

## BETTING ON POPULISM

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With Lok Sabha Election round the corner it is little surprising that the Union Minister, P Chidambaram has played the *Kalpataru* or *Santa* while presenting the Union Budget 2008-09. The Finance Minister has done window-dressing for attracting the different constituents of the society—farmers, SCs, STs, OBCs, minorities, women, income-tax payers and makes them feel that "happy days are here again".

Union Budget 2008-09 earmarks apparently the farmers as the biggest beneficiaries. The Budget Documents include the following debt waiver and debt relief scheme for the farmers:

“(i) All agricultural loans disbursed by scheduled commercial banks, regional rural banks and cooperative credit institutions up to March 31, 2007 and overdue as on December 31, 2007 will be covered under the scheme.

For marginal farmers ( i.e. holding up to 1 hectare) and small farmers (1-2 hectare), there will be a complete waiver of all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008. In respect of other farmers, there will be a one time settlement (OTS) scheme for all loans that were overdue on December 31, 2007 and which remained unpaid until February 29, 2008. Under the OTS a rebate of 25 percent will be given against payment of the balance of 75 percent.

(iv) The implementation of the debt waiver and debt relief scheme will be completed by June 30, 2008. Upon being granted debt waiver or signing an agreement of debt relief under the OTS, the farmer will be entitled to fresh agriculture loans from the banks in accordance with normal rules.

(v) Government estimates that about three crore small and marginal farmers and one crore other farmers will benefit from the scheme. The total value of overdue loans being waived is estimated at Rs 10,000 crore.”

In addition to the above debt waiver and debt relief scheme the Union Budget, 2008-09 allocates fund for agriculture credit, *Bharat Nirman*, accelerated irrigation benefit scheme, crop insurance, horticulture mission, Irrigation and Water Resources Finance Corporation and Rural Infrastructure Development Fund. Many of these proposals were routinely made in the previous budgets.

Indian agriculture has been wading through a deep and chronic crisis. Agricultural productivity is declining. The cost of agricultural inputs is rising. Farm outputs are sold at unremunerative prices. As a result of signing the Agreement on Agriculture (AoA) under the dictate of World Trade Organization (WTO) the farm subsidies in India are cut drastically whereas they are raised in the West.

The approach paper of 11th Five Year Plan (2007-11) titled "Towards Faster and More Inclusive Growth" mentions at the very outset "it is true that the economic growth has failed to be sufficiently inclusive, particularly after the mid 1990s; agriculture lost its growth momentum from that point on and subsequently entered a near crisis situation, reflected in farmer suicides in some areas." The paper also emphasizes that "one of the major challenges of the 11th

Plan will be to reverse the deceleration in agricultural growth from 3.2 percent recorded between 1980 and 1996-97 to a trend average of 2.0 percent subsequently. This deceleration is the root cause of the problem of rural distress that has been surfaced in many parts of the country and as reflected in farmer suicides related crisis levels in some."

The 11th Plan aims at a growth rate of approximately 10 percent by the end of its term. Agricultural revival is an important factor for reaching the double digit growth rate. The sectoral growth rate target in agriculture is 4.1 percent. The growth rate in agriculture has declined from 3.8 percent in 2006-07 to 2.6 percent in 2007-08, the later marks the beginning of the 11th Five Year Plan.

There was a lot of expectation that the Union Budget 2008-09 would focus on agriculture. Presenting the Budget the Finance Minister also admitted that "agriculture has struck a disappointing note...the question that still looms large is what we should do about the indebtedness of farmers."

Fortunate are the farmers who by the grace of the debt waiver and debt relief scheme are suddenly freed from the yoke of debt. With much enthusiasm they will go back to the field for tilling and sowing during the ensuing Khariff season.

