

## **The Development Elite and Institutions of the Local Poor: Experiences from a Development NGO in India**

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Experiences from a Development NGO in India**

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“For Tagore, the practical steps forward were only a means to the rejuvenation of the villages, and he used to remind us that achievements such as clean milk, fresh eggs, clean well built houses were only a means to a greater end, which was to liberate individual consciousness. We have to work,” he used to say, “to enrich our lives, enliven our aspirations, raise our exchange to new heights, to inspire our leisure and to increase our delight until we and the cultivators could produce a richness and a wealth of material and cultural life of our own, and a rejuvenation of those ancient art forms that still survived, but so *tenuously*, in the villages around us.” (Elmhirst, 1961)

- Leonard Elmhirst,<sup>1</sup> on the rural development experiment of  
Rabindranath Tagore at Sriniketan

“After about six weeks when we were about 34 feet down, the rock was becoming a little moist. It was in May; the temperature ran to 47 degrees Celsius in the shade. Inside the hole it was fearfully hot. Then a bee followed by a butterfly came to the moisture. Two days later when we arrived in the morning we found a frog happily sitting in the puddle of water between the stones. Three days later water came through in abundance. We worshipped the water with white flowers and milk. Then for the rest of the day we sat by our well just staring delightedly at the water. Now we had reason to be hopeful into the future.” ([http://mss.niya.org/people/baba14\\_amte.php](http://mss.niya.org/people/baba14_amte.php))

- Baba Amte, on the initial days of Anandwan, the ashram he helped establish in  
a drought-prone area near Nagpur in Maharashtra.

## **Introduction**

The theory and practice of development has long been concerned about the problem of poverty and the poor communities in developing countries, which often also has a spatial dimension with a large concentration in rural hinterlands. The nature of poverty in such discourses has generally been characterized either as non-access to, or non-ownership of, assets or as non-access to innovation that generally occurs at the core of the mainstream economy as a centralized and capital intensive enterprise. The practice of development within the government and in the non-government philanthropic and multilateral agencies/bodies has been guided by such a vision and hence has focused on creation of local assets (mostly physical assets and often in a public/shared mode) or providing access to centralized-innovation through various kinds of subsidized extension services, many of which have landed up in familiar problems of under-funding, decay of quality and corruption. Basing our article on the experience of a development NGO working in a district of Andhra Pradesh (a province in India) that was run by one of our students and for which we served as advisors, we argue in this paper that part of the problem lies in an inadequate characterization of poverty that has driven the nature of the intervention by the development elite. The poor milieu, we posit, is not isolated and is in relationships with the outside “core”, whether out of its own volition or otherwise. We also argue, taking an institutional turn, that generating wealth out of assets or generating novel forms of asset is an institutional act that requires the local milieu to have vibrant institutions that can have large amounts of intra-trade, generating new information and deciphering new meanings. Such a local milieu can then trade and negotiate with the outside world as well, generating a flow of information, resources and wealth. This could potentially generate numerous partnerships between the core and the “hinterland” leading to a dynamic where decentralized innovation also plays a competing role in driving growth. But such a positive dynamic can fail to take off if the local poor milieu lacks institutions of asset generation or has institutions that do not generate meaningful assets to trade with the core. The poor milieu therefore remains in essentially vertical relationships of exploitation or indifference. The role of the development intermediary (or a local power

structure) in this model is then either to foster new institutions or to help modify and valorize incipient institutions of the poor (that Tagore says survives so tenuously; see quote above) that can generate value through new linkages with the core. It therefore has to be an act of engaging in an institutional contest. Institutions that valorize the local assets have to be locally derived; hence, they would take multiple forms. We therefore depart from discourses that look into a particular set of institutions that seem to be currently successful in generating wealth in the West as a necessarily superior institution to which other currently backward institutions would converge. The network of the development elite through the structuring of its linkages (of funding or monitoring) and through an image/ideology as portrayed in a shared discourse has a great effect on whether the development intermediary takes up such a role. We argue that the new approach, if taken, can open up new possibilities especially in a business world based on information assets, a few of which could also be inferred from the experience of the case we explore.

