The Impact of Liberalization and Globalization on India's Agrarian Economy

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ABSTRACT
This paper describes and analyzes the impact of policies of globalization and liberalization on the agrarian economy of India. In particular, it discusses the reversal of land reform, changes in the policies of administered agricultural input costs and output prices, cutbacks in public investment in rural physical and social infrastructure, the dismantling of the institutional structure of social and development banking, the withdrawal of quantitative restrictions on the import of agricultural products, cutbacks in the public distribution system, and the undermining of national systems of research and extension and protection of national plant and other biological wealth. The data used in the paper come from the major sources of national-level official statistics and primary data collected as part of a Project on Agrarian Relations in India.

KEY WORDS
agrarian economy, globalization, India, liberalization, Project on Agrarian Relations in India

1. Introduction

The subject of this paper is the impact of policies of so-called stabilization and structural adjustment, or liberalization and globalization, on the agrarian economy of India. These are policies that have been imposed, in differing degrees, on the people of the Third World by international capital and domestic bourgeoisies for more than two decades now, and we shall examine their specific form and impact on the Indian countryside (Ramachandran and Swaminathan 2002). In India, although there are continuities between the era of globalization and preceding periods, particularly after 1984, the sharp acceleration of the policies of neoliberal reform can be said to have occurred after 1991, when the Congress Government in which the present Prime Minister was first made Finance Minister came to power.

In order to understand the impact of globalization and liberalization in rural India, it is important to understand the nature of the agrarian question, and, in turn, the class character of the state in India. Landlords are a constituent part of the state in India, and nothing in the present situation has undermined landlordism as a fundamental barrier to agrarian and general social progress. At the same time, the general class policies of the Indian state in the countryside, and, specifically, its collaboration with imperialism, have taken qualitatively new forms since 1991.

This paper begins with a discussion of land reform and landlordism. We discuss the interconnections between landlordism, moneylender-merchant exploitation and caste and gender oppression in the countryside, and argue that neo-liberalism has not lessened the tactical or strategic importance of addressing these issues.

Next, we attempt to show how state policy has acted as a vast depressor in the countryside, and we document the reversal of policies of administered agricultural input costs and output prices, cutbacks in public investment in rural physical and social infrastructure, the dismantling of the institutional structure of social and development banking, the withdrawal of quantitative restrictions on the import of agricultural products, cutbacks in the public distribution system, and the undermining of national systems of research, extension and the protection of national plant and other biological wealth.

The paper uses data from, first, the major sources of national-level official data, and, secondly, primary data collected as part of a larger Project on Agrarian Relations in India.

2. The Reversal of Land Reform

Genuine agrarian reform alters class relations in favour of the working people, frees demand constraints and opens up home markets in the countryside, and provides a basis for broad-based productive investment. The promise of land reform was part of our freedom movement, a promise betrayed in practice by the ruling classes in the years following Independence.

In India today, however, land reform as conceived during the Independence movement and in the first decades after Independence, has been jettisoned by official policy, and reversed in certain areas in favour of counter-reform.[1] Legislation is being considered and has been passed that raises ceilings to levels that undermine the objectives of land ceiling laws and make absentee farming by large owners and corporations a certainty. Such policies reduce the extent of land for redistribution, accelerate the loss of land by poor peasants and worsen inequalities in the distribution of land.

One of the objectives of land reform is the destruction of landlordism. A major feature of landlordism is the concentration of ownership of land and other assets in the hands of landlords, that is, of a class that does not work on the major manual operations on the land and is a historical participant in the land monopoly. The data are clear that the state has not abandoned the slogan of land reform because this class – and such concentration of wealth – has ceased to exist. On the contrary, data from the National Sample Survey (Table 1) and from recent village studies (Table 2) show the continuation of very sharp inequality.

In Table 1, data from the National Sample Survey (NSS) indicate that the degree of concentration in the distribution of operational and ownership holdings of land has marginally *increased* over the last four decades.[2]

Table 2 presents data from different villages across India; these are the first nine villages surveyed as part of the Project on Agrarian Relations in India. As can be seen, the surveys have been conducted across a variety of agrarian regimes – in surface-irrigated, lift-irrigated, and unirrigated tracts – across the country. The immediate conclusion is that, although there are differences of degree, sharp inequalities persist in respect of the ownership of land.[3]

With regard to the actual redistribution of land, an estimate from official data by a senior member of the All-India Kisan Sabha[4] illustrates the chasm between potential and performance in India. Working with a ceiling of 25 acres a household, 'no less than 63 million acres of land would have been available in the mid-1950s and early 1960s for distribution among landless and land-poor farmer households' (Mishra 2007). The reality, according to the Annual Report of the Ministry of Rural Development 2006-07, is that only 4.89 million acres of land were distributed over the first 60 years of Independence (Mishra 2007). A recent estimate based on the NSSO's Survey on Land and Livestock Holdings (2002-03) suggests that the current extent of ceiling-surplus land is more than three times the extent of land that has ever been redistributed under land reform (Rawal 2008).

3. Public Investments in Agriculture and Rural Infrastructure (Particularly Irrigation and Roads) Slowed Down Substantially

Economists are familiar with the concept of complementarity between public and private expenditure; when the state withdraws from investment in public works, infrastructure and programs of mass employment, it robs the countryside of the foundations for growth and the means of poverty alleviation.

Fiscal contraction is at the core of current policy, and Table 3, which shows the trends in public investment in agriculture and allied activities, shows that the decline in public investment in agriculture started in the 1980s and accelerated further in the 1990s. By the end of 1990s, public investment in agriculture and allied activities was only about 1.6 percent of agricultural GDP and about 6.6 percent of total gross capital formation in the public sector.[5]

Table 1 Gini coefficients for the distribution of operational and ownership holdings of land, India, 1960-61 to 2003-04

Type of holding	1960-61	1970-71	1980-81	1990-91	2003-04
Operational holdings	0.58	0.59	0.63	0.64	0.62
Ownership holdings	0.73	0.71	0.71	0.71	0.74

Source: National Sample Survey (NSS) Land and Livestock Surveys cited in Ramakumar (2000), Ramachandran and Ramakumar (2000), NSS Report Nos. 491 and 492

Note: These are official estimates of Gini coefficients. Ownership holdings in these estimates refer to ownership of any type of land including homestead land. Gini coefficient of ownership of agricultural land in 2003-04 was about 0.76 (Rawal 2008)

Table 2 Share of agricultural land owned by the 5 percent of households with the largest ownership holdings and the 50 percent with the smallest ownership holdings, by village, 2006-2007 (percent)

Serial number	Village	Share of agricultural land owned by	
		top 5 percent	bottom 50 percent
1	ANANTHAVARAM, Guntur District, south coastal Andhra Pradesh	54	0
2	BUKKACHERLA, Anantapur district, Rayalaseema region, south-west Andhra Pradesh	33	17
3	KOTHAPALLE, Karimnagar district, North Telangana region, north Andhra Pradesh	41	1
4	HAREVLI, Bijnor district, Western Uttar Pradesh	39	2
5	MAHATWAR, Ballia district, Eastern Uttar Pradesh	40	6
6	WARWATKHANDERAO, Buldhana district, Vidarbha region, Maharashtra	35	10
7	NIMSHIRGAON, Kolhapur district, Marathwada region, Maharashtra	24	5
8	DUNGARIYA, Adivasi village, south Udaipur district, Rajasthan	23	18
9	GULABEWALA, Sriganganagar district, Gang Canal region, Rajasthan	43	0

Source: Survey data, Foundation for Agrarian Studies.

Note: Agricultural land includes net sown area and current fallows.

