AGRARIAN DISTRESS: STRATEGIES TO PROTECT VULNERABLE SECTIONS

V.S. Vyas*

Present policies and programmes are not able to protect a sizeable section of agricultural population from natural and market induced uncertainties. Nor do they enable them to contribute meaningfully to the overall growth of the economy. The author forcefully makes a case as to how we have a responsibility towards this section of agricultural population, and so argues that making them less vulnerable will not only contribute to social equity but will also accelerate economic growth.

I deem it a great honour to be invited to deliver the V.V. Giri Memorial Lecture to this august gathering. The person whose name is associated with this Lecture not only occupied the highest position in our country as the President of the Indian Republic, but was also a nationally renowned leader of the working class and a staunch champion of the downtrodden. In recent times, we have had very few persons of his stature and commitment in public life. The speakers whom the Indian Society of Labour Economics has invited to deliver this prestigious Lecture are such as have not only distinguished themselves as erudite scholars, but have also used their expertise in support of those who are weak and unprotected. I do not have any claim to the kind of scholarship of my predecessors, but I do share their concern for the underprivileged in our society. I should however admit that I was also tempted to share what I have learnt as a fieldworker, as a classroom teacher and as an observer of the process of policy making at the national and international levels on a topic which is dear to me and other scholars of my persuasion, namely how to bring a large mass of people of our country into the mainstream of development.

I. POVERTY AND VULNERABLE SECTIONS

The latest official statistics on poverty (1999-2000) suggest that nearly 26 per cent of our population is below the poverty line. Non-official estimates generally suggest a much higher proportion. Practically all estimates of poverty, official or non-official, indicate that incidence of income poverty is more in rural areas than in the urban areas, and this difference has persisted over time. Translated into the number of people below the poverty line, even on the basis of official estimates, nearly 193 million of the rural people in our country are poor. According to another estimate, the figure could be as high as 209.4 million (Sen and Himanshu, 2004). For a country which is aiming at poverty alleviation for the last fifty years or more, these are not, to say the least, comforting figures.

Apart from the relatively large proportion of households suffering from low incomes, rural households also suffer from deprivations in terms of education and health. The discrepancy is much wider when it comes to the girl child. The indicators such as life expectancy, infant and

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child mortality and child malnutrition are appallingly high. It can be safely presumed that the incidence of all such deprivations is more severe among the rural poor.

A worrisome feature is the addition of the 'new poor' among agricultural households. Thanks to an alert press, which brought to light 'starvation deaths' in some regions and the spate of suicides by farmers in others, agrarian distress has received nationwide publicity. However, only partial explanations are offered and ad hoc solutions advanced to deal with the malady. A more systematic treatment is needed to understand the phenomenon of the vulnerable sections of agricultural producers not only in the regions traditionally known as 'backward' regions, but also in other parts of the country.

Thanks to the painstaking research of several scholars, we have a fairly good knowledge of the contours of what is called, 'chronic poverty' (Sundaram and Tendulkar, 2003; Mehta and Shah, 2004; Mahendra Dev, 2004). There is a large concentration of the chronically poor in certain regions. Over 70 per cent of India’s poor are located in six states i.e. undivided Uttar Pradesh, Bihar and Madhya Pradesh and Maharashtra, West Bengal and Orissa. These states together account for roughly half of India’s population. The first three states account for approximately 36 per cent of the country’s population but 48 per cent of the poor. Households depending on agricultural labour, and small and marginal farmers and rural artisans constitute the bulk of the rural poor. Slightly less than half (48 per cent) of the rural poor are agricultural labourers and more than a quarter (28 per cent) are self-employed in agriculture. Among the social groups, the Scheduled Castes and Scheduled Tribes, particularly the latter, account for a proportionately larger number of the poor. The same is true about women-headed households. Within the households, women and the elderly suffer greater deprivations.

Apart from the chronically poor, a large number of non-poor households are vulnerable. They can easily slip into the category of the poor due to different types of 'shocks'. The 'push' can come from personal tragedy e.g. disease and death of the earning member, loss of assets due to natural disasters, or loss of livelihood, or severe impact on the current income due to market-induced factors. If any of these factors persist for long, a household with a thin asset base and without the advantage of a safety net would join the ranks of the chronic poor. Too much should not therefore, be made of the distinction between chronic and transitory distress. Factors which cause transitory distress can aggravate the plight of the households already suffering from chronic distress. Similarly, if transitory distress persists over a period of time it can lead to a state of chronic distress.