## **Background**

Much of received literature on economic development locates poverty and underdevelopment in large parts of the developing world in the lack of access to skills and productivity raising modern technologies or in specialization in economic activities with an adverse movement in terms of trade. Development strategies in India, therefore, took two major paths that were political complements to each other. On the one hand was an attempt to gain entry into lucrative new industries through a process of catch-up, actively aided by support from the state and the creation of the associated paraphernalia – the public sector enterprises, public research and technology institutions, public financial institutions and large private business corporations in an attempt to shift the population to new lucrative industries. On the other hand, large parts of the hinterland – particularly the rural milieu, virtually excluded from the large firm led industrialization process, became recipients of transfers of technology and financial resources which allowed the benefits of the capital-intensive centralizing industrialization to trickle down to the population at large. Both processes soon started to experience. Our concern in this paper is primarily

with the second aspect – the rural hinterland where the incidence of poverty and the crisis of livelihood is intense today.

The official agenda on rural development has attempted to focus on public investments and subsidies to help rural producers (primarily in agriculture) improve productivity and to enhance inputs/innovation emanating from capital intensive large scale industry and public research and technology institutions. As well, there have been interventions in financial transfers to support income generation and job creation through publicly funded asset construction (roads, buildings, reservoirs etc). Those who are critical of the rural development initiatives point mostly to inadequate financial outlays for the rural setup, decline in public investments and bureaucratic malfunctioning leading to financial leakages, corruption and decline in the quality of services/inputs provided. The official stance of the development bureaucracy as well as most of those critical of the rural development strategy, therefore, does not look at the rural milieu as a source of new asset creation/generation and as an innovation engine. The proponents and opponents therefore share a discourse.

However, quite apart from this debate that mostly ran within elite institutions (e.g. economists in universities), has been another voice mostly from local development activists who are firmly rooted in development initiatives within the local setting. This discourse also shares a long tradition that goes back at least to the days of the nationalist movement in India (see Dasgupta, 1979 for the thoughts of Rabindranath, and Mukherjee, 1958 for the opinions of Bipin Pal). Voices within this discourse, in many different languages and using various anecdotes were arguing that the principal problem in the rural poor environment was a loss of spirit in a dual sense – a spirit of enterprise and a spirit of community that led to the degradation of local resources and the weakening of existing institutions. Practical interventions, therefore, sought to revive this lost spirit, in its dual form, through generating points of action around issues of concern in the conduct of daily folk life. The range of interventions was usually quite wide – from agronomy, local craft practices, irrigation and water issues, health, medicine and child care, folk cultural practices, maintenance and revival of village commons and so on. And

it involved not only infusion of new information, technology and practice, but more importantly revival and in several cases reformulation of existing practices, knowledge and so on. It also involved a “dialogue” between local and distant knowledge pieces. Successful interventions did not lead only to visible improvements on material terms such as improvements in productivity, but more importantly to a revival of the spirit in the community. Exchanges (intra-trade) increased and in some cases led to successful engagement in long-distance commerce (with a distant mainstream economy) as well. This strand of practice and the discourse that supported it placed greater hope in local knowledge and practices and the possibility that they would act as sources of innovation. The Indian sub-continent is full of such initiatives that took shape over a long history of at least a century. So, there is a disconnect between the two discourses – they appear as two different narratives altogether – the elite expert discourse and the discourse from the field, so to speak. This paper is an attempt to engage with this disjuncture, an attempt to make sense.

In spite of the long tradition, the discourse on decentralized development has moved to the margins, in a way, even in India, while the practice of local development around these ideas faced problems. A few visible manifestations of such problems have been in an inability to scale up the experiments, move to new areas, a loss of momentum when the key charismatic characters that played the initiating role withdrew, disintegration when the local community graduated to higher income levels with higher aspirations seeking greater engagement with long-distance commerce. This practical outcome has also been a reason why several observers have started characterizing such discourses as “a romantic desire to go back in time.” But, is a different way of looking at this experience possible? A possible answer to that probably lies in the experiences from practice itself. Rathindranath Tagore, commenting on the problems of stagnation of the Sriniketan project, was hinting at rigidities in law, norms of conduct of the colonial administration and an inability to deal or engage with it as the major obstacle (Elmhirst, 1961).

Building from it, we argue in this paper that the design of the meso-level institutions, that connect the local milieu to the core is an extremely important issue that has a bearing on

the success of local decentralized innovation. Using the case of the development NGO in Andhra Pradesh, we characterize and generate typologies of the meso-level institutions that connect and show how they have a differential impact on the feasibility of unfolding of local innovation. We draw from the literature around new institutional economics, which has been inspired by extremely successful experiences in the creation of supporting institutions that led to rapid growth of decentralized innovation in several high technology industries, challenging the long-held assumption of superiority of innovation capability of centralized large organizations. A reading of these strands of the literature, suggests new interpretations, meanings and new points of action. In the next section we briefly discuss the theoretical underpinnings of our argument. The following section takes a look at the experience of the NGO, providing an instance to explore our understanding. We end on a speculative note by providing a brief outline of a possible, counter-factual world.

