

# Not too big to solve

The tendency to take a macro view of economic problems makes solutions look difficult. We need to go micro

ADITYA PURI



ONE of the issues with the quest for solutions to India's myriad problems—be it in the media, business, academia or in the corridors of government—is the tyranny of macro-thinking. As a nation, we tend to focus on the big picture and make the problems seem so big that solutions look difficult. We compound the problem by looking for perfect solutions. It may be worthwhile to seek workable solutions at the ground level that can be implemented quickly. This is not to say that the macro perspective has to be jettisoned. What we need is a combination of a macro perspective and doable micro-level solutions which are monitored and people held accountable. Otherwise, the discussion of our problems will remain an abstract, sterile and largely academic exercise.

The key issue that the macro-approach fails to appreciate adequately is the diversity of India, coupled with the fact that we need to have vision, strategy, an action plan, monitoring and accountability. The corollary of this diversity is that one size does not fit all, and solutions have to be tailored to suit the different facets of this diversity. If that sounds too abstract, let us

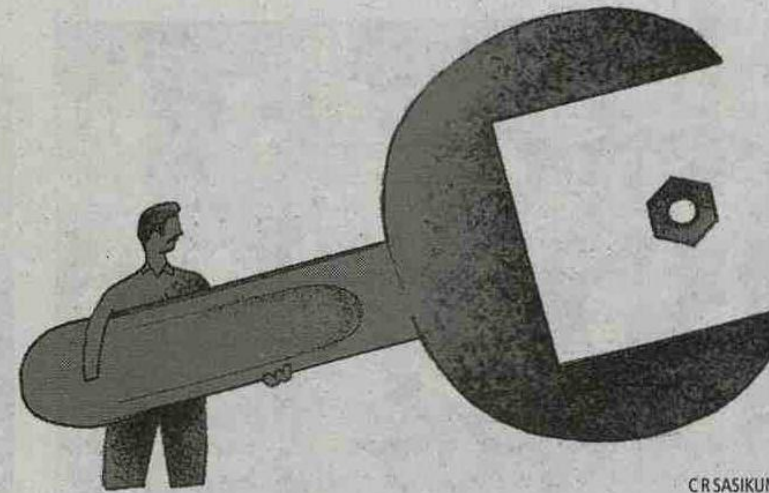
start with a concrete example—the diversity of India's population. This diversity has different manifestations, but the most important, from a purely economic perspective, is the diversity in incomes. When we talk of poverty, education, health, job creation and other such issues, it is important that for all these we identify the appropriate segment of the population, so that specific action plans are drawn up and monitored, and people are held accountable for results. Basically, micro-planning involves asking, "What else we can do for the people" and "What is our position relative to people's needs".

Clearly, the solutions would be different for people at the bottom of pyramid, the lower middle class and the middle class (the better off segments can be tackled later). The people at the bottom of the pyramid are unlikely to be either employed or acquire education in a limited period of time. However, 50 to 60 per cent of them have a saleable skill, for example, embroidery, carpentry, marble-laying, goat and livestock rearing, basket-making, farming, etc. They need somebody to create a viable commercial universe that will allow them to use their skills and generate meaningful incomes for themselves while operating in their own geography. Our bank's effort to contribute to this is a small example of a ground-level micro solution. HDFC Bank's sustainable livelihood initiative is an attempt to bring direct livelihood to 10 million families while uplifting them from poverty and creating secondary employment. It involves a holistic approach, from

offering training and enhancing occupation skills to providing credit counseling, financial literacy (market linkages and finance), which financially empowers people and brings them into the banking fold.

There will also be a substantial fraction of people at the lowest deciles of the population who need government assistance and subsidy. But we have to ensure that the government's largess actually reaches people and is effective. Former prime minister Rajiv Gandhi felt that the leakage in subsidy was to the extent of 90 per cent, and it is not surprising that we have not been able to make a sizeable dent in poverty despite spending mind-boggling amounts. The use of Aadhar and cash transfers is the first step in revamping our subsidy mechanism. However, we need to closely monitor progress before becoming sanguine about its success.

What about the lower middle classes who find themselves slightly above the bottom of the pyramid? This segment requires credit at reasonable rates to set up businesses to meet the needs of the emerging affluent class in semi-urban and rural India. Unfortunately, as per a recent McKinsey study, only 15 per cent have access to organised credit. Most of them need to go to moneylenders and we know the result. The loans they require are for



C.R.SASIKUMAR

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LCVs, two wheelers, shops, tractors, gold jewellery, personal loans, mini business loans (besides agriculture). HDFC has an objective to substitute the moneylender and has ventured with these products into the interiors. These people work hard and made sacrifices to educate their children, but there aren't enough jobs for them. In addition, the education that has been imparted to them does not give them the skills required for the job opportunities. Thus we find ourselves in a curious situation where, in a country of 1.5 billion people supposedly reaping the demographic

dividend of a de-ageing population, we have a large deficit of employable workers. To address this, we need to work both as industry and government to add courses that will turn education into employable skills. Industry, for one, needs to tell academia about the specific skills needed and ensure that academia delivers. Some companies directly work with educational institutions to achieve this. More

such collaboration is needed to make this a viable, nationwide model.

Financial inclusion is a political, economic and social necessity, and every section of society has a part to play. A US professor recently stated that India's future is bright as we are not in the middle-income trap. Plus, we are in for a snowball when per capita income touches \$2,000.

We are all aware of the issues related to infrastructure, debt market, GST, DTC, subsidies, the fiscal deficit, health, education, the current account deficit, etc, and these must be addressed. But there is low-hanging fruit (like administrative reform), which can dent our problems. The work has already been done and the report with recommendations is available—we just need to execute quickly.

As one politician said recently, the bedrock of the state is "iqbal" and "sun-wai", loosely translated as trust and res-

ponsiveness in governance. To improve these, as we execute on lokpal, the citizens' charter and grievance redressal, we must also work on customer service and accountability.

We must fix standards of customer service for functions performed by the state for the benefit of the citizens. These standards should be monitored and there should be a complaint redressal mechanism. The result would be that the citizen knows what to expect and government servants become accountable. Implementation is simple and the results are fantastic. This would lead to transparent government processes with appropriate metrics of accountability, and have a major effect on corruption.

Also, if we had achieved the goals of our five-year plans we would be a different country. Our failure was the lack of accountability of people with authority. Let's have clear goals, plans, responsibility, monitoring and accountability for the money we spend for poverty alleviation, development, etc, and enjoy the results.

We are the world's largest functioning democracy and proud of it. Over 60 years, we have ingrained good and bad practices, which may or may not be relevant in a fast changing world and must be jettisoned so that we achieve our rightful place in the world order—while pursuing inclusive growth, which is a social, political and economic necessity.

*The writer is chief executive officer, HDFC Bank*