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Book Reviews

Estimating Marketed Surplus in Gujarat Agriculture – New Vistas Explored, Munish Alagh, Academic Foundation, New Delhi, 2016. Pp.120. Rs. 795.00.

The book is based on a study, sponsored by the Ministry of Agriculture, Government of India, conducted at Centre for Management in Agriculture (CMA), Indian Institute of Management (IIM), Ahmedabad (Gujarat). The main objectives of the study were to estimate the marketable and marketed surplus of wheat, *bajra* (pearl millet) and *tur* (pigeon pea) in Gujarat, and to examine the role of institutional, infrastructural and socio-economic factors in influencing the household marketed surplus decisions. The study is based on the survey of 359 farmers of five districts of Gujarat.

The book is divided into four chapters. The first chapter is titled ‘Introduction and Review’. This chapter, spread over more than half of the total text (other than the summary chapter), is divided into six sections. The first section includes the back drop, objectives of the study, methodology used in the study and some features of agriculture in the selected districts. There is no common thread in the district-wise features presented by the author. There are also quite a few generalised statements, sometimes even misleading. For example, on page 19 (paragraph 1, line 8-10) the author states “Farmers insist that government declares market price at the time of sowing. However, the government’s policy is to declare price at the time of production.” Perhaps, the author is aware that government never declares market price. It declares minimum support price and as a matter of policy as well as in practice it is declared before sowing. In view of this, it is not clear what point the author wishes to make on behalf of the farmers. The second section of chapter is titled as Microeconomic Concepts for Marketed Surplus. This section has been further divided into two sub-sections viz., Partial Equilibrium Analysis (PEA) and General Equilibrium Analysis (GEA). There is a problem with initial part of PEA as appearing on page 22. The author has presented the product transformation curve for tractors and cars but in the text that follows, he talks of wheat and *bajra*. *Bajra* is, in general, a *kharif* crop and wheat is a *rabi* crop. Unless *bajra* is grown as a *rabi* crop in selected districts, the discussion is misleading (Elsewhere, *bajra* has been shown as a summer crop but summer crop is a catch crop between *rabi* and *kharif* seasons). The presentation of other concepts under PEA is well done by the author, particularly the illustration of short-run market (aggregate) supply curve. However, while talking of costs (AVC or MC), the cost items specific to the crops selected for the study and study area would have added to the substance of the theoretical aspects brought by the author. This also applies to the author’s discussion of Elasticity of Marketed Surplus. Why he preferred to cite the example of milk and cow feed rather than the crops under the study. Further, in this section, one expected a clear distinction between total production and market supply, which is the focus of the study.

There is also a problem with the author's understanding of 'minimum support price' as prevailing in India over the last more than 50 years. Perhaps the author is aware that it is an insurance or guaranteed price and comes into play only when market price rules below this MSP. The chances of this happening are high (a) during immediate post-harvest season (intra-year seasonal behavior of prices need proper understanding), and (b) in surplus producing areas (usually this may or does not happen in deficit areas). Therefore, whether or not MSPs are higher than market prices cannot be generalised. At best, such statements should be period-specific, market-specific and area-specific. The kind of simplistic theoretical analysis, undertaken by the author ignoring the seasonality of production and price behaviour is questionable. Equally important aspect that should not be missed (and has been actually missed) is that we are talking of staple and essential food crops (wheat, *bajra* and *tur*), whose increased production is the strategic goal of entire policy package for India's food security (unlike other consumer/manufactured food products). Farmers' retention capacity has also been ignored in the theoretical framework discussed by the author on pages 28-31. Talking of production quotas for say 90 million farmers and comparing it with cases of taxicabs or liquor licenses in cities reflects how far away the author thinks from the realities of the functioning of food production, food consumption and food management systems in a large developing country like India. Perhaps, the author is aware that the entire international trade of one of the study crops - wheat is a fraction of total India's production and consumption.

The third section of Chapter 1 titled 'Agricultural Household Models', is relatively well-done. The fourth section is on Concepts of Marketed and Marketable Surplus. The author rightly brings out the relevance of this distinction for subsistence farmers and for food crops. The author on page 42 defines marketable surplus as A minus B, and defines A as net availability of given crop in a year and B includes 19 items of on-farm and family consumption. It is not clear what the author wishes to convey by 'net availability' i.e., net of what? What are the items other than 19 (used by him in defining (B) the author has in mind? Also, there is a questionable statement by the author at the bottom of page 43, which is as follows: "So in this case, the quantity retained will be less than that planned to be retained and (hence) marketed surplus will be less (?) than the marketable surplus".