Table 3 Gross capital formation in agriculture and allied activities as a proportion of agricultural GDP and as a proportion of gross capital formation in all activities (percent)

Year	As a proportion of GDP from agriculture and allied activities	As a proportion of gross capital formation in all activities
1960-61	1.8	11.2
1965-66	2.1	10.5
1970-71	1.8	11.9
1979-80	4.2	13.9
1980-81	3.7	15.6
1981-82	3.6	12.0
1982-83	3.7	11.2
1983-84	3.4	11.6
1984-85	3.4	10.5
1985-86	3.3	9.4
1986-87	3.2	8.3
1987-88	3.3	9.8
1988-89	2.8	8.6
1989-90	2.5	7.2
1990-91	2.3	6.8
1991-92	2.0	6.3
1992-93	2.0	6.5
1993-94	2.0	6.9
1994-95	2.2	6.8
1995-96	2.2	7.4
1996-97	2.0	7.6
1997-98	1.8	6.9
1998-99	1.6	6.6
1999-00	1.9	6.0
2000-01	1.8	5.7
2001-02	2.1	6.6
2002-03	2.0	6.4
2003-04	2.3	7.0
2004-05	2.9	7.4
2005-06	3.4	7.6
2006-07	3.7	7.9

Source: Thulasamma (2002), EPW Research Foundation (2002), Agricultural Statistics at a Glance (2007, 2008) and National Account Statistics (2008).

4. Financial Liberalization After 1991 Decimated the Institutional Structure of Rural Banking in India

Financial liberalization represented a clear and explicit reversal of the policy of social and development banking, such as it was, and contributed in no small way to the extreme deprivation and distress of which the rural poor have been victims since the early 1990s.

It is well known that the burden of indebtedness in rural India is very great, and that, despite major structural changes in credit institutions and forms of rural credit in the post-independence period, the exploitation of the rural masses in the credit market is one of the most pervasive and persistent features of rural life in India.

Historically, there have been four major problems with respect to the supply of credit to the Indian countryside. First, the supply of formal credit to the countryside as a whole has been inadequate. Second, rural credit markets themselves have been imperfect and fragmented. Third, as the foregoing suggests, the distribution of formal credit has been unequal, particularly with respect to region and class, caste and gender in the countryside. Formal sector credit needs specially to reach backward areas, income-poor households, people of the oppressed castes and tribes, and women. Fourth, the major source of credit to rural households, particularly income-poor working households, has been the informal sector. Informal sector loans, typically, are advanced at very high rates of interest. Further, the terms and conditions attached to these loans have given rise to an elaborate structure of coercion – economic and extra-economic – in the countryside.

That these constitute what may be called the 'problem of rural credit' has been well recognized; recognized, in fact, in official evaluations and scholarship since the end of the nineteenth century. Given the issues involved, the declared objectives of public policy with regard to rural credit in the post-independence period, were in the words of a former Governor of the Reserve Bank of India, 'to ensure that sufficient and timely credit, at reasonable rates of interest, is made available to as large segment of the rural population as possible' (Rangarajan 1996). The policy instruments to achieve these objectives were to be: first, extending the geographical and functional reach of the formal sector; second, directed lending; and third, concessional or subsidized credit (Rangarajan 1996). Public policy was thus aimed not only at meeting rural credit needs, but also at pushing out the informal sector and the exploitation to which it subjected borrowers. Rural credit policy in India envisaged the provision of a range of credit services, including long-term and short-term credit and large-scale and small-scale loans to rural households.

The period from 1969 to the present can be characterized as representing, broadly speaking, three phases in banking policy vis-à-vis the Indian countryside. The period immediately following bank nationalization was also the early phase of the 'green revolution' in rural India, and one of the objectives of the nationalization of banks was for the state to gain access to new liquidity, particularly among rich farmers, in the countryside. The declared objectives of the new policy with respect to rural banking – what came to be known as 'social and development banking' – were: (i) to provide banking services in previously unbanked or under-banked rural areas; (ii) to provide substantial credit to specific activities including agriculture and cottage industries; (iii) to provide credit to certain disadvantaged groups, such as for example, Dalit and scheduled tribe households.

The second phase, which began in the late 1970s and early 1980s, was a period when the rhetoric of land reform was finally discarded by the ruling classes themselves, and when the major instruments of official anti-poverty policy were programs for the creation of employment. Two strategies for employment generation were envisaged, namely wage employment through state-sponsored rural employment schemes and self-employment by means of loans-cum-subsidy schemes targeted at the rural poor. Thus began a period of directed credit, during which credit was to be directed towards 'the weaker sections' of society.

The third and current phase, which began in 1991, is that of liberalization.

There has been much recent research on financial liberalization and rural credit in India.[6] The main features of the post-liberalization phase are the following:

- Social and development banking ceased to be official policy. The policy objectives of this phase are encapsulated in the *Report of the Committee on the Financial System*, a Committee appointed by the Reserve Bank of India which called for 'a vibrant and competitive financial system…to sustain the ongoing reform in the structural aspects of the economy'. The Committee said that redistributive objectives 'should use the instrumentality of the fiscal rather than the credit system' and, accordingly, that 'directed credit programs should be phased out'. It also recommended that interest rates be deregulated, that capital adequacy norms be changed (to 'compete with banks globally'), that branch licensing policy be revoked, that a new institutional structure that is 'market-driven and based on profitability' be created, and that the part played by private Indian and foreign banks be enlarged (Reserve Bank of India 1991).

- The expansion of public-sector rural banking was ended, and a large number of rural branches of commercial banks were actually shut down after 1995 (Table 4, Figure 1).

- The credit-deposit ratios of rural commercial bank branches fell sharply between 1991 and 2004 (Table 5, Figure 2).

- Inter-State inequalities in rural banking increased, and regions where banking has historically been underdeveloped suffered the worst (Table 6).[7]

- Priority-sector advances fell, and, with that, so did the shares of credit to agriculture, to cultivators owning two hectares or less, and to Dalit and Adivasi households (Tables 7-8, Figures 3-4) (see Chavan 2007).

- The share of informal-sector credit in the principal borrowed by rural households is very high (Table 9), and has increased over the liberalization phase.

There was a partial recovery in provision of formal-sector credit to rural areas after 2001. While the supply of rural credit started to increase in 2001, the major expansion in provision of rural credit, and a clear break from the earlier policy of withdrawal of formal-sector banking from rural areas, took place since 2004 (Tables 5 and 6, Figures 2 and 3). It is noteworthy that, by 2008, the credit-deposit ratio of rural branches of scheduled commercial banks went back to the level in 1991. Table 3, which discusses trends in public investment, shows that the share of agriculture and allied activities in total public investment also started to increase in 2004-05. Reversal of trends in rural credit and public investment was made possible because of the space opened by dependence of the UPA government on the Left parties for its survival.[8] The Left, in its demands, identified collapse of rural credit and decline in public investment as major causes of rural distress and actively lobbied for expansion of provision of formal-sector credit to rural areas and public investment in agriculture.

It would, however, be pertinent to point out that the actual increase in supply of credit provided for agriculture after 2001 was less than what the numbers in Tables 5 and 7 suggest. Over this period, the scope of priority sector and indirect agricultural credit was expanded by including additional activities within their purview. For example, credit given by banks to non-banking finance companies for onwards lending for agriculture, loans for construction of ware houses and marketing facilities for agricultural commodities, subscription to bonds issued by Rural Electrification Corporation, finance given to agri-business centres, and much of the loans given to State Electricity Boards and power distribution companies were considered as indirect credit to agriculture (see Chavan and Ramakumar 2007). As shown in Figure 4, the share of indirect credit in total agricultural credit increased dramatically after 2001. Correspondingly, share of credit provided directly to farmers in total agricultural credit declined.

