

# SWARAJYA

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## RURAL INDEBTEDNESS

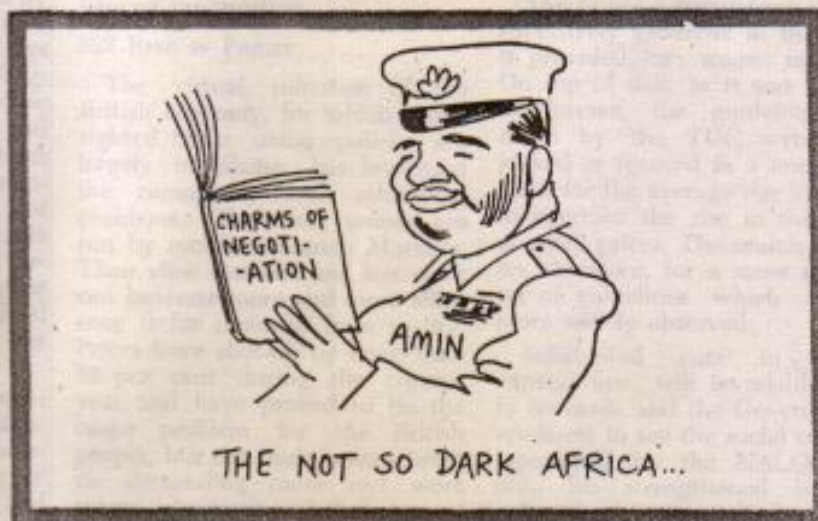
R. VENKATARAMAN

THOUGH Mrs Gandhi's 20-point economic programme is neither new, nor breath-taking, there are a few items which are of great importance to society and to the country. One of them is the problem of rural indebtedness which threatens to engulf the rural society in misery. Rural indebtedness arises from under-employment of the landless labour, on the one hand and the uneconomic holdings of the small farmer, on the other. Each class continues to incur an excess of expenditure over income year after year that, over a period, they become steeped in debt. The misery caused by such indebtedness has led, in some extreme cases, to such degradation as sale of children and mortgage of their women. It is an age-old problem which has been there for centuries and though certain ameliorative measures have now and then been taken in one or two parts of the country, the problem has remained unsolved. In 1938, Rajaji tackled this problem through a moratorium on rural debts followed by the Agriculturists' Debt Relief Act. Consequent on the depression of 1930s, the old agricultural debt had become doubly onerous in rural areas and the debtors had paid by way of interest more in terms of physical goods than they had originally borrowed. The measure brought great relief to the agriculturists as a class but proved to be no unmitigated blessing. It completely starved the rural areas of private

lending which was the main source of finance for agricultural operations in those days. The anaemic cooperative organizations could not meet the demands for funds and considerable unsettlement followed as a consequence. But, by and large the measure saved the agricultural family from liquidation and rehabilitated substantial sections of those most in need. Similar measures adopted by Sir Fazlul Huq in West Bengal and by Sri Choturam in Punjab afforded temporary relief to the indebted rural masses.

The 25th National Sample Survey which was recently concluded has revealed that 19 per cent of the landless agricultural labour in Tamil Nadu, 17 per cent in Karnataka, 13 per cent in Maharashtra and 11 per cent in Madhya Pra-

desh and Orissa incurred expenditure in excess of their income. From this, it has been argued that the minimum wages fixed for farm labour has been inadequate. While conceding that in many cases, the minimum wages have been low, a mere increase in minimum wages will not rectify the situation. The total number of days in a year during which employment is available for the landless agricultural labour varies from a bare 60 days in a dry single-crop area to 120 days in more fertile parts. With the earnings of these few days, he has to sustain himself for a whole year! It is true that a landless agricultural labourer supplements his income from casual work on field or elsewhere for a few days more but for the greater part of the year, he remains un-



employed with no means of earning anything at all. Of what avail is the moratorium or enhanced minimum wages to the unemployed vast rural masses? The urban unemployed, through political and other pressures, have, at least, succeeded in diverting the public attention to their problems, though that itself is no nearer the solution. But the rural unemployed have reconciled themselves to their destiny and have lost even the elementary human instinct of self-preservation. Massive rural employment schemes require a reversal of the capital intensive planning and an adaptation of the Gandhian technique of rural self-sufficiency which is frankly beyond the competence of the powers that be.