In the fifth section of Chapter 1, the author has presented a brief review of literature on marketed and marketable surplus concepts, which is quite interpretative. However, there is an error on page 51 under the Krishnan Model (1965), where the author defines the notation 'R' in place of 'r'. The last and the sixth section of the Chapter 1 is on Modeling Marketed Surplus with Attributes. As the book is based on specific empirical study, one expected that the author mentions specific inputs/lessons that were derived from the theoretical presentation and literature review presented in this chapter.

Chapter 2 is devoted to the macro overview of Gujarat agriculture. Though crop-wise growth rates have not been presented, some growth rate estimates are discussed under the heading 'recent trends in agricultural production'. Based on the brief analysis presented in this chapter, the author should have given the justification of three crops selected for this study.

The findings of the study are presented in Chapter 3 titled 'Empirical Analysis'. The cropping pattern on sample farms (size-wise and overall) has been presented in Table 3.3. Absolute area under some individual crops and almost all crop-groups as well as percentages of GCA (gross cropped area) are presented. The percentage figures of GCA do not add up to 100. Are there some important crops not shown in this table and why? Further, only *kharif* and *rabi* crops are listed in the table whereas one can find the production of summer *bajra* in Table 3.4. This implies that there is considerable area under summer *bajra*, one of the three crops selected for this study. *Tur* crop, another study crop, does not find a place in Table 3.3, 3.4 and also in 3.5. All the three selected crops should have found explicit mention in all these three tables.

In Table 3.6, the author presents (as per title) crop-wise and source-wise distribution of irrigated area, but he talks of only *kharif*-paddy, other *kharif* cereals and *kharif* pulses. Are these the only irrigated crops/crop groups on sample farms? What about wheat? The totals are also not 100 in all the cases. This is not the accepted form of presentation of 'sources of irrigation'.

In Table 3.7, the author intends to present the use of machinery on sample farms (as mentioned at the end of page 81) but in fact he gives values of investment per farm and per hectare. Certainly investment figures do not show how far the machines were used on the sample farms. There is considerable hiring-in and hiring-out of machines.

In Section 3.1.7 and Table 3.9 (p.83-84), the author gives sale prices of different crops. Except paddy, cotton and wheat, he also gives prices of 'pulses', 'oilseeds', 'vegetables' and 'other crops'. One cannot make out how the author arrived at the prices of such broad groups of crops and what point he is trying to make by giving these figures, e.g., Rs. 47156 per quintal of vegetables for medium farms and Rs. 5818 for large farms. It is also not mentioned anywhere in the book as to which crop season/year these prices pertain and what are the sources of price information. Are these the averages of prices actually realised by the sample farmers. The Table also gives the impression that marginal farmers sold only pulses. Why the author did not mention the prices of *bajra* and *tur* which are two of the three selected crops for the study? (though these find a mention in Table 3.11). In Table 3.10, the author has given the availability of crops. As pointed out by me earlier, it is not clear why the author calls the sum of beginning stock and production as net availability (net of what?).

The presentation of sales and realised prices of three selected crop products in Section 3.1.9 and Table 3.11 is relatively well-done. The retention pattern, including the purchases of three crop products are presented in section 3.1.10 and Table 3.12. In the table, the author mentions “price’ in one of the columns under purchased items. If these are prices per quintal, it is questionable and misleading. There are two other disturbing points. One, the figures of total retention mentioned in the last column of Table 3.12, also include, in some rows, the purchased quantity which is incorrect. Two, on page 86 (line 6) the author says large farm households also purchase ‘oilseed dal’. This word is a new word to me. One does not understand what he wishes to convey. In the next two sub-sections, estimates of crop losses during harvesting and during transportation from field to market have been given, which is well-done.

Section 3.2 is devoted to Factors Influencing Marketed Surplus. The author talks of distance and type of market, policy awareness, credit and source of price information but does not mention as to how these so called factors influenced the marketed surplus decisions of sample farmers. None of these appear in the regression analysis results subsequently presented by the author. In section 3.3, the author has presented the estimates of marketed and marketable surplus of three selected crop products. The estimated have been presented farm-size wise as well as district-wise for each crop. It is expected that these estimates are based on the estimates of production, total retention and average sales presented by the author in Table 3.10, 3.11 and 3.12. But it does not appear to be so. For example, in the case of *bajra*, average production (overall) is 42.1 quintals (Table 3.10) and average sale is 39.47 quintals (Table 3.11) but the marketed surplus ratio shown in Table 3.19 to 3.21 is 63.75, which is not consistent. Another example is of wheat at overall level. Average production (Table 3.10) is 45.03 quintals, average sale per farm is 45.40 quintals and marketed surplus ratio as shown in table 3.19 to 3.21 is 73.88. This example also points to the inconsistency of author’s results which reveal average sale per farm being more than average production. This type of inconsistency is observed in all the figures of MS ratios presented by the author in Table 3.19 to 3.21.