### **The Argument**

For much of the twentieth century there was significant consensus about the role of the large corporation, well-endowed with financial resources and in control of markets, in leading the innovation dynamics in the economy, investing in new technology and rolling it out commercially. It was seen as the economic entity with the right incentives to engage in innovation. While control of markets reduced the demand side risk, access to finance provided the supply side impetus. Although the static inefficiencies of large firms with market control were pointed out from a Walrasian vantage point, the dynamic innovative capability/potential of the large firm was also recognized. When significant spillovers were involved in certain types of technology, direct participation of the State, through a public research infrastructure was the tool that ameliorated the problem (Arrow, 1985). Knowledge assets generated in the public sector was piggybacked by the large corporate sector to take the innovation to market. But state-led processes of knowledge generation also shared the centralized paradigm. A significant claim of this strand of literature was on the centrality of “price” as the most important variable playing the role of coordinating current and future economic activities. Scholars who looked at

the economic problem from the viewpoint of developing economies and who took to large firm-based industrialization much later, argued for a deliberate suppression of the price mechanism, mostly on political grounds. Largely based on the East Asian growth experience, they instead emphasized learning and new technology assimilation (catch-up) as important concerns that need to be addressed (Chang, 2002). The efficiency results of price-based models were also criticized by pointing at the severely constraining assumptions (that seldom worked out in practice) required to hold on to the results of efficiency.

There was another critique of the price mechanisms' centrality, which took roots only recently. North (1990), in particular, argued that institutions constituted the base on which markets developed and exchanges occurred overturning the fundamental premises on which the Walrasian economics was based. He defined institutions as norms and rules – both formal (legal) and informal which at any point in time constrained human action – making a few types of action possible and ruling out certain others. Institutions, therefore, bring an order within which economic transactions and exchanges occur. The maximizing search for the economic man is, therefore, a constrained search. In North's scheme, institutions are most important. Institutions, however, are not static. They change, and organizations engage in attempts to change institutions, often to suit their own strategic interests so as to set a 'new rule of the game' in the market. Defining the institution or making the market is therefore a strategic, political act. Defining the institution involves a strategic "voice" associated with control. North, whose concern was to develop an understanding of the continuing underdevelopment (and non-convergence in economic growth) in large parts of the world, goes on to argue that the West's ability to generate continuous growth is an outcome of a successful institutional milieu that has succeeded in generating incentives for its economic actors to make continuous investments in productivity enhancement.

North's institutions, however, seemed to have a global canvass – operating as if they were a shared public infrastructure. Scholars coming from the tradition of business history, however, pointed to the multiplicity of institutions, quite specific to each



industry. Institutional multiplicity and diversity seems to exist both on the demand and the supply side, as Banerjee (2007) demonstrates with regard to the dynamics of rivalry between contesting institutions both on the consumption and the production side of the biomedical industry. As the smooth global canvass of an institution fractures into multiplicities of institutions with a more limited reach within specific context, several interesting dynamics have a possibility of crowding into the model. Scholars working on the sociology of consumption have argued that the consumption space is susceptible to the “belief worlds” of consumers (Warde, 2002, 2004). The rational consumer searching for a bargain may in fact be operating a local search at best within a milieu that encompasses a particular belief set. Consumer rationality becomes a conditional attribute. Tinkering with this belief space also becomes a valid point of influence for producers hoping to create markets for utility offerings that their production system is better able to provide. A particular instance of such a reshaping of the consumer space is the new discourse on customization in its various forms, the increased role of services vis-à-vis products and visions of a-piece products being embraced by the contemporary manufacturing world. In fact, this new world of consumption, containing wide variety, product proliferation, extremely short product life cycles (such as we witness in several new industries such as mobile phones) demonstrates how drab much of the high years of manufacturing were to the consuming population.

