1: National Guidelines for Responsible Business Conduct (NGRBC)

The National Guidelines for Responsible Business Conduct, released by MCA in March 2019, provides a framework for businesses to understand the what and the how of responsible business conduct. It consists of 9 principles dealing with various core business issues (transparency, sustainable and safe processes, human rights, policy advocacy, environmental stewardship and inclusive growth) and stakeholders (employees, consumers).

departments and functions have evolved to plan and execute CSR. The CSR Clause essentially builds on this Indian interpretation of CSR and went on further to ‘ring-fence’ what CSR is and, more importantly, what it is not.

6 S. Venkateswaran, “CSR Spends: What the Data Tells Us,” IDR, 2018, <https://idronline.org/csr-spends-what-the-data-tells-us/>, accessed on September 30, 2019

7 National Guidelines on Responsible Business Conduct, Ministry of Corporate Affairs, Government of India, 2019, http://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf, accessed on September 24, 2019

8 The National Voluntary Guidelines on Socio-Economic and Environmental Responsibilities of Business, Ministry of Corporate Affairs, Government of India, 2011, http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf, accessed on September 30, 2019

companies typically focus on communities and the environment around their plants. In an attempt to mitigate the negative impacts that are inherent in manufacturing and seeking a ‘community license to operate,’ many would argue that the role of business in society must be the primary responsibility of such companies. Service companies, on the other hand, are usually location agnostic as they are relatively light on people and the planet and society. Further, companies like to align their CSR activities with their business as that enables them to leverage their expertise and those of their employees for better impact. Companies are increasingly looking at CSR initiatives as ways to provide volunteering opportunities to their employees. This not only brings their expertise to bear but is also an excellent way to attract and retain talent as increasingly employees want to work with companies that care. In that sense, CSR initiatives have always had a business benefit component, sometimes described as enlightened self-interest, but they were never designed to make profits.

A BRIEF HISTORY OF THE CSR CLAUSE

What drove the government to introduce Clause 135 into the Companies Act? The United Progressive Alliance (UPA) government of the day had, during its two terms from 2004 to 2014, introduced several important legislations and programmes that were rights-based, favouring the poor and the marginalised-Right to Information Act (2005), Right to Education (2009), National Rural Employment Guarantee Act (2005) and so on. A new Companies Act to replace the one in use (which was enacted in 1956) was very much on the cards and so the CSR Clause seemed to be a continuation of that trajectory.

The Companies Bill was introduced first in 2008, but it lapsed because of the general elections and was reintroduced in 2009 when the UPA formed its government. It was referred to the Standing Committee on Finance,⁹ whose report informed the new bill which was tabled

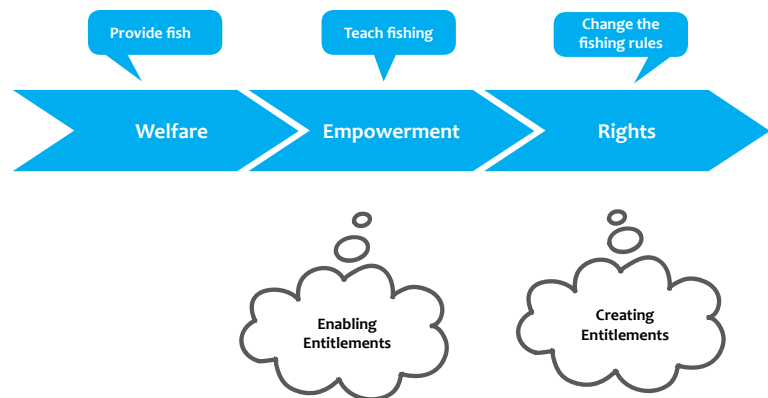


Figure 9.1: Approaches to development

in 2011. What is interesting to note is that the CSR Clause first made an appearance in the 2011 version of the bill, apparently, in response to the recommendations of the Standing Committee. All indications are that it had the broad support of the members of parliament, cutting across party lines.

Not surprisingly, the CSR Clause was widely debated in public, with the then Minister of Corporate Affairs himself being quite engaged in these discussions. This clause evolved from the premise that companies in a post-liberalised India were not just engines of growth but also needed to contribute towards equitable development by leveraging their resources—funds, skills and competencies (organisation and management, result orientation, efficiency focus to name a few) to enhance the quality of development initiatives which were hitherto the domain of government and NGOs. The latter was also the reason given why the amount that were to be set aside—2 percent of average profit before tax of the preceding three years—was to be spent as companies thought fit, within some parameters defined in the Act, hence, was not to be considered a tax!

The report of the Standing Committee on Finance (referred earlier) that reviewed the 2011 bill, wanted some of the provisions to be made stricter. However, the MCA observed that as this was a new provision enacted for the first time, it has to be reviewed after enactment based on

⁹ Standing Committee on Finance (2011–12), Fifteenth Lok Sabha, Ministry of Corporate Affairs, The Companies Bill, 2011, Fifty-Seventh Report, http://www.prsindia.org/uploads/media/Company/Companies_Bill_percent20SC_percent20Report_percent202012.pdf, accessed on September 24, 2019

experience. It further went on to say that ‘the broad objective is to instil (*sic*) the spirit of CSR amongst the corporate sector.’

CSR practices have been studied by researchers and think tanks, both corporate and civil society. Further, as has already been mentioned, MCA set up HLCs in 2015 and 2018 to review the CSR provisions. Some of the recommendations of the former have been accepted by the MCA and incorporated in the FAQs issued by MCA while others were referred to HLC 2018.

IMPORTANT PROVISIONS OF THE CSR CLAUSE

Since everything about the CSR Clause and all subsequent notifications and clarifications is available in the public domain, it is not proposed to repeat them here. Some important provisions are enumerated below.

- Board’s responsibility: To approve CSR policy formulated by the CSR Committee of the Board and make it public; ensure activities mentioned therein are undertaken; the prescribed amount spent and reported on in the relevant format, along with the reasons for underspending, if any
- Public disclosures: The company is required to publicly disclose the composition of the CSR Committee of the board, CSR Policy (covering projects, programmes and monitoring mechanisms) and report of activities
- Activities considered as CSR: Schedule VII of the Companies Act (as modified from time to time), ‘interpreted liberally so as to capture the essence of the subjects’ determined what activities are considered as CSR. Further, there was mention in Clause 135 that the ‘*company shall give preference to the local area and areas around it where it operates (emphasis added) for spending the amount earmarked for Corporate Social Responsibility activities.*’

LESSONS FROM PRACTICE

What are the lessons learnt from five years of practice post the CSR clause? Owing to the legislation, there is far more data in the public domain about a company’s CSR activities than ever before, which does allow for some analysis. Filing of data for 2018–19 is still being done and so there is really reliable data only for four years, and this section looks at this data in some details.

Data

In the initial years, company CSR data was not officially compiled and analysed. This task was undertaken by private researchers and because the number of companies that are meant to report were huge (in the range of 16,000 to 21,000 annually) and compilation involved meticulously picking up data from individual company reports from their websites, the researchers could realistically only cover a smaller set of companies. This author really commends the tremendous effort put in by them and much of the analysis presented here is owing to their efforts. MCA subsequently launched its national CSR portal (<https://www.csr.gov.in>) which has been a real boon as there is now an ‘official’ source; however, cleaning of the data is tedious and hence the portal has been struggling to keep the data current. The report of HLC, 2018 has been a boon as it provides an excellent and comprehensive analysis of CSR practice.

