



Hans H. Ruthenberg-Graduierten-Förderpreis 2010/

Hans H. Ruthenberg Award for Graduates 2010

Giulia Secondini, "The Role of Services for Small Farmers' Agricultural Growth. A study of Maddur Taluk, in Mandya district, Karnataka, India"

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Summary

"We reaffirm that food security and rural and agricultural development must adequately and urgently be addressed...we deem it necessary to increase productive investment in rural and agricultural development to achieve food security".

World Summit, 2005

Problem definition

Improving the livelihoods of people living in rural areas, reducing hunger and poverty levels are issues of paramount importance for many developing countries. Small farmers' agricultural growth and markets integration have in the past successfully demonstrated to be potential drivers of overall rural development and a very promising strategy for a broad-based alleviation of rural poverty. Supporting such growth in an equitable and sustainable manner is an ambitious task that public and private sectors as well as civil society have to address. Improving rural service provision, especially of market-related services, has a positive impact on enhancing small farmers' agricultural productivity, having an impact in the long-run on the reduction of poverty and hunger.

Major reasons for the failure to apply agriculture-driven rural development include market failures as well as government failures in providing the rural services that poor people in rural areas need to make use of agricultural innovations, become integrated into markets and improve their livelihoods and well-being. In India, recent years have seen important governance reforms that aim at improving rural service provision. However, poverty levels and service provision is very unequal throughout the country and there are major knowledge gaps regarding the question of what makes rural services "work for the poor".

Objective of the research

The work has been embedded in an ongoing larger quantitative and qualitative project effort in the same region. The "Making Rural Services Work for the Poor - The Role of Rural Institutions and Their Governance for Agriculture-Led Development" project (RSP) is jointly

conducted by the Humboldt-University's Division of Cooperative Sciences and Resource Economics and the International Food Policy Research Institute, Washington D.C., and it is funded by the Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ). The master thesis has benefited from established counterpart relations and local project infrastructure granted by the Institute for Social and Economic Change, Karnataka. The RSP's overall goal is to improve the standard of living of poor households through agriculture and rural development.

The work contributes to the project effort of providing knowledge on the role of rural services in the development process and focuses particularly on the importance that market-related services have in triggering small farmers' agricultural growth. The case study part identifies the stage of development of the two target villages and provides arguments explaining why they are placed at different levels along the path towards agricultural growth and rural transformation. Looking at what works, where and why in the provision of market-related services, the study suggests strategies for improving small farmers' agricultural productivity and achieve poverty reduction.

Methodological approach

The Institutional Analysis and Development framework (IAD) has been applied to investigate on which are the factors that influence the rural (under)development of a particular area and to simplify the complex reality of the different paths of development experienced by the two villages. The action situation focuses on the provision of services, assuming that (un-) effective pro-poor rural service provision influences the institutional environment of a region, its technological development, and ultimately the entire development process. Final outcomes are influenced by external variables, such as local characteristics and attributes of the community, and by patterns of interaction that develop within the action situation. Those variables determine the capacity of service providers to deliver services and the ability of service recipients to demand for services, and are ultimately supposed to have an effect on the level of development of the whole economy.

The core questions of research are discussed using the theoretical explanations and empirical evidence provided by the literature on the topic together with data and information gathered during the field work. The study makes use of substantial studies by Dorward and other researchers (2006) to analyze major challenges and opportunities for policy options that can kick-start markets and foster pro-poor agricultural growth and rural development. The hypothesis of the work on the role of public and private sector within the path for pro-poor market development are also adapted from arguments supported by this author (2004). Quantitative data collected by IFPRI are sources of information used by the study as a starting point. Such data provide general initial information and a benchmark for further comparison with the qualitative data collected during the field work. The qualitative data used to test the research hypothesis are gathered through PRA exercises and semi-structured interviews with service providers and service receivers.

Results

The qualitative analysis contains insights on which are the factors that belong to the local community and to the local context that might have influenced the effective provision of rural services and suggest strategies to improve farmers' access to market-related services and achieve higher levels of rural development. A wealth-disaggregated analysis has been used to facilitate the understanding of how services are accessed and perceived by different types of

service recipients. It has clearly emerged that service priorities differ both between the two villages and within the socioeconomic categories of farmers in each village. Such analyses suggest the need for the formulation of differentiated institutional arrangements for pro-poor rural service provision. Findings demonstrate that policy-phases need to be context-tailored and adapted overtime in order to lead to effective and efficient results. A favorable institutional environment is a prerequisite for investments in infrastructure and other institutional arrangements to succeed. Those strategies should ultimately create conditions that can spur agricultural growth and overall rural development in an equitable and sustainable manner.

The work argues that small-farmers agricultural growth can be achieved by means of a stronger institutional environment and higher technological development. Besides affecting each other, technological development and institutional environment are also influenced by effective service provision. Therefore, policies aimed to improve service provision might benefit also the technological development and the institutional environment, thus helping economies to move towards higher levels of development. The findings of the research consider particularly successful policies that can improve access to services in credit, input and output markets. In the credit sector, cooperatives and member-based credit lending have proved to be rather successful in both villages, thanks to their wider outreach and easier accessibility. Larger cooperation between banks and cooperative credit might thus favor the spread of formal sources of credit. Considering farmers' needs for adequate input provision and the conditions characterizing underdeveloped markets at the initial stages of agricultural growth, targeted subsidies to kick-start markets can be effective instruments to reduce farmers' resource deficiencies. Decentralizing the targeting system to sound community-based organisms such as community-based village assemblies (Gram Sabhas) could be a useful mean to reach those most in need and reduce the risk of corruption and elite capture. However, subsidies should be introduced in a more advanced phase of development, once basic infrastructure to support markets has been established. Building reliable markets to which farmers can be linked to has been one of the priorities of the Indian direct state intervention. Cooperative marketing has been observed to be still rather underdeveloped in the two village economies. The positive experience, although limited to certain crops, shows that in the long-run such alternative institutional arrangements might be effective instruments to establish more remunerative prices to farmers and reduce their dependency on informal intermediaries.

The results of the study are going to be used as a contribution to the quantitative and qualitative research conducted within the RSP project and provide inputs for the development of further studies in the area. Moreover, some of the issues analyzed in the work are going to be deepened in my PhD research.