

## ICSSR - NER PROGRAMME

Professor Ajay Dandekar

*Widening Gulf and Striking Spaces :  
Understanding Issues in Development Today*

OMEO KUMAR DAS INSTITUTE OF SOCIAL  
CHANGE AND DEVELOPMENT  
GUWAHATI

This lecture was delivered by Professor Ajay Dandekar  
on February 11, 2010 during his visit to the Institute under the  
Scholars in Residence programme.

**Professor Ajay Dandekar**

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## Preface

The Indian Council of Social Science and Research (ICSSR) initiated the two programmes **ICSSR-NER Lecture Series** and the **Scholars in Residence Programme** under its ICSSR-NER Programme. Eminent scholars are invited to deliver lectures at the Institute under the former, and to spend one or two weeks at the Institute under the Scholars in Residence programme. Both the programmes are aimed at enhancing the interactions among the scholars from within and outside the region.

Professor Ajay Dandekar delivered this lecture on February 11, 2010 at the Institute's premises.

Professor Dandekar's consciousness lies on the issue of the nature of development that is occurring in the tribal Indian plains and the kind of challenges that nature of development has thrown up before the state and the civil society. The issues of development, governance and the role of the civil society in the central Indian plains threaten to tear the society asunder. The civil society has to take a decisive role to ensure peace with justice. Justice cannot be left on the people's movements on the right or the left that have left behind them a trail of violence and death. Violence has no role to play in any mass movement of any kind and the introduction of or justification of violence by any actor is detrimental to the interest of the people of the realm.

**Indranee Dutta**

Professor and Director  
OKD Institute of Social Change and Development  
Guwahati

## **WIDENING GULF AND STRIKING SPACES: UNDERSTANDING ISSUES IN DEVELOPMENT TODAY**

It is a matter of great privilege to stand here and discuss with you the developmental context as obtained in the country today. I am grateful to Omeo Kumar Das Institute of Social Change and Development for giving me this opportunity.

The last two and a half decades have witnessed a paradigm shift in the ways the issues of development have been thought through. In the present context, the paradigm shift becomes more discernable with the first opening up of the Indian economy in the year 1984. Subsequently, the cold war ended with the disintegration of the Soviet Union and the international finance capital had for the first time a free run on a global scale. This free run of the international finance capital and the unchallenged leadership role assumed by the United States has had a decisive impact on the global economy and especially the economies of the third world. Let us understand the implications of the above in the context of the rural.

The process of globalization in the context of the unfettered run of international finance capital has meant a total opening up of the Indian economy. The dominant argument that favours the current flavor of the economic policy may be briefly stated as under:

India cannot grow fast without foreign investment; foreign investment will not come to India as long as it lacks 'world-class' infrastructure; it is impossible to provide such infrastructure throughout the country in the near future; hence private capital should be invited to develop such infrastructure first in pockets of the country.

The industrial growth rates of the 1980s were due to the first opening up of the economy and relaxation of controls on industry, imports, and external borrowing. The Indian elite's demand for foreign goods, and the propensity of Indian big business to operate as *merchants* rather than as industrialists led to a surge of foreign collaborations resulting in large imports and large trade deficits funded by foreign debt. This along with the sudden crisis in the Persian Gulf and the final collapse of the Soviet Union resulted in the debt crisis of 1990-91. That debt crisis was utilized to integrate the Indian economy and polity with the larger interests of the international finance capital. Thus, the debate on the Dunkel Draft agreement suddenly swung in favour of the proponents of the GATT treaty. (This is despite the resolutions passed by all the political parties opposing the Dunkel Draft) The Indian entry in the WTO and the giving in on IPRs TRIPS and TRIMS as well as the Agreement on Agriculture followed the logic as arrived by the unilateral power and its bid to impose more decisively the hegemonic control over the global resources and make the rules of the game clear and unambiguously in its favour in that direction to the rest of the players.<sup>1</sup> Thus, even a fast track economy like the Peoples Republic of China had to hold 1/3 of the total US debt. The Doha Ministerial Declaration, adopted on November 14, 2001 stated in Para 13 that member countries commit themselves to-substantial improvements in market access, reductions of, with a view to phasing out, all forms of export subsidies, and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