It is important that while attention should be focussed on alleviating chronic poverty, measures should be taken to protect the vulnerable sections, in fact, to help them to have a more sustainable household economy. In this connection, it may be useful to distinguish between the risk an individual household faces i.e. idiosyncratic risk, and the risk faced by a large number of households i.e. systemic risk. The latter is mainly due to natural disasters or market-induced ‘shocks’. It needs to be pointed out at the outset that shocks of various type may reinforce each other. Households prone to natural disasters may suffer from market shocks as well, which would worsen their plight. And, a household level disability may further sap the capacity to withstand a market induced or natural calamity. I shall, however, concentrate on the market induced systemic risks.

II. MARKET INDUCED VULNERABILITY

Indian agriculture has undergone some major structural changes in recent years and this has enhanced the market induced vulnerability of a section of the rural population. Over a period of
time, Indian agriculture has been progressively acquiring the ‘small farm’ character. By 1995-96, nearly 36 per cent of the cultivated area was operated by small and marginal farmers an increase from the 29 per cent in 1985-86. (see Table 1) I have analysed the causes for changes in the agrarian structure elsewhere (Vyas, 2002). It can be safely assumed that over 40 per cent of the land is now operated by small and marginal farmers. Such a tilt towards small farms could be observed practically in all parts of the country. With a meagre asset base, a large part of our agriculture is unable to withstand even minor shocks.

Table 1
Area Operated by Operational Holdings

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<tr>
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<tbody>
<tr>
<td>Marginal (less than 1 hectare)</td>
<td>19.73</td>
<td>22.04</td>
<td>24.89</td>
<td>28.12</td>
</tr>
<tr>
<td>Small (1.0 to 2.0 hectares)</td>
<td>23.17</td>
<td>25.71</td>
<td>28.82</td>
<td>30.72</td>
</tr>
<tr>
<td>Semi-medium (2.0 to 4.0 hectares)</td>
<td>34.65</td>
<td>36.67</td>
<td>38.37</td>
<td>38.95</td>
</tr>
<tr>
<td>Medium (4.0 to 10.0 hectares)</td>
<td>48.54</td>
<td>47.14</td>
<td>44.75</td>
<td>41.39</td>
</tr>
<tr>
<td>Large (10.0 hectares and above)</td>
<td>37.71</td>
<td>33</td>
<td>28.65</td>
<td>24.16</td>
</tr>
<tr>
<td>All holdings</td>
<td>163.8</td>
<td>164.56</td>
<td>165.48</td>
<td>163.35</td>
</tr>
</tbody>
</table>


There have been significant changes in the output mix in agriculture. These changes are reflected in a shift of area from foodgrains to non-foodgrains, and within foodgrains from coarse cereals to finer cereals. During the last quarter century, the area under foodgrains has declined by over 10 per cent. The move from non-foodgrains to foodgrains is witnessed in all major states of India with the exception of Punjab and Uttar Pradesh (see Table 2). Decline in the area under coarse cereals is even more steep and is an ubiquitous phenomenon. The land vacated by cereals is occupied by oilseeds, cotton, tobacco and sugarcane. By their very nature, these crops are mainly for sale in the market. Whatever changes take place in prices of these crops affects the farmers very profoundly.

Table 2
Area under Foodgrains in Different States to Total Cropped Area (Triennium Ending 1975-76 and Triennium Ending 2001-2002)

