

Raabe, Katharina

Conference Paper

The Dynamics of Service Delivery and Agricultural Development in India - A District-Level Analysis -

Proceedings of the German Development Economics Conference, Berlin 2011, No. 68

Provided in Cooperation with:

Research Committee on Development Economics (AEL), German Economic Association

Suggested Citation: Raabe, Katharina (2011) : The Dynamics of Service Delivery and Agricultural Development in India - A District-Level Analysis -, Proceedings of the German Development Economics Conference, Berlin 2011, No. 68, ZBW - Deutsche Zentralbibliothek für Wirtschaftswissenschaften, Leibniz-Informationszentrum Wirtschaft, Kiel und Hamburg

This Version is available at:

<https://hdl.handle.net/10419/48317>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

The Dynamics of Service Delivery and Agricultural Development in India
– A District-Level Analysis –

Draft February 28, 2011

KATHARINA RAABE

Institute for Environmental Economics and World Trade
Leibniz University Hannover
Koenigsworther Platz 1, 30167 Hanover
raabe@iuw.uni-hannover.de

Paper prepared for presentation at the Conference on Development Economics and Policy
June 24 to June 25, 2011
KfW Development Bank and the German Institute for Economic Research, Berlin

Abstract

This paper uses district-level data from India for the Census period 1991-2001 to investigate the nexus between agricultural sector development and service delivery in education, health, transportation, and communication. It asks whether *local* differences in public service provision cause some districts to fare better in terms of agricultural and ultimately rural development than others. In order to control for regional heterogeneities in agro-ecological conditions and consequent heterogeneities in agricultural potential and development, district agricultural sector performance is approximated with the yield level of district-specific commercial and field crops.

The evidence from visualization and standard regression techniques shows that district dissimilarities in crop yield and ultimately agricultural development are not attributable to district differences in the endowment with infrastructure facilities. That is, the number of infrastructure facilities does not explain agricultural development. What seems to be more important instead is the quality of rural services. This paper concludes that progress in agricultural and ultimately rural sector performance does not require more infrastructure facilities, but the effective utilization of existing ones. To this end, the supply side of service delivery needs to be investigated in greater detail, especially with respect to the governance challenges of public service provision and the difficulties arising from, for instance, complex administrative structures or manpower, financial, political, and capacity constraints.

Keywords: Agricultural development, rural service delivery, India

JEL-Code: H7, O1, O16, P2, R1

1. Introduction

Effective rural public service delivery is one precondition for promoting inclusive rural economic and social development, especially in environments characterized by rising population pressures, resource scarcity, climate change, and production uncertainty (World Bank 2006a, 2006b, 2007). In India, service delivery is generally perceived to be suboptimal in terms of availability, quality, and outreach. At the core of the problem are systemic failures such as (1) expanding salary expenditures which reduce operational spending, (2) short tenures and premature transfers of public service providers which cause service provision to be discontinuous, and (3) manpower shortages which weaken supervision and accountability, and create opportunities for corruption and mismanagement (World Bank 2006b, World Bank and IFPRI 2010). The systemic deficiencies constitute barriers to accelerating and improving service delivery, especially in the area of water resources, sanitation, health, education and agricultural extension. However, these services are contemplated to be important development interventions (1) for increasing the growth potential of the rural farm and non-farm sector and (2) for promoting sustainable, inclusive, and pro-poor agricultural and accordingly economic development (cf. World Bank 2006a).

In order to improve and ensure the equal and inclusive access to rural services, especially to the poor, India pursued a range of governance and institutional reforms in different service sectors and Indian states as of 1993. These include (1) demand-side strategies (e.g., decentralization and community-driven activities) so as to empower the rural poor to *demand* services more effectively and to hold service providers accountable as well as (2) supply-side strategies (e.g., public sector management reform, outsourcing and the training of service providers) in order to increase the capacity of service providers to *supply* services more efficiently.¹

The effective delivery of services in areas such as rural road infrastructure or human capital formation is important from a development perspective as it (1) determines the growth potential of the agricultural sector in the light of rising demand- and supply-side pressures, and (2) promotes sustainable, inclusive, and pro-poor (smallholder-friendly) agricultural and non-farm development (World Bank 2007, Fan, Hazell, and Thorat 2001, Iami et al. 2011). For instance, effective agricultural extension and veterinary services are perceived to be necessary instruments for helping the rural poor to employ agricultural innovations, become integrated into markets, and improve their livelihoods and well-being (e.g., Rivera, Qamar, and van Crowder 2001, Sulaiman and Hall 2002, 2004, GoI, Planning Commission 2005, World Bank 2006a). Veterinary services are hereby particularly important in marginal drylands with low agricultural potential. The access to effective and high-quality drinking water and drainage services is important given their direct implications for the health of people and livestock. Inadequate drainage and drinking water facilities have a direct and negative effect on the income position of households through the detrimental effect of water-borne and sanitation-related disease infections on the productive potential of people as well as livestock.