For the purposes of this chapter, data has been obtained from several sources; the principle ones are listed here:

- HLC, 2018: As mentioned earlier, this is certainly the most comprehensive source, though it comes with a disclaimer that the numbers might be higher once ‘companies file their annual reports’. It may also be noted that there are some data discrepancies between HLC, 2018 and the National CSR Portal and the former has been judged by the author to be more authentic and comprehensive and hence used here.

Box 9.2: Activities and expenditures not considered as CSR

- Undertaken in the ‘normal course of business’
- Those that only benefit employees
- Contributions to political parties
- Capacity building activities of staff and implementing agencies and administrative overheads beyond 5 percent of total expenditure.
- One-off events such as marathons, awards etc. that are not a part of a project or programme.
- Expenses incurred by companies for the fulfilment of any Act/Statute of regulations (such as Labour Laws, Land Acquisition Act etc.)
- Those undertaken outside of India
- Monetisation of any non-cash expenditures, e.g., volunteering, in-kind contributions

- CSR Annual Tracker 2017:¹⁰ It was published in 2018 by the CII Centre for Excellence in Sustainable Development (CII-CESD, 2018). This publication attempted to collate CSR data from reports published by all listed companies and summarised data for the financial years 2014-15 to 2016-17. In the three years, data was collated from 1181 companies in 2014-15, 1270 companies in 2015-16 and 1522 companies in 2016-17. This has not been published since.
- India’s CSR Reporting Survey 2018:¹¹ It was published by the consulting firm, KPMG (KPMG, 2018). This report analysed information from the top 100 listed companies. The 2019 edition of this report is awaited.
- CSR in India, 2018 and Estimated Prescribed CSR, 2019:¹² It was published by NGOBOX and CSRBOX. This covered data from the top 500 listed companies.

Additionally, *Status of Corporate Responsibility in India, 2017*¹³ published by Praxis and the *CRISIL CSR Yearbook 2019*¹⁴ (CRISIL, 2019), which focused only on spends by listed companies for the period up to 2018-19, were also looked at and insights drawn.

All the above sources (other than HLC, 2018) analyse data of listed companies where size is essentially defined by market capitalisation and not the more familiar metrics such as turnover or number of employees. On the other hand, HLC, 2018 analyses data on the basis of CSR spends which, since it is based on profits, is again not necessarily related to market capitalisation, turnover or number of employees. Thus, in the analysis that follows, large and small companies refers to market capitalisation.

Overview

Figure 9.2 provides an overview of the status of CSR in the past five years. As can be seen, the number of ‘eligible’ companies, i.e., those that meet the profits, the net worth or turnover thresholds in Clause 135 have grown steadily from 16,548 in the first year of implementation to 21,337 in 2017-18, the last year for which data is available. The total CSR amount ‘prescribed’, i.e., amount calculated based on 2 percent of the past three-year average also grew in that period to INR 23,248 crore in 2017-18. No confirmed figures are available for 2018-19 but estimates by various researchers put the figure at between INR 17,500 crore and INR 20,000 crore, which is lower than the previous year but appears to be

10 Annual CSR Tracker 2017: From Commitment to Impact. 2018. Confederation of Indian Industry.

11 India’s CSR Reporting Survey 2018. 2019. KPMG

12 Estimated Prescribed CSR: Listed Large 500 Companies in India. 2019. NGOBOX, CSRBOX

13 Status of Corporate Responsibility in India, 2017. 2017. Praxis

14 The CRISIL Yearbook 2019. 2019. CRISIL Foundation

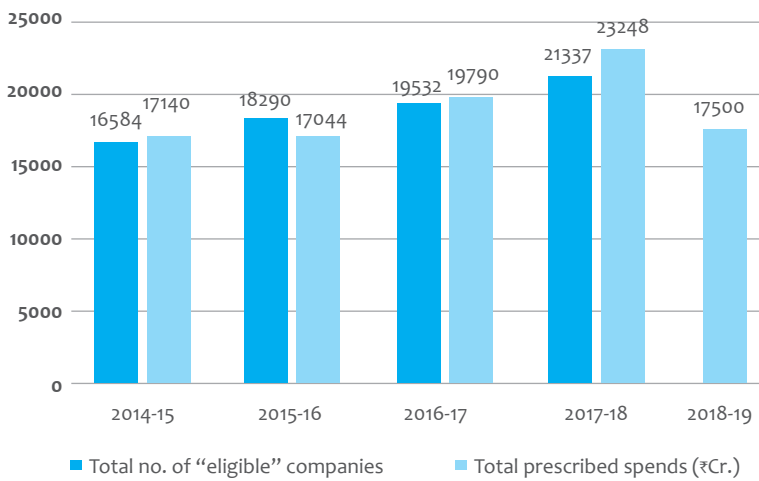


Figure 9.2: Overview of spends and number of companies
Sources: HLC, 2018; NGOBOX & CSRBOX

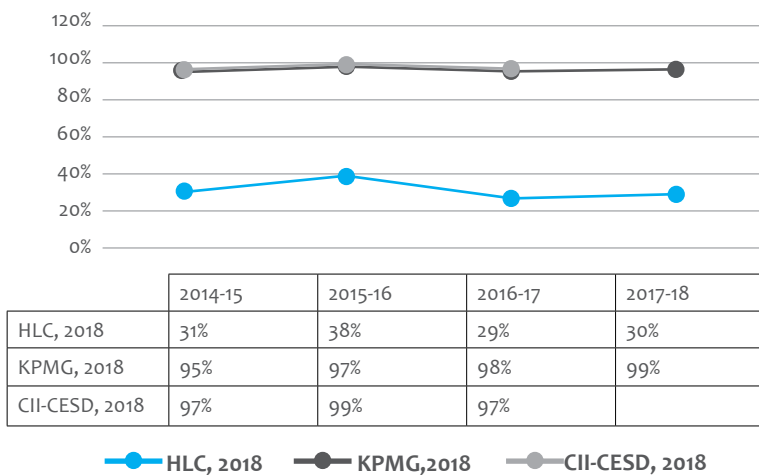


Figure 9.3: CSR governance trends - CSR Committees
Sources: HLC, 2018; KPMG, 2018; CII-CESD, 2018

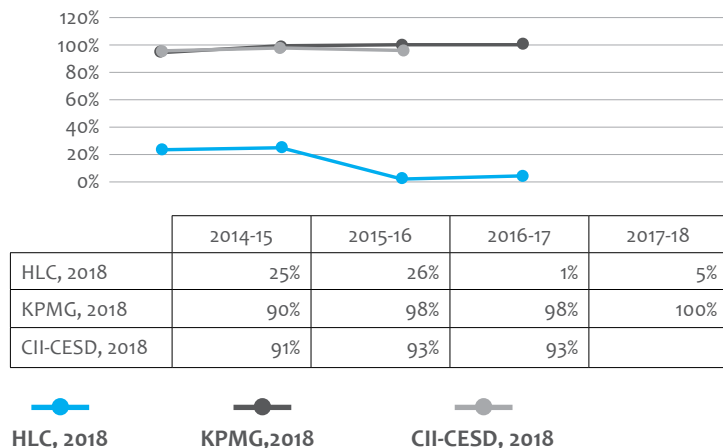


Figure 9.4: CSR governance: CSR policy in the public domain
Sources: HLC, 2018; KPMG, 2018; CII-CESD, 2018

in line with the slower economic growth seen in recent years. Figure 9.2 uses the estimates of spends provided by NGOBOX and CSR BOX.

