

## Is Rural Economy Breaking Down?

### Farmers' Suicides in Andhra Pradesh

*Farmers' suicides represent only the tip of the iceberg. To attribute the rural crisis entirely to poverty and drought would be an oversimplification of the situation and the several ways in which village economy is under stress today. Hastily announced relief packages do not address this complex situation.*

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Andhra Pradesh, applauded by every visiting dignitary for its reformist and hi-tech approach to governance, has been in the news, but this time for a different reason. Heavy debt and acute poverty have forced many a farmer in the state to take the extreme step of committing suicide. In his first visit outside Delhi as prime minister, Manmohan Singh met some of the affected families and consoled them with a great deal of compassion and kindness.

Manmohan Singh visited two villages, Somayajulapalli in Kurnool district and Dharmapuri in Mahbubnagar district. On the spot, he announced a generous package of assistance to the aggrieved families. The package included cash grants, allotment of rice, fresh bank loans, financial help for educating the children of the individual families, etc. There are other schemes sanctioned for these two villages. They included food-for-work schemes, minor irrigation tanks, road works, drainage improvement schemes, drinking water facilities, hostels for school-going children, upgradation of the local schools, etc. The package even included the construction of a panchayat building in one of the two villages. By any stretch of imagination, the aid package is truly impressive and should go a long way in ameliorating the plight of the residents of the two villages.

Even as Manmohan Singh was announcing assistance for the two villages he could visit, yet another farmer consumed pesticide and ended his life in Narapuneni, a village located in Wyra mandal

in far away Khammam district in the same state. A couple of days later, seven deaths were reported, three from Nizamabad district, one from Rajahmundry, two from Cuddapah district and one from Anantapur district. Will Narapuneni and the other unfortunate villages have to await the visit of the prime minister or some other dignitary to secure the same assistance as has been provided to Somayajulapalli and Dharmapuri? Are the central and the state governments financially capable of replicating what they did in the two villages in Kurnool and Mahbubnagar districts? Do the relief packages announced in those two villages address the real problems that are plaguing the village economy in Andhra Pradesh and elsewhere? Does the state government have a well thought out strategy to be able to anticipate the impending problems in the other villages in the state and take preventive steps to contain the crisis? Perhaps not.

To appreciate the nature and the magnitude of the problem of farmers' suicides in the state, one needs to understand the several ways in which the village economy has come under stress today. Of course, governance in the rural areas has deteriorated as a result of concentration of authority at the state headquarters and the near absence of community participation in decision-making. Despite all the hype about a shining India and despite the elitist drawing-room discussions about 'reforms', the model of development that we have adopted has hardly benefited the poor; in fact, there are many instances in which it has hurt them, as we will see shortly. Then, there is this silent process of

commercialisation in almost every sphere of the rural economy, that has eroded the legitimate entitlement of the poor to the common natural resources that are available in limited quantities. To attribute the crisis entirely to poverty and drought would therefore amount to oversimplification of an otherwise complex situation. Drought could certainly be one factor that could accelerate the crisis. However, the problems faced by the poor in many villages in AP and, for that matter, in many other states in the country, are far more complex and deep-rooted than what is being made out and need to be tackled in a more holistic and strategic manner than what is being done at present. The best way to appreciate the multiple dimensions of the rural problem is to discuss it with the help of a few examples of distress.

#### Free Power

During Manmohan Singh's visit to Dharmapuri village, one debt-ridden farmer, Manikya Naik threatened to commit suicide at a nearby location, saying that his jowar crop was about to wither away due to delayed monsoon. Apparently, his family borrowed heavily for sinking a bore well but, when the well turned out to be dry, his wife committed suicide a few days earlier. Manikya Naik's case is typical of the way the farmers are being motivated in the state to switch over to water-intensive crops and the way the state government has utterly failed in regulating the exploitation of the scarce groundwater resources in different parts of the state. The promise of free power to the farmers is a good political strategy but, in a situation in which there is practically no regulation of the way groundwater is being exploited, its long-term socio-economic implications could be disastrous.

There is yet another dimension to this. Since sinking a bore well involves a heavy investment upfront, it is the rich and the affluent farmer that goes in for it, whereas the small farmer continues to depend on the shallow dug well that has been in existence for decades. Bore wells drain much larger quantities of water and it is usually from the same aquifers that feed the dug wells. It is the small farmer that gets adversely affected in the village when

the richer farmers install bore wells fitted with electric motors. Strangely, it is the affluent farmers owning bore wells and electric motors that corner most of the benefit of electricity subsidy. Ironically, they in turn sell their surplus water to the adjacent small farmers at commercial rates. There are a few small farmers who have tried to take loans from the banks and moneylenders to invest on bore wells but most certainly, they meet with the same fate as Manikyam Naik and his family.

The story of the bore well does not end here. The craze for bore wells, largely supported by the successive governments in the name of promotion of irrigated agriculture, further motivated by the subsidised electricity tariff for agriculture, has induced the farmers to switch over from secure food crops to more uncertain cash crops such as sugar cane, sunflower and cotton that involve heavy investments. In many cases, this has driven the unfortunate farmers into debt. Usually, the farmer loses his bargaining position in selling his produce, as he may have to hand it over to his creditor at a less than the market price. A crop failure or a steep fall in the market price in any year could damn the plight of the farmer. Water management and cropping patterns are matters that need to be carefully analysed with reference to their long-term distributive implications in the rural areas.