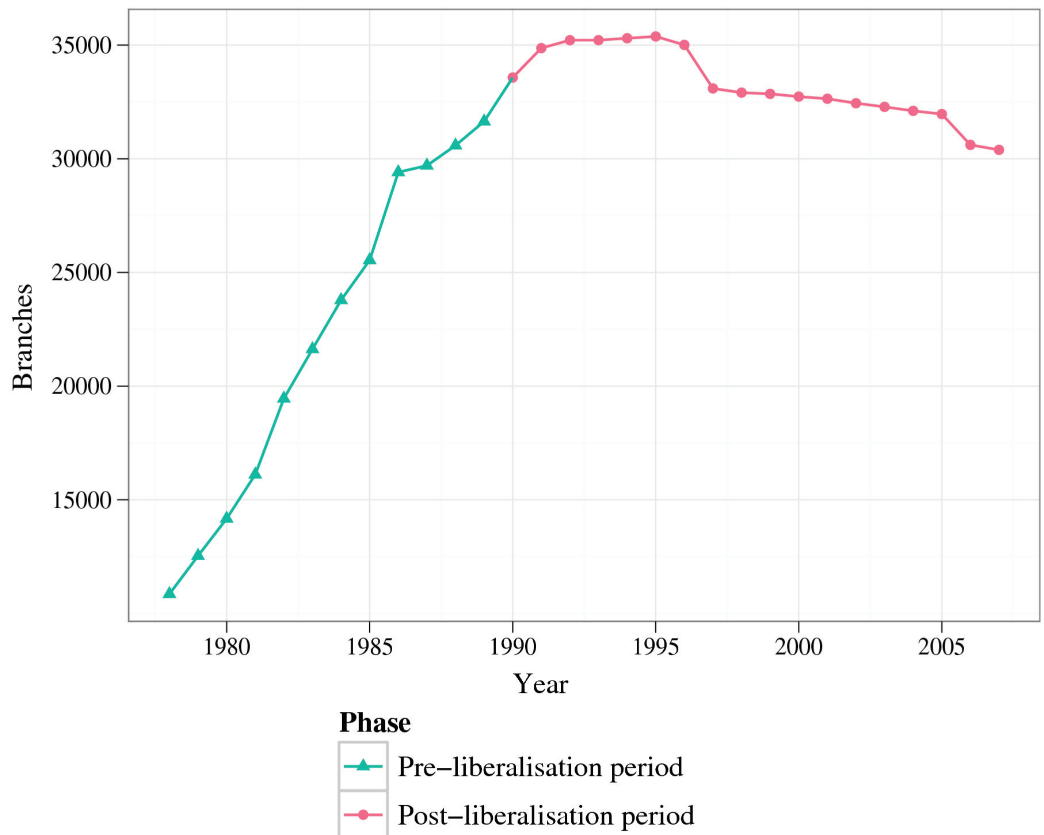
Table 4 Number of rural branches of scheduled commercial banks, India, 1978 to 2007

Year	Branches
1980	14171
1985	25541
1990	33572
1991	34867
1992	35216
1993	35218
1994	35301
1995	35379
1996	35008
1997	33092
1998	32909
1999	32854
2000	32734
2001	32640
2002	32443
2003	32283
2004	32107
2005	31967
2006	30610
2007	30393

Source: *Banking Statistics and Basic Statistical Returns of Scheduled Commercial Banks in India*, various issues.

Note: As has been pointed out by Ramakumar (2009), bank branches were classified into rural, semi-urban and urban until 1994 using the 1981 Census, between 1994 and 2005 using the 1991 Census, and from 2006 onwards using the 2001 Census. He shows that, because of these revisions in the classification of branches, the numbers are not strictly comparable across these sub-periods. However, despite this problem, the overall trends – of increase in number of rural branches until 1994 and a decline thereafter – are clearly seen in the data.

Figure 1 Number of rural branches of scheduled commercial banks, India, 1978-2007



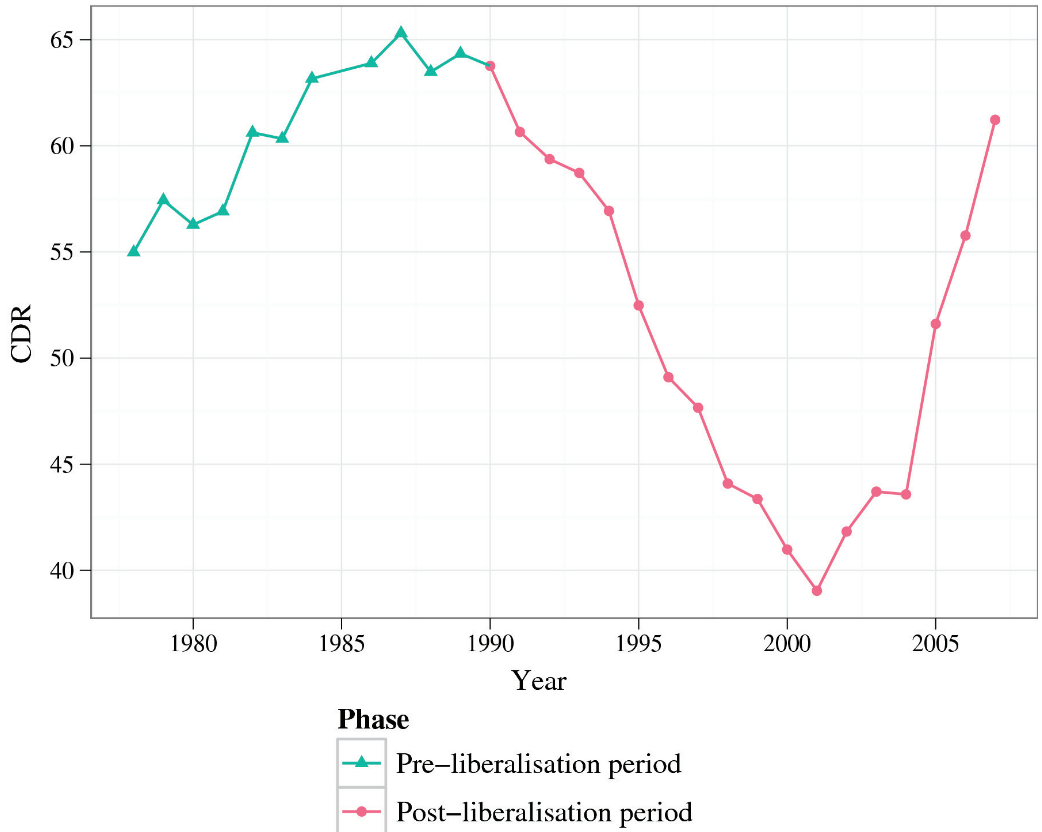
Source: *Banking Statistics* and *Basic Statistical Returns of Scheduled Commercial Banks in India*, various issues.

Table 5 Credit-deposit ratios of rural branches of scheduled commercial banks, India, 1981 to 2007 (percent)

Year	CDR
1981	57
1985	69
1991	61
1995	53
1996	49
1997	48
1998	44
1999	43
2000	41
2001	39
2002	42
2003	44
2004	44
2005	52
2006	56
2007	61

Source: *Banking Statistics* and *Basic Statistical Returns of Scheduled Commercial Banks in India*, Reserve Bank of India, various issues.

Figure 2 Credit-deposit ratios of rural branches of scheduled commercial banks, India, 1981 to 2007 (percent)



Source: *Banking Statistics* and *Basic Statistical Returns of Scheduled Commercial Banks in India*, Reserve Bank of India, various issues.