Regional differences in agro-ecological conditions necessitate different service delivery interventions, let alone for differences in need. At the same time, regional differences in the institutional, organizational, and human capacity to provide services affect the scope for agricultural and ultimately rural development (cf. World Bank 2004, Ghuman and Chima 2005, Besley, Pande, and Rao 2007). This paper uses district-level data from India for the Census period 1991-2001 to investigate the nexus between service delivery and agricultural development. It asks whether local differences in public

¹ Chand (2006) associates successful institutional and governance reforms with changes in the internal business processes and the introduction of accountability instruments (e.g., right to information laws) and Sadanandan and Shiv Kumar (2006) emphasizes the introduction of new autonomous service providers.

service provision cause some areas to fare better in terms of agricultural development than others. The objective is to provide insights regarding the factors promoting agricultural sector development at the local level in India. An understanding of the local drivers of agricultural sector development is important as it helps to define ‘tailor-made’ strategies for strengthening agricultural sector performance, taking into account local cropping patterns and cropping systems.

Throughout this paper, the yield level of specific commercial and field crops is used as indicator variable of agricultural sector performance. Rural service provision is approximated using information on the district availability of infrastructure facilities related to schooling, health, transportation, and communication. The choice of indicator variables is motivated by the lack of information on the quality of local governance.

The paper is organized as follows. Section 2 and section 3 describe trends in the district-level development of crop productivity growth and rural infrastructure, respectively. Section 4 presents the empirical approach that is employed to identify the determinants of the district-level performance of individual crops and presents the respective results. Section 5 discusses the implications of the results for the direction of development strategies.

2. District-Level Development in Crop Productivity

This section examines the district performance of agriculture in India between 1991 and 2001. The analysis is carried out for widely produced commercial and field crops (rice, wheat, pulses, potatoes, and sugarcane) and for total food grain, using crop yield as performance indicator variable. District-level information on crop yield is compiled from the Indian Harvest database of the Center for Monitoring the Indian Economy and from India’s statistical office (Indiastat).

No doubt, crop yield is an imperfect measure of agricultural productivity because changes in productivity may reflect changes in the quantity of inputs used rather than changes in technologies and thus efficiency improvements (cf. Nin Pratt, Yu, and Fan, 2009). Unfortunately, this paper cannot employ a more sophisticated expression of total factor productivity because district-level input factors are not available for individual crops.

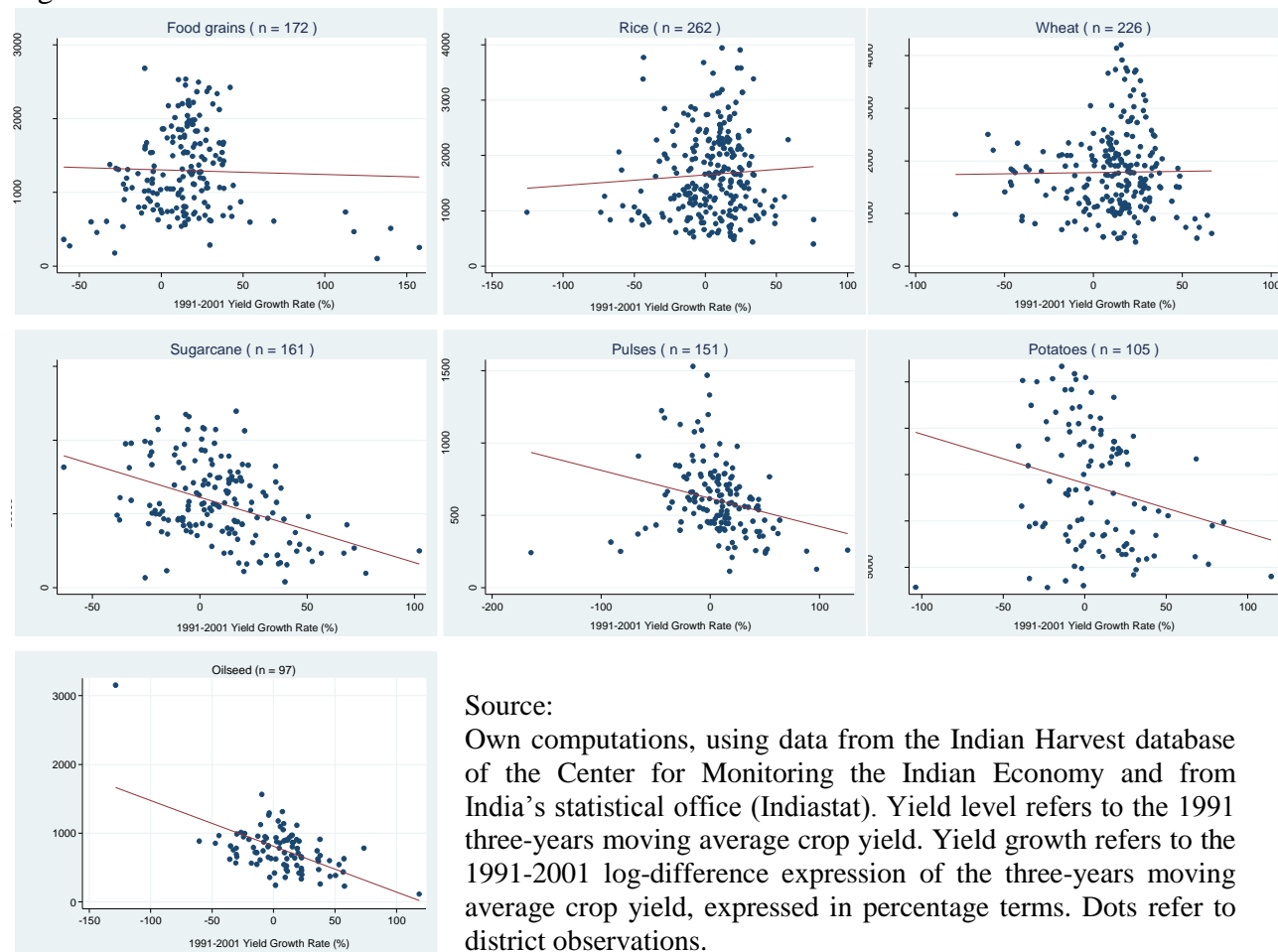
Using crop yield as productivity proxy, crop performance differs widely across districts within and between states in 1991 as well as 2001.² For each individual crop, low- and high-yield districts tend to belong to a narrow set of Indian states. For instance, districts in Rajasthan report yield levels in wheat and pulse production that are lower than the respective median across all other districts. Furthermore, districts with above-median yield levels (1) in sugarcane production mainly belong to Gujarat and Karnataka and (2) in potato production mainly belong to Uttar Pradesh.