The scheme is nevertheless counter productive. It has generated negative reactions all over the country. It does not come as an unmixed blessing on every farmer. It has rather come as a shock to those honest farmers who repaid their loans in time with much hardship. They think themselves fool and cheated. They now repent for what they have done so sincerely. How good it would have been if they also did not pay off their dues in time, they wonder. Otherwise they would have been rewarded by the FM. They resolve that in future they will deliberately default and wait patiently for the budget announce-ment. The poor farmers learn from the past mistake that they should always look before they leap. The total debt collection will fall drastically in the coming years. It would be too optimistic to believe that those lucky farmers who escape loan repayment today will oblige the Government by repaying their future farm loans as per schedule. The habit of not repaying the debt in time and getting rewarded in lieu by the Government dies hard. By writing off farmers' debt of a huge sum of Rs 60,000 crore, the FM has sent a popular message to the farmers, but at the same time has set a bad precedence too. There will be pressure upon not only the central government but also on the state governments to resort to a similar populist measure each time the election knocks at the door.

The benefit of the farm debt waiver and debt relief remain out of reach to many farmers who live in a joint family set-up in rural India. Farmers own land jointly with other members of the joint family. The size of undivided land tends to be larger than that applicable for small marginal farmer as per the scheme of the Budget. Unless the entire land is subdivided among the members of the family in every generation incurring a lot of expenditure for complying with legal formalities the farmers live outside the ambit of loan waiver and loan relief schemes. These farmers are aggrieved of the discrimination for their individual share in the undivided land of joint family being not considered. Born and brought up in a peaceful joint family environment generation after generation, these hopeless farmers will now disintegrate for the sake of getting the status of small and marginal farmer.

The Government estimates that about three crore small and marginal farmers and one crore other farmers will benefit from the debt waiver and debt relief scheme. But what will happen to those farmers who either borrow money from private moneylenders or find no source to borrow at all. The Government has no answer. Why the Government feels shy of enacting a single piece of legislation restricting the usurers in charging high rate of interest. Then what will happen to roughly about 30 crore poorest of the poor landless farmers who are the worst hit in the agrarian crisis. Would this much publicized scheme bring prosperity to the life of farm labourers tilling the land not owned by them.

#### **SMALL ENTREPRENEURS' DEPRIVATION**

The case of small entrepreneurs who once showed courage to launch a tiny manufacturing unit or a small trading firm with the support of interest bearing loan finance from Banks or other sources keeping pledge of whatever little they have as collateral securities is horrifying. They face tough competition while selling their products in the open market which is globally controlled by the multinationals. They will also seek protection under a similar amnesty of loan waiver.

#### **BANKERS' GAIN**

The Budget announcement of 60,000 crore farm debt waiver and debt relief comes as a boon in disguise to the Banks. It would have not been possible for them to recover the loan if the farmers refuse. The debt ultimately proves bad and eats up Bank's profit. Under the debt waiver and debt relief scheme of the Budget the Banks are going to get some money which would have otherwise been lost. The FM assures the Banks to provide with sufficient liquidity in some form or other to make up the loss due to waiver. Banks thus get a chance to clean up their Balance Sheets by writing off irrecoverable loans. Banks collectively reduce their tax obligation to the tune of Rs 20,400 crore when they waive Rs 60,000 crore of overdue loan calculated @ 33.99 percent on losses written off including surcharge and education cess.

#### **REAL CAUSES OF INDEBTEDNESS**

Rangarajan Committee estimates only 27 percent of farmers have access to institutional credit leaving 73 percent at the mercy of usurers. A committee headed by Dr R Radhakrishna has examined all aspects of agricultural indebtedness. The deadly disease that kills the farmers, as reported by the committee, is not the debt they owe to Banks or any statutory Financial Institutions, but the farm loan taken from the private moneylenders. The committee has made a number of recommendations but has never suggested waiver of agricultural loans. Unless the capital-intensive farming is done away with the burden of farm debt will be always unbearable and the Government would have to come out with another loan waiver package.

