Vol XV
No. 1

ISSN 0019-5014

CONFERENCE
NUMBER

JANUARY-
MARCH
1960

INDIAN JOURNAL OF AGRICULTURAL ECONOMICS

INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

INAUGURAL ADDRESS

By

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It gives me particular pleasure to be here in Baroda to inaugurate this Session of the Indian Society of Agricultural Economics because the earlier years of my career as a public servant, when I was brought face to face with the problems of rural economics, were all spent in the near vicinity of the old Baroda State. Over 30 years ago, when I was serving as a young Revenue Officer in the district of Panch Mahals, I had often occasion, in changing camp from one village to another, to ride through Baroda territory. There were some noticeable differences then between the villages of Baroda State and of Panch Mahals ; the Baroda villages I passed through seemed tidier, the houses somewhat more prosperous and the people generally somewhat more self-confident. I did not then realise that my old friend Sir Manilal Nanavati who happily continues to be the life and inspiration of this Society and to whom the country owes a debt of gratitude for the stimulus he has given to the study of rural economic problems, had a great deal to do with the direction and tempo of administration and the whole process of rural development in the State. It did not occur to me that the difference in economic conditions was due to the fact that the basic problems of rural economics were being tackled in one area with drive and imagination and largely ignored in the other.

In reality, with the exception of some isolated pockets where there happened to be officers with unusual imagination and foresight, the administration, whether in the old British India or in the Indian States, had little relation to the problems of rural economics. To the vast majority of District Officers the daily preoccupations continued all the time to be those pertaining to routine administration; the collection of land revenue and everything that was incidental to this, such as the maintenance of records, the resolving of individual land disputes, the periodical settlement of assessments and, in general, the preservation of the status quo. The fundamental problem of the poverty of the people, and examination of its causes and the possible steps that could be taken to eradicate it were, for the most part, outside the purview of district administration 30 years ago. It is true that there was a co-operative department. But it worked in isolation, and the Collector did not come into contact with it except when a sale had to be effected in collection of adjudicated arrears. There was also an agricultural department; but the staff was pitifully small and it also worked in isolation. It was never suggested to me by anybody that in the Broach District, for instance, a predominantly cotton-growing area where I served for two years, it was any part of my duty to examine the manner in which the cotton cultivator financed his production, the fairness of the price he obtained from his financiers when the crop was ready, or the effect on his economic status of the whole set-up for the ginning and marketing of cotton. Nor, I deeply regret to say, did I think of this myself. There was no question of callousness, no question even of indifference. The men at the top of district administration were fundamentally decent and kindly people who were carrying out, loyally and ably, certain duties that were cast on them. But these duties were circumscribed by a philosophy which, whatever may have been its

historical origin, was hopelessly inadequate and, perhaps, could not have been anything else under foreign rule. In essence it meant that a certain scheme of things had been in existence and the task of administration was to cause the least possible disturbance to this scheme.

There were, of course, people outside the administration who were deeply disturbed by the basic problems of rural poverty. Romesh Chander Dutt and Dadabhai Naoroji had drawn pointed attention to it. But the person who brought it to the forefront, who said time and again that the eradication of poverty in the country—which meant, for all practical purposes, the eradication of poverty in the villages—was the central problem of Government and all public activity, was Mahatma Gandhi. But it was inevitable, in conditions that then existed, that the enunciation of the problem should acquire heavy political overtones and should, in fact, be submerged by them. At the time I joined service the rumblings of the Bardoli satyagraha could already be heard; and at the time I was a district officer in this part of the country, the historic fight led by Sardar Patel had reached its climax. But although the dispute arose over a problem of revenue assessment, it very soon resolved itself, of necessity, into a political struggle between a party representing the overwhelming mass of peasantry on the one side and a foreign Government on the other. I happen to have known personally several of the people engaged in the conflict on the side of Government. Most of them were kindly humane people. But it did not appear that they were aware—and certainly few of us, younger officers in the services were aware—that what we were witnessing was the beginning of an historical process by which the problem of rural poverty would become the core of the thinking, the planning and the administration of the country.

Today a basic change is evident; and this change has taken place only since Independence. The problem of poverty occupies the central place in the thinking and activity of Government. This is fundamentally the result of a continuous drive from the top. The Prime Minister, for instance, has been saying day in and day out, that the basic problem of the country is the eradication of the grinding poverty of the masses; and every step that has been taken since Independence has had the effect of emphasising this task as the very essence of administration. Consequently the head of the district administration is today no longer merely the collector of taxes or the authority for the maintenance of law and order; his principal pre-occupation is community development in the rural areas.

