

# Jumpstarting the rural economy

Paradigm shift, where rural India makes for urban India, is needed. Hence, 'Rural Social Business Units'.

By R Balasubramaniam

The recent report of Oxfam released at the World Economic Forum in Davos reinforces what has been known for many years. Just 1% of Indians owning 73% of India's wealth is something that should send our policy-makers and politicians to do some serious thinking about the much-touted Indian "growth story".

To make matters worse, India now stands 62nd in the Inclusive Development Index, much behind our neighbouring countries. We need to wake up to the fact that our growth is not only inequitable and favouring a select few, but is mainly limited to urban areas. What is needed now is urgent action to ensure that rural India joins this economic bandwagon and integrates into the narrative of a 'New India' emerging.

It is imperative to look at models that can integrate more rural Indians to start contributing to wealth creation. Traditionally, governments have focused on providing welfare interventions. This is neither sustainable nor desirable. With increasing focus on Skill India and other programmes like Start-up India and Stand-up India, several windows of opportunities have now opened up. We need to think of a new approach that can build on the existing skills of rural Indians and manufacture products that can cater to urban markets. Supporting infrastructure and a facilitatory eco-system ensuring newer and easier access to capital and credit is required.

We also need to face up to the reality that Indian agriculture is inefficient and there are more people than needed, working in small land holdings, resulting in lesser per capita return on investment. As agriculture is made profitable and efficient, the freed-up surplus labour needs to be re-skilled and moved into livelihood options that do not demand urban migration.

India is also sitting on the untapped potential of millions of self-help groups that need to go beyond being mere micro-credit platforms and explore avenues of wealth generation through innovative entrepreneurship. What we need is a different model to ensure that our rural economy is jumpstarted and made as inclusive as possible while also growing the national GDP.

Bringing business to rural India: Businesses in the traditional sense are located in urban settings, controlled by rich and powerful elements. While rural India is sitting on untapped human potential, it is seen merely as a market that needs to be explored. A paradigm shift, where products consumed by urban Indians are manufactured in rural India, is the need of the hour. One approach would be to set up 'Rural Social Business Units' (RSBU) that would not only do this, but also help solve an exist-

ing societal issue.

'Social Business Unit' is a hybrid legal form used globally by multimillion-dollar organisations with the primary goal of benefitting society through business. The RSBU will have to be situated in rural locations and promote sustainable and socially beneficial entrepreneurship by allowing greater access to capital that is not typically available to non-profits, community-based organisations and self-help groups, and reducing limitations intended to regulate for-profit institutions.

It is speculated that India has the most number of informal social enterprises of any nation, a majority of them in the agriculture, energy and health sectors. However, India is underutilising RSBU by limiting access to capital, which disadvantages its rural poor at a vast national opportunity cost.

To amend this, the government should pass legislation similar to existing corporate laws in other major global economies that would establish the RSBU as its own class of business. Such legislation would scale the positive effects of current RSBU and liberate a sector of the economy that has immense potential to thrive in rural India.

Beyond mere economic growth, creating jobs and business ownership, such enterprises will also ensure improved social status of rural communities, reduce urban migration and enhance the quality of life in rural areas. Land-based enterprises will not only ensure fair and consistent incomes to local farmers for their produce but will also contribute to making agriculture an aspirational livelihood. It will allow rural communities to penetrate urban markets, grow rural markets, and mitigate urban-rural inequities.

In this way, the RSBU will be a pivotal tool in expanding India's GDP. Other spinoffs will include the protection of women and consolidating their social capital, creating public infrastructure, providing better health and education facilities and curbing rural poverty.

The legislation to bring about RSBU should broadly focus on eliminating barriers to entry by providing a single-window clearance and facilitating market linkages through government and quasi-government outlets. It should seek to ensure deterrence against mal-administration and mis-governance.

Further, the law should offer protected markets, land and tax concessions, grants, investments, and capital flow through a dedicated Social Business Fund. This will require that the government see rural areas not merely as recipients of welfare services but as active participants in both their own and the nation's progress. This will not only help push our poor up the social and economic ladder, but it has the potential to be a model for the rest of the world to follow.

As the Oxfam report says, "To end the inequality crisis, we must build an economy for ordinary working people, not the rich and powerful."

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