Economic growth models predict a negative relationship between the initial output level and growth rates (Barrow and Sala-i-Martin 2003). Assuming that these growth predictions also hold for crop yields, districts with low crop yield levels in 1991 are expected to have grown faster between 1991 and 2001 than districts with high yield levels. The convergence hypothesis receives some support (Figure 1). The 1991-2001 productivity gap narrowed among districts producing sugarcane, potatoes, and pulses, but remains unchanged among districts producing wheat and marginally increases among districts producing rice. The latter effect originates with districts in Andhra Pradesh, Maharashtra,

² In order to smooth the time variation in the crop yield data, tests are carried out for three-years moving averages. Kruskal-Wallis test statistics are computed to determine the district-level independence of yield. The respective results are available on request. Throughout this paper, all test statistics which are mentioned, but not reported, are available from the author.

Madhya Pradesh, and Karnataka, which report productivity growth rates of rice in excess of ten percent in spite of high initial yield conditions. In comparison, low productivity districts in 1991 have 1991-2001 yield growth rates of less than one percent.

Figure 1: 1991 Yield Level vs. 1991-2001 Yield Growth Rate



Source:

Own computations, using data from the Indian Harvest database of the Center for Monitoring the Indian Economy and from India's statistical office (Indiastat). Yield level refers to the 1991 three-years moving average crop yield. Yield growth refers to the 1991-2001 log-difference expression of the three-years moving average crop yield, expressed in percentage terms. Dots refer to district observations.

Agricultural sector performance determines the well-being of the rural population (World Bank 2007). For instance, the green revolution states achieved substantial reductions in poverty which resulted from agricultural productivity gains and their effect on real wages as well as from government development programs (e.g., Foster and Rosenzweig 2004, Fan, Hazell, and Thorat 2001). Given the green revolution experience and the fact that districts tend to derive income from farming a narrow set of crops, poverty incidence is thus expected to be negatively related to the agricultural productivity and productivity change.

Tests for the existence of a relationship between agricultural yield – the proxy variable of productivity – and poverty are complicated by the nonexistence of district-level poverty incidence rates. Poverty estimates are only available for state-specific regions for few selected years such as 1993/94 and 1999/2000 (Deaton 2003). Using these estimates, Spearman rank correlation coefficients suggest that poverty is more pronounced in districts with low-productivity food grain, rice, and potato production. Although there is some support that poverty incidence is negatively related to the level of agricultural yield, there is scarce support that districts with positive developments in agricultural yield belong to

regions which report larger improvements in poverty incidence rates (Figure 2). Such evidence only prevails in the case of wheat. Because the relationship between the rate of change of agricultural productivity and poverty is even positive in the case of sugarcane, these results casts doubt on the effectiveness of yield growth as poverty-reducing instrument. However, the evidence should not be overemphasized as it is derived for region- rather than district-level poverty estimates. The resulting lower cross-section variability could preclude the identification of statistically significant relationships. Furthermore, the regional poverty estimates are unavailable for all districts for which crop yield data is available.

Still, one possible, although hypothetical explanation for the absence of a link between yield growth and poverty could be population growth and the adverse effect of population pressure on land availability and soil fertility (World Bank 2007, ch. 2 and ch. 10). Another explanation could refer to local heterogeneities in the extent to which agricultural subsidies crowd out investment in agricultural research and development, road infrastructure development and rural education and distort cropping patterns (Fan et al. 2008). The latter aspect emphasizes the importance of activities in the area of infrastructure development as possible source for local differences in agricultural development. Motivated by the objective to explore the nexus between crop-specific yield growth and infrastructure development, the next section describes the district distribution of rural service provision in more detail.

Figure 2: 1993/94-1999/00 Poverty Change vs. 1991-2001 Yield Growth Rate



Source:

See Figure 1. The poverty data are compiled from Deaton (2003).

Note:

Considering the information on poverty change, negative values reflect reductions in poverty.

3. District-Level Development in Rural Infrastructure

This paper approximates district-level rural service provision with information on district infrastructure endowment in the area of education and human capital formation, health, and transportation, and communication facilities. The respective data are compiled from the 1991 and 2001 Indian Census.

The Census collects information on the number of primary schools per district village or district literacy rate. These variables are subsequently used as proxies of service provision in the area of human capital formation to investigate the theoretically and empirically proposed positive association between human capital accumulation and agricultural productivity and economic growth (Fan, Hazell, and Thorat 2001, Bandyopadhyay 2006 and the references therein).