This new fracturing of the consumer space has far-reaching consequences on the supply-side. Conceptually, efficiencies and measures (or informational description) of efficient practices becomes local and multiple. The supporting institutions on the supply side required to meet a particular milieu of consumption might differ as we move across the consumption space. Therefore, institutions that generate successful economic outcomes must be linked across the production (supply) consumption (demand) spectrum. This specificity in the nature of linkage between consumption-production institutions implies that success of a particular institutional situation (as in North) might be contingent on a particular pattern of consumption or a design of the consumption space that the dominant institution could achieve. This opens up new points of inquiry and possible points of action as well. A growing literature on revisionist historiography is focusing new

attention on the rise of large corporations in early 20<sup>th</sup>-century US. Several other factors, such as the role of law and the particular inability of supplier groups to reorient practices are emerging as added contributory factors that went behind the rise of large firms (see Langlois, 1999 and Langlois & Robertson, 1989 for accounts of a few industries). Unlike a Chandlerian stand (Chandler, 1977), this literature disputes the necessarily efficiency-driven explanation of the consolidation process based on scale economies, which immediately opens up the possibility of other more decentralized market based modes of organizing.

From the perspective of this new literature and the questions it raises, the design of the institution in its detailed construction as experienced in living practices in the field becomes extremely important. A particular institution not only promotes specific patterns of behavior and accumulation of assets of particular types, but can actually dissuade other kinds of asset generation – which only a few scholars looking at incentive theories have really pointed out (Bhaduri, 2000). This negative influence is very important and possibly more powerful. For instance, a paradigm of mass manufacture of standardized products must necessarily undervalue variety in consumption space – thus removing incentives from either cultivating differences in taste and seeking information on such differences. In a paradigm of extreme customization, it is this specific information that becomes most important and several forms of intermediation seek to offer new and better technologies of locating, classifying, bundling or unbundling such information on specific tastes.

Our main concern in this paper is the feasibility or the experience of local knowledge in the poor rural setting as sources of innovation. Since such knowledge is local, we are essentially talking about the potential of decentralized innovation. Hayek (1945) was one of the few economists of his time who actually focused new attention on the role of this local knowledge. To him, tapping of this vast local knowledge to influence social decisions about consumption, production and investment was the main problem that economics should address. Hayek was operating within the paradigm of the central role of pricing. This was because he was addressing the debate between market-led and planned models of economic development. Prices could act as vehicles that could capture

the informational content of local knowledge, making it possible for it to play a role in social coordination. But, our discussion above would also suggest that local knowledge and information would need an institutional support to reveal itself through the price mechanism. Norms, rules or practices that would render local knowledge meaningful within a market could then be developed. Failing such institutions, the local knowledge piece might fail to get exchanged. In fact, we posit that this potential of local knowledge as sources of variegated meaning and diverse novel utility is far more powerful than the price-informatic potential to which Hayek referred.

And how important is exchange to formation of local knowledge? Since Adam Smith, a long tradition in economics has held that exchange, formation and participation in a market actually allow for specialization and division of labour that leads to increasing returns and economic growth (Young, 1928 provides a good exposition.) In the field of knowledge and innovation, a large literature provides compelling evidence and arguments in favour of hastening exchanges. Literature in intellectual property driven from practice of law, litigation and IP strategies of firms has argued that the central role of IP law is to allow and facilitate greater exchanges of IP among industry participants (Merges & Nelson 1990, Wu 2005). Formations such as patent pools, forced licensing, and standard-setting bodies as institutional mechanisms were all conditional responses suited to each particular industrial setting to facilitate and often to force through regulatory fiat an enhanced degree of exchange among a particular set of participants for innovation to unfold. But the concern of much of that literature also has remained limited to large producers or generators of innovation in centrally located institutions of higher learning and research such as public research bodies (i.e., its concern lay limited to a particular form of knowledge and its exchange). If that discourse has to extend to and embrace small local knowledge pieces as well, then the form of the institution of exchange probably has to be quite different. Since local knowledge tends to be plentiful and varied, the supporting institution has to support and provide incentives for the profuse generation of differentiated information/knowledge assets. So, we can characterize supporting/connecting institutions on the basis of whether they support or inhibit the generation of novel differentiated information as a central feature of the

connecting institution in order to understand the possible implications for local knowledge generation.

So, our model of the local poor milieu is not isolated – but is part of a system as system theorists have been emphasizing for a long time. Andre Gunder Frank, in his last work (2002), argued that West’s current success lies in suppressing local dynamics of accumulation in the developing world. We argue, in contrast, that “institutions as guiding formation of meaning for transactions in the market” is possibly more powerful than the price-based argument. It is connected to the core by numerous ties – of law, of administration and of institutions that overlay the particular markets. These connecting institutions might either inhibit or aid the formation of local assets. Institutions that are tailored generating variegated assets, numerous belief worlds (with no claims to global validity), and highly differentiated offerings with profuse information content would support a regime of local asset/knowledge generation. Lacking supporting institutions to trade, however, this local knowledge would get subverted and infiltrated, memories of it would be eroded and the local environment would lose out to centralized schemes and offers of innovation. It would also lead to loss of control (both as consumer and producer), and constitutes a strategic defeat for the local, as North would put it. This loss of control or strategic voice over the “lifeworld” is possibly what the practitioner discourse on development activism wants to so desperately counter – the loss of the “local spirit” as Rabindranath put it.