At the end of chapter 3, the author has presented the results of regression analysis using marketed surplus as a function of some commonly used variables.

One has to wait for the concluding section of the last chapter (last 2 pages of the book) to find out as to which year the primary data used in this study pertain to. Nowhere in the earlier chapters, the author bothered to tell the reader that his study pertains to the primary data for the year 2011-12. It is still not clear whether the data pertain to agricultural year or some other concept used by the author.

By and large, the book does not make any significant addition to the knowledge already available on the marketed surplus ratios or the theme of the book. Even the presentation of whatever work that has been done by the author leaves much to be desired.

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Microfinance India: State of the Sector Report 2013, Tara Nair and Ajay Tankha, Access Development Services, Sage Publications India Pvt. Ltd., New Delhi, 2014. Pp. xx+151. Rs.995.00

Microfinance India: The Social Performance Report 2013, Girija Srinivasan, Access Development Services, Sage Publications India Pvt Ltd., New Delhi, 2014. Pp.xviii+156 pages. Rs.995.00.

The two reports under review are part of the annual series brought out on respective themes by the publishers. As asserted in the reports they are meant to update in an impartial way various microfinance (MF) stakeholders about the current state of affairs and newer developments both in policy and practice as they unfold annually. The relevance of the reports probably lies in the concerns raised in several quarters over the credibility of the sector (more so of the MFI segment) in terms of its social responsibility and consumer protection in the wake of the crisis faced in Andhra Pradesh (AP) and elsewhere since 2010. The reports largely focus on capturing the post-2010 developments in various segments of the microfinance sector besides subjecting them for some critical analysis. While the first report has tried to unravel all broader developments of the MF sector including the progress attained under the financial inclusion strategy, the second report has given the hampered credibility of MF sector as its focus on examining the relevance of social performance and issues concerning its measurement and outcomes seen. It would be worthwhile first to summarise and analyse the findings of both the reports separately before explicating some of the relevant common and critical issues thrown up by them.

In the first report it is observed that post-2010 there is some remarkable recovery shown by MF sector which as a result is poised for further revival and orderly growth in the coming years. However, the progress and recovery seen is not uniform across different segments. The SHG-Bank linkage programme (SBLP), a major component of MF sector, though exhibits certain mixed trends across states in its progress, overall is showing stagnation and even decline. Geographical skewdness apart, dominance of commercial banks is the other endemic feature of SBLP observed by the report. Some of the worries plaguing SBLP as identified by the report are the highly differentiated response of banks to the needs of SHGs, neglect of SHG federations and self-help promoting institutions (SHPIs) whose role is seen as crucial for sustainability of SHGs, and growing NPAs of the SHGs. Introduction of SHG-2 concept with a focus on voluntary savings and entry of some private sector banks in SBLP are some of the newer developments identified by SOS 2013. The report, however, finds SHG-2 to be problematic as it dilutes the essential features of a conventional SHG hampering its working. As regards the progress of the MFI segment, the report has some positive findings. One can see some stability and recovery in the working of microfinance institutions (MFIs) though the damages of

AP crisis continue to haunt them. The growth seen in the case of MFIs is contributed mainly by the for-profit NBFC-MFIs which are able to muster support from banks and investors. The rise of for-profit MFIs under the tutelage of new RBI regulatory framework has apparently come at the cost of other community based and non-profit MFIs which signals the culmination of the process of commercialisation of the MFI sector.

Financial inclusion is another dimension highlighted by the report. No-frill accounts, growth of bank outlets spurred by the spread of business correspondents (BCs), and use of new technologies like mobiles for last mile delivery are some of the initiatives underway in fostering financial inclusion. The financial inclusion push though has shown certain progress but has failed to bridge many of the persisting gaps especially with regard to credit access not to mention the hindrance posed by intrinsic non-viability of the BC model. Neglect of SHGs and their federations is another glaring lacuna identified with respect to financial inclusion. The report concludes with a cursory review of RBI regulations aimed at enhancing customer protection, efforts to promote small finance banks, and working of women-focused initiatives like Rastriya Mahila Kosh, and Bharatiya Mahila Bank. A major policy implication that can be identified from this report is the argument to recognise and incorporate the original strengths of microfinance as a social innovation by all newer policies including the need to foster an effective convergence between the bank-led financial inclusion and the existing networks of MFIs and SHGs.