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<tr>
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<tbody>
<tr>
<td>Orissa</td>
<td>84.40</td>
<td>63.20</td>
<td>-21.20</td>
</tr>
<tr>
<td>Kerala</td>
<td>30.90</td>
<td>12.20</td>
<td>-18.70</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>72.60</td>
<td>55.60</td>
<td>-17.00</td>
</tr>
<tr>
<td>West-Bengal</td>
<td>85.60</td>
<td>70.00</td>
<td>-15.60</td>
</tr>
<tr>
<td>Gujarat</td>
<td>46.40</td>
<td>32.10</td>
<td>-14.30</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>74.50</td>
<td>60.60</td>
<td>-13.90</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>70.30</td>
<td>59.40</td>
<td>-10.90</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>67.50</td>
<td>59.90</td>
<td>-7.60</td>
</tr>
<tr>
<td>Haryana</td>
<td>76.30</td>
<td>70.90</td>
<td>-5.40</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>87.80</td>
<td>82.60</td>
<td>-5.20</td>
</tr>
<tr>
<td>Assam</td>
<td>73.70</td>
<td>69.30</td>
<td>-4.40</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>90.00</td>
<td>86.80</td>
<td>-3.20</td>
</tr>
<tr>
<td>Karnataka</td>
<td>65.10</td>
<td>62.30</td>
<td>-2.80</td>
</tr>
<tr>
<td>Punjab</td>
<td>68.20</td>
<td>77.00</td>
<td>8.80</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>72.60</td>
<td>80.60</td>
<td>8.00</td>
</tr>
<tr>
<td>All-India</td>
<td>74.40</td>
<td>64.30</td>
<td>-10.10</td>
</tr>
</tbody>
</table>

A similar change, in fact a more far reaching change, has taken place in the input structure. It is mainly influenced by the spread of modern technology and the relative prices of different inputs. Inputs such as fertilisers, insecticides, mechanical power and improved seeds occupy a prominent place in the input structure. They have substituted organic manure, animal power and farm-retained seeds. Purchase of inputs claims a large share of farmers’ cash expenditure. Wherever more ‘progressive’ agriculture is practised, e.g. GM cotton, the proportion of input costs, and consequently the current outlay on inputs, goes up. The value of inputs, which was 55401 crores in 1993-94, rose to 103555 crores in 1999-2000, i.e. by two times. The farmers have to take resource to credit to a much large extent than in the past for the purchase of these inputs (see Table 3).

Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of output (Rs. crore)</th>
<th>Value of input (Rs. crore)</th>
<th>Flow of SAO credit (Rs. crore)</th>
</tr>
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<tbody>
<tr>
<td>1993-94</td>
<td>204874</td>
<td>55401</td>
<td>9752</td>
</tr>
<tr>
<td>1994-95</td>
<td>236607</td>
<td>63654</td>
<td>11932</td>
</tr>
<tr>
<td>1995-96</td>
<td>256698</td>
<td>72026</td>
<td>15273</td>
</tr>
<tr>
<td>1996-97</td>
<td>302744</td>
<td>74415</td>
<td>16956</td>
</tr>
<tr>
<td>1997-98</td>
<td>319586</td>
<td>83125</td>
<td>18632</td>
</tr>
<tr>
<td>1998-99</td>
<td>387546</td>
<td>93005</td>
<td>20601</td>
</tr>
<tr>
<td>1999-00</td>
<td>405576</td>
<td>103555</td>
<td>23694</td>
</tr>
</tbody>
</table>

Source: Rural Credit & NABARD, 2003 (for value of output from agriculture) and National Accounts Statistics, 2001 (for value of input from agriculture).

Another major change since the early nineties has been the growing openness of the economy. At the domestic level, several steps have been taken to free the movement of agricultural commodities and ensure free trade. Licensing requirements have been relaxed, movement restrictions have been lifted, selective credit control has been abolished, and a model Marketing Act is proposed to allow farmers to bypass the mandatory requirement of sale in regulated markets. Several other measures in the direction of liberalising the domestic markets have been proposed. There are still a number of restrictions and constraints, but the direction in which agricultural economy is moving is clear.

A similar trend in liberalising external trade policies can be discerned, especially from the beginning of the nineties. With the signing of the WTO agreements, this trend has been further strengthened. Quantitative import restrictions have been relaxed, and the list of commodities canalised through State trading enterprises has been trimmed. Import tariff on most commodities has been brought down. Export policies are being progressively liberalized. Thus, at the international plane the gradual removal of protectionist measures and the slow but progressive integration with a global economy are discernible. These developments obviously expose Indian farmers to the vagaries of not only the domestic markets but also to the price fluctuations at the international level.