Is the government prepared to review its policies vis-a-vis water management, electricity tariffs and the cropping pattern in an integrated manner that safeguards the interests of the small farmers? There is nothing wrong in giving subsidies to the poor but the way they are directed and delivered is an important issue to be considered.

The expenditure on health is another item that seems to add further to the debt woes of the rural households. The public health care system in the state is underfunded and ill-equipped. While the rich and the influential largely corner the benefits of public health care, the poor are forced to approach either quacks that worsen their health problems or private hospitals that mislead and fleece them. For example, it is reported (*The Hindu*, June 1, 2004) that hospitals in some districts in AP did not have adequate supply of anti-rabies vaccine for the last nine months or so. Dog-bites are commonplace in the villages and the victims are forced to pay a heavy price for the vaccine or approach quacks whose treatment could be life endangering.

With the large-scale entry of private hospitals, the situation has become worse

for both the rural and the urban poor. It is not uncommon to find touts going about in villages, looking for unsuspecting patients to be admitted to some well known but unethical private hospitals. It is widely known that such private hospitals tend to subject their patients to a variety of expensive but avoidable tests. The cost of treatment in these hospitals runs into lakhs of rupees, beyond the means of any poor villager. No wonder they fall into heavy debt.

Would the government be prepared to strengthen the public health care system so that it could provide cost-effective health cover for the rural poor? The government may have to rethink on the need to embrace the 'user charge' model and the need to introduce more and more private players in the rural areas.

### Non-Farming Community

Would the government also assume responsibility for regulating the private players? It is not the farmer alone that is affected as a result of the crumbling of the village economy. There is also a large non-farming community that depends indirectly on agriculture. The artisans who make ploughs, carts and other implements needed in traditional agriculture are usually paid for their work in kind, that is, paddy. When agriculture gets mechanised, it no longer requires these traditional skills. For example, diesel-based and electric pumpsets replaced the traditional water lifting devices that needed inputs from the local carpenters and blacksmiths. The entry of the tractor replaced the plough and the bullock cart which are the mainstay of the local carpenter. P Sainath (*The Hindu*, June 26, 2004), portayed the heart rending story of Bangaru Ramachari, the sole carpenter in Mukundapuram village in Nalgonda district who died of hunger, unable to make both ends meet, when the demand for his services declined as a result of mechanisation of agriculture in the village. In the recent times, the local artisans including potters, blacksmiths, toy makers, leather workers and others have become either underemployed or totally unemployed. In a traditional caste-ridden society, it is not easy for the artisans to be resilient and shift to different professions. They usually do not have the wherewithal to invest on new equipment and new skills. Without external help, they fall easy prey to the local moneylender.

Is the government sensitive to the trauma faced by the rural artisans as a result of

mechanisation that is slowly displacing traditional skills? Is there a strategy to upgrade the skills of the artisans and rehabilitate them in more gainful activity that would enhance their incomes?

The village economy is under threat, not only in the Telengana districts of the state but everywhere else. For example, an informal conversation with the fishermen in the coastal villages of Visakhapatnam shows that the smaller fishermen's families are as indebted as the small farmers and artisans in the interior villages. The entry of trawlers that can traverse larger areas and draw support from high technology for tracking fish has deprived the small fishermen of their legitimate catch that is their livelihood, irrespective of the claims made by the government that it has regulated the movement of these trawlers. The plight of the smaller fishermen depends on the daily catch they can get and the price at which they can sell the fish in the market. The rewards are never commensurate with the risks involved and the fishermen are forced to go deeper and deeper into the sea to get a worthwhile catch. They need credit to cover their day-to-day requirements. The loans provided by the banks to the smaller fishermen are not sufficient and they do not reach the beneficiaries on time. Most fishermen's families are therefore forced to approach the moneylender. In addition to the traditional moneylender, there are more resourceful moneylenders today, who move on motorcycles and cover more villages. Many fishermen's families are illiterate and they find it difficult to verify the interest charges and the large repayments demanded by this new breed of moneylenders but their need for credit is such that they have no other alternative. If there are no suicides reported from these villages, it does not mean that they are comfortably placed. It speaks more about the sheer strength of their will power and their never-give-up attitude.

Would the government care to regulate or even reduce mechanised fishing and safeguard the interests of the smaller fisher-folk? Would it be prepared to upgrade the skills of these small fishermen, provide them the necessary capital assets and graduate them to more remunerative fishing?