Compliance—Governance and Reporting

Compliance with the CSR Clause has been seen under two dimensions-governance, i.e., setting of the CSR Committee and developing and publishing a CSR Policy and Reporting on CSR spends.

On CSR committees, the trends are very interesting as can be seen from Figure 9.3. When all companies are taken together (HLC, 2018), it appears that the percentage of companies with a CSR Committee ranges between 30-40 percent through the period. However, data of the top 100 (KPMG, 2018) and listed companies (CII-CESD, 2018) show a very high compliance, suggesting perhaps that the smaller and newer companies may be still struggling to comply with this requirement.

On disclosures of CSR Policy, the data from HLC, 2018 shows a disturbing trend (Figure 9.4) where the percentage of eligible companies that provided this information publicly dropping sharply from a low of 25 percent in 2014-15 to 5 percent in 2017-18. On the other hand, the top 100 and 500 listed companies seem to be faring well with their corresponding figures being consistently above 90 percent with the top 100 being close to 100 percent. This suggests that either the smaller companies are struggling or they are simply unclear about putting it out every year in the public domain.

When it comes to reporting too, the Top 100 companies (KPMG, 2018) are doing well with almost all of them complying, as Figure 9.5 shows. However, overall the trends have been less encouraging with the percentage of companies that are expected to report on CSR coming down from 71 percent in 2015-16 to 54 percent in 2017-18 (HLC, 2018).

What Figure 9.5 also indicates is the scale of reporting. If all companies were to report, there would be over 20,000 reports and compiling these from individual reports, which has been the practice that all the non-government researchers have followed, is a humongous

task. The importance of a fully functional and update of the National CSR Portal cannot be overemphasised.

There are, of course, many other more nuanced aspects of compliance such as disclosure on composition of the CSR Committee (including one Independent Director), focus areas of CSR in the Policy, reasons for underspend, if any, etc. These are harder to analyse especially when the numbers are so large. KPMG’s reports analyse these more minutely and the results show that larger companies are fairly compliant but, as the above analysis shows, this would not be reflective of compliance of the corporate sector as a whole.

Compliance-CSR Spends

What is of greatest interest is how much of the prescribed amounts have companies actually spent? According to data in the HLC, 2018 report, actual spends have increased from INR 10,066 crore in 2014-15 to INR 13,327 crore in 2017-18 and this may increase as more filings are recorded. Figure 9.6 provides details for five years. It may be noted that the figures for 2019-20 are estimates that the prescribed amount based on CSRBOX and NGOBOX estimates and the actual spend assuming 68 percent of the prescribed amount gets spent, as has been the average for the first four years where data is reliably available.

Figure 9.7 provides the actuals to prescribed percentages from four different sources, representing data from different numbers and sizes of companies for different years. HLC, 2018 data shows a decreasing trend from 85 percent of the prescribed amounts being reported as spent in 2015-16 dropping to 59 percent which is close to what it was in the first year. The disclaimer of potentially incomplete data notwithstanding, the drop is there to see, which is not encouraging. However, data from the other sources shows a healthy increase, with the top 100 even exceeding the prescribed amount. This suggests that the smaller, unlisted companies appear to be the laggards. Since being new to CSR is less likely to be a reason for this overall drop, a more plausible explanation is that the CSR amounts that these companies have is so small that the effort to deploy them well is not proportionate.

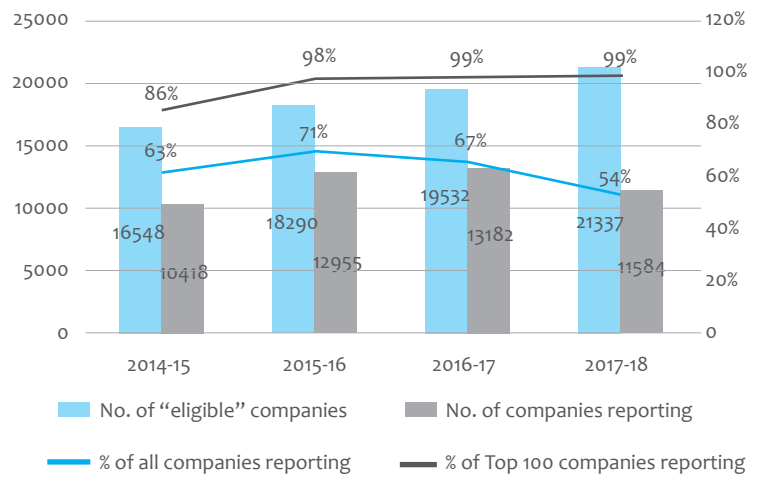


Figure 9.5: Compliance on reporting
Sources: HLC, 2018; KPMG, 2018

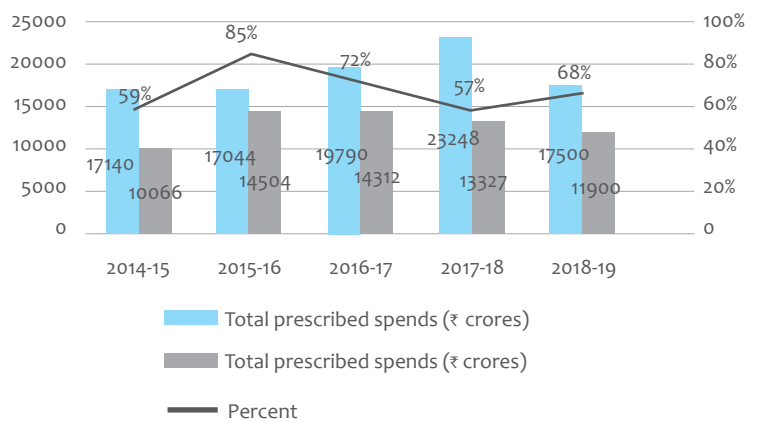


Figure 9.6: CSR spends overview- prescribed and actuals
Sources: HLC, 2018; NGOBOX & CSRBOX