Table 6 Credit-deposit ratios of rural branches of scheduled commercial banks, by States, 1991, 1996, 2001 and 2007 (percent)

Region/State	1991	1996	2001	2007
NORTHERN REGION	48	39	38	60
Haryana	67	44	41	64
Himachal Pradesh	37	27	22	38
Jammu & Kashmir	33	15	15	54
Punjab	44	44	50	56
Rajasthan	66	48	46	81
NORTH-EASTERN REGION	63	49	31	54
Arunachal Pradesh	28	13	15	22
Assam	65	58	32	59
Manipur	101	113	95	132
Meghalaya	50	29	22	43
Mizoram	49	28	51	82
Nagaland	62	48	28	82
Tripura	128	84	35	44
EASTERN REGION	51	40	25	45
Bihar and Jharkhand	48	37	20	39
Orissa	82	60	39	70
West Bengal	44	37	23	39
CENTRAL REGION	52	36	29	49
Madhya Pradesh and Chhattisgarh	69	50	39	62
Uttar Pradesh and Uttaranchal	47	32	26	45
WESTERN REGION	62	48	47	62
Goa	19	15	12	16
Gujarat	60	44	37	47
Maharashtra	75	63	70	92
SOUTHERN REGION	91	78	66	95
Andhra Pradesh	95	86	76	114
Karnataka	88	72	68	88
Kerala	65	54	53	76
Tamil Nadu	102	84	58	90
ALL-INDIA	60	47	39	61

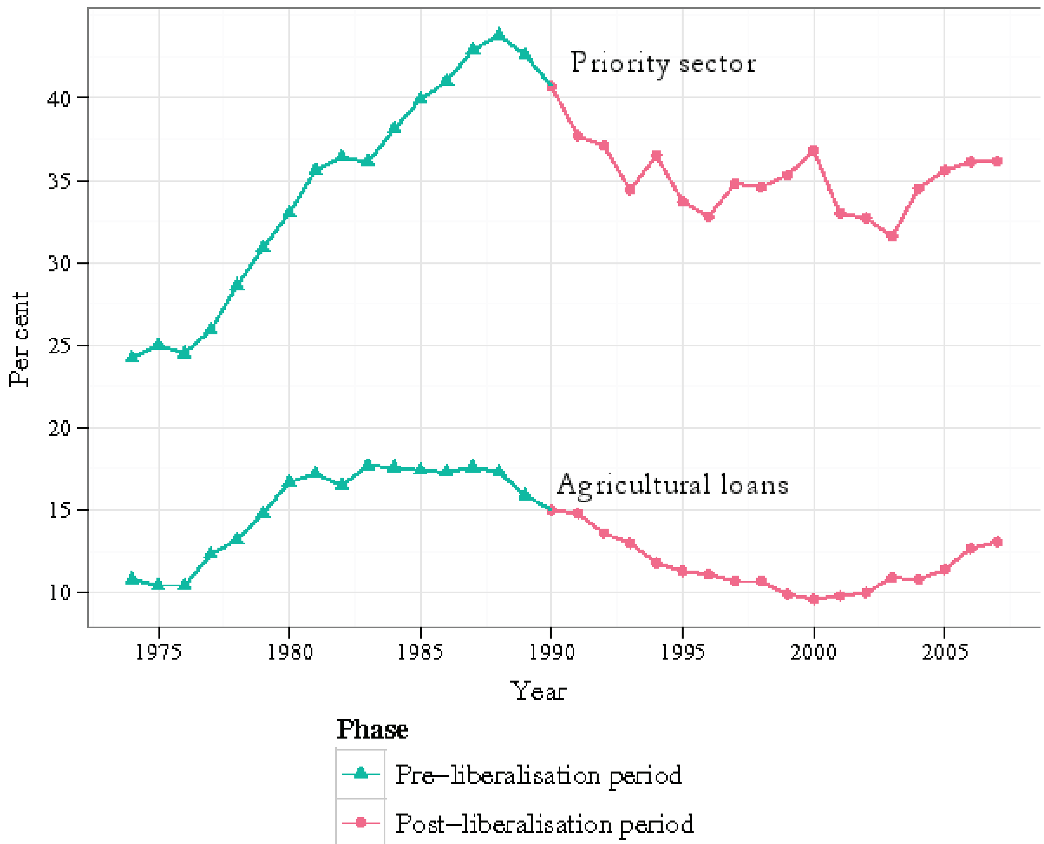
Source: *Banking Statistics* and *Basic Statistical Returns of Scheduled Commercial Banks in India,* Reserve Bank of India, various issues.

Table 7 Share of priority sector and agricultural loans in outstanding credit (percent)

Year	Priority sector	Agriculture
1981	36	17
1985	40	17
1986	41	17
1988	44	17
1991	38	15
1995	34	11
1996	33	11
1997	35	11
1998	35	11
1999	35	10
2000	37	10
2001	33	10
2002	33	10
2003	32	11
2004	35	11
2005	36	11
2006	36	13
2007	36	13

Source: *Statistical Tables Relating to Banks in India,* Reserve Bank of India, various issues.

Figure 3 Share of priority sector and agricultural loans in outstanding credit (percent)



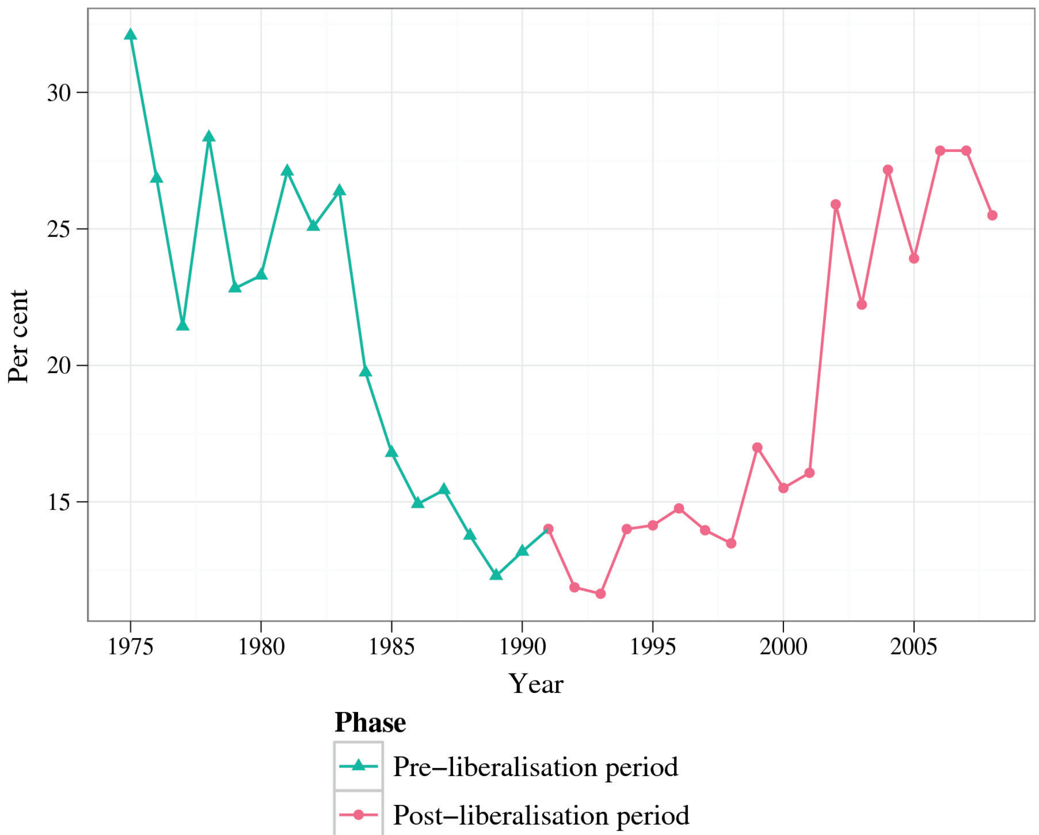
Source: *Statistical Tables Relating to Banks in India,* Reserve Bank of India, various issues.