We therefore endorse North (1990) in locating institutions at the centre of economic analysis, but we argue for multiplicities of institutions and competition among institutions. The economic and strategic success of currently dominant institutions might then be contingent on a particular conjuncture delimited by the utility offered by the currently dominant institution. An alternative institution, therefore, can arise on the promise and the possibility of unfolding an alternative utility envelope. The rough contours of such a counterfactual world can only be imagined and a few areas of possible action hinted at. In the next section we briefly look into the experience of a development NGO – its success and limitations and try to interpret it in light of our discussion above.

### **The Instance: Experience from Andhra Pradesh**

The NGO, whose experience we explore as a case study, was started with inspiration from the life and works of Baba Amte. The experiment began around the late 1980s, after the founder had a long interaction with Baba Amte, participating in the marches across the country (Bharat-joro or knit-India walks) that Baba Amte undertook in to arouse the youth and channel their energies into local community building and local development. In fact, the site of the experiment, Mehboobnagar, which was an extremely drought-prone district which was also backward on several indicators of income/productivity and human development indices, was chosen by the Baba himself. During his visit to Andhra Pradesh, Baba Amte was appalled by the ecological degradation of the region and the accompanying loss of livelihood that it meant for the local people. Under his inspiration, a group of young enthusiasts (including the person who started the Bhoodan movement of Binobha Bhave by donating part of his land holdings in few years back) formally launched a rural development project in the area. The initial period of a few years went in developing credibility and trust within the local community. The founder was, therefore, in a sense non-local, but took great care to develop local trust. Coming from a tradition that looked up to the local folks as valuable knowledge-holders, his initial days were spent acquiring understanding of local customs and traditional rules, particularly with respect to managing local property resources. The first major engagement in the production system came with the establishment of the agricultural extension centre in the area – the Krishi Vigyan Kendra (KVK). KVKs were extension centres that the public agricultural research set-up in India created through ICAR (Indian Council of Agricultural Research). Each KVK was linked to a particular research university or ICAR laboratory. There are currently over 200 KVKs across the country, each generally with a district as its catchment area. There are proposals to open up one KVK in each district in the country to expand the reach. The KVK in Mehboobnagar was linked to the Agricultural University in Hyderabad. The KVK network was established primarily as field sites of the research centres so that innovations could be field-tested through the KVKs. They operated on a franchise model, with ICAR funding an initial infrastructure development cost and providing financial support for a few staff to run the KVKs.

The first task for the new KVK was to tackle the issue of water. Much of the land in the area was uncultivated (fallow) for a long period of time. The first initiative that the organization took up was to uproot large areas of eucalyptus (on government land over which the community did not have explicit rights) which draw heavily on groundwater resources that are scarce in the region. The call for this change lay within the community itself. The organization just managed to mediate the conflict and negotiate a settlement. Several locally rooted development initiatives have reported numerous instances of wrong technology selection, in spite of opposition from the local knowledge-holders as an important contributor of ecological and livelihood destruction. The difficulty of accessing local knowledge, as emphasized by Hayek, is the central economic problem, and remains acute even today.

The next step revolves around small water harvesting projects taken up across a very large area. Since most of the initial area selected was fallow land that was part of the village commons, getting consent of the local community was easier. It was women (groups of women) that took more interest and initiated and led the project that created customized small structures – earth bunds, small earth-bunded pools in field-corners (0.01% field ponds) to retain water, percolation tanks, bunded channels to direct the flow of water to such structures depending on the local characteristics of the area, such as slope, water retentive and percolation characteristics of the soil. These were supplemented by the planting of sturdy trees aimed at providing bio-fuels to the community and shrubs that served as the grazing ground. In a year, the area was turned around, and cultivation of few varieties of cereals also became possible in some of the adjacent areas due to an increase in moisture retention in the soil. The most startling change was possibly in the landscape which in general became green all around. When the authors visited the area, the green was visible even at the peak of summer in a year that had bad rains, made it difficult to believe that the area at one time was actually plagued by lack of soil moisture.