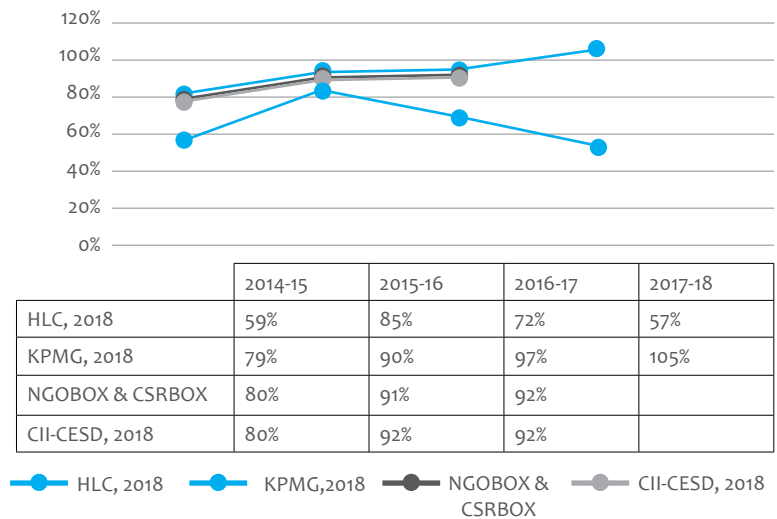


Figure 9.7: CSR spends - actuals to prescribed by data sources
Sources: HLC, 2018; KPMG, 2018; NGOBOX & CSRBOX; CII-CESD, 2018

Table 9.1: Geographies of spend

State	Source (all figures in percent)		
	HLC, 2018 (4 years)	KPMG, 2018 (2 years)	NGOBOX & CSRBOX (4 years)
Maharashtra	16	7	16
Karnataka	6	2	6
Gujarat	5	3	5
AP	5	2	5
Tamil Nadu	4	neg	5
Pan India	37	73	10

Sources: HLC, 2018; KPMG, 2018; NGOBOX & CSRBOX

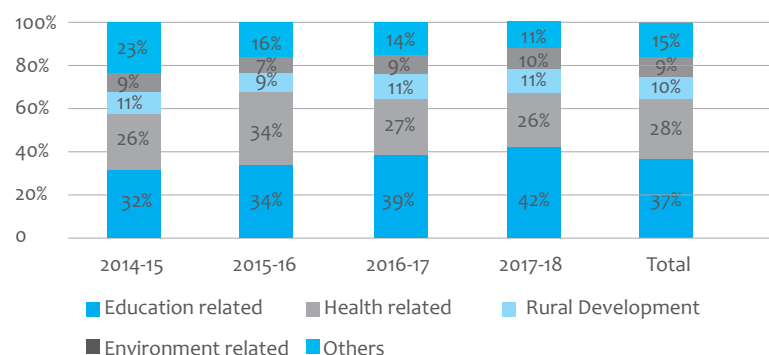


Figure 9.8: Break-up of expenditures by sectors
Sources: HLC, 2018

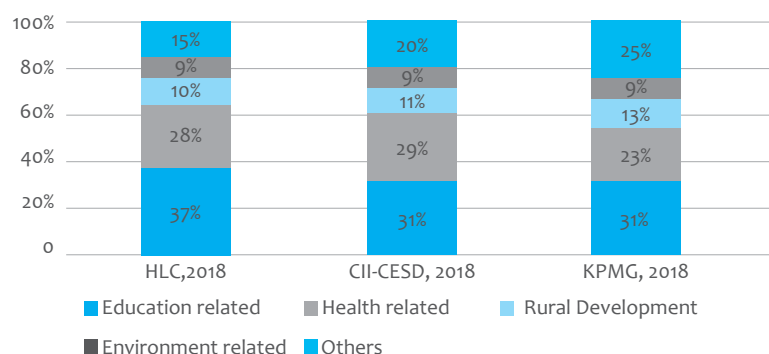


Figure 9.9: Distribution of expenditure by sector and company size
Sources: HLC, 2018; CII-CESD, 2018 & KPMG, 2018

The reasons for underspend, which companies are required to report, as compiled by HLC, 2018 and other sources, provides interesting reading. These may be broadly classified as under:

- Teething problems, which include delay in project identification, suitable project not being found, suitable implementing agency not found and lack of prior expertise. While

a bulk of these appeared in the first two years which can be expected, that some persisted as recently as 2017-18 is inexplicable, unless these came from the new eligible companies.

- Multi-year projects are another common reason for underspend, which is reasonable as the rules to the CSR Clause urged companies to implement their CSR commitments in a project or programme mode. Data also suggests that some companies carried forward unspent money for this reason, but it is very tedious to correlate companies that gave this as the reason with those that carried funds forward to subsequent years.
- Implementation delays were reported across the four years that data is available. In the absence of any further information, it is difficult to draw any conclusions on the reasons for this delay and hence what can be done to address them.

Whatever be the reason, there is clearly greater effort required to understand this trend of underspend and address it, a task that the industry associations should take on along with MCA.

Geographies of Spend

Three sources that were referred to analyse state spend. While these have been done year-wise and there are yearly variations, these do not appear to be very significant. Table 9.2 provides a list of the major states where CSR investments went as a percentage of total expenditure consolidated across the years for which data was available.

HLC, 2018 and NGOBOX & CSRBOX data related to all companies and the top 500 respectively seem to be rather close in terms of state-wise expenditures with these five states accounting for over a third of the total expenses. Where these two sources differ significantly is when it comes to interventions that are across several states. On the other hand, the KPMG, 2018 data, which is for the top 100 companies, suggests that as much as 73 percent of the spends have been across several states. This data variance is hard to reconcile but what it definitely suggests is that the top 100 companies are not

being precise when it comes to reporting their expenses by state. CRISIL, 2019 shows high spends in Delhi NCT but this is not corroborated by other data.

The big take-away from all this of course is that a bulk of the CSR expenditure appears to be going to the states that rank higher in terms of multiple development indicators. In fact, these states are home to only about 10 percent of what the NITI Aayog terms as ‘aspirational districts’ which require more development investments while the states that house over half the aspirational districts—Jharkhand, Odisha, Bihar, Madhya Pradesh, Chattisgarh and Uttar Pradesh—have only received 9 percent of total CSR investments in the period 2014-15 to 2017-18.

An argument that is often put forward for this skew is that manufacturing companies tend to invest around their plant, both because of the ‘preference to local areas’ expectation in the CSR Clause and because they have a responsibility to mitigate the negative impacts that their operations have on their surroundings. Also, it is much easier for a company to deploy its managerial, technical and other non-financial resources in its neighbourhood. Undertaking CSR activities in an ‘unconnected’ geography would reduce it to a cheque-writing role, which is not in line with the spirit of the CSR clause. While this does, to some extent, explain this skew, there seems to be more to it.

A very interesting analysis that appears in HLC, 2018 is assessing whether a state is a ‘net donor’ or a ‘net recipient’ of CSR funds, the latter being one where the net CSR spends in the state are greater than the prescribed CSR funds generated by companies in the state. States with low development indicators should ideally be ‘net recipient’ states which, the analysis suggests, is the case. Similarly, the top five states in terms of CSR spends are ‘net donor states’, except for Andhra Pradesh. The conclusion is that while the more developed states do have the higher CSR expenditures, these states contribute to development in other states. Thus, the skew is not as bad as it first appears. What is harder to determine is whether the less developed states are getting sufficient CSR funds in absolute terms.

There is little analysable data on where CSR funds are spent within a state. There is anecdotal

evidence that in Maharashtra, for instance, very little CSR money went to the less developed districts. Thus, there is a case to look at the skew in CSR spending using the district—and not the state—as a unit and then determine the extent of skew. In any case, that there is a skew is a fact and from a purely developmental perspective, there is a strong case to encourage and motivate (but not mandate) companies to go beyond its local areas.