III. DECELERATING AGRICULTURAL GROWTH

These changes are taking place at a time when the rate of growth in agricultural production is decelerating. Careful analysis by scholars has shown that the productivity gains achieved during the seventies and the eighties could not be sustained in the last decade (Deshpande et al., 2004). The process of deceleration in the growth of agriculture had started in the nineties, when the
agricultural growth rate came down to less than 2.4 per cent, from 3.8 per cent per annum in the previous decade. Except for one year, 2003-2004 the downward slide has continued. The average agricultural GDP growth in the first two years of the Tenth Plan was 1.8 per cent. It is likely to be 1.5 per cent in the third year. The declining trend in productivity, as signified by the yield per hectare, is more disturbing. The deceleration in yields has been witnessed in practically all crops and in a majority of regions. In fact, there was virtual stagnation in the yields of ‘commercial crops’ during the Nineties with sugarcane registering less than 1 per cent growth in yield per year, and cotton and tobacco witnessing negative growth. The serious drought years in the earlier part of this decade has had a part in accentuating the decline, but the factors causing distress to agriculture are more abiding.

Deceleration in productivity has to be viewed in the context of the rising share of purchased inputs, especially in ‘commercial’ crops. A number of studies at the state level, as well as at the micro level, have shown that once use of fertilisers cross the ‘low utilisation level’, diminishing return starts. It is even more true in the case of pesticides (Venugopal, 2004; Birthal, 2004). The plight of the growers has been compounded not only because of the declining trend in yield from inputs, but also because of output prices of agricultural commodities, especially of the commercial crops, remaining subdued in the last few years. As a result, the terms of trade (index of prices received divided by index of prices paid) remained stable during the last five years, hovering around 103-105 in contrast to a rising trend in the previous decade. Recent years have also witnessed much larger fluctuations in the output prices around a mildly declining trend. The net result has been that Indian agriculturists face lower returns and larger uncertainty.

Obviously, not all growers in all regions faced a similar situation. There were groups of producers who benefited from state policies on pricing and subsidies. There were also pockets where productivity growth could be sustained (Sen and Bhatia, 2004). But the fact that, on an average, the situation on both price and productivity levels was depressed suggests that in terms of loss of income, some groups have suffered more than what is reflected in the average decline in prices and output. These are the vulnerable groups—mainly, farmers in dry land areas, agricultural labourers, marginal and small farmers all over the country and, commercial farmers who went in for heavy doses of purchased inputs—to whom we should now pay larger attention.

IV. POLICY AND INSTITUTIONAL FAILURES

During this difficult period, policy interventions and institutional support to agriculture proved to be grossly inadequate. Policy failure was reflected in much larger emphasis on prices and subsidies than on non-price productivity augmenting factors such as research, extension and investment in infrastructure. The way the administered price regime was unfolding in the last few years, it was clear that policy makers were using prices as vehicles for transferring income rather than as signals for resource allocation. Indiscriminate use of subsidies, particularly input subsidies, crowded out the resources for public investment in infrastructure (Vyas, 2002).

Measures to contain risks also proved ineffective and in certain cases, counter-productive. Basically, three types of measures were taken for mitigation risks. The Minimum Support Prices (MSP) were used to minimize market-induced risks, with a guarantee to purchase all the output at pre-announced prices. With the emphasis on covering all the costs of farming, actual as well as imputed and their operation largely restricted to a limited number of crops—mainly rice, wheat and sugarcane—MSP contributed to a greater distortion in the cropping patterns rather than proving itself an effective shield for the agriculturists. The second measure to mitigate risks was crop insurance. In actual practice, it has proved to be of marginal support only in some regions
A measure to insure income in the face of market-induced risks as well as decline in yield due to natural causes is being introduced as a pilot project in a few districts for a few crops. There is a National Fund for Calamity Relief, with a limited objective of providing relief to victims of natural calamities. Its operations during the last five years could provide assistance to 10 per cent of the requests made by the states. Though there is a renewed emphasis on forward markets, they have yet to make a substantial presence. In sum, we do not have an effective policy for minimising uncertainty or providing strength to farmers to withstand natural and market-induced risks.