The success of the first demonstration projects led to the next ones that included several large projects. One of the large projects involved revival of a very sizeable water

reservoir (2 square km). It had shrunk and used to get totally dried up during the summer months as the catchment area whose rainwater went to the reservoir declined, but the memory original dimensions was retained in folklore of the area. The project of restoration therefore became attractive, but this generated more conflicts as it involved reworking adjacent cultivable land. Issues of cost and benefit sharing became important, and several exchange had to be made. Unlike the smaller projects that could be managed through common ownership models, this project was based on several layers of shared rights, including choosing the women's self-help groups from among the contributing set of landholders who became the managers of the shared resource and who were authorized to sell water and water-drawing rights to cultivators around the area in order to generate income and maintenance funds. The multiplicity of rights that were generated were, however, all non-formal, held together by customs and agreements within the community.

These initial successes immediately started generating demands for other kinds of intervention from the community, such as housing, sanitation, medication and healthcare. The organization realized that it had to take a livelihood-centred model of working and give up narrow activity based specialization that was the mandate of the KVK contract. This also created dissatisfaction among the expert staff of the organization, who were primarily agronomists. Around the same time, ICAR was also advising KVKs to diversify their activities and look for other sources of funding to reduce the dependence on budgetary support from ICAR. These twin pressures and the possibility of leveraging the reputation capital generated by moving into more holistic intervention drove the organization to look for new sources of funding for other interventions. Two major sources of funding came in, thus defining a different set of linkages with the core of the economy. One set came from multinational philanthropic foundations that had during the same time significantly expanded their activities especially so in Andhra Pradesh, and the other set came from the corporate sector that was looking at rural markets as a green pasture to expand its activities. Many of these corporate engagements, backed by a CSR (Prahalad, 2002) rhetoric, was initiated through regulation such as in insurance that forced them to generate business in rural areas.

Before we analyze the nature of the linkages that the organization established with outside agencies, let us briefly delineate the dynamics of internal market generation that they achieved. The tools used to regenerate each activity set within the community were around training (external knowledge infusion) and micro-credit as an investment-directing tool. A number of interested entrepreneurial groups (mostly women groups in their case) were provided with credit support and, in some cases, technological support assistance. External organizations often came in at crucial stages to create awareness, engage in local lobbying and influence local conflict resolution. Attempts were made to shift each activity set to self-financing modes as early as possible. Therefore, the role of the outside organizations was more as a market-maker and a catalyst to initiate formation of new markets – of water, of organic manures, of peer-to-peer seed exchange amongst farmers, and so on. The organizations retained a right to the new cash flows through their financing activities in micro-credit form. So, credit acted as a tool of power and influence to redirect economic and investments activities and create the kind of local institution that supported the underlying local market. This institution-building role of credit is what we think was most important. The nature of the institution that was built was quite different from the institutional structure that gets built/reinforced through the channels of formal bank credit and constituted the institutional innovation that they brought in. For instance, an agricultural loan from the formal banking channels (public sector banks), tied to land assets as collateral, would be linked to chemical fertilizer suppliers. But an organic farmer would find difficulties accessing credit for locally produced organic manure. So, particular structures of credit practices can block the evolution of certain markets. That, in fact, defines the novelty of the initiative. This local success was achieved within a fairly short period of time, and it created the strong “local reputation” that the organization enjoys. The local reputation actually denotes (or connotes) the strong commitment that the organization has towards the local market and its institutional development rather than a non-profit stance that is often described in the literature on NGOs. As the organization and the local community became more successful, it engaged with the core more intensively and the connecting institutions became important. To that we now turn.



We take up each activity and look into the nature of the contract (or the connecting institution). The engagement with ICAR as a field site for testing of laboratory-based innovation was a loose contract. It provided significant financial support for putting up the infrastructure of the KVK, including the purchase of land for the purpose. The parent institution (linked agricultural university) was satisfied with the conduct of field trial and the generation of data around the trial that the organization provided them. In fact, commercially, the engagement was not at all taxing for the organization. This loose governance system had several merits. In the initial days it left manpower free to engage in the other activities that were crucial for establishing the local credibility of the organization. It also left farmers free to engage in exchanges in farmer-to-farmer peer networks. In fact, agronomists in the organization argued that since the market-making mechanism of ICAR was weak, most of the new produce did not reach commercial channels, but a few that showed good results in field trial conducted by the KVK did percolate through informal peerage groups among farmers. Moreover, many of these exchanges, which do not have grounding in current formal legal structures, might face difficulty as ICAR increases its commercialization drive. The information flow that generated innovation was, therefore, mostly single-sided. The organization served as a conduit of information on segments of innovative activity from the research institutions to the local farming community. Information flow from the local community to the core was mainly of structured information on the validity of experiments designed at the core. The information channel was not tuned to seek, gather or transfer information regarding local sources of innovative agronomic practices, local variety and such other variegated, differentiated local knowledge. In fact, when under a scheme of CAPART/ICAR, agricultural information kiosks were set up (with call-centre assistance from agronomists), they were designed exclusively as a means of dissemination of expert information generated in research laboratories to the rural cultivators.