Table 8 Share of advances to 'weaker sections' in net bank credit of public and private sector banks, 1991 to 2008 (percent)

Year	Public sector banks	Private sector banks	All banks
1991	10	5	10
1992	10	5	9
1993	9	4	9
1994	9	3	9
1995	8	3	8
1996	8	2	8
2001	7	2	6
2002	7	2	7
2003	7	2	6
2004	7	1	6
2005	9	1	7
2006	8	2	7
2007	7	2	6
2008	9	2	8

Source: Chavan (2007), and *Trends and Progress of Banking in India*, Reserve Bank of India, various issues.

Figure 4 Share of indirect credit in total agricultural advances, 1975 to 2008, percent



Source: *Basic Statistical Returns of Scheduled Commercial Banks*, Reserve Bank of India, various issues.

Table 9 Shares of the formal and informal sectors in the total principal borrowed by rural households, illustrative list of villages (percent)

Village, District, State, section of the population, year of survey	Share of total principal outstanding borrowed from	
	Formal sector	Informal sector
PANAHAR and MUIDARA, Bankura district, West Bengal, all households, 1995-96	24	76
GOKILAPURAM, Theni district, Tamil Nadu, landless worker households, 1999	22	78
BAGHRA, Giridih district, Jharkhand, all households, 2003-04	28	72
BIRDHANA, Fatehabad district, Haryana, landless worker households, 2003	8	92
DHAMAR, Rohtak district, Haryana, landless worker households, 2003	12	88
ANANTHAVARAM, Guntur district, Andhra Pradesh, all households, 2005	36	64
BUKKACHERLA, Anantapur district, Andhra Pradesh, all households, 2005	39	61
KOTHAPALLE, Karimnagar district, Andhra Pradesh, all households, 2005	22	78

Source: Contributions to Ramachandran and Swaminathan (2005) and data from the Project on Agrarian Relations in India, Foundation for Agrarian Studies.

5. The Peasantry Faces a Two-pronged Attack From Falling Commodity Prices and Rising Input Costs

It is now impossible to ensure adequate incomes among the peasantry if they are not protected from the ravages of adverse product and input markets. Most peasants are net buyers of food grain, and thus victims of inflation in food prices as well. The costs of cultivation have risen steeply, particularly in the 1990s and early 2000s. The rise in the costs of seed, fertilizer, irrigation and the use of machinery has been particularly steep in the recent period.

As a consequence of India's joining the World Trade Organization, Indian agriculture has been exposed, in a new and unprecedented way, to volatility in the international prices of food and non-food crops and, in the case of several commodities, prolonged periods of steep declines in prices (see for instance, Ghosh 2005). The most important policies of the Government of India in this regard are, of course, the removal of quantitative restrictions on the import and export of a very wide range of agricultural commodities, including wheat and wheat products, rice, pulses, edible oils and agricultural seeds, and substantial cuts in import tariffs on crops. New incentives and support to exports of agricultural commodities will inevitably have an impact on land use and cropping pattern, as will the decision to 'decanalize' and allow and encourage private agencies in the agricultural export sector.

In addition, the Minimum Support Prices (MSP) announced by the Government to ensure remunerative prices have not compensated for the actual costs of production per unit of output for most crops in a majority of States. Further, the very policy of MSP has not been implemented in most States.

This problem of peasant incomes is particularly intense in the present context of the removal of quantitative restrictions on the import of agricultural products, the emphasis on export-oriented production, and the fall in the prices of primary commodities internationally. It is not fortuitous that the 1990s, the first decade of accelerated liberalization, was also the first period since the beginning of the 'green revolution' in which the rate of growth of food grain production was lower than the rate of growth of population in India.[9]

The Left in India has demanded that the Government ensure that the costs of all inputs be controlled; that the system of MSP cover all 26 crops covered by the Commission on Agricultural Costs and Prices; that fair and remunerative prices be offered through a country-wide crop procurement system; that a universal public distribution system be established; and that the Government reverse the abolition of quantitative restrictions and raise tariffs on the import of agricultural and agriculture-related products. In the context of widespread crop damage, low yields and the ruin of vulnerable cultivators, a new demand is that a Farm Income Insurance Scheme be implemented rapidly in all disaster areas and subsequently be extended to all districts of the country and to all crops.

Our survey data from Andhra Pradesh, Uttar Pradesh and Maharashtra indicate the near-impossibility, in the present circumstances, of peasant households with two hectares of operational holdings or less earning an income sufficient for family survival. The daily per capita median income in the village with the highest median income was about Rs 24 (see Table 10).

The net annual incomes of a substantial section of the poor and middle peasantry from crop production are negative. The data in Table 12 are new and truly alarming. The Table shows that over 30 percent of cultivator-households in each of the three Andhra Pradesh households, 19 percent of cultivator-households in Nimshirgaon (a village in Kolhapur district), 18 percent of cultivator-households in Mahatwar (a village in eastern UP), 14 percent of cultivator-households in Harevli (a village in Bijnaur district in western UP) and 5 percent of cultivator-households in Warwat Khaderao (a village in Vidarbha) had negative net incomes from crop production.

Annual incomes among Dalit and Adivasi households were substantially lower than the corresponding incomes among others (see Table 11). In Ananthavaram, a multi-caste irrigated village in south coastal Andhra Pradesh, the mean annual income from crop production alone was negative (minus 624 rupees) for Dalit households and Rs 27,892 for other cultivators.

Food self-sufficiency has been a key component of India's national sovereignty, and the new trends in the agrarian regime have very serious implications for land use, cropping patterns and the future of self-sufficiency in food in India.

Table 10 Median per capita household annual and daily incomes, PARI villages, 2005-06 (rupees)

Village, region	Median per capita household income	
	per year	per day
ANANTHAVARAM, Guntur District, south coastal Andhra Pradesh	7,465	20
BUKKACHERLA, Anantapur district, Rayalaseema region, south-west Andhra Pradesh	5,968	16
KOTHAPALLE, Karimnagar district, North Telangana region, north Andhra Pradesh	5,669	15
HAREVLI, Bijnaur district, Western Uttar Pradesh	4,690	13
MAHATWAR, Ballia district, Eastern Uttar Pradesh	3,164	9
WARWAT KHANDERAO, Buldhana district, Vidarbha region, Maharashtra	7,248	20
NIMSHIRGAON, Kolhapur district, southern Maharashtra	8,792	24

Source: Survey data, Foundation for Agrarian Studies.