Sectors of Spend

In terms of sectors too, there was a definite preference. Four sectors—health (including water and sanitation), education (including skills), rural development and the environment attracted well over 80 percent of CSR funds. And this has not changed dramatically over the years as Figure 9.8, using HLC, 2018 data, shows.

To assess if there is a variation by size of the company, Figure 9.8, uses data for all companies (HLC, 2018), all listed (CII-CESD, 2018) and the Top 100 (KPMG, 2018). There are certainly some similarities. Education and health are the two dominant sectors, followed by environment and rural development. At the same time, there appears to be some interesting differences: the listed companies seem to be closer to the Top 100 when it comes to education (31 percent vs. 37 percent) but closer to all when it comes to health. Also, the Top 100 appear to marginally less concentrated on a few sectors as the others get 25 percent of the share of the spend. Since the years for which the data is available is not the same in all the three sources, it might not be useful to tease out too many nuances from it but what can be concluded is that these four sectors, particularly education and health, dominate spending and the larger companies have a greater distribution of spends across sectors.

The domination of education and health is not surprising, given India’s poor performance in these sectors. What is not clear, however, is the process a company uses to determine what it should focus its CSR on. Do they, for instance, undertake a needs assessment first? Who are consulted by the CSR Committee while formulating the CSR Policy? While companies understand the need to do consumer research to understand them better, it is less clear whether

this is done in the case of CSR, especially by companies that are still new to this. There may be a strong case for the need to seek expert help while formulating CSR Policy and its execution.

There is not enough data on the actual activities done within a sector but anecdotally speaking, many are fairly routine e.g. school uniforms, scholarships and skilling under education, mobile health camps, building toilets and blood donations camps under health and so on. Companies have traditionally preferred to build physical structures as these are, quite literally, concrete but also because, as the cynics would say, they can brand it! This is not to deny the importance of these interventions but to emphasise that the spirit of the CSR Clause was also to unleash innovative potential of Indian business. The NGOBOX & CSRBOX report points to some interesting innovations carried out by companies but the big challenge is how to unearth and spread innovations that are successful. At present, there is no mechanism to either know about or track innovations and good CSR practices.

Interestingly, contributions to the Prime Minister's Relief Fund as a percentage of the total CSR spends have been steadily declining over the years, suggesting that companies see this as a last resort.

Mode of Implementation

The CSR Rules indicated several ways by which companies could implement their CSR activities—directly, through their own trusts or foundations, in partnership with other companies and through independent implementing partners.

According to the analysis provided by HLC, 2018, the dominant mode is the company implementing themselves, either directly or through an NGO they have set up (down from 54 percent by value in the first year to about 45 percent more recently). Other implementing agencies—assumed to be NGOs of different shapes, sizes and origins—have increased steadily over the years from 25 percent to 52 percent. Government agencies have remained low in

the 1-3 percent range. Other sources count the number of companies (and not the amounts) flowing through these various institutions and are not comparable to the HLC, 2018 data and the trends are conflicting. CRISIL, 2019 data indicates that there is a high preference (over 70 percent) by listed companies for working with NGOs and this is independent of the size of the company; the other sources suggested that working with implementing agencies was the preferred mode (55-60 percent) compared to direct implementation and own foundations. So, the only conclusion that can be drawn is that NGOs are very much in the mix when it comes to implementing CSR but they must know that they have to compete for the CSR pie not just amongst themselves but also with the company's own implementing mechanisms.

Beneficiaries Not Defined or Counted

Who benefits from CSR? Interestingly, the mandated reporting format neither asks for numbers or profile of those who benefit. Data suggests that more and more companies, especially the larger ones, are disclosing the numbers, in some cases even project-wise, which is of course useful. But this is in an aggregated way and not by gender, ethnicity or disability which many consider the three markers of social exclusion, hence, poverty. In the absence of this, it is difficult to make even preliminary assessments as to who benefits from CSR. There is, therefore, a strong case for companies to not just disclose the number of beneficiaries but also their socio-economic profiles.

Recommendations of the HLCs

As was mentioned earlier, some of the recommendations of HLC, 2015 were incorporated in the form of FAQs issued by MCA in January 2016.¹⁵ A few were not accepted while a small number were taken for consideration by HLC, 2018.

¹⁵ Frequently Asked Questions (FAQs) with respect to Corporate Social Responsibility under Section 135 of the Companies Act 2013 (<http://www.mca.gov.in/MinistryV2/faq+on+csr+cell.html>) accessed on September 30, 2019

The recommendations of HCL, 2018 are in the public domain and are hence not reproduced here but few important ones are highlighted below:

- Newly Incorporated Companies: CSR Clause applicable only after three years of operations.
- Unspent CSR Amount: Unspent CSR money in a year transferred to a designated account and this amount and interest be spent over three to five years. If still not spent, this will be transferred to a fund specified by the central government to be used for innovative, high-impact projects aligned with Schedule VII. Penalty for non-compliance may be two to three times the default amount subject to a maximum of INR 1 crore.
- Undertaking CSR Activities in Local Areas: This should not be a mandatory provision and companies should balance local preference with national priorities
- Schedule VII: Schedule VII be mapped against SDGs, with items such as sports, senior citizens, disability, cultural heritage and disaster management added. The central government could emphasise some areas from this for special attention.
- Contribution to Central Government Funds: This will be discontinued apart from the special fund for unused CSR spends beyond three to five years
- Deepening CSR Impact: Companies having average prescribed spends of INR 5 crore or more in the previous three years conduct impact assessment studies for CSR projects in that year and disclose outputs in the board report. This should be taken once in three years.
- Tax Benefits: CSR expenditure be deductible from income for tax purposes, mode of implementation to be “tax neutral,” implementing agencies as partners not vendors to address variable incidence of indirect tax on them.
- CSR Exchange portal: Such a portal be created as an interactive platform for stakeholders.
- Administrative Overheads: Status quo be maintained with an additional 5 percent allowed for companies undertaking need and impact assessments.
- Volunteering: Volunteering cannot be considered as CSR due to accounting and regulatory purposes.
- CSR Expert in CSR Committee: Board may engage CSR professionals and government may prescribe eligibility criteria for such professionals.
- Third-party Assessment of CSR Projects: Five percent of CSR mandated companies be selected at random for third-party assessment

A CRITIQUE OF THE CSR CLAUSE-OVERVIEW

Companies were initially quite sceptical about CSR provisions as they saw it essentially as a tax. Some were also unhappy both with the need for and contents of Schedule VII (which detailed what activities constituted CSR), especially those companies that did not see their current voluntary CSR activities reflected in Schedule VII. However, over time, most bought into it.

Civil society was suspicious of the CSR Clause for different reasons. Many believed that it was merely to placate critics of the neo-liberal economic paradigm that India had adopted, which has favoured companies at the cost of labour and the environment. Some also pointed to the timing of the introduction of the clause so close to the election (which was held in 2014) when the government of the day needed all the help it could muster to get re-elected. However, on the whole, they welcomed it, in part because they saw themselves as natural partners of companies.