Census data on the number of primary health care centers per district village are used to approximate service provision in health. Health infrastructure facilities are included in order to cover the adverse effects of uncovered health risks or untreated health shocks on farm productivity and ultimately crop yield and agricultural sector performance (World Bank 2007, ch. 3).

Service provision in the area of transportation and communication is approximated with Census information on the number of post offices in district villages, district village electrification and the district village access to bus services, navigable water ways, and railways, or the inter-village connectivity via blacktop asphalt roads (pucca roads). These factors describe the integration of farmers with and their access to markets and approximate the importance of information and finance flows and transaction costs for agricultural sector performance (World Bank 2007, ch. 2 and ch. 6, Fan, Hazell, and Thorat 2001). In addition, the district share of electrified villages provides indirect information regarding the scope for operating systems of (high-yield) irrigated rather than rainfed agriculture.

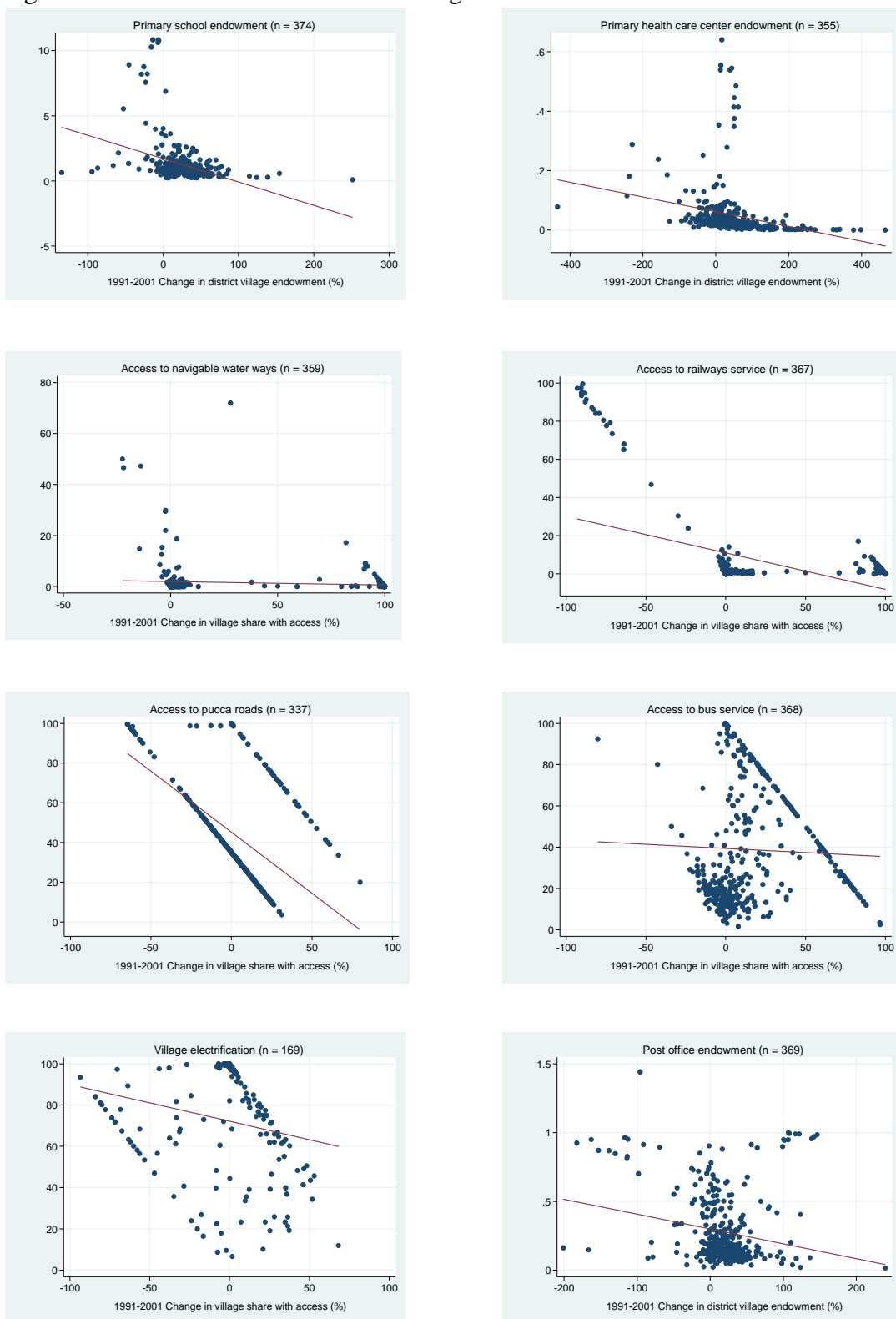
Visual inspection of these proxy variables of rural service delivery and Kruskal-Wallis independence tests indicate that districts within states as well as districts between states significantly differ in terms of physical infrastructure and human capital formation. Because road infrastructure, health, and education are state subjects, among others³, the regional heterogeneities may reflect differences in the level of decentralization and accordingly differences in the devolution of funds, functions, and functionaries to the different tiers of local government. Differences in the degree of local decentralization affect budget expenditure decisions and the capacity of service providers to provide need-based services and to construct, maintain, and manage physical infrastructure through channels such as fund and manpower availability (cf. World Bank and IFPRI 2010).