The failure to adhere to the deadline and to adhere to the spirit of the Doha Declaration has compounded the problem. The second strand attributes the suicides to the failure of the state and its politico-economic policy. In less developed countries, an estimated 100 million agricultural households or approximately 500 million people are absolutely landless. Most of them eke out their living only as tenant farmers or agricultural labourers. Moreover, there are millions of families in these

<sup>1</sup> There is enormous literature on this starting with Noam Chomsky. More importantly there are State Department Documents that quite clearly state the goals and the aims of the policy the Western World under the leadership of the United States follows and will follow. Documents such as US at 2020 and 2025 are of particular importance.

countries who are original settlers, but are unjustly branded as illegal encroachers, on the land under the legal possession of the government. In these countries, the phenomenon of inequitable and unjust distribution of land rules the roost. It is widely recognised that unequal and unjust distribution of land and natural resources is the key reason for increasing poverty, economic stagnation, and rural-urban migration and escalating violence in the less developed countries. Consequently, it has given rise to numerous violent peasant movements in the Third World countries. The success of the East Asian countries in raising the living standard of the poor and their subsequent empowerment are setting tone of the renewed discourse of land reform as an important strategy of empowerment and development of people. By resorting to appropriate land reform policies, countries like China, Japan, Taiwan, Singapore and Korea have consolidated their socioeconomic position and recorded a remarkable growth in income-generation and poverty alleviation. Therefore, land reform is considered one of the most potent means of poverty alleviation and economic rejuvenation. Linked to the issue of land reform is the point regarding the fragmentation of lands in rural areas, where 73% of people are dependent on a system that contributes only 25% to the GDP.

The proponents of the current policies argue that it is broad-based compared to earlier efforts, that Government finances are in better shape, and that long-term trends in the international economy (in particular the growth of outsourcing) imply that growth of services exports will continue indefinitely. Let us assume then there is some merit in these arguments. Regardless of whether or not growth continues, the pattern of industrial development as well as the happening in the agrarian front has some striking features that we need to note. More so as still mostly 72 % of our population is still 'non-urban'.

#### **The Agrarian Issues-Crisis**

The spate of continuous suicides in the states of Karnataka, Andhra Pradesh, Punjab and Maharashtra, coupled with the declining share of agriculture in the Gross Domestic Product (GDP) and increasing burden on the agrarian system belies the lofty claims put forth in the National Policy on Agriculture. The suicide is a symptom of a greater malaise that threatens millions of farmers and the landless agricultural labourers in the sub-continent.

A serious crisis has broken out in the field of Indian agriculture. The crisis is most glaringly manifested in the growing incidences of starvation deaths and farmers' suicides. While the largest number of starvation deaths are still routinely reported from the backward regions of the country, specially Orissa and now increasingly

Rajasthan, the trend of suicides generally promoted by heavy indebtedness, crop failures, inability to agriculturally developed areas of Punjab, Maharashtra and Karnataka.

Mr. Sharad Pawar, Agriculture Minister of India, mentioned in the Rajya Sabha, that over 1, 00,000 farmers have committed suicides in India from 1993 to 2003. Out of these, 90% suicides have taken place in the states of Maharashtra, Andhra Pradesh, Karnataka and Punjab. As per the figures given by the Agriculture Minister, out of the total of 1, 10, 851 suicides in 2003 across the country 17,164 victims were farmers constituting 5.5% of the total suicides. The phenomenon of suicides amongst farmers in Karnataka has been a recurrent theme in agriculture since 1998. The sudden and alarming spurt in suicides since April 2003, however, appears to indicate a new trend and pattern. Farmers' suicides are no longer a feature of drought prone or the economically backward districts alone, and nor are they only in pockets of high investment agriculture like cotton growing tracts.<sup>2</sup>