Let the Government call a spade a spade the real cause of farmers' indebtedness and suicides. It looks like the Government has resorted to debt waiver and debt relief scheme keeping in mind the ensuing general election and gives only minor increases to other programmes. But for any long term development in agriculture the Government should have given more emphasis on higher public investment in infrastructure, research and marketing. A farmer is much worried about getting the right price from the market. Once it is ensured

that he realizes the sale proceeds of the crops from the mill owners, the wholesalers and intermediaries in time his problem will be solved substantially.

Making budget is a glamorous exercise, but its execution is always challenging. The UPA Government like its predecessors has propagated high sounding schemes in the Budgets during its tenure. It is time now on the eve of general election to know their impact.

### **FARMER'S SUICIDE**

The BJP-led NDA Govt. suffered a decisive defeat in the last general Election of May, 2004. The major cause of the NDA's defeat was the agrarian crisis which reached to such an aggravated level that farmers either committed suicide or died out of starvation. The Home Ministry records more than 150,000 cases of farmers' suicides between 1997 and 2005, i.e. every half an hour a poor Indian farmer commits suicide. The pomp and glory of the 'Silicon Valley' of Chandrababu Naidu led Telegu Desham Party and the NDA's rhetoric of 'India Shining' acted as a boomerang upon them. The agrarian crisis deepens further during the UPA's rule which translates the same economic policy of its predecessor into action. Suicides by farmers are reported regularly during the first four years of UPA's rule at the Centre. The length of procession of the debt-trapped Indian farmers committing suicides since NDA's regime is ever increasing during the successive UPA's rule.

Mr Sharad Pawar, the Union Agriculture Minister, as reported by *The Financial Express* on March 2, 2008, is sceptic about whether the debt waiver package would stop suicides by farmers. "I cannot say whether they (suicides) will stop who commits suicides for what reasons," Pawar replied when asked if farmers' suicides in Vidarbha will stop. He is reluctant to accept 'indebtedness' as the cause behind farmers' suicides. Thirty-five farmers of Andhra Pradesh and twenty-two of Maharashtra have committed suicide within ten days since the FM announced the farm loan waiver, reported *The Telegraph* on March 11, 2008.

### **BUDGET AND VOTE BANK**

The New Economic Policy (NEP) was first introduced in 1991 by the Congress led Narsimha Rao's Govt. with Dr Monmohan Singh as its Finance Minister. Since then the successive FMs all belonging to the same capitalist school of thought have taken the driver's seat only to ensure that the engine of Indian economy is not derailed from the path of liberalization, privatization and globalization. Now it is the privilege of Mr P Chidambaram, the distinguished proponent of liberal economy in India to present the *eighteenth* reform oriented budget. The spectre of dead farmers haunts. Lest the poor farmers who still survive at or under subsistence level revolt in the Electronic Voting Machine (EVM) the Union Budget, 2008-09 makes a desperate effort to unchain the debt-trapped farmers temporarily only to chain them again once the general election is over.

The thanks-giving ceremony of the jubilant farmers who came truck-loaded to assemble so quickly after the Budget declaration in front of 10 Janpath Road, New Delhi, the official residence of Mrs Sonia Gandhi, the UPA's Chairperson appears to be grossly 'got-up'. The UPA in all probability will leave no stone unturned to extract as much electoral dividend as it can from the Union Budget, 2008-09. Crowd-pullers from among the political parties of the ruling coalition will address mass rallies all over the country. Political celebrities will

conduct road-shows across the country. Full-page advertisements will appear on the front page of the national dailies. It is an irony that past election results do not always reflect the Budget exercise with the Vote Bank. But on the eve of general election, the ruling coalition at the Centre offers the debt waiver and debt relief scheme in the Budget as a means to discharge the nation's debt to the farmer. Only time will say whether the campaigns for debt waiver and debt relief scheme in the Budget and the rhetoric of UPA's 'Bharat Nirman' really turn into a fiasco. □□□