Though the first report may help feel the pulse of the MF sector along with sustaining the series, one cannot ignore some of the intrinsic limitations such reports suffer from. Especially given their annual nature and general focus, such reports bring only limited additionality to the discourse. They are also found wanting in terms of rigour and the depth of analysis. For example, with regard to SBLP besides duplicating the data from similar status report brought out by NABARD provides only a limited critical analysis. The chapter on MFI is based on weak/partial data which can only bring out limited assessment and conclusions. Even other chapters (5, 7 and 8) are sketchy in analysis highlighting mainly official positions or pronouncements not to mention presence of several factual errors.

The second report is the third in the series on social performance management (SPM) brought out by the publishers. The crisis faced especially in the light of the AP developments has brought the sector under severe scrutiny with regard to its social performance seen commonly through parameters like affordability of microcredit, consumer protection, coverage of poor, and level of returns obtained by the investors. The loud argument to bring back social focus into microfinance and restore its credibility globally has apparently given rise to formulation of several policy guidelines and tools under the broad rubric of responsible finance to ensure social performance accountability among various stakeholders. This report is essentially an attempt to document and review the discourse and praxis of microfinance social performance management with a focus on India.

The report starts with the argument that post-2010 there is some renewed confidence in the sector following the stability and growth witnessed helped to an extent by SPM efforts. The adoption of SPM and responsible finance initiative have been driven both by global and local initiatives. India has taken some lead under the overall guidance of RBI to put in place regulatory and other measures to bring back social focus in the working of MF interventions. Efforts are on to develop and propagate several social performance tools and methodologies. Some of the global tools and frameworks reviewed, among others, include Universal Standards for SPM, Consumer Protection Principles (CPP) certification, and Principle of Investor in Inclusive Finance (PIIF). Code of Conduct (CoC), Responsible Business Index, and Social Ratings are India specific tools being propagated under SPM. The report highlights that many of these tools are in varied stages of their development and implementation and it would be some more time before their final and consensual adoption could be made. The review of pilot experiences with some these SPM tools reveals that though in general MFIs and other stakeholders have shown proactive compliance but several concerns have been raised during their practice. SPM largely is in a compliance mode which may need some real internalisation by MFIs and relevant capacity building. Even the COC norms of RBI are faced with challenges when it comes to their true compliance.

The report finds that responsible finance practices overall remain far from satisfactory despite the SPM. Consumer protection is still a far cry when it comes to affordability, ease of access and diversified services. Multiple loans and high cost of debt continue to plague microcredit borrowers. Lenders and investors though appreciate responsible finance practices are yet to give due weightage in their financing decisions to actual COC compliances by MFIs. Many deviations from responsible finance could be found even in the dealings of commercial banks with MFIs and SHGs.

At the same time, the SPM tools being propagated have encountered many operational challenges. The database for SPM analysis is apparently weak and there is need for capacity building of MFIs. Moreover there is considerable resentment among MFIs given that there are too many tools in circulation and that compliance and assessment goes with considerable cost for them. Though NBFC-MFIs have shown good progress in terms of compliance with COC but assessments reveal several violations. Balancing the needs of clients and MFI staff who continue to face considerable pressure is another challenge identified in advancing SPM. SBLP segment despite its norms of affinity and trust is no better when it comes to client protection. SPR 2013 hence argues for supporting responsible finance practices even under SBLP.

An attempt has also been made to review some of the MFI focused regulatory measures introduced by RBI including interest cap to curtail excessive profiteering. The report argues that many of the RBI measures are found to be impractical which could even be counterproductive for SPM. Need for subsidised loanable funds to

MFIs, support for smaller MFIs, and need for widening responsible finance practices beyond MFIs to win credibility of the customers are among the policy measures suggested by the second report.

Compiling and distilling succinctly myriad SPM issues is the major strength of the latter report. The report has been able to track the progress of SPM and the emerging concerns besides identifying strategies that are needed to make it a reality. However, much of the analysis is based on preliminary experience of the tools which are yet to be fully tested. Some of the chapters also suffer from weak data base. While attempt has been made to capture views of most stakeholders but there is no explicit view of the community as such anywhere. At a much larger level, a report of this kind in a way is paradoxical especially given the fact that the microfinance itself was originally considered as a social innovation which now has to take recourse to more instrumental strategies to restore its social credibility. What has caused the deviation in its social performance is the basic question which is needed to be addressed. Though it touches upon some of the basic questions but fails to address theme head on confining itself largely to analysis of more instrumental issues. At some level the report is even apologetic of the forces which have caused such a major deviation. Ideally, both the reports should have been part of an integrated document as `social' aspect cannot be as such seen in isolation. Common to both the reports is also the question about their total objectivity as claimed by them given the composition of sponsoring agencies some of whom cannot absolve themselves of the blame for the deviation.

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