Standard regression models with state fixed effects and visualization of the data (Figure 3) suggest that the state and district heterogeneities in the village endowment with road infrastructure, health, and education facilities somewhat diminished during the period 1991-2001.⁴ This development may reflect the efforts of Indian states to unbundle service provision such that services are provided at the level of local government where the responsiveness to need-based changes in demand and the degree of efficiency, public transparency, and accountability is likely to be most pronounced (cf. Raabe, Birner, Sekher 2009).

³ This means that it is up to the discretion of the state to decide the extent to which function, functionaries, and funds are devolved to the district, block, and village level.

⁴ The empirical results from models with state fixed effects are available on request.

Figure 3: 1991 Level vs. 1991-2001 Change in Rural Infrastructure Facilities at the District Level



Source: Own computations, using data from the village directories of the 1991 and 2001 Census. “No. per village” represents the number of infrastructure facilities in district villages. Dots refer to district observations.

4. Agricultural Productivity Growth and Rural Service Provision

The evidence reported so far suggests that crop productivity as well as infrastructure endowment differs across districts. District differences in the availability of infrastructure facilities lend support to the existence of cross-district differences in service delivery. Given these findings, this section asks: Is there a relationship between crop-specific yields and the endowment of districts with infrastructure facilities in the area of education, health, transportation and communication?

4.1 Empirical Model

Equation (1) describes the function that is estimated to explore the nexus between infrastructure endowment and crop yield.

$$\Delta Y_{ij} = \alpha + \beta Y_{ij,1991} + \delta Z_j + \gamma S_k + \varepsilon_{ij} \quad (1)$$

The dependent variable ΔY_{ij} is the 10-year log-difference operator of the yield of crop i in district j . This variable is expressed in percentage terms and referred to as the yield growth rate of crop i between 1991 and 2001.⁵ $Y_{ij,1991}$ represents the 1991 (initial) yield level of crop i in district j . Parameter ε_{ij} is an i.i.d. random variable with zero mean and constant variance, i.e., $N(0, \sigma^2)$.

Z_j is a vector of district characteristics. The vector comprises the indicator variables of public service delivery mentioned in section 3 (road, transportation and communication infrastructure and infrastructure facilities related to health and education) as well as (rural) population density. The relationship between yield growth and population density is ambiguous. High population density may lower yield growth through adverse effects on soil fertility and average land holdings (World Bank, 2007, ch. 2, 3) or promote yield growth through positive effects on infrastructure investment and agricultural and social service provision (World Bank 2007, ch. 2, 10). The positive effect can arise if population pressure corresponds with lower per capita investment expenditures. Throughout this paper, the Z_j variables are expressed as 1991-2001 rates of change to effectively use all available information and to control for the effects of possible structural changes between 1991 and 2001. Finally, model (1) also includes state-level fixed effects S_k to control for unobserved state-level characteristics.⁶

Model (1) is subject to limitations. These mainly result from data availability constraints at the district level such as the unavailability of time-series information on public service delivery. Because that information is only available for two points in time (1991 and 2001), the respective data cannot be normalized along both the cross-section dimension and time dimension, and the evidence thus may fail to be representative for the time period 1991-2001. In addition, the absence of sufficient time-series information precludes the estimation of a comprehensive multi-equation estimation model, which could effectively utilize the information from the joint-determination and interdependence of variables (cf. Fan, Hazell, and Thorat 2001 or Fan and Rao 2008). Finally, the analysis cannot consider important yield determinants such as irrigation potential or the availability of fertilizer, agricultural credit, or mechanical farming implements (tractor) because respective information is only available for a small number of districts.

⁵ The time span of 10 years is conditioned by the availability of Census data for the years 1991 and 2001.

⁶ District fixed effects cannot be included due to the small number of cross-section observations.

4.2 Empirical Results

The present empirical analysis faces a tradeoff between model performance and model sophistication that results from the unavailability of information on crop yield and service provision for the same set of districts. The specification of more complex multivariate models thus comes at the expense of a substantial data loss. This paper therefore reports the results of parsimonious model specifications which only include one indicator variable from vector Z_j at a time. Ramsey reset F-statistics are used to evaluate the explanatory power of the empirical models. Attributable to the small time-series dimension of the models and the limited district comparability of explanatory variables, the respective statistics occasionally point to an omitted variable problem. The present analysis can only acknowledge this shortcoming.

Table 1 summarizes the results for standard least squared estimations with state fixed effects. The relation between the 1991 yield level of crop i ($Y_{ij,1991}$) and the 1991-2001 percentage change in crop yield (ΔY_{ij}) is consistent with the relationships in Figure 1 and robust to the choice of indicator variable from vector Z_j . Given this, Table 1 *only* reports the coefficient estimates of the different vector variables Z_j and model performance statistics. Complete regression outputs are available on request.

4.2.1 Population Pressure

Population density is included to accommodate the effect of population and land pressure on yield growth through the effect on infrastructure investment, land pressure, and soil degradation (see World Bank 2007, ch. 2, 10). The evidence in Table 1.a only lends support to the existence of a relationship between population density and yield growth in the estimation for oilseeds. The yield of oilseed production is found to expand in response to an increase in population density. The statistical insignificance of the results for the other crops may reflect both: the negative effect of higher population density on soil fertility and the positive effect on physical infrastructure investment and consequent improvements in market access. More detailed data would be needed to explore these transmission channels.

