Fixing India's Human Infrastructure

How can India's private and public sectors work together to plug some of the gaps in services to the country's poor and destitute?

India's cities are abuzz with traffic, trade, consumption and a lot of chatter. These are the sounds of urbanisation and fortunes being made on the back of a thriving global service sector. Things are moving quickly for those at the peak of the pyramid.

But the contrast between India's rich and poor is stark. High-walled fortress hotels with flowing fountains and spotless gardens take their place among dilapidated streets and slums, where sheer survival is more accute. It's not much better for the rural populations in India's vast countryside.

"We are a country of 1.2 billion people, 220 million children in schools, 5.5 million teachers, a population of 600,000 villages. On all of these dimensions, we have been unable to provide basic services to our population, whether they are urban or they are rural, said Nachiket Mor, chairman on the boards of SughaVazhvu Health Care, CARE India and IFMR Trust, in an interview with INSEAD Knowledge recently at the **INSEAD India Business Dialogue in Mumbai**.

"Numbers vary, but people would argue somewhere in the neighbourhood of 50-60 percent of the population does not have access to financial services. A much larger number does not have access to basic healthcare," said Mor, a native of

Mumbai and a former deputy managing director of ICICI Bank, the country's largest private sector bank. He was also the chairman of the ICICI Foundation for Inclusive Growth.

Meanwhile, in education, business leaders also claim there is a shortfall in participation. "India has got a very large education infrastructure; 675 universities; 45,000 colleges, but only 21 percent of people in the age group of 18-24 are in college, so we have a challenge of access, said Mohandas Pai, the chairman of Manipal Global Education Services, a tertiary education provider.

India's vast size and population are at least partially to blame. With 1.2 billion people, even big business has difficulty reaching the populace and providing adequate services in areas far away from the cities. Government spending also has limits, according to **Paddy Padmanabhan**, INSEAD Professor of Marketing who attended the India Business Dialogue. "The problem is the set up, you might sanction a hundred million dollars for a project but what gets to the villages is a fraction of what is supposed to. There are lots of inefficiencies."

Primary solutions

But these challenges also present opportunities at the local level with a massive potential consumer

market. Those able to provide low-cost services using local representatives in telecommunications are reaping the benefits. Companies such as Vodafone are seeing their subscriber bases mushroom on the back of innovative rural distribution through local "panchayats" (local self-government groups). The company added 3 million new subscribers in January and February of this year alone, a number that would blow the minds of telecom executives in mature economies.

Similar examples of local representation are applicable in the health service. One solution Mor has put forward to tackle both the shortage of qualified local doctors in rural areas and to ease the immense healthcare burden on hospitals is called the "Ayush practitioner programme."

As he explains; "A large part of the disease burden is non-communicable: it's mental illness, it's routine eye care; a lot of it can be done at the front end and hospitals are not the right places to treat these issues." Meanwhile, the sector also suffers from a lack of medical talent on the front lines.

"Highly qualified medical professionals… will not want to serve in rural locations. Rural Nebraska you have the same problem, South Korea you have the same problem. It's not a new problem unique to India. What countries have done is that they have found alternatives. The U.S. has built out a whole nurse practitioner programme in which they've taken nurses and retrained them through a 1 year or 2 year programme to become practitioners. That's broadly the theme of how we're moving ahead."

The Ayush practitioner programme involves retraining "Ayurvedic" (traditional Indian medicine) doctors. Mor explains that the 80 percent of the training Ayurvedic doctors receive is identical to that of an allopathic doctor. "So we have partnered with the University of Pennsylvania School of Nursing… to help develop an Ayush practitioner programme. There are 800,000 such people in the system who we think need more work, who we think are easily trainable and eventually we hope it will lead to what we are calling integrated evidence based medicine," he said.

Building financial market involvement

Similar to primary healthcare, the lack of banking infrastructure is preventing an essential service that could vastly improve the fortunes of those in the villages. Currently the lack of access keeps almost half of India's population outside of the formal financial sector.

"Part of the problem is access. India is about 600-700,000 villages. There's not many banks with the financial wherewithal to open up so many

branches. Physically it's expensive. Even if you do in many of these places you won't even have power. So you can get there but the cost required and the financial returns of such a project is basically what stops people," said Padmanabhan,

This is where Mor's organisations are working within the capital markets to funnel much needed funding to where it is needed.

IFMR Capital, a company under IFMR Trust listed the first securitised debt instrument on the Bombay Stock Exchange in January this year, illustrating strong investor demand for involvement. IFMR created the security as a pool of loan assets of eight microfinance institutions to encourage mainstream investors to put money into raising financial access at the bottom of India's social pyramid.

Meanwhile in education, Pai calls on the government to meet the private sector half way to helping to increase access. "The government should have a large scholarship programme where students are funded by the government to go to these [private] education institutions, to pay the fees and get the education of their choice. I don't think the government should run multiple education institutions because the quality of Indian institutions has deteriorated over the last 50 years."

"In education, what we realise is the fundamental basic education actually has the biggest impact. So if India has to solve this education deficit problem, they can do things at the professional level, but what they need to do is solve the problem at the basic level and that's where I think it needs to be a combination of public and private sector," said Padmanabhan.

Progress

Design and implementation hold the keys to moving ahead. There are positive signs that India's government is becoming more receptive to private sector involvement and to making it easier to reach the masses.

As Padmanabhan points out, the Aadhaar system, a unique identification number based on biometrics is bringing many rural Indians into the system of banking and administration. This is especially important when it comes to government spending, which can often be syphoned off along the way. "If this can then be linked into a bank account, a passport or a ration card you can be sure that the money will go the last mile and get to that person," he said, but noted there is a long way still to go. "The problems are immense, no one person can solve it. Public plus private will have to try different things."

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