In India, the fine print of any law is understood only when its rules are framed and notified and in the case of Clause 135, these rules appeared in the public domain on February 27, 2014. How did some of the companies who were already practising CSR and civil society respond? These are discussed below. It must be said, however, that these responses are not the result of any formal survey but is based on author's experiences and discussions with companies and civil society actors.

POSITIVES OF THE CSR CLAUSE

CSR a Board-Level Conversation

One of the biggest positives is that CSR has the potential to become a board-level conversation and both companies (especially those working on CSR) and NGOs welcomed this. As was mentioned earlier, Indian CSR traditionally was philanthropic in nature and driven by the owners and CEOs. It then evolved to become more widely owned amongst company employees leading to the formation of CSR departments. The requirement of including independent board members in the mandated CSR Committee widened the ownership of CSR within the company.

The practice indicates that while large companies did better in terms of complying with this requirement, other companies did not do as well, perhaps because of a high compliance burden by virtue of them being small or new to CSR. HLC, 2018 recommended that companies be exempted from the CSR Clause for the first three years after incorporation and companies with prescribed CSR amounts of less than INR 50 lakh need not set up a CSR Committee. These recommendations may address this compliance challenge.

Greater Transparency of CSR Intent and Practice

A second positive is that mandatory reporting of a company's CSR Policy and report makes its intent and practice become completely transparent. The fact that these two documents must be signed off by the board ensures that these are not in the nature of public relations exercises. For the first time, the general public can get authentic information on a company's CSR work and, if it chose to, could verify it on the ground and critique it. Large companies were comfortable with this as many were already producing such reports. NGOs welcomed this

as it demystified CSR activities and felt it would make these reports more authentic as they will be available for public scrutiny; they were less happy with the format of the report as it did not ask for impact measurement but were willing to see it evolve and become more meaningful with time.

Data showed again that large companies were able to comply with this better. Exempting new companies from the CSR Clause, as recommended by HLC, 2018, might improve these figures too.

Schedule VII as a Guideline

A third positive was that Schedule VII of the Companies Act, which listed activities that could be considered as CSR, provided some guidance to companies new to CSR on what they could do. Older companies were either neutral or mildly opposed to this provision for the same reason as NGOs; it fell somewhere between being comprehensive and open-ended enough to incorporate the activities being undertaken and proposed. To the MCA's credit, it was responsive enough to update and clarify Schedule VII a few times in the first year itself, based on feedback and inputs received, but this did not fully address this criticism; in fact, HLC 2015 recommended the inclusion of an 'omnibus clause simply because certain development concerns, needs and priorities cannot be anticipated' but this was not apparently done but subsequent clarifications provided by MCA encouraged companies to interpret these provisions 'liberally', thus indicating that these were broad guidelines and not rigid rules.

CSR: A Company-driven Activity

A fourth positive, especially from the company's point of view, was the fact that the how and what a company did as part of CSR was largely left to the company, with the board and the CSR Committee directing this effort. This was in keeping with the spirit of the section that this was not a tax, hence, the funds belonged to the company to be used as it thought best, guided by the board and within the confines of what was

allowed as CSR. The practice, however, belied this positive feature.

DOWNSIDERS OF THE CSR CLAUSE

Focus Shifted away from Responsible Business Conduct

Reference was made earlier to the NVGs which were in place in 2011, the same year that the Standing Committee report was submitted and before the Companies Act was enacted, which essentially provided the framework to businesses to run their core operations responsibly. Consisting of nine principles, the NVGs incorporated CSR in its framework by including Principle 8 which read as follows: Businesses should support inclusive growth and equitable development. The NGRBC released in 2019 also contains this principle. Thus, CSR is seen as one of the components of responsible business conduct.

There was disquiet in some quarters that by mandating CSR through an act and not linking it to NVGs, companies would focus on this one aspect of responsible business and ignore the others. According to the author's own experience, this has indeed been the case with the adoption of the NVGs, being restricted to the Business Responsibility Report (BRR) mandated for the top 500 listed companies by the stock market regulator. HLC, 2015 acknowledged this link between the CSR Clause and Principle 8 of the NVGs but this did not translate into formalising this link in the law. HLC, 2018 wrote extensively about NGRBCs and recommended extending BRR to the top 1000 listed companies but did not explicitly link CSR with Principle 8 of the NGRBCs. This apprehension is valid as the NVGs and the NGRBCs are far less known and followed compared to the CSR Clause.

Activities Undertaken in the 'Normal Course of Business' Excluded

One downside of the CSR Clause, certainly from a company's point of view, was that it excluded all 'activities undertaken in pursuance of normal course of business of a company' from CSR. While most agreed with the spirit of this provision, which was to ensure business expenditures were not shown as CSR, companies felt that, if interpreted literally, it will not allow them to leverage their core competence or products. For instance, an IT company or an automotive company is best placed to run a skilling programme for young people in programming or motor mechanics respectively. Will undertaking such programmes as CSR be construed as the 'normal course of business' so that trainees might seek a job in these very companies? Similarly, if a print media company runs a literacy programme using its products, can this be considered as CSR? NGOs' apprehension with this provision was that this may lead companies to exclude contract and casual workers from CSR activities: such workers are socially and economically disadvantaged and usually not covered by employee welfare programmes either and hence may not be able to access any benefits from the company beyond wages.

Preference to Local Areas a Limitation

The CSR Clause mentioned that a "company shall give preference to the local area and areas around it where it operates". Many NGOs were unhappy with this provision because they feared that no funds would flow to underdeveloped geographies because few, if any, companies had a presence there. They argued that while companies must invest where they have a presence, they should also be required to allocate some proportion of the spend where the need

was the greatest. This was, indeed, a legitimate concern as the practice showed that states that had high concentration of underdeveloped areas attracted very little CSR activity.

Employee Volunteering Not Valued

One of the biggest disappointments, especially for companies with a large and well-qualified employee base, is that the CSR Clause does not allow companies to monetise employee voluntary contributions. What this means is that it disincentivises companies to contribute what many consider their most valuable resource, though it is well known that some of the larger and older companies and groups like the Tata group have a vibrant employee volunteering programme. This also went against the stated purpose of introducing CSR Clause, bringing business skills to bear on development challenges can only happen if companies can get their employees to contribute their time. HLC, 2015 did see the merit of this but did not recommend its inclusion because of the methodological complications. HLC, 2018 also reiterated this position.

Administration Expenses Capped

The other matter of concern was administrative expenses. The original provision in the CSR Rules allows for 5 percent and this covers a range of expenses including capacity building of staff. While there is a need to have a cap and disallow some expenses to be covered under this, the basis for this amount is unclear. Further, what has happened in practice is that companies are asking their NGO implementing partners to keep their overheads below 5 percent; most foundations who fund NGOs allow overheads from 10 to 15 percent and therefore, a 5 percent limit is both unrealistic and without a basis. There is therefore a strong case to either increase this limit or restrict it to costs incurred directly by the company on its own staff end and not to the NGO.

HLC, 2015 had recommended that the cap on administrative expenses be raised to 10

percent. This was reviewed by HLC, 2018 who recommended maintaining status quo.