The pressure from moneylenders to repay these loans appears to drive farmers, particularly the small and marginal farmers, to take their lives. Loans from institutional lending sources typically account for just 10% of a small farmers' credit needs and there appears to be little evidence of banks forcing their creditors to repay their loans. All banks have rephrased their loans and interest structures. The disbursements of banks are going down, as farmers are unable to repay loans because this is the third year of crop failure.<sup>3</sup> Andhra Pradesh is close next to Karnataka as far as the number of suicides committed by farmers is concerned. It is a complete assertion of the economic liberalization practiced by the Naidu Govt and continued by the new government. Within the span of past three years, there were 688 cases of suicides committed by farmers in just 20 districts of the state. Out of the 490 suicide cases in the country last year, Andhra Pradesh alone accounts for a major share of 385 cases.<sup>4</sup> The indiscriminate use of chemical fertilizers and insecticide is eroding the fertility of the land, thereby causing unprecedented loss in natural productivity. This is most apparent in the state of Punjab. A report by Indrajeet Singh Jeji, Lehra and Andana blocks of Punjab alone accounts for about 174 suicidal deaths until June 2003. Farmers, having less than even one acre of land holding, are burdened with the debt of Rs.1 lakh to 11 lakhs. Some of them jumped in front of the railway tracks, while others set themselves on fire but majority of them poisoned themselves.<sup>5</sup> Dr. Vandana Shiva in an open letter to the Finance Minister of India wrote,

<sup>2</sup> Parvathi Menon, "Death and Distress," *Frontline*, 5 December 2003.

<sup>3</sup> Parvathi Menon, "From Debt to Death," *Frontline*, 10 October 2003.

<sup>4</sup> Krishan Bir Choudhry, "Editorial," *Farmers' Forum*, vo.3, no.10, October 2003.

<sup>5</sup> Nisha Sharma, "Wheat Granary Suffers," *Sahara Times*, 4 October 2003.

Farmers' suicides are a result of indebtedness, and debt is a result of rising costs of agricultural inputs and falling prices of agricultural produce. Both the rising costs of production and decline in farm prices are intended outcomes of trade liberalization and economic reform policies driven by agribusiness corporations. Farmers' suicides are therefore an inevitable outcome of an agricultural policy that favours corporate welfare and ignores farmers' welfare. The farmers who have committed suicide were driven to their tragic end by a threefold crisis caused by trade liberalization and globalization policies, deregulation of inputs, imports and prices and the inevitable consequence in deepening debt.

Land is the source of sustainable livelihood, food security and poverty alleviation for almost half of the world's population. An estimated forty-five percent of the world's population still makes their living from land. Landlessness, on the other hand, erodes social status, and makes people economically vulnerable and mentally restless for not having any sense of security in life. Land reforms confer ownership of land to the landless and give security of land holdings to the marginal and small farmers. Land reform thus, enhances economic activities, bestows human dignity, provides social status and security, empowers the beneficiaries, and ensures political participation of the landless that are otherwise kept at bay from the democratic processes and institutions. India also accorded supreme importance to land reforms immediately after independence. Accordingly, a total of 272 legislations have been enacted so far with regard to land reform and these have been included in the Ninth Schedule of the Indian Constitution. The exemplary outcomes of land reform in Kerala and West Bengal have shown that, if there is a political will and determination, land reform is still the best approach to poverty eradication and economic growth. However, except two or three states, all the initiatives failed to achieve the desired outcome. Evaluating the post independence land reforms implementation experience of most states, it can be argued that the actual extent of surplus land is substantially more than the official statistics. If we take a look at the land reforms that have taken place in some other agricultural countries (like in China 43% of agriculture land was redistributed among landless, 37% in Taiwan, 32% in South Korea and 33% in Japan) the efforts of the GOI to enact, revise and implement the ceiling laws, over the past 35 years, resulting in the distribution of only 1.25% of the operational area seems to be a joke. Linked with the issue of land reforms is the issue of fragmentation of land in an agrarian system wherein 73% of people are dependent on a system that contributes only 27% to the national income.

A major concern in rural India is the huge number of landless or near-landless families, many of who are wholly dependent on a few weeks of work at the peak

planting inter-cultivation and harvesting seasons. The number of landless rural families has grown steadily since independence, both in absolute terms and as a proportion of the population. In 1981, there were 195.1 million rural workers: 55.4 millions were agricultural laborers who depended primarily on casual farm work for a livelihood. In the early 1990s, the rural work force had grown to 242 million, of whom 73.7 million were classified as landless agricultural labourers. Approximately, 33 percent of the employed rural workers classified as casual wage laborers.