Institutional failures are even more glaring. In the present context, the two most relevant institutions are extension and credit institutions. With one of the world’s largest extension system, one would have expected that all sections of farmers to receive timely and proper advice on and support for the adoption of an appropriate enterprise and technology mix. In fact, the role of the extension institutions in acting as a conduit between the scientists and users is practically non-existent. There are a few instances of private enterprises entering the field of extension of technology in raising crops and animal husbandry. However, the main source of information on modern inputs are the inputs suppliers who have a field day in ‘educating’ farmers in the use of purchased inputs. They naturally have a vested interest in increasing the use of inputs they might be dealing in, irrespective of their impact on productivity. Studies at the ground level from all parts of the country, and more so from the regions where input use is increasing rapidly, suggest that there is a disproportionate use of all inputs on the farms, leading to increased liability of the farmers. The blame for the suicides of agriculturists in some parts of the country can be, at least partly, attributed to the failure of the extension agencies who could not check spurious inputs or guide the farmers in the proper use of inputs.

Another major handicap faced by the farming community is in the functioning of the credit institutions in the formal sector, i.e. Rural Financial Institutions (RFI). It is quite clear that RFIs are not advancing credit to agriculture at the rate warranted by the increased requirement of credit with the larger use of purchased inputs. Some of the poorest parts of the country, e.g. the tribal belt extending from Jharkhand to Andhra Pradesh and encompassing tribal areas of Bihar, Orissa, Maharashtra and Chhatisgarh, are inadequately served by RFIs. Even in the other agriculturally advanced areas, the share of credit from RFIs in the total cost of the inputs is low and there is no indication of the gap being filled. RFIs, particularly commercial banks, advance three reasons for their unsatisfactory performance in rural areas. These are : (1) low absorptive capacity in rural areas, (2) high transaction costs, and (3) greater risks. Only recently as a member of two different committees, I have had the opportunity to examine the functioning of RFIs in detail (NABARD, 2002; RBI, 2004).

With the reluctance and or inability of RFIs, farmers have to take recourse to non-formal sources i.e., input suppliers, traders and bigger landlords, to obtain credit. While it may be easy to get credit from these sources, it is also true that the terms they offer are onerous; their methods of recovery could also be more ruthless. Farmers who are heavily indebted to these sources, but unable to generate additional output and, therefore default in repayment, face severe consequences. It is no coincidence that the largest number of suicides are reported from areas where farmers get heavily indebted to non-formal sources of credit.

Declining growth rate in production, stagnant prices and high cost of production have hit the agricultural sector as a whole. There are certain sections of the agricultural population which have fared worse than others. The more important among them are the agricultural producers in dry areas. Large parts of Gujarat, Rajasthan, Maharashtra and Orissa fall in this
category. With depleted land resources, low and uncertain rainfall and low prices of their produce, these farmers are worse off even in normal years. Long term trends in the productivity of the crops grown in the dry areas, e.g. coarse cereals and pulses suggest a stagnation in their yields. Their plight is further aggravated as three out of four years of this decade have proved to be ‘below normal’ in rainfall in large parts of the dry region. Whatever savings they had were depleted during these prolonged dry years. Their capacity to withstand any shock, natural or market induced, has been completely eroded.

The only saving feature in these regions is the fact that a larger proportion of the holdings are medium to large. But, there are a substantial number of small holdings as well. In these regions, those with marginal and small holdings are worse off. As producers, they get paltry returns from their farming which are further affected by adverse weather and market conditions. Generally, these groups also have a subsidiary source of income in dairy and animal husbandry enterprises which are sustained on open grazing. The depletion of commons as a result of prolonged drought in several areas has made the cattle and other animals more a liability than an asset. Another source of income for these households is farm and non-farm labour. From available evidence, it seems that the employment opportunities have dwindled and there is no commensurate increase in wages (Bhalla, 2004). Severe distress is evident among these groups of small farmers and agricultural labourers— and these categories overlap in dry areas.

The plight of the farmers who have gone the whole hog with diversification is equally distressful. While the former groups, i.e. small and marginal farmers in dry areas, suffer from acute malnutrition and starvation, more of the suicide cases are reported from the groups who have borrowed heavily to purchase inputs for what they thought were more remunerative crops. With the high input-low output scenario described earlier, the result has been the failure to repay the loans. As most of these loans were contracted through so called non-formal sources, which could resort to social pressures as much as coercive tactics, many self-respecting farmers have taken the extreme step of suicide to save face.