The indiscriminate manner in which housing schemes are being implemented in AP and the other states is another factor that has indirectly led to enhanced indebtedness among the villagers. These schemes are based on standard designs that are

inherently cost intensive. The beneficiaries have no choice in changing the design or choosing the material. These standard designs are centrally finalised, more to suit the needs of the local contractors and suppliers of material, rather than what is specifically needed by each individual family. The beneficiaries are lured by the grant assistance that is offered, unmindful of the additional costs that they would have to incur as the construction work progresses. In most cases, the beneficiaries take further loan assistance from the moneylenders at exorbitant cost. Once the house construction work is completed, the burden of maintaining the structure falls on the beneficiary who has no means to raise resources for meeting the expenses. In the villages, the returns from housing are negligible. Many housing schemes, inaugurated by the politicians and bureaucrats with a great deal of pomp and visibility, have become dilapidated due to lack of maintenance. The beneficiaries end up with a shelter that they can hardly afford and a debt burden that they cannot service.

Instead of imposing standard housing schemes on the people, it should suffice if the intended beneficiaries are assigned house plots. If they are provided sustainable income generating schemes, it is for them to set up shelters they can afford. The presence of the contractor needs to be eliminated. Would the government move away from these target-based standard housing schemes to more beneficiary friendly approaches?

A basic issue here is the efficacy of the existing network of institutions that provide credit to the rural population. The large network of banks and cooperative institutions that exist in the rural areas today are supposed to provide the rural community with credit on efficient terms and wean the population away from the villainous moneylender. Moneylending that is not specifically authorised is considered illegal. However, there are more private moneylenders today than at the time of independence. In many respects, the farmer and the artisan find the moneylender more customer friendly than the banking institutions that are readily available, despite the fact that the interest rates charged by the former are far more stringent. This raises serious questions on the need to institute alternate systems of delivery of credit in the villages.

During the PM's visit to AP, one of the announcements made was to upgrade the local schools and provide financial help

for education. It is well known that the previous government in AP raised the expectations of the people that IT would provide well-paid employment in hundreds and thousands. Many institutions, small and big, have sprung up like mushrooms in every nook and corner of the state, offering computer courses, the quality of which is often doubtful. As a result, many aspiring students moved away from vocational courses and opted in favour of any course that used a computer and merely taught the basics of IT. With their expectations jacked up, a large number of those students have preferred to remain idle than to pursue other vocations that are more useful in the rural areas. One parent from a not-too-well-to-do rural household in AP mentioned recently that this so-called IT education had even hiked up the quantum of dowry, irrespective of whether the boy was gainfully employed or not. This could be yet another factor that could add to the debt burden of the rural families that are looking for bridegrooms in the villages. Would the government regulate the indiscriminate growth of educational institutions, especially those that offer pseudo-IT courses? Would the government try and match the output of the educational institutions with the needs of the rural areas?

Finally, one component of the aid package offered during Manmohan Singh's visit to AP was to provide a panchayat building for Dharmapuri village in Mahbubnagar district. Panchayats have a constitutional status and, if they are allowed to function as they should, they could trigger collective action among the village community for solving many of the problems referred above. However, many state governments including AP are reluctant to empower the panchayats and facilitate local democracies to function. In the name of federalism, they have even questioned any initiative taken by the centre to strengthen the panchayats. It will be a sad day when Dharmapuri has a good panchayat building but not a functioning panchayat. Would the states undertake to empower the village panchayats as envisioned in the Constitution?

This discussion shows how closely interwoven are the different economic activities in a village and the plethora of factors that contribute to rural indebtedness. First of all, the absence of strong representative institutions at the village level inhibits local initiatives that could anticipate and contain many of these

problems. The crucial need is therefore to empower the local communities. Secondly, the village economy is under a great deal of stress due to the onslaught of mechanisation that seems to attack the very principle of entitlement of each and every family to the limited natural resources that are available, for example, entitlement of the small fisherman to the marine resources, the entitlement of the small farmer to the groundwater resources, etc. There is urgent need to define and protect these entitlements, especially to safeguard the interests of the poor. The fiscal and other economic policies of the government need to be reoriented in line with this. If the country ever required any reform, it should first address these issues, rather than cajoling and nurturing the SENSEX or laying a red carpet to please foreign investors. Those who tout 'reforms' in this country are not the ones that understand the real problems of this country. Western models of reform serve the self-interest of the developed countries, not the needs of the developing world. Those who wax eloquent whenever they refer to privatisation should remember how socially insensitive were corporate bodies like Enron and Tyco, in their own respective countries.

The six-month moratorium on loan repayments legislated by the state government recently is a good interim measure of relief but the government should put in place a far more comprehensive strategy to be able to contain this crisis that is about to erupt anytime, in many parts of the state. Many small farmers in north coastal districts of AP are selling whatever little land they possess in distress and migrating to cities as daily wage workers. It is not uncommon these days to find small children, both boys and girls, working as labourers at construction sites in the cities. These are disconcerting trends that cannot be ignored. The situation in many villages has become so fragile that one or two droughts and consequent crop failures could easily devastate their economies.

The crisis in AP could easily arise in many other states as the agrarian conditions in those states are no better. Farmers' suicides represent only the tip of the iceberg and the need of the hour is that the centre and the states should chalk out a comprehensive strategy to contain the crisis without any further delay. And even as this is being written, the newspapers continue to report more and more suicide deaths in the villages of Andhra Pradesh. **[EW]**