4.2.2 Service Provision in the Area of Education

Service delivery in the area of education and accordingly human capital development is approximated with information on the village number of primary schools in each district. Regardless of the crop, yield growth does not depend on changes in the availability of primary schooling facilities (Table 1.b). This finding does not imply that crop yield growth and ultimately agricultural sector performance is insensitive to the availability of schooling facilities and accordingly human capital formation. It indicates, however, that the number of primary schools is not the best variable to approximate the crop yield effects of service delivery in the area of human capital formation as it disregards the quality dimension of schooling services. For instance, manpower and funding constraints may cause schools to function poorly or not at all. In addition, socio-economic constraints may prevent children from attending school. Given these concerns, a better proxy variable of service delivery in human capital formation might be literacy. Using 1991 and 2001 Census information on district literacy rates, a weak positive productivity effect results from an increase in the share of literate women in the case of pulse and oilseed farming (Table 1.c). The significance of this effect could reflect the gender sensitivity of the 1990s education programs, which included major efforts for granting at least primary education to women. Women are a major agricultural input factor, and the positive effects of (primary) female education on yield growth may reflect improvements in the women's access to and the adoption of (written) agricultural extension advice and health information.

Table 1: Explaining the 1991-2001 Rate of Change in Crop Yield

	District characteristic Z_j from model (1)	Food Grain	Rice	Wheat	Oilseed	Pulses	Sugarcane	Potatoes
1.a	1991-2001 %-change rural population density per district	0.09 (0.12)	0.12 (0.07)	0.03 (0.05)	0.13 (0.04)	** (0.05)	0.06 (0.07)	0.11 (0.12)
	N	103	167	164	71	103	107	82
	Ramsey reset F-statistic	0.22	0.67	5.89 ***	0.91	1.80	0.89	0.57
1.b	1991-2001 %-change in number of primary schools per district village	7.53 (11.6)	-2.39 (7.25)	3.23 (5.23)	-4.99 (5.30)	1.65 (16.6)	2.63 (2.80)	1.53 (10.4)
	N	136	209	198	93	117	132	101
	Ramsey reset F-statistic	0.27	2.69 **	4.64 ***	1.97	3.60 **	0.65	0.10
1.c	1991-2001 %-change in female literacy per district	0.07 (0.22)	-0.43 (0.68)	0.12 (0.37)	1.19 (0.40)	** (0.36)	0.87 (0.45)	* (1.82)
	N	168	248	223	96	149	160	102
	Ramsey reset F-statistic	0.32	3.58 **	5.67	1.83	3.46 **	0.06	0.36
1.d	1991-2001 %-change in number of PHC ¹ per district village	-0.85 (1.38)	-2.05 (1.86)	1.14 (1.84)	2.98 (2.91)	-1.07 (3.02)	-3.16 (2.60)	0.29 (3.00)
	N	124	197	189	81	105	121	95
	Ramsey reset F-statistic	0.29	3.31 **	3.39 **	3.11 **	2.71 **	0.23	0.07
1.e	1991-2001 %-change in the share of villages with navigable waterways §	0.18 *** (0.04)	0.06 (0.05)	-0.08 (0.07)	0.13 * (0.06)	-0.11 (0.13)	0.06 (0.12)	0.03 (0.09)
	N	125	196	187	88	112	122	96
	Ramsey reset F-statistic	0.04	2.31 *	6.35 ***	2.16 *	2.76 **	0.28	0.10
1.f	1991-2001 %-change in the share of villages with railways services	-0.23 (0.30)	0.002 (0.05)	-0.09 (0.08)	-0.40 (0.47)	-0.19 (0.49)	-0.05 (0.05)	0.12 *** (0.02)
	N	131	202	193	88	112	126	101
	Ramsey reset F-statistic	0.55	2.79 **	6.26 ***	3.71 **	2.82 **	0.68	0.17
1.g	1991-2001 %-change in the share of villages with bus service	-0.11 (0.23)	-0.05 (0.12)	-0.11 (0.12)	-0.19 (0.17)	-0.18 (0.31)	-0.06 (0.15)	-0.06 (0.12)
	N	132	203	193	89	113	127	101
	Ramsey reset F-statistic	0.33	3.08 **	4.78 ***	2.82 **	4.11 ***	0.45	0.17
1.h	1991-2001 %-change in the share of villages with pucca roads	0.05 (0.15)	0.01 (0.08)	0.04 (0.09)	0.08 (0.16)	0.21 (0.20)	0.04 (0.09)	-0.002 (0.20)
	N	143	197	184	81	130	123	85
	Ramsey reset F-statistic	0.96	0.80	3.29 **	2.60 *	3.42 **	1.30	0.05
1.i	1991-2001 %-change in the district share of electrified villages	0.23 (0.36)	-0.22 (0.18)	-0.10 (0.11)	-0.50 (0.34)	0.11 (0.17)	0.18 ** (0.06)	0.24 (0.60)
	N	77	98	107	44	61	71	47
	Ramsey reset F-statistic	4.10 ***	1.00	0.60	0.14	1.11	2.76 *	0.02
1.j	1991-2001 %-change in number of post offices per district village	-11.56 * (5.68)	5.17 (5.80)	0.912 (2.90)	-13.6 (6.81)	-15.6 *** (1.10)	1.24 (1.34)	-12.1 (9.19)
	N	132	205	196	89	113	128	101
	Ramsey reset F-statistic	1.69	1.86	4.52 ***	2.73 **	2.97 **	0.89	0.54

