

# The rural report

## A book provides a reality check on rural India's growth story

MADAN SABNAVIS

**W**HEN YOU PICK up a book called *A Wall Street View of Rural India*, the first thought that occurs to you is that it will have something about how rural-focused companies can score over others in the market. This is a misnomer, as Sujit Sahgal, a career banker who has worked outside India, narrates his view of rural India based on his experiences. It is, hence, not a macro view of the rural economy, but a summation of micro interviews and discussions had with rural folk. It is, hence, different.

What Sahgal tells in his book is really interesting. He covers seven-eight states across the country and talks to hundreds of rural folk to grasp the ground-level reality over a decade. We are fed with a lot of information at the policy level and official documents about achievements in rural India and, as the author tells us, this is important, as it fetches votes. But the real story is different and this is what makes the reader turn the pages. The truth is somewhere in between.

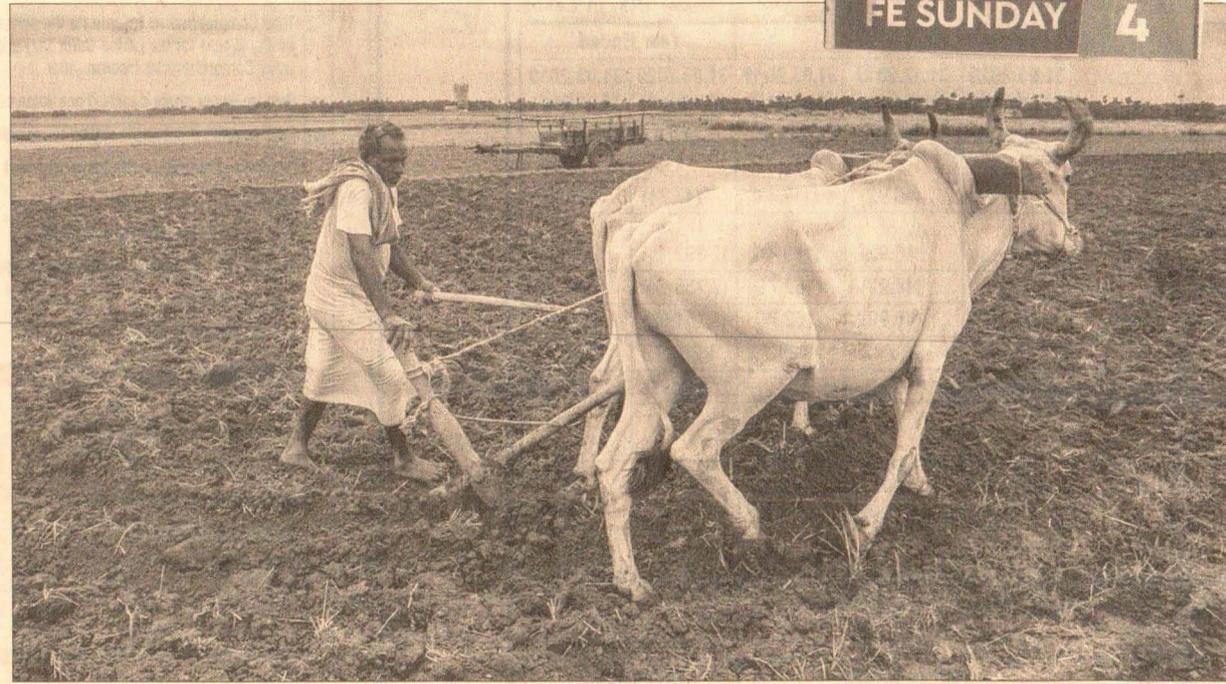
Let us look at some of the good things that are silently happening. This is more in the social domain, where education is high-priority and, contrary to what we believe, rural folk want to give their children better education. Also, this holds for both boys and girls, which is a comfort. His observation is that, in government schools, there are more girls than boys and this is so because some of them are working on land with their parents, while others go to private schools. The revelation here is that villages, which are within a radius of a certain distance

from cities, tend to have better performance. Schools are not as bad as we are normally told, as they do function and have teachers, and the infrastructure is satisfactory with computers also making their presence felt.

The reader feels nice when he talks of women empowerment in rural India, and the proliferation of news and media in general has brought about this change. Self-help groups work well and gone are the days when they remained in a state of disadvantage throughout their lives. Another important takeaway from his treatise is that a lot of development has happened on the social front in terms of having electricity connections, toilets and so on, which has improved lives in rural India, notwithstanding the limited coverage.

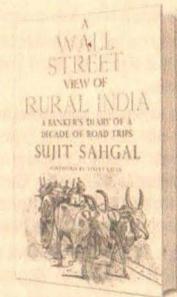
The book also provides a reality check on the economic story and this is where Sahgal actually opens the cans. The rural growth story should not be overstated and this is a message for all corporates in the B2C area who must read this book. The rural spending story developed due to both the income and wealth effects—not something which has been captured in macro analysis of this economy. High MSPs during the Congress regime, coupled with investments made by corporates and the government which entailed buying land from farmers, led to this increase in wealth, which led to spending. This was not sustainable, according to the author, as the chain had to break, which it did with the BJP coming to power. The halt in investment due to the scams, issues in selling land and lower increase in MSPs led to income coming down, which has made this story untenable.

Another revelation by Sahgal pertains to the extended leverage of this sector and the loan waivers, which are politically motivated. Interestingly, while the government talks about rural credit and the success of Kisan credit cards, given the structure of such credit, it has been used mostly for consumption rather than pro-



A file photo of a farmer ploughing his field near Hajipur, Bihar

BLOOMBERG



### A Wall Street View of Rural India: A Banker's Diary of a Decade of Road Trips

Sujit Sahgal  
Olympia Publishers  
Pp 175, ₹500

duction, which is a problem. In fact, smart cards, which are becoming the norm, encourage such indiscretion. Also, thanks to loan waivers, it has entered the psyche of farmers not to repay their loans. On the other side, he also shows that it is not easy to qualify for the same, as the conditions put are quite stringent. So, there are two sides to this issue.

Sahgal also dwells on the flip side of the initiative taken by the government to make all benefit transfers online. This has actually led to lower employment because before the new system came about, there were people from the village employed to carry out these chores. With everything happening from above, these jobs became unnecessary. Similarly, post 2014, the NREGA programme did not have too many projects that were available for work to be made available to the farmers. Hence ironically, some reforms which were brought on to cut leakages were at the cost of job creation!

Sahgal does see problems going ahead

in agriculture, as children of farmers do not want to do farming. While urban folk do have a penchant for reverse migration, it may not be sustainable. There will be more technology at play and the shared economy will dominate even in, say, the tractor business. People are getting savvy and can get progressively integrated in the technology web, where the eNAM will help.

Sahgal's book is very readable as it takes us to the roots with his stories and conclusions. His approach is real as it is based on what has been experienced by him over the years in villages. Everything in this large economy is dualistic and there are surprises everywhere as myths are exposed (in economic domain) and pessimism moderated (in social area). It is definitely not based on secondary sources of data which normally commentators use sitting in their air-conditioned chambers. This is why it stands out.

Madan Sabnavis is chief economist, CARE Ratings