The engagement with the multinational donor agencies brought an era of efficiency into the organization. Funds became more tied to concrete outcomes and narrow targets, which sometimes were simple numbers such as number of beneficiaries or the extent of coverage. The gross nature of the control instruments employed in the contracts

undermined the cultivation of differentiated approaches that could seek and search for local knowledge assets. In certain cases such as the housing construction initiative, it led to growth of the local housing market and construction material providing a fillip to local entrepreneurship, but even such efforts were mainly of an import-substitution variety.

The third set of engagements with the corporate sector, cross-linked and subsidized by contracts with philanthropic foundations, were mainly in the domain of micro-insurance products. In this case, the insurance products were extremely narrow in scope and the role of the organization was limited to acting as a selling agent pushing the products by leveraging the local reputation capital. This intervention was, in a sense, worse from the point of view of growing and sustaining local institutions. The health insurance products built around indoor medical care and disease-specific insurance created disincentives in the local economy. Doctor practices veered towards more capital intensive, surgery-based methods – while indigenous medical knowledge and practice (not covered in the scheme) was further weakened. The area, otherwise, has a fairly large number of practitioners of indigenous traditions of medicine. The knowledge and cultivation practices of medicinal plants in the local community had, in fact, induced the organization to enter in a more systematic way promote cultivation of a few varieties of medicinal plants for sale elsewhere.

The weather insurance products (mainly on rainfall), created similar confusion within the local community. The products were based on rainfall measures recorded at the district meteorological office. The local concept of rainfall as an element of insurance was, however, based on a different meaning and a different variable (soil moisture content) as a control/measurement tool. Use of the district meteorological office data point as the defining variable in the insurance contract exposed cultivators to a significant basis risk. More importantly, the definition of the data point itself shifted the insurance product beyond the control of local cultivators. It centralized the formation and analysis of data that would drive the insurance business, thus destroying or undermining the process of generating a much richer set of locally generated, decentralized data that was already an incipient practice in the locality. It had the potential to undermine the local practice. Such

a product definition means that the local generator of novel information gets no role in even a partial definition/design of the product and participates in the exchange with the core only as a receiver of information.

If we analyze the differing engagements of the organization with multiple types of agencies, we can discern a gradual shift away from practices that sought very actively to look at local knowledge assets. Local knowledge as sources of innovation was the most articulate in practice in the initial phases when financial support from the core was minimal or non-existent. As linkages increased, institutional dominance that began undermining local institutions and their ability to generate variegated, differentiated rich data began to take roots. It was the institutional moorings of finance rather than the finance as a resource that was more important. All three types of linkages were oblivious to possibilities of local knowledge as sources of innovation, sharing the dominant belief and discourse regarding local development as a process of diffusion of innovation and technologies generated elsewhere. The linkages with the foundations and the corporate sector was structured around efficiencies and most of that, especially the intervention of the foundations, rested on the arguments of inefficiencies/ineffectiveness of delivery of rural development services through the government bureaucratic channels. They looked at the local milieu even less as a possible source of innovation and valuable knowledge. Our argument, in contrast, shows that the links that the government system developed with the local community through the development intermediary at least promoted local exchanges among cultivators in a local market and to that extent strengthened an existing local practice— though the system definitely was not designed explicitly for that purpose.

Therefore, for organizations at the core, local information laden with local multiple meanings had no strategic significance at all in design of products/services or generation of new revenue lines within the structures of their current business models. In contrast to the “local commitment” of the development intermediary, these organizations demonstrated a “lack of business commitment to the local”. The design of the connecting institutions reflects this strategic posture. This difference in intent, rather than a difference posited around profiteering and non-profiteering constitutes a more useful way