V. STRATEGIC CHOICES
I would like to suggest a three pronged strategy to save the situation from further deterioration viz., (1) Instituting creditable risk mitigating measures; (2) Investment for strengthening land and water resources; and (3) Strengthening supportive institutions, especially in the areas of extension and credit.

1. Mitigating Risks for the Poor
As I have indicated earlier, we have an array of measures to support the poor and mitigate the risks faced by them; more general programmes such as poverty alleviation programmes, and programmes to strengthen backward regions, as well as specific programmes to mitigate risks, such as Minimum Support Prices, Crop Insurance, National Calamity Fund, Safety Nets for Indigent and Handicapped People, and so on. There is no better indication of their ineffectiveness than the sorry plight of a large section of the rural people. Several of us have commented on the lacunae in these programmes and have suggested measures to strengthen them (Vyas, 2004).

The principal policy measures to mitigate risks are Minimum Support Prices (MSP) and Crop Insurance. I have pointed out the lacunae in MSP as it operates today. It has offered limited safeguards to a section of producers, mainly wheat and rice growers in selected areas, and has distorted the allocative function of prices and created a strong lobby of rent seekers. Suggestions have been offered to minimise the damage and improve upon the present policy on MSP (Vyas,
The Income Guarantee Scheme, tried in a few districts, is not a substitute for the ill-managed MSP. It has all the disadvantages of MSP with additional demands on scarce resources.

There is considerable scope in improving our programme of crop insurance. Its coverage has to extend much beyond the limited area and the limited number of crops. Eventually, a more comprehensive insurance product has to be offered to the farmers, going beyond crops, and including insurance of animals and equipment, and covering life and health aspects of the rural population. Several of the operational lacunae have to be removed. It should however be clear that, even with all these reforms, we will not be able to recover premia from the rural poor at actuarial rates. An element of subsidy is inevitable. This is the type of subsidy for which there is full justification on grounds of both equity and efficiency.

As far as natural risks are concerned, the farmers in the risk-prone areas have devised their own coping mechanisms. These involve self-provisioning on the one hand and diversification to supplementary and complementary enterprises on the other. Generally, mixed crops, dominated by cereals (the major source of calories) and pulses (the major source of protein), characterise the cropping pattern in the dry regions, especially on small farms. And, animal husbandry—dairying mainly—is the major supplementary occupation. In our anxiety to introduce ‘high value’ agriculture, this pattern is being discouraged, without extending assured food supply through, say PDS, and without ensuring institutional support in marketing and credit for the new crops. In the absence of these supportive measures, we are exposing the vulnerable farmers of dry areas to a high risk environment. This may not apply to small farmers on the fringe of cities and towns for whom a ready market for fruits, vegetables and other high value crops exists. The uncertainty faced by them arises more due to sharp price fluctuations.

In this context, contract farming is suggested as a way out. Certainly, if properly implemented, contract farming arrangements can mitigate at least the market induced risks. Contract farming is not new to India. We have a long tradition of contract farming, particularly in sugar and to a large extent in milk. Experience has shown that in areas where contract farming is organised in the cooperative mode, with a major say of the producers at all the stages in the value chain, it has not only contributed in improving productivity on the growers’ farms, but has also afforded them an assured income and a larger share of the consumer’s rupee. Contract farming with the involvement of large private firms as collaborators has shown mixed results, with more failures than successes. Problems of moral hazard and adverse selection are rampant, and complaints about inadequate guidance in input use and farm practices as well as non-enforcement of contracts are voiced frequently.

In the present circumstances, the thrust of the policy should be on encouraging improvement in the productivity of the crops grown in the dry regions and on small farms, mainly coarse cereals, pulses and kharif oilseeds. Measures to encourage productivity in the dairy sector is equally important for these groups. These regions can have a comparative advantage in dairying based on open grazing due to large areas of cultivable wasteland and goucher land, provided a massive programme of land development is taken up in these regions. Only when the small farmers broadly reach their self-sufficiency level, and start generating surpluses from their traditional crops and enterprises, should diversification to input intensive high value crops and enterprises be encouraged. Our immediate task should be to encourage self-provisioning rather than market exposure as far as small and marginal farmers are concerned.