Table 11 Median per capita household annual and daily incomes, Dalit and Adivasi households and other households, PARI villages, 2005-06 (rupees)

Village, region	Median per capita household income		
	Dalit and Adivasi households	Muslim households	Other households
ANANTHAVARAM, Guntur District, south coastal Andhra Pradesh	6409	NA	10950
BUKKACHERLA, Anantapur district, Rayalaseema region, south-west Andhra Pradesh	4280	NA	6249
KOTHAPALLE, Karimnagar district, North Telangana region, north Andhra Pradesh	4687	NA	6121
HAREVLI, Bijnaur district, Western Uttar Pradesh	4078	4258	9143
MAHATWAR, Ballia district, Eastern Uttar Pradesh	3036	NA	3254
WARWAT KHANDERAO, Buldhana district, Vidarbha region, Maharashtra	3678	5786	8333
NIMSHIRGAON, Kolhapur district, southern Maharashtra	6011	7420	11388

Source: Survey data, Foundation for Agrarian Studies

Table 12 Proportion of cultivator-households in individual size-classes of net annual income from crop production, Andhra Pradesh villages, 2005-06 (percent)

Size-classes of incomes from crop production	ANANTHAVARAM, Guntur District, south coastal Andhra Pradesh	BUKKACHERLA, Anantapur district, Rayalaseema region, south-west Andhra Pradesh	KOTHAPALLE, Karimnagar district, North Telangana region, north Andhra Pradesh	HAREVLI, Bijnaur district, Western Uttar Pradesh	MAHATWAR, Ballia district, Eastern Uttar Pradesh	WARWAT KHANDERAO, Buldhana district, Vidarbha region, Maharashtra	NIMSHIRGAON, Kolhapur district, southern Maharashtra
Less than 0	30	36	30	14	18	5	19
0-4000	28	8	10	28	58	15	13
4000-8000	11	15	20	7	10	15	10
8000-16000	12	14	27	12	6	15	12
16000-24000	3	7	9	6	2	13	8
24000-50000	8	10	5	4	4	18	19
>50000	10	8	0	29	1	19	19
All cultivator households	100	100	100	100	100	100	100

Source: Survey data, Foundation for Agrarian Studies

6. *The Depressor Effect on Rural Employment*

As is clear from the foregoing, liberalization and globalization imply the imposition of deflationary policies on the countryside; their depressor effect on rural manual employment has been profound. The decline of public investment in agriculture, the decline in direct agricultural extension and information dissemination, and the consequent decline in agriculture itself have had a direct impact on the number of days of employment that a hired worker in rural India receives.[10]

There are not good enough macro-data on the number of days of employment, agricultural and non-agricultural, per worker per year in India. Not only do the data from the Rural Labour Enquiries appear intuitively to be incorrect, but it is also well-recognized that employment data from micro-studies show consistently lower volumes of employment than Rural Labour Enquiry data. There are, of course, major conceptual, definitional and methodological reasons for this divergence. This latter observation is as true now as it was twenty years ago.

The village data from Andhra Pradesh illustrate the scarcity of the means of employment available today to a hired rural manual worker (Table 13).

The *prospects* for employment are also disturbing indeed. Let us examine some factors that traditionally have influenced the volume of employment available to a rural manual worker.

LABOUR ABSORPTION IN RICE AND WHEAT CULTIVATION

The issues with regard to labour absorption have been summarized in Ramachandran and Swaminathan (2004). The main conclusions of that paper are that, with respect to wheat, mechanization has caused a secular decline in labour absorption. With regard to the cultivation of paddy, there has been, first, a decline in the employment of labour power per hectare. Secondly, female employment has been particularly affected by the decline in labour absorption. Thirdly, and as important, there are no viable technologies on offer today that involve higher levels of labour power input per hectare in the irrigated cultivation of high-yielding rice.

IRRIGATION

Much has been written on the causal links between an expansion of irrigation and an expansion of agricultural employment. It is entirely possible that irrigated area (groundwater- and surface-irrigated) may expand in certain regions and watersheds. Nevertheless, the question remains: given the nature of policies of so-called structural adjustment, is it likely that, in the aggregate, the rate of growth of either (i) direct or complementary investment necessary for the expansion of groundwater irrigation or (ii) direct public investment necessary for the expansion of surface irrigation (large, medium or small scale) will rise to levels that are necessary to meet the demand for irrigation (or provide for sustained increase in employment) in rural India? In an earlier period in India's development history, the answer may have been a qualified 'yes'. Given the record of sharp decline in public investment in agriculture since 1991 (see Table 3), the answer now is 'not under the present neo-liberal regime.'

Table 13 Average days of employment by type of employment, manual labour households, Andhra Pradesh Villages, 2005-06

Village	Male workers			Female workers		
	Agriculture	Non-agriculture	Total	Agriculture	Non-agriculture	Total
ANANTHAVARAM, Guntur District, south coastal Andhra Pradesh	64	42	106	65	0	65
BUKKACHERLA, Anantapur district, Rayalaseema region, south-west Andhra Pradesh	53	5	58	67	1	68
KOTHAPALLE, Karimnagar district, North Telangana region, north Andhra Pradesh	44	69	113	73	20	93

Source: Survey data, Foundation for Agrarian Studies

NON-AGRICULTURAL EMPLOYMENT

An important lesson from rural development experience in India and elsewhere in the less developed countries is that schemes for large-scale employment of hired manual workers or large-scale schemes for self-employment are necessarily *state-driven* and *state-financed*. The withdrawal of the state from state-sponsored employment schemes through the 1990s and early years of this decade is clear from Table 14.

The major change in this regard came after the passage, under pressure from the Left, of the National Rural Employment Guarantee Act (NREGA) by the present Parliament. The NREGA seeks to provide a guarantee of up to 100 days of employment per household. The scheme was introduced in 200 districts of India in 2005-06. In April 2008, the program was extended to the rural areas of all districts in the country. The most important difference between the NREGA and previous wage employment programs is that the NREGA seeks to provide a *guarantee* of 100 days of employment per household to *any* rural household that demands it. Where employment is not provided within 15 days of a demand for employment, the scheme provides for an unemployment allowance to be paid to the household that demanded work.

Data show that in 2007-08, the second full year of NREGA, about 1400 million person-days of work were generated in the 330 districts in which it was in operation in the year (Table 14). This was much higher than the work generated under previous wage employment programs. Data also show that, in 2007-08, on average, about 43 days of work were provided to households that participated in the program. The evidence suggests that in many areas where NREGA has been operational, the prospect of employment-generation under the scheme helped raise agricultural wage rates (Mehrotra 2008, Dreze and Khera 2009). It is also noteworthy that of the total employment generated under the program, the share of employment gained by women was 48 percent, by Dalit workers 31 percent, and by Scheduled Tribe workers 24 percent.

Although NREGA represents an important gain for the rural work force, we must also remember that the program provides a very limited guarantee of employment, and that it has been marred by serious obstacles and problems (Karat 2005, Gupta 2007). The implementation agencies, for example, have a restricted portfolio of works that can be undertaken under the scheme (Karat 2008). Banks have been reluctant to open zero-balance accounts for workers who participate in NREGA. In many cases, the piece-rates under the program are low and, as a result, most workers are unable to do enough work on a sustained basis to earn the statutory minimum wage (Karat 2008). The nature of work provided and the Schedule of Rates are such that they typically discriminate against women workers who, on average, earn substantially lower wages than male workers (Karat 2008; ISWSD 2007). The unemployment allowance is seldom paid and, as a result, the goal of providing a guarantee of 100 days of work per household has not been achieved in practice. Evaluations have pointed out that, in most States, implementation of the scheme is fraught with problems such as delays in the payment of wages, a lack of work-site facilities (particularly for women), and corruption in the execution of work and maintenance of records (ISWSD 2007, Dreze and Khera 2009).

Table 14 Person days of employment created through wage employment schemes in rural areas, 1990-91 to 2001-02, selected years

Year	Person days of employment under different wage employment schemes	
	(in millions)	Index
1990-91	874	100
1996-97	804	92
2002-03	748	86
2003-04	856	98
2004-05	912	104
2005-06	1116	128
2006-07	905	104
2007-08	1437	164

Source: Economic Survey, different years and Mehrotra (2008).