of classifying actors in relation to issues of rural development. We therefore argue for a reorientation – a more involved engagement that can generate a profit driven boost to generating new institutional mores of connecting to the local and that would build new revenue/profit lines by leveraging locally produced, differentiated information. This engagement is quite distinct from that of the CSR rhetoric that does not even look up to the local area as a source of innovation that can lead to joint designing. Initiatives in practice around CSR rhetoric mostly (as we see in this case as well) looked at the local community as a receiver of information and often deliberately undermined local institutions to create the immediate consumption markets. In fact, a very recent study based on a survey carried out over 2-3 years in Warangal in Andhra Pradesh, argues that undermining of farmer peer-to-peer exchange of rich, differentiated knowledge on a variety of specific agronomic practices, which had a long history in the cultivating community, led to deskilling and the inability of farmers to produce and understand independent information on evaluation of seed varieties in the region. It is this, rather than the more conventional demonstration effect of successful initial adopters, that explains the rapid diffusion of Bt cotton in the district, that is also accompanied by farmer distress among cotton cultivators at the same time.

**Is an alternative possible: On a speculative note!**

Our discussion earlier has shown that institutions are multiple and that the setting of norms and rules as concrete manifestation of an institution essentially involves a contest – a contest for power. The success of the NGO that we explore lay in its ability to induce an internal market formation within the local area leading to enhanced exchanges, trading, specialization and increased economic activity within the area, using the power of credit to revive and reform old practices as well as induce new institutions. It was this enhancement of intra-trade that constituted the basis of their success, principally through judicious use of credit tools to direct activity of micro-entrepreneurs around particular areas. This enhanced trade and exchange reinvigorated the “spirit of society.” As, however, the organization and the community became more endowed and ambitious and sought enhanced exchanges with the core, the rigidities of the institutional linkages that

had been designed with a view of the local as lacking any innovation/knowledge assets, became more pressing. These connecting institutions were designed only to receive or disseminate simple gross, undifferentiated signals from/to the local milieu. The local voice was significantly reduced in the new exchanges with local information playing virtually no role in design of products or in innovation.

We argue that a wide body of experience that had been built up over at least a hundred years and that included a sizeable body of continuing experiments on local development activity quite distinct in its orientation from the official (or elite) development discourse exists in India. What this milieu lacks are friendly meso-level institutions that would build wider markets for pieces of local knowledge assets. Institutional innovation is, therefore, required at the meso-level in the design of networks that would widen exchanges. Changes are required in law to guarantee property rights over locally generated assets. These institutional changes would require new points of influence, developing new instruments of power that often might be beyond the ambit of the local development organization. International funding activities, however, are mostly directed at individual organizations and very little at networks of organizations as the recipient vehicles. Several such networks, however, exist amongst NGOs led by local development intermediaries tied to strong local reputation capital. This local reputation capital is valuable and is what distinguished them from other channels of delivery of local development services. If such organizations have to grow and find new areas of intervention, a network mode may be the best way to engage with growth without tearing their moorings away from the local. Pure organization-oriented growth may actually inhibit the continuing cultivation of the valuable local reputation assets. Most of these organizations also bear strong marks of being driven by “key individual” and would resist systemic bureaucratization.

This new agenda of engagement obviously has to be grounded in a belief that places hope for new possibilities in tapping the myriad local knowledge in its variety and richness that now exists only with a *tenuous* voice in the Indian hinterland, possibly because of its *backwardness*. This can be a new engagement for novel profit making. Such possibilities

initiated international cooperation and exchange in Sriniketan.<sup>3</sup> From the beginning the Sriniketan project was one of international cooperation including individuals from England, Japan, Sweden and the United States. It led to a dialogue between the expert knowledge holders and the local knowledge holders. Today, with the long experience behind us, this paper seeks to argue for a fresh point of engagement with a new agenda and a novel mode.

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### **Endnotes**

1. Leonard Elmhirst was a British agronomist studying at Cornell University. When Rabindranath met him, he sought his help inviting him to study the decay in villages around Santiniketan and oversee the program of rural regeneration that Rabindranath was attempting. Elmhirst stayed on the Sriniketan project playing a major role for around five years, before he went back to England to set up the Dartington Hall in Devon, inspired by the Sriniketan model. (Young, 1982).
2. Rathindranath was Rabindranath Tagore's son, under whose active guidance the Sriniketan experiment took roots. Rathindranath was sent to University of Illinois to study agriculture, before he came to take charge of the rural experiments
3. Representatives included L. Elmhirst, C. F. Andrews and W. W. Pearson from England; Japanese wood-working expert Kim-Taro Kashahara; nurse Gretchen Green, Dr Harry Timbres and Dorothy Whitney (who was also a major financial

benefactor) from the USA; and weaving instructor Miss Jeanson of Sweden (O'Connell, 2002, p.196).

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