Note: The header row specifies the name of crop i for which model (1) $\Delta Y_{ij} = \alpha + \beta Y_{ij,1991} + \delta Z_j + \gamma S_k + \varepsilon_{ij}$ is estimated. Because the relationship between the 1991-2001 percentage change in crop yield (ΔY_{ij}) and the 1991 yield level of crop i ($Y_{ij,1991}$) is robust to the choice of indicator variable from vector Z_j and consistent with the relationships in Figure 1, Table 1 *only* displays the coefficient estimates of parameter Z_j from model (1). Column two identifies the explanatory variables from vector Z_j . All models are estimated with state fixed effects. Standard errors are clustered at the state level and reported in parentheses. ***, **, and * denote the statistical significance at the one, five, and ten percent level, respectively.

¹ PHC = Primary health care center

4.2.3 Service Provision in the Area of Health Care Facilities

The empirical results in Table 1.d do not point to the existence of a significant relationship between the availability of health care services and yield growth. The reason for the insignificance of the relationship could be the same as for primary education, namely that the number of primary health care centers is imperfectly related to the quality of health care services and health care outcomes. For instance, evidence from a survey in Karnataka⁷, Rajasthan, and Bihar⁸ suggests that households which

⁷ The survey was implemented by the Institute for Social and Economic Change and the International Food Policy Research Institute in 2006.

are unsatisfied with public health care services complain about irregular and short opening hours, inadequate or rude treatment, and the lack of health care facilities in the near vicinity of the village. Unfortunately, better proxy variables of health conditions at the district level are unavailable for the present set of estimations.

4.2.4 Service Provision in the Area of Transportation and Communication

Included to account for the effects of transportation and the dissemination of information, the entries in Table 1.e - Table 1.h indicate that improvements in the (market) connectivity of villages via pucca roads, railways, bus, or navigable waterways do not stimulate crop yield growth in most instances. Exceptions prevail for (1) yield growth in potato production, which expands in response to an increase in the share of villages with railways access and for (2) yield growth in food grain and oilseed production, which expands in response to an increase in the share of villages with access to navigable waterways. Unfortunately, we cannot tell whether and to what extent the yield changes reflect a shift in the crop portfolio of farmers in response to improvements in the access to markets and the associated intensification of (price) competition between farmers. Furthermore, the results do not indicate whether yield growth responds to the existence of (public) transportation means as such or to the frequency at which (public) transportation is provided. Without doubt, a bus or railways stop is of little use if transportation is infrequent or irregular.

Village electrification is frequently perceived to be incremental for achieving agricultural productivity gains as it improves the regular access to irrigation water through the operation of, for example, electric water pumps. In the present sample, this relationship may explain why increases in the share of electrified villages correspond with higher yield growth in water-intensive sugarcane production (Table 1.i). Else, yield growth does not depend on the share of electrified villages or changes thereof. This finding is consistent with the evidence in Fan, Hazell, and Thorat (2001) who show that rural electrification is associated with low agricultural productivity effects. The insignificant relationship is likely to reflect the effect of power supply shortages. Evidence from Rajasthan suggests that electricity is only available few hours each day and mainly at night, which in turn precludes the effective operation of pumps (if existing).⁹

Finally, post offices are included as instruments that increase the outreach of rural finance and credit, which could be used for agricultural purposes (cf. World Bank 2007, ch. 6). The evidence in Table 1.j does not confirm this proposition. In fact, productivity growth of food grains and pulses is significantly lower in districts that report an increase in the village number of post offices.

5. Conclusion

This paper asked whether rural service delivery explains crop yield developments at the district level in India. Service delivery was approximated with the availability of facilities in education, health, transportation and communication at the time of the 1991 and 2001 Census. The evidence from standard regression techniques for a sample of commercial and field crops suggests that changes in crop yield are not attributable to changes in the number of infrastructure facilities. Surely, this finding does not imply that (public) spending on rural infrastructure development is redundant. In fact, existing evidence suggests that public infrastructure investment spending in, among others, road infrastructure

⁸ The survey was implemented by the Institute for Environmental Economics and World Trade of Leibniz University Hannover (IUW) and the Centre for the Study of Law and Governance of Jawaharlal Nehru University (CSLG) in 2010.

⁹ The data from the 2010 IUW-CSLG survey will be introduced and analyzed in a separate paper.

and education is a necessary condition for promoting agricultural productivity and for reducing rural poverty (e.g., Fan, Hazell, and Thorat 2001). However, it becomes evident that investment spending is not a sufficient condition for promoting agricultural development. Indeed, growth-promoting strategies should also aim at strengthening the *quality* of public service provision.

To this end, the supply side of service delivery needs to be investigated in greater detail, especially with respect to the governance challenges of public service provision and the difficulties arising from, for instance, complex administrative structures or manpower, financial, political, and capacity constraints. Geographic differences in the degree of decentralization and in institutional, organizational, and human capacities (e.g., World Bank 2004, Ghuman and Chima 2005, Besley, Pande, and Rao 2007) cause the nature of these challenges to differ across districts. Assessments regarding the effectiveness of service provision should therefore adopt a regional focus. The regional focus is also conditioned by geographic differences in agro-ecological zones, cropping patterns and cropping systems, which affect agricultural potential (Fan and Hazell 2003) and through this channel the need for service provision.