2. Investment in Strengthening Land and Water Resources

Since the mid-eighties public investment in agriculture has progressively declined. Nor has private investment been able to fill the gap. As a result, total capital formation in agriculture is
decelerating. The bulk of the investment in both the public and the private sectors is accounted for by investment in augmenting irrigation resources; in the case of public investment, it is canal irrigation, and in case of private investment, it is in ground water exploitation. Because of lack of complementary investment in O & M and bureaucratic handling of this resource use, the efficiency of canal water is seriously jeopardised. On the other hand, concentration of private investment in ground water exploitation has resulted in over-exploitation of the resource leading to negative externalities in several regions of the country, especially in the arid and semi-arid areas where progressively larger areas are coming under the ‘dark zone’.

In any strategy for protecting the vulnerable sections in agriculture, augmentation, conservation and efficient use of water should receive high priority. This would involve larger and more imaginatively planned investment, much greater collaboration between irrigation engineers and agricultural scientists, policy support to ensure equitable distribution and recovery of irrigation dues. In all these measures, the role of water users and the civil society institutions will be critical.

There is growing recognition of the inadequacies of our efforts in augmenting and rejuvenating land resources. However, it is yet to be translated in terms of investment and policy packages. The severity of the problem can be gauged by the fact that, according to the Ministry of Agriculture of the Government of India, more than 42 per cent of the geographical area of the country comprises degraded land. A substantial part of it is man-made. The extent of degraded land is, again, higher in the states with a larger share of rain-fed agriculture. Remedial measures to rejuvenate these lands have not gone beyond tokenism. Investment in land development, by both public and private initiative, should receive serious attention. Failure to take credible action to stop the process of degradation and develop the degraded lands would mean that the natural resource base of our agriculture will be progressively weakened and the incidence will fall more seriously on the backward regions and the vulnerable sections of agricultural producers.

3. Strengthening Supportive Institutions

In any scheme for reducing the vulnerability of the poorer sections, especially small and marginal farmers, institutional support in research, extension, credit and marketing is of paramount importance. We have in this country a wide network of institutions working in these areas. However, there is such incongruence between the service delivery systems and the bulk of the poor in the rural areas, mostly accounted for by the small and marginal farmers, that the latter hardly get any support from them. For example, research and extension institutions by pass them as any improvement on their tiny holdings is not likely to make much difference at the macro level. In any case, because of the thin asset base, the capacity of these sections to face uncertainty is considered to be limited. Credit and marketing institutions find that the demands placed by these sections on the service providers are infrequent and in small bits. This makes the transaction costs heavy and uneconomical.

There are ways to cope with these difficulties and create a supportive institutional framework for the disadvantaged sections. Scaling up of their operations through cooperative effort has proved to be a viable solution, as the experience of Self Help Groups, now numbering nearly eight million, in dispersal and recovery of credit has convincingly demonstrated. An example of the successful interface between small producers and marketing institutions is provided by the dairy cooperative which have enabled an owner of one or two buffaloes to get the benefits of advanced and appropriate technology. The scope for institutional support can be further enhanced by making proper use of information technology. There are numerous models of institutional
interventions to benefit marginalised groups. These models have to be adapted and extended to meet with specific requirements in different settings.

To provide immediate redress to the affected peasantry, measures to give relief to those heavily indebted to the private money lenders and traders are urgently needed. A proposal was made, long back, to restrict the total amount of interest due to the value of the sum initially borrowed, popularly known as the principal of Dam Duppat. This has to be enacted as a legislation and made applicable retrospectively. Similarly, the legislation prohibiting usurious money lending should be made effective in all the states. A measures of similar intent would be to encourage RFIs to take over the loans contracted by the farmers from private sources on their books. Waiving of interest or even the principal amount borrowed from RFIs will not help much unless steps are taken to lighten the burden of those who have contracted large amounts from non-formal sources.

VI. CONCLUSION

We have a serious problem on hand because of the growing vulnerability of large sections of the rural population. It is possible, however, to turn the tide by enhancing investment in strengthening the resource base of agriculture; by devising suitable instruments to protect, in any event to compensate small and marginal producers for losses from natural calamities; by designing organisational interventions to impart strength to their economy; by lightening the interest burden from the non-formal sources of credit; and by encouraging RFIs to take over the debts of the farmers from usurious sources.

A positive feature in our situation is that we have some examples of success in all these directions. There is a need to extend and scale up these efforts. The choice seems clear.

References


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