Governments Influencing CSR

A somewhat unexpected but increasingly common trend is that governments, both at the state and union levels, have begun to influence how CSR money is to be spent. This influence is expectedly more direct in the case of public-sector enterprises compared to private companies, but it is evident. Some states have constituted bodies for CSR whose role ranges from facilitation to directing companies on where and what to spend; one state actually asked companies in that state to spend 1 percent of their 2 percent through this government body, which is certainly against the letter and spirit of the law. Several government programmes have been included in Schedule VII—the Clean India Campaign and the Clean Ganga Fund to name two. The National Health Policy 2017 says “CSR is an important area which should be leveraged for filling health infrastructure in public health”.

Both companies and NGOs are extremely critical of this trend, though companies do not express their displeasure in public; no company in India wants to be seen as criticising the government. NGOs see it as abdication by the state of its own responsibilities and obligations as well as taking away funds that may otherwise have come to them. Companies see this as an indirect way of using CSR as a tax, something that the government vehemently denied while the clause was being debated before enactment.

HLC 2018 has recommended that contribution to central government funds be discontinued which, if accepted, would go a long way in addressing this matter.

THE WAY FORWARD

There is an emerging consensus that the CSR Clause has added value. But has it fulfilled its potential? Has it significantly contributed to the practice of development? Based on the evidence available, perhaps not. A few specific suggestions on the way forward are provided below for each of the major stakeholders.

Companies and Industry Associations

CSR must be seen in the larger context of responsible business conduct as outlined in the NGRBCs. It can be argued that companies who run their businesses responsibly can move away from simply mitigating the negative impacts of their operations on communities to finding innovative ways to improve their lives. Individual companies and industry associations have a significant role to play in making sure that this understanding of the larger purpose of business is understood.

The data showed that smaller companies seem to struggle with complying with some of the requirements of the CSR Clause. The reasons are unclear, but it could be out of ignorance or lack of capacity. While some of the recommendations of HLC, 2018 will facilitate this, there appears to be a case for industry associations and bodies to enable their members in improving performance, especially since the government seems to be taking non-compliance more seriously than before.

While manufacturing companies will and must focus their attention in the vicinity of their plants, there is clearly a case for CSR activities to be undertaken where the need is greatest. Thus, while companies may give preference to local area, it should not prevent them from allocating some of their CSR budgets to such needy geographies and explore working there in partnership with other companies and NGOs that have an interest and presence in these areas. The recommendations of HLC, 2018 suggest such a balance. This is especially true for companies in services businesses such as IT and banking whose adverse impacts are not necessarily local. In fact, it could be argued that IT enables interventions to be executed remotely!

Good development practice requires that interventions should be designed around local needs. Anecdotal evidence suggests that not enough companies undertake systematic and regular community needs assessments at the start, and this should become a part of standard operating procedures. Mid- and end-term evaluations of projects provide excellent lessons

and is also a part of good practice. Companies should embrace this too. The recommendation of HLC, 2018 should provide additional motivation to undertake such evaluations.

As a corollary to needs assessment and evaluations, companies should design their interventions around the socio-economic profile of people it wishes to impact, track this over the lifetime of the project and report on it, even if such reporting is not mandated. This will enable CSR interventions to focus on the most marginalised, thereby improving the impact of their work.

Related to the above as well as the observation that the limited evidence suggests, CSR should be considered as routine interventions; companies should ensure that there is adequate development knowledge and experience in both its CSR teams and the Committee. Seeking such expert advice must be pursued actively. HLC, 2018 also suggests that such experts may be invited to join CSR Committees. Companies should take this seriously.

Companies must recognise that partnership with other companies, civil society actors, academia and government, to name a few, is essential to make CSR activities impactful. Such partnerships appear to be rare and that could be attributed to the newness of the CSR Clause, but companies must deepen and widen such partnerships going forward.

Civil Society

Civil society actors, particularly NGOs, have tended to see CSR purely as a source of funds. While this is understandable given the challenging times we live in, it has been a source of some angst for those who have been less than successful in this. To an extent, much of the challenges of NGO-Company partnership lie in the inadequate understanding they have of each other.

The CSR Clause requires the CSR Policy and report of companies to be available in the public domain. These provide information on the sectors and geographies of focus as well as the preferred mode of implementation, directly through their own foundations or in partnership

with NGOs. NGOs that wish to raise funds from companies, would do well to study these and determine which companies are best aligned with their own work thus making their efforts to connect with companies more effectively and efficiently.

NGOs must recognise that they have much more to offer to companies than implementation capability. They have an understanding and experience of the process of development, strong rapport with communities they work with, technical skills in areas that complement those of companies and a commitment to make a change. Offering these to companies while seeking financial partnership, will enable the relationship to be a partnership rather than that of a contractor or a vendor, which is often the case currently.

Civil society would also do well to remember that companies possess many skills and competencies that can significantly improve the quality and impact of development interventions. Hence arguably, NGOs might find that partnerships that leverage the best of all sectors, beyond companies only writing out cheques, may be a better way to serve those who benefit from development interventions, even if cheque-writing is more convenient for companies and provide the much-needed funds for NGOs. Such partnerships must be actively pursued.

Most conversations that companies have on good CSR practices are about what other companies are doing in development. Rarely do civil society organisations figure, which is a statement on how little interactions there are between these sectors. Companies are surprised when they learn that interventions such as residential bridge schools and micro watersheds were initially NGO innovations (just as NGOs are unaware of some of the innovative interventions by companies). Civil society organisations and their networks need to do more to document and make available good practices in various sectors so that companies can adopt and adapt them. HLC, 2018 has recommended that a CSR Exchange Portal be set up—civil society must work closely with the MCA to build this.

Civil society must also play the role of validating and critiquing CSR activities of companies. With the exception of Corporate

Watch (www.corporatewatch.in), there is very little of this happening in India and this presents an opportunity. That it must do this based on evidence goes without saying. It will also be helpful if such critiques are constructive and offer concrete suggestions on how CSR practice can improve.

And finally, civil society can leverage their own strengths and insights to play a significant role in furthering the responsible business agenda. For instance, civil society organisations working on issues like informal, forced and child labour can help companies eliminate these from their supply chains while those working on biodiversity can enable companies to minimise and even eliminate adverse impacts of their operations on biodiversity – all mainstream business issues. These are but two examples, but CSR provides an excellent entry point to begin such an engagement which can become deeper and more effective.

Policymakers

The link between the CSR Clause and Principle 8 of the NGRBC must be unambiguously made. This will enable all companies see their CSR work as they must as a part of responsible business conduct.

The recommendation of HLC, 2018 that the mention of 'local area' in the CSR Clause should not be a mandate and that companies should balance local and national interests is very welcome and must be notified at the earliest.

The use of the expression 'normal course of business' does have some unintended consequences which need to be addressed while ensuring that companies do not pass off business activities as CSR. With the experience of five years under the belt, policymakers along with company and NGO representatives should be in a better position now to analyse what activities fall in the grey, codify them and better define what to include and exclude in more specific terms. CSR and disadvantaged communities would be better served if companies could leverage their core competencies.

HLC, 2018 has brought some much-needed clarity on how companies must treat multi-year projects, and this is very welcome. MCA

must develop the details (the recommendation says three–five years and it is not clear how to interpret this range) and notify this urgently.