Notes: In 1990, the main wage employment schemes were National Rural Employment Program (NREP) and RLEGP. These were combined to form the Jawahar Rozgar Yojana (JRY). Later the Employment Assurance Scheme was introduced. In 2001, JRY was modified to Jawahar Rozgar Gram Sidhi Yojana (JGSY). In April 2002, all wage employment schemes were combined into the SGRY (Sampoorna Grameen Rozgar Yojana).

LEAVING LAND FALLOW

In situations characterized by rising costs, falling harvest-time prices, the absence of information through extension services on alternative crop-cultivation opportunities, and cutbacks in formal sector credit, cultivators may decide simply to leave land fallow. We have some documented cases of such shutdown in the *boro* season in West Bengal in 2002 (see Rawal, Swaminathan and Ramachandran 2002), in Rayalaseema in Andhra Pradesh in 2005-06 and large tracts of land left fallow even in the Gang canal region of North West Rajasthan in 2007. This decision to leave land fallow was a direct consequence of the adverse impact of current policies on cultivators of different classes.

LAND USE AND CROPPING PATTERN

It is entirely possible that cropping pattern in some areas may change, in the short or medium term, towards crops that are more labour-absorbent per hectare than crops currently grown. Such changes in cropping patterns may be a result of spontaneous forces of commercialization and crop diversification; in future, however, they may increasingly be responses to niche-market and export demand, and controlled directly by Indian or multinational corporate interests. Such changes in cropping pattern must be evaluated not only with respect to their immediate impact on employment and farm incomes but from a broader perspective on land use, food security, and the preservation of our biodiversity. Thus, if over a large tract (part of a block or sub-district, say), the cultivation of gherkins or cherry tomatoes replaces food grain or a diverse range of other crops, that change must be evaluated in terms not only of short-term gains in income and employment, but also in terms of its impact on land use, food self-sufficiency and the environment and biodiversity.

7. International Corporations and Indian Agriculture

The new trade and patent regime leaves the field of agricultural research at the mercy of multinational corporations, thus weakening public-sector national agricultural research systems and open-access international research institutions. Further, this regime infringes on the rights of farmers and indigenous plant breeders and threatens to lead, in the words of India's leading agricultural scientist, 'from biodiversity to genetic slavery'.

A significant new aspect of globalization and the agrarian economy is the new intervention by US corporations in agricultural policy and policy-making institutions. The new Knowledge Initiative on Agriculture (KIA), formally called the 'US-India Knowledge Initiative on Agricultural Education, Teaching, Research, Service, and Commercial Linkages,' seeks to tie the agrarian economy of India to US corporate interests.[11] The KIA is to support certain activities related to agricultural research, education and extension that will help bring an 'evergreen revolution' based on 'environmentally-sustainable and market-oriented agriculture.' Specifically, the KIA focuses on 'capacity-building' for education (including curriculum revision), food processing, biotechnology (particularly aimed at making transgenic crops the focus of Indian agricultural research) and water management (with emphasis on precision and high-tech agriculture).

The agreement does not cover any funding for agricultural research and education by the United States Government. In fact, while the Government of India has already pledged Rs. 3500 million for the activities proposed, there has been no commitment from the United States. Documents available in the public domain make it clear that private funding from agribusiness corporations for research in public institutions in India will be linked to patent rights and licenses on products that emerge from such research.

India's agricultural research infrastructure and institutional setup expanded greatly in the post-independence period and is unmatched across most less-developed countries. In addition to a number of central institutions under the umbrella of the Indian Council for Agricultural Research (ICAR), there are a large number of State Agricultural Universities, Colleges and other institutions of higher learning. India has more than 7000 agricultural scientists and more than 40,000 agricultural extension workers. One aspect of KIA is that it is to be a means by which US agribusiness corporations gain access to this institutional setup and pool of scientists and technological personnel.

KIA is to be designed and monitored by a governing board that has, as members, representatives of major US agribusiness and retail firms. The US side includes, among its eight members, representatives from Monsanto and Walmart and other business organiations.

It is clear that an important objective of KIA is to bring a patent-protected regime of commercial agriculture to India that will, first, attempt to meet the demand for tropical agricultural products in the developed world, and secondly, to ensure large returns to multinational agribusiness firms through patent rights on biochemical farm inputs.

8. The Public Food Distribution System Has Been Set Back by Decades

As a result of economic liberalization, major programs of food security were reversed.[12] Three key objectives of economic reforms – and these are stated explicitly in many policy documents including different Economic Surveys – have been to reduce food subsidies, to leave distribution to the market and to restrict public systems for food distribution by means of policies of narrow targeting.

Specifically, the central government introduced a policy of narrow targeting of the public distribution system (PDS), one of the pillars of food security policy in India. The PDS is a rationing mechanism that entitles households to specified quantities of selected commodities at subsidized prices. In most parts of the country, up to 1997, the PDS was universal and all households with a registered residential address, rural and urban, were entitled to rations. In 1996-97, a new system, the Targeted PDS, was introduced.

The implementation of the Targeted PDS led to the large-scale exclusion of genuinely needy persons from the PDS. Recent evidence from the 61st Round of the National Sample Survey, conducted in 2004-05, make it clear that a large proportion of agricultural labour and other worker households, of households belonging to the Scheduled Castes and Tribes, of landless and near-landless households, and households in the lowest expenditure classes, are excluded from the PDS today. Swaminathan (2008b) defines households without a ration card or with an APL (Above Poverty Line) card as those effectively excluded from the PDS and those with a BPL (Below Poverty Line) card or an Antyodaya ('poorest of the poor') card as those effectively included in the PDS.[13] By this definition, the data show that there were only four States out of 27 (Tamil Nadu excluded) in which two-thirds or more of agricultural labour households were effectively included and 33 percent or less were effectively excluded from the PDS. These States were Andhra Pradesh, Karnataka, Jammu and Kashmir and Tripura (Table 15). *The all-India data indicate that 52 percent of agricultural worker households were effectively excluded from the PDS*. The effective exclusion was 71 percent in Bihar and 73 percent in Uttar Pradesh.

The exception is Tamil Nadu, which is the only State to have a universal system of PDS with rice available at Rs 2 a kilogram (reduced on 15 September 2008 to 1 rupee a kg) to all card-holders.

Table 15 Distribution of agricultural worker households by possession of ration card, all States, rural areas, 2004-05 (percent)

State	Included in Public Distribution System	Excluded from Public Distribution System	All
Andhra Pradesh	71	30	100
Arunachal Pradesh	11	89	100
Assam	31	69	100
Bihar	29	71	100
Chhattisgarh	54	46	100
Goa	39	61	100
Gujarat	62	38	100
Haryana	49	51	100
Himachal Pradesh	47	53	100
Jammu & Kashmir	68	32	100
Jharkhand	33	67	100
Karnataka	70	30	100
Kerala	53	47	100
Madhya Pradesh	51	49	100
Maharashtra	50	50	100
Manipur	4	96	100
Meghalaya	61	39	100
Mizoram	15	85	100
Nagaland	0	100	100
Orissa	60	40	100
Punjab	23	77	100
Rajasthan	32	68	100
Sikkim	58	42	100
Tripura	67	33	100
Uttar Pradesh	27	73	100
Uttaranchal	43	57	100
West Bengal	47	53	100
All - India	48	52	100

Source: National Sample Survey 2008, cited in Swaminathan 2008b.

Note: 'Excluded' indicates a household with either no ration card or an above-the-poverty-line ration card; 'included' indicates a household with either a below-poverty-line or Antyodaya ('poorest-of-the-poor') ration card.