Due to the large number of landless farmers in India and the frequent neglect of land by absentee landlords in India, in the early years of independence, the principle that there should be a ceiling on the size of land holdings, depending on the crop planted and the quality of the land, was embodied in the first five year plan (FY 1951-55). An agriculture census was conducted to provide guidance in setting such ceilings. During the second five year plan (1956-60), most state legislated fixed ceilings, but there was little uniformity among the states; ceilings ranged from 6 to 132 Ha. Certain specialized branches of agriculture, such as horticulture, cattle breeding and dairy farming was usually exempted from ceilings.

All the states instituted programmes in India to force landowners to sell their over-the-ceiling holdings to the government at fixed prices; the states, in turn, were to redistribute the land to the landless. However, adamant resistance, high costs, sloppy record keeping, and poor administration in general combined to weaken and delay this aspect of land reform. The delays in legislation allowed large landowners to circumvent the intent of the laws by spurious partitioning, sales, gifts to family members and other methods of evading ceilings. Many exemptions were granted so that there was little surplus land.

To ensure more uniformity in income, to combat evasion of the intent of the laws, and to secure more land for distribution to the landless, the central government in the 1970s pushed for greatly reduced ceilings. For a family of five, the central government guidelines called for not more than 10.9 hectares of good, irrigated land suitable for double-cropping, not more than 10.9 hectares of land suited for one crop annually, and not more than 21.9 hectares for orchards. Exemptions were continued for land used as cocoa, coffee, tea and rubber plantations; land held by official banks and other government units; and land held by agricultural schools and research organizations. At the option of the states land held by religious, educational, and charitable trusts also could be exempted. To protect the states from legal challenges to their land reforms laws, the constitution was amended in 1974 to include in its ninth schedule the state laws that had been enacted in conformance with national guidelines. Land reform laws enacted after 1974 also

were included in the amendment.

By the beginning of the 1990s, all states and union territories, except Goa, Arunachal Pradesh, Nagaland, Manipur, Mizoram and Tripura, had passed ceiling laws to conform to central government guidelines. In Maharashtra, for example, the revised ceiling law that became effective in 1975 set upper limits at perennially irrigated land, rainfall 0.8 hectares; paddy land in an assured rainfall area, 14.6 hectares; and other dry land, 21.9 hectares.

By the early 1990s, nearly all the states had enacted legislation aimed at the consolidation of each tiller's land holdings into one contiguous plot. Implementation was patchy and sporadic, however. By the early 1980s, the work had been completed only in Punjab, Haryana, and western Uttar Pradesh and had begun in Orissa and Bihar. In most of the other states, nothing had been accomplished by the early 1990s. The Sixth Five Year Plan (1980-84) set a goal for the completion of the consolidation of land holdings within ten years, which was not achieved.

In order to protect tenants from exorbitant rents (often up to 50 per cent of their produce), the states passed legislation to regulate rents. The maximum rate was fixed at levels not exceeding 20 to 25 per cent of the gross produce in all states except Andhra Pradesh, Haryana and Punjab. The states also adopted various other measures for the protection of tenants, including moratoriums on evictions, minimum periods of tenure, and security of tenure subject to eviction on prescribed grounds only.

Since excessive poverty has been our predominant concern, several efforts have been made for poverty alleviation and for rural development. On the contrary, the natural resources, i.e. land, groundwater and vegetation are being degraded at an alarming rate. The share of agriculture in the GDP is also declining (from 44% in 1973-74 to 26.9% in 1999-2000); the natural eco-system in semi arid tropics (SAT) is becoming fragile leading to problems like out migration, acute shortage of drinking water and fodder, farmers committing suicides due to debt and crop failure, etc. The widely debated issue of development involves concurrent attention relating to ecological sustainability, economic efficiency and equity, and peoples' participation. It is in this context that an appropriate systematic approach for alternative production-cum-support mechanism through technological as well as policy intervention is to be sought out. The present approach of farmers/villagers as recipient of new technology/package needs to be modified to that of partners in technology development and extension network. The alternative to land reforms arose due to pressure to increase yield results i.e. self-sufficiency in food grains.

As a combined result of green revolution and simultaneous investment in

irrigation projects in initial plan programmes resulted in increasing the national food production from 51 million tones (MT) to 199 MT during 1995-96, achieving not only self sufficiency in food but also a buffer stock of 20 MT. The assumptions behind formulating and adoption of the 'Green Revolution' were that by increasing the yield potential and irrigation through HYV and chemical inputs more and more employment which generate and the entire rural population will benefit out of it. Though the production has gone up and India has become self sufficient in food grain production, the fruits of this are limited to some regions of the country. The regional disparities, sectoral biases and financial allotment were the key issues that were not taken into consideration for holistic approach of development.