The problem of the uneconomic farmer who chronically runs into debt accentuates the misery of rural indebtedness. The 25th National Sample Survey says that 52 per cent of small cultivators in Karnataka, 21 per cent in Maharashtra, 21 per cent in Madhya Pradesh, 20 per cent in Orissa and 13 per cent in Tamil Nadu incurred expenditure in excess of their income and thus ran into accumulated debts. Uneconomic holdings, lack of credit facilities, and agricultural inputs like fertilizers have been some of the causes for the indebtedness of this class. Punjab modernized its agriculture with a Consolidation of Holdings Act long before Independence and it is only in Punjab that one finds rectangular shaped plots owned by farmers. A law prohibiting subdivision of economic holdings would save the country from fragmentation of land into a number of uneconomic holdings and should be adopted by all the States without delay. Neither implementation of Land Ceilings Act nor transfer of mostly uncultivable surpluses to the already poor farmer who has no resources to invest in the development of the land will touch even the fringe of the problem.

Rural indebtedness is accentuated by lack of credit at reasonable rate. Local cooperative societies have been able to meet only about 30 per cent of the needs and the rest have to be met by outside

agencies even today. The Finance Minister's scheme of starting of over 50 banks afresh to cater to the needs of rural areas appears, as most schemes do, good on paper. Unless concretised into a practical shape, one cannot do more than hope for its success.

Rural economy in India is even

today traditional. The impact of modernity is only superficial and marginal. It is easy to disturb the delicate balance of the structure but difficult to substitute it with anything more satisfactory or better. Wisdom and caution are necessary in all measures directed towards the transformation.

## U. K.'S ECONOMIC CRISIS MAY NOT AFFECT AID TO INDIA

VIRENDRA AGARWALA

THE UK's recent decision to join the EEC has been widely appreciated. Is Britain destined to remain the sick man of Europe that it has become in recent years? Pro-Europeans hoped that Britain might overcome its domestic troubles by joining the Common Market. Mr Wedgwood Benn and his anti-European members of the British Cabinet believe that an economically strong Britain can make a mark. Therefore, all efforts need to be made to build the British economy rather than joining the ECM. The referendum result marks the conclusion of a long and involved political game that has not been to anyone's credit. Mr Harold Wilson, the Prime Minister, has once again notched up a tactical success but not even Mr Wilson can be altogether happy. It was the only way to avoid a rift in the ranks of the Labour Party. A Cabinet re-shuffle immediately after the referendum has considerably enhanced his prestige.

### 52% RISE IN PRICES

The virtual ruination of the British economy, for which shortsighted trade union policies are largely to blame, has burdened the community with additional problems. The trade unions are run by root and branch Marxists. Their view that less and less work can generate more and more affluence is far removed from reality. Prices have shot-up by more than 52 per cent during the current year and have proved to be the major problem for the British people, but the trade unions insist on demanding more and more wages irrespective of their impact on productivity. The railway

union recently demanded a 3 per cent increase in wages, while the Government had already conceded a 27.5 per cent rise in the wages. Undoubtedly, the British workers work hard but their recent demands have virtually paralysed the national economy.

The British Government is always in search of a national consensus for evolving a stable price-wage policy. Its plain economic task now—one which the weakness of the exchange rate has made particularly urgent—is to get inflation under control quickly. This primarily means in the present circumstances, bringing the average level of wage settlements quickly and sharply down from their present level, especially in the public sector. The Government clearly hopes that it will be possible to achieve something by consent.

### SOCIAL CONTRACT

The original social contract was excessively generous in the scope it provided for wage increases. On top of that, as it was difficult to foresee, the guidelines laid down by the TUC were overlooked or ignored in a number of cases for the average rise in wages to overtake the rise in the index of retail prices. The search is now on, therefore, for a more realistic set of guidelines which will be more widely observed.

Substantial cuts in public expenditure will invariably have to be made and the Government's readiness to see the social contract repudiated by the NALCO can only be strengthened by the reflection that its results have been much less than was originally