The present study is tentative. It suggests that infrastructure facilities per se do not influence crop yield developments, and introduces service quality as an alternative possible determinant of crop yield and ultimately agricultural sector performance. Future research may want to explore the relevance of this factor in greater detail. Agricultural sector development could hereby greatly benefit from accentuated views on the regional channels through which service quality influences crop yield growth.

References

- Bandyopadhyay, S. (2006). Rich states, poor states: convergence and polarization in India. Oxford University: Department of Economics, Discussion Paper Series, ISSN 1471-0498.
- Barrow, R.J. and X. Sala-I-Martin (2003, 2nd edition). Economic growth. Cambridge, Mass.: MIT Press.
- Besley, T., R. Pande, and V. Rao (2007). Political economy of panchayats in South India. *Economic and Political Weekly*, Vol. 42 (8), pp. 661-666.
- Chand, V.K. (2006). Institutional innovations in public service delivery in India: Cases and Lessons. In: V.K. Chand (ed.). *Reinventing Public Service Delivery in India: Selected Case Studies*. Sage, New Delhi, chapter 1.
- Deaton, A. (2003). Regional poverty estimates for India, 1999-2000. Princeton University: Research Program in Development Studies, Working Paper No. 177.
- Fan, S. and P. Hazell (2003). Strategies for sustainable development of less-favored areas: Returns to public investments in the less-favored areas of India and China. *American Journal of Agricultural Economics*, Vol. 83 (5), pp. 1217–1222.
- Fan, S., P. Hazell, and S. Thorat (2001). Government spending, growth and poverty in rural India. *American Journal in Agricultural Economics*, Vol. 82 (4).
- Fan, S., A. Gulati, and S. Thorat (2008). Investment, subsidies, and pro-poor growth in rural India. *Agricultural Economics* 39, pp. 163–170.
- Fan, S. and N. Rao (2008). Public Investment, growth and rural poverty. In: *Public expenditures, growth, and poverty: Lessons from developing countries*, ed. S. Fan. Baltimore: The John Hopkins University Press, ch. 3.
- Foster, A.D. and M.R. Rosenzweig (2004). Agricultural development, industrialization, and rural inequality. Harvard University. Manuscript.
- Ghuman, B.S. and G. Chima (2005). Rural poverty alleviation In India: An assessment of public programs. In Jak Jabes (ed.): *The Role of Public Administration in Alleviating Poverty and Improving Governance*. Kuala Lumpur: Asian Development Bank (ADB) and Network of Asia-Pacific Schools and Institutes of Public Administration and Governance (NAPSIPAG).
- Government of India, Planning Commission (2005). Midterm Appraisal of the 10th Five Year Plan (2002-2007). Available at: <<http://planningcommission.nic.in/midterm/english-pdf/chapter-05.pdf>> accessed on May 4, 2007.
- Imai, Katsushi S., R. Gaiha, and G. Thapa (2011). Role of agriculture in achieving MDG 1 in Asia and the Pacific Region. Kobe University, Research Institute for Economics & Business Administration. Discussion paper no. DP2011-01.
- Nin Pratt, A., B. Yu, and S. Fan (2009). The total factor productivity in China and India : New measures and approaches. *China Agricultural Economic Review*, Vol. 1 (1), pp. 9-22.
- Raabe, K., M. Sekher, and R. Birner (2009). The effects of political reservations for women on local governance and rural service provision: Survey evidence from Karnataka. International Food Policy Research Institute, Washington DC.: IFPRI Discussion Paper No. 00878.
- Rivera, W., M.K. Qamar and L. van Crowder (2001). *Agricultural and rural extension worldwide: Options for institutional reform in the developing countries*. Rome: Food and Agriculture Organization of the United Nations, Extension, Education and Communication Service.
- Sadanandan, R. and N. Shiv Kumar (2006). Rogi Kalyan Samitis: A case study of hospital reforms in Madhya Pradesh. In: V.K. Chand (ed.). *Reinventing Public Service Delivery in India: Selected Case Studies*. Sage, New Delhi, chapter 6.
- Sulaiman, R.V. and A.J. Hall (2002). An innovation system perspective on the restructuring of agricultural extension - Evidence from India. *Outlook on Agriculture*, Vol. 30 (4), pp. 235-243.

- Sulaiman, R.V. and A.J. Hall (2004). India: The emergence of extension-plus: Future for extension beyond technology transfer? In: W. Rivera and G. Alex (eds.). Extension Reform for Rural Development: Case Studies of International Initiatives, Vol. 1. Washington, D.C.: World Bank and USAID, pp. 17-28.
- World Bank (2004). India: Fiscal decentralization to local governments. Rural Development Unit, South Asia Region: Report No. 26654-IN.
- World Bank (2006a). India – Inclusive growth and service delivery: Building on India’s success. Washington D.C.: Development Policy Review Report No. 34580-IN.
- World Bank (2006b). Reforming services in India: Drawing lessons from success – A World Bank Report. Washington D.C.: Poverty Reduction and Economic Management Sector Unit, South Asia Region.
- World Bank (2007). Agriculture for development. World development report 2008. Washington, D.C.: The International Bank for Reconstruction and Development/World Bank.
- World Bank and International Food Policy Research Institute (2010). Gender and governance in rural services: Insights from India, Ghana, and Ethiopia. Washington, D.C.: The International Bank for Reconstruction and Development/World Bank.