Since 1980, the overall pace of investment/capital formation in agriculture is not encouraging. After a steep rise in 70s, the gross capital formation in agriculture with constant prices, both by the public and private sectors, showed a significant decline in the 80s and thereafter in the liberalization era.

**Table 1: Investment in Agriculture**

Year	Gross Capital Formation						% Share of	Investment in agriculture as % of GDP
	Agriculture	Total Economy	Public Sector in Agriculture	Private Sector in Agriculture	Public Sector in Agriculture	Private Sector in Agriculture		
1993-94	13523	181133	4467	9056	33.0	67.0	7.47	1.6
1994-95	14969	229879	4947	10022	33.0	67.0	6.51	1.6
1995-96	15690	284557	4849	10841	30.9	69.1	5.51	1.6
1996-97	16176	248631	4668	11508	28.9	71.1	6.51	1.5
1997-98	15942	256551	3979	11963	25.0	75.0	4.77	1.4
1998-99	14895	243697	3869	11026	26.0	74.0	6.11	1.3
1999-00	16582	268374	4112	12470	24.8	75.2	6.18	1.3
2000-01	16545	274917	4007	12538	24.2	75.8	6.02	1.3

Source: Planning Commission, 10<sup>th</sup> Plan Documents.

Secondly, the growth in agricultural output is being achieved with increasing costs per unit of output, as the index of inputs costs has been rising faster than output (Rao, 1983). The increased cost of cultivation has a serious adverse impact on decline in area under food grain in 90s.

Due to the biased sectoral policies of overprotecting the industrial sector, agriculture has received comparatively less attention in the development paradigm.

There was a negative term of trade for agriculture. The investment (at 1980-81 prices) stood at Rs.1, 266 crores. However, it declined since 1978-79 and it was only Rs.4, 692 crores in 1990-91. The share of agricultural investment came down from 22% in 1950-51 to 19% 1980-81 and further to about 10% in 1990-91. This adversely affected the public sector investment in irrigation as more than 90% of the total public investment in agriculture goes for irrigation. The share of irrigation sector (states only) in the total public investment came down from 14.7% in 1980-81 to only 5.6% in 190-91 (at 1980-81 prices) of the public sector investment, whereas the total increase in investment was at the rate of 6.3% per annum. Agricultural credit is another matter of concern that has directly influenced the agrarian system. In table 2 the credit flow in the sector is outlined.

**Table 2: Credit Flow and Achievement in Agriculture (Rs. Crores)**

Year	Short-term		NABARD Refinance	Investment (MT/LT)		NABARD Refinance
	Working group projections	Ground level credit flow		Working group projections	Ground level credit flow	
1997-98	22500	20640	5270	10845	11316	3305
1998-99	25650	23903	5487	12995	12957	3867
1999-2000	29250	28862	5145	15530	15750	4377
2000-01	33500	34700	NA	18608	18804	NA
2001-02	38500	42735	NA	22342	24036	NA

Source: NABARD

Another example is of subsidies; in 1989-90 the total subsidy to agriculture amounted to Rs.13, 500 crores, mainly given on fertilizers, irrigation and electricity. These subsidies have gone towards the developed and wealthier farmers in regions where already investments have been poured in (World Bank Report, 1991) Punjab e.g. received in average Rs.1027 per Ha. In 1980-87 as against the all India average of Rs.511. Similar is the case for institutional credit. Rath (1989) reported that less than 30% of the smaller category farmers are members of primary agricultural co-operatives (PACS) for short-term loan (crop loan), while the membership of other (big farmers) is 75-100%. For long and medium term loans (basically for capital formation) only 1.25% of total cultivating households obtain loan from banks. About 20% of borrowers of commercial bank cultivate more than 4 Ha. and account for 50% of the total credit (Rath, 1989).

The Indian agriculture is receiving at minus 68% of subsidies. Lipton (1977) states that, the hidden agenda of agricultural development is to feed the urban organized population at the cost of rural farming community. This can be seen