Government influence on CSR is the elephant in the room and the fact that HLC, 2018 recommended it be discontinued is very good news. The sooner this gets notified the better. State governments should ensure that various CSR bodies created by them should restrict their activities to pure facilitation, not directing companies on spending.

As was mentioned earlier, there is little information on the numbers and profile of those benefitting from CSR activities and the reporting formats do not explicitly seek this. It is important that these be included so that this data, along with the impact assessments recommended by HLC, 2018, can improve the quality of CSR interventions.

Finally, on the matter of volunteering, both HLCs were very definite that this should not be counted as CSR because of the complications of evaluation. While this definitely poses a challenge, what it does is discourage companies from deploying their most important and relevant asset to CSR—their employees. Because of the sheer benefits of volunteering, MCA should explore methodological options that allow companies to monetise, even if it is broad and approximate.

CONCLUSION

How critical is CSR to addressing India's development goals? An estimated INR 64,000 crore that has been spent on CSR in five years is an impressive number but relative to government spending in the social sector it is not; an analysis done for the state of Gujarat a few years ago indicated that CSR spends in that state was

2.6 percent of the social sector budget of the Government of Gujarat.

But there is much more to CSR than financial resources. If the spirit of the CSR clause is to be realised, it presents opportunities for companies to contribute their huge and diverse non-financial resources they have at their disposal—systems thinking, innovation, knowledge production, output orientation and project management—to the practice of social and human development. There is little evidence to indicate whether this has happened and not allowing volunteering to be monetised and treated as CSR is a dampener.

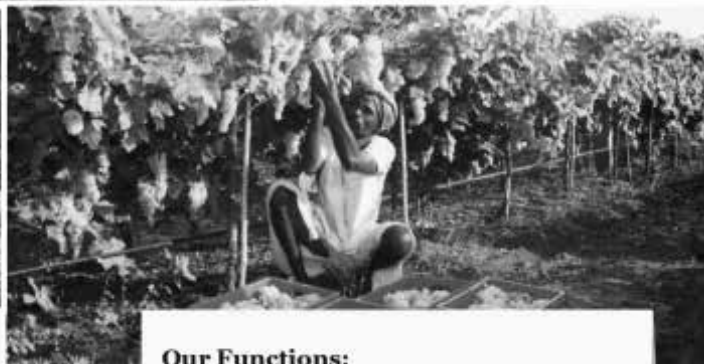
Bringing companies into the practice of development, which the CSR Clause has managed to do, is also a recognition of the fact that in an increasingly complex world, no single entity, institution or sector can possibly have what it takes to address all the challenges. The case for all sectors—companies, civil society organisations, academia and government—to work together to meet India's development challenges has never been stronger. This is also the essence of SDG 17.

By stitching together all these disparate elements, the CSR Clause has the potential to redefine the role of business in the practice of social and human development. The last five years has only provided a glimpse of this potential and all the signs are positive. The future of CSR is about companies bringing both their financial and non-financial resources to bear and building strong and enduring partnerships with other development actors. As approaches and mindsets of all the principal development actors become more innovative and policies evolve and become more conducive, the next five years can be a game-changer.

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Established in the 1890s in The Netherlands, Rabobank is a cooperative bank and a global leader in financial services, is recognised for its focus on food & agribusiness, sound capital structure and sustainable business practices. Rabobank is present in 39 countries covering 9.8 million clients worldwide. From its agricultural roots as a local credit cooperative, Rabobank maintains its primary focus on the agriculture sector and is recognised as the leading global food and agribusiness bank – the ‘financial link in the global food chain’ – due to its experience of more than a 100 years, worldwide presence and extensive knowledge of agriculture.

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Rabo Foundation’s interventions are along two primary themes: Access to Finance and Supporting Small Producers. Rabo Foundation seeks to support small-holder farmers’ aggregate into cooperative producer organizations and strengthens them to make them operationally and financially sustainable. This helps generate sustainable livelihoods for farmers so as to increase their income levels. Rabo Foundation is focused on strengthening the upstream value chains (closer to the farmer) and reduces the length of the chain, connecting different stakeholders.

Rabo Foundation works across 23 countries across Asia, Africa and Latin America, other than the Netherlands. Interventions in these areas are done through instruments such as grant support for capacity building and technical assistance, credit guarantees and soft loans. Rabo Foundation’s interventions have positively impacted the livelihoods of 5 million small-holder farmers worldwide through 369 projects in 2018 with a project allocation of EUR 33.7 million.

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N. Srinivasan had been a central banker and development banker for 30 years (in Reserve Bank of India and NABARD). He is a student of economics, with development economics as a special interest. After three decades of career as a development banker, over the last ten years as an independent consultant, he has been involved in design, supervision and evaluation of policy, strategy and implementation of several development finance and rural livelihood initiatives and building institutions in India and abroad. His areas of interest are vulnerable and rural livelihoods, development banking, financial inclusion and social entrepreneurship. As an international development finance and livelihoods expert, he serves as a consultant and advisor to World Bank, IFAD, GIZ, KFW, NABARD, SIDBI, Microsave and other institutions. He has authored the Microfinance-India State of the Sector Reports for four years which are regarded as reference material in the sector. He has jointly authored, with Girija Srinivasan, the State of India's Livelihoods report for the years 2015, 2016 and 2017 besides contributing to many other books as a joint author. He currently serves as an independent director on the board of a Small Finance Bank, three other companies, two development trusts. He also advises industry associations and apex institutions.

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Joanna began her career as an agricultural economist and later moved into market research in agribusiness. Since then she has worked in a wide variety of marketing-related areas including strategic marketing, communications, fundraising, knowledge management, and uptake of scientific research. She has worked for government, private industry (manufacturing and consulting) and with non-profit organizations (four CGIAR agricultural research centers) in India, Sri Lanka, Italy, Malaysia, Philippines and Australia. She has 30 years’ professional experience. She has a Bachelor’s degree in Economics, Graduate Diploma of Management, Professional Post Graduate Diploma in Marketing and Master of Science (Global Marketing). Currently she is the Executive Director, Smart Food and Assistant Director General – Strategic Marketing and Communications, ICRISAT.

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The State of India's Livelihoods Report is an annual publication addressing the contemporary issues emerging in the livelihoods sector. It is the only document that aggregates the experiences and challenges of the sector, analyses case studies and reports on the progress of both the government-run and the privately-run programs. It is released at the Livelihoods India Summit, a national level event organised by ACCESS.

While some core chapters are continued from the previous year's reports to provide stability to the report structure, interesting new themes have also been added. The continuing coverage gives an overview of the livelihoods of the poor who are impacted by various initiatives undertaken, availability of the resources, and other deciding factors, while also throwing light on critical government policy and programmes. The report has special coverage on the agriculture sector through four chapters focusing on the current state of agriculture, the FPO movement in India, social enterprises in agri space and Smart Food as a triple win for health, environment and farmers. In addition, two chapters on CSO-Government partnerships and impact of CSR five years since it was made mandatory are areas with new in-depth focus. The report also covers the role of self-employment in propelling inclusive economic growth.

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