Targeting has affected the functioning and economic viability of the PDS network adversely and has weakened the public food delivery system. (The impact has been severe in a food-deficit state like Kerala – a state renowned for its well-functioning PDS before the introduction of targeting – where there has been a sharp decline in the quantity of grain sold through fair-price and ration shops.) Further, the Targeted PDS has failed to achieve the objective of price stabilization by means of a transfer of cereals from surplus to deficit regions of the country.

While the size of subsidies – including food subsidies – is frequently criticized by the 'reformers,' in reality, aggregate food subsidy has declined in recent years. The food subsidy, as defined in the Government of India's budget (the operational deficit of the Food Corporation of India), remained at an average of 0.6 percent of GDP from the mid-Sixties to the end of the 1990s. Between 2002-03 and 2006-07, the food subsidy bill shrunk in absolute terms, from Rs 24,176 crores in 2002-03 to Rs 23,828 crores in 2006-07 at current prices. As a share of GDP, food subsidies fell from 0.99 percent in 2002-03 to 0.5 percent in 2007-08.

In the last few months, the situation has changed; stocks of food grain with the Government have risen. In December 2008, rice and wheat stocks with the Government of India were 29.8 million tonnes against a buffer stock requirement of 16.2 million tonnes, that is, a surplus of 84 percent. The rise in stocks is the combined outcome of increased procurement and reduced distribution.

Table 16 Central budgetary support for food subsidy, current prices, 2000 to 2007

Year	Food Subsidy (in 10 million rupees)	As percent of GDP
2000-01	12010	0.57
2001-02	17494	0.77
2002-03	24176	0.99
2003-04	25160	0.91
2004-05	25800	0.83
2005-06	23200	0.66
2006-07	23828	0.62
2007-08	25425 (budgeted)	0.54

Source: Government of India, *Economic Survey*, different years

After the recent general elections, the Government of India announced that it would draft a new National Food Security Act. The Government of India's proposal for legislation as elaborated in a note circulated to all state governments has been criticized by the Left opposition in the Parliament as continuing the policy of exclusion and narrow targeting, of over-centralizing policy decisions with regard to food, and of allocating insufficient grain through the public distribution system.[14]

The policies of large-scale exclusion of households from the PDS and continued cuts in allocation of food grain to States thus remain unchanged. It is clear that the objective of ensuring food security to all continues to be off the agenda of the Central Government.

9. The Impact of the Left on National Rural Policy Over the Past 4.5 Years Has Been Limited, But Significant and Distinct

First, continuous agitations by the Left in Parliament and by means of direct action slowed down the sharp decline in public expenditure and the rapid dismantling of the structure of public banking.

Secondly, the most important nation-wide development intervention of the present government, the National Rural Employment Guarantee program, was directly the result of Left intervention and pressure.

Thirdly, the most important legislation directly affecting the right to livelihood of the Adivasi people, the Scheduled Tribe and Other Forest Dwellers (Recognition of Forest Rights) Act, was spearheaded by the Left in Parliament, and would never have become law without the attention to detail of the Left MPs, and without the struggles for forest rights of Left-led mass organizations.

10. Some Concluding Notes

In conclusion, there are three features of the current situation that we shall highlight. First, the major force on the Left in India considers the Indian state to be the organ of the class rule of the bourgeoisie *and landlords*, led by the big bourgeoisie, who are in increasing collaboration – as a junior partner or *subordinate ally* – of imperialism. This is the view of the state that informs this paper, and we cannot emphasize enough that nothing in the present situation has undone *landlordism* as a fundamental barrier to agrarian and general social progress. By this view, the agrarian question has been, since Independence, and remains, the major national question in India. Any resolution of the agrarian question requires revolutionary change, including agrarian reform that targets landlordism, moneylender-merchant exploitation and caste and gender oppression in the countryside. Neo-liberalism has not lessened the tactical or strategic importance of this contradiction; recent developments have sharpened the contradiction rather than blunted it.

Secondly, since 1991, state intervention and the part played by imperialism in the countryside – that is, the class policies of the state in rural India – have taken qualitatively new forms. As we have seen, state policy has acted as a vast depressor, reversing policies of administered agricultural input costs and output prices, scaling down public investment in rural physical and social infrastructure, dismantling the institutional structure of social and development banking, withdrawing quantitative restrictions on the import of agricultural products, restricting the public distribution system, and undermining national systems of research, extension and the protection of national plant and other biological wealth.

Thirdly, globalization does not flatten out all local landscapes – the problems of the uneven development of capitalism have been *accentuated* under neo-liberalism. In the present situation, we need to study the common features of imperialist globalization and the transformation of rural societies – including the impact of globalization and liberalization – in *specific* situations.[15]

The current situation thus raises a crucial issue for those involved in the movement for radical, progressive rural change in less developed countries. The solution to the agrarian question involves both direct class struggle in the diverse conditions of the Third World countryside (in the Indian context, it involves the struggle against landlordism, moneylender-merchant exploitation and caste and gender oppression) *as well as* the struggle against the new onslaught by imperialism and domestic bourgeoisies. How the links are to be made between the different aspects of the struggle for agrarian change is a crucial issue of theory and practice for the future of democratic movements in the Third World countryside.

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NOTES

[1] A detailed evaluation of the legislation is in Ramachandran and Ramakumar (2000). See also Ramachandran and Swaminathan (2002), Hirashima (2000).

[2] For a discussion of the problems of the NSS database on ownership and operational holdings of land, see Rawal (2008) and Bakshi (2008).

[3] The village with the lowest concentration of ownership of land holdings, Dungariya in Rajasthan (row 8), is an Adivasi village in southern Rajasthan. The data from this village, where the development of the productive forces in agriculture has been relatively low, show that while differentiation in the distribution of holdings among the peasantry does exist, it is of a lower order than elsewhere.

[4] The All-India Kisan Sabha (or Peasant Union) is the largest organization of the peasantry in India. It has over 20 million members.

[5] While private investment rose in the 1980s and 1990s, it was by no means adequate. The share of agriculture in aggregate capital formation fell from 14.6 in the 1970s to 7.1 in the 1990s (Thulasamma 2003). It follows that the situation with respect to the expansion of irrigated area (and the lack of access of small cultivators and the landless to irrigated land) is a serious and disturbing aspect of the present situation.

[6] Ramachandran and Swaminathan (2005) and the references in Chavan and Ramakumar (2007).

[7] See Chavan and Ramakumar (2007) and Ramachandran and Swaminathan (2005).

[8] The following parties comprise the Left in the two Houses of the Parliament: the Communist Party of India (Marxist), the Communist Party of India, the All India Forward Bloc, and the Revolutionary Socialist Party.

[9] The rice economy of India has been particularly stagnant over the past two decades (see for instance, Surjit 2008).

[10] For a detailed discussion of neoliberal economic policy and rural employment, see Ramachandran and Swaminathan (2004).

[11] On this, see Rawal (2006) and Purkayastha (2006).

[12] For the data in this section, see Swaminathan (2008b); see also Swaminathan (2000).

[13] In 1997, the Public Distribution System was changed to Targetted Public Distribution System under which subsidized food grain are provided only to those households that were given BPL (Below Poverty Line) cards. Above Poverty Line households have a smaller entitlement and are provided food grain without any subsidy.

[14] See the Resolution adopted at the National Convention for the Right to Food and Against Price Rise 26 August, New Delhi. http://www.cpim.org/statement/2009/08262009-food-conv-res.pdf.

[15] In an important paper, T.J. Byres has argued against 'determinism' with respect to globalization, and of ignoring (as did dependency theory in an earlier period) the 'specificities and substantive diversity' of capitalist development in specific areas (Byres 2002).

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