I hope you will not regard it as an extravagant argument if I say that there is a close parallel between the nature of the task that had to be undertaken by the British authorities in the early period after they acquired power and the task that has befallen to Governments in India since 1947. When the British found themselves the overlord of the country, the main task before them was to establish a system of administration that would ensure that both in the field of law and order and in the field of taxation—the twin pillars of any ruling authority—the policy dictated at the top was transmitted with speed to the remotest village and implicitly carried out. The policy at the Government level has today become more complex. The nature of the administrative task of Government is, however, the same, *viz.*, to ensure that this new policy is likewise transmitted to the remotest corner and implemented loyally and efficiently. It would be a serious error to

underrate the importance of this task by assuming that policies made at the top will be carried out with any degree of automaticity.

The British had much the simpler task. It consisted in establishing a structure of rural administration involving a survey of fields, their classification and assessment and the simplification of the old system of taxation. There was no question of disturbing the social structure or of causing changes in the psychological approach of the villager to economic problems. But even their simpler task encountered serious initial difficulties and it was not till a few years had elapsed that the administration was firmly set in the pattern that the British authorities wanted. For example, in 1827, Mr. Pringle, the Assistant Collector of Poona, was asked to devise a system of survey and settlement for the Poona and surrounding districts. The story of the efforts that he made to introduce the new administrative system makes absorbing reading. The initial results were a failure. The survey was defective and, in many cases, so vitiated by fraud that Mr. Pringle had to prosecute several of his subordinates. But in due course a good job was done ; and we are today enjoying the benefit of this in a proper survey and record which form the administrative basis of rural economic study. The task of thus translating into reality the ideas of Mount Stuart Elphinstone in the field of administration was only achieved by a systematic drive to which the best brains were devoted, right from the top. The objectives today are very much more complex in that they involve fundamental changes in social attitudes—to replace the belief among people that poverty is preordained by the belief that hard work can help in eradicating it, to inculcate a feeling for the village as a whole rather than a consciousness of loyalty only to the caste or to the individual family, to inspire a feeling of dignity for labour among communities that have hitherto thought they were socially above it, to spread a consciousness of the benefits of modern technology, to make the official class feel that their task is not mere routine but a dedication to the building of a new India. We are today in the same initial stage of difficulties and mistakes as the British originally were. They succeeded in building up what, from their limited point of view, was a magnificent administrative machine. The question is whether we can achieve an equal degree of success in the task of fashioning a machine that will respond to the new impulses of a national Government dedicated to the task of improving the lot of the common man.

II

The first thing to do in this connection is to ascertain the facts. The evaluation Division of the Planning Commission prepares periodical assessments of the community development programme. These assessments are carried out with a great deal of objectivity. Perhaps one criticism that could be made against them is that as they are made by Indians who are impatient for progress and, therefore, somewhat hypersensitive to delays and incompetence, are excessively severe. An assessment by foreign experts may be assumed to give us a more sympathetic view of the progress we have achieved. Fortunately, such an assessment is now available. The Government of India had asked the United Nations Technical Assistance Administration to send out a mission to make a broad assessment of the results so far achieved by the community development programme in India. The report of this Mission has been recently published and well re-

pays study. The central point of their assessment is that there is "a widespread confusion in India between what is intended and what in fact exists."

"It seems to be a law of human relationships" they say "that, as a staff of a service department grows, involving more and more supervision by a constantly growing number of supervisors, the whole staff grows increasingly further away from the grass roots level of the conditions which must be improved."

The pertinence of this law is clearly demonstrated in the Indian community development programme. The rapid growth of the community development staff has meant that they have moved increasingly further away from the original impetus and clarity of vision of the former small circle of community development workers. Hence there has arisen a need for a "philosophy of community development couched in general terms, which sometimes seem remote from village realities."

"As regards the lines of communication between the top level and the village level, they exist administratively, in the ordered hierarchy of official responsibility for action, worked out in detail—in far too great detail—at every level. There may, however, be some lack of understanding among the top level officials about how to transmit their new thinking about community development to all the officials below them, or the very size of the official community development machine may make this particular kind of communication difficult; at any rate, the existing lines of communication seem to be blocked. Many, perhaps the majority of, community development officials are, on the whole, out of touch with village expectations. Officials regard their function as being mainly to instruct and to "organize", and seldom to sit patiently and listen until the slowly formulated realistic thoughts of the villagers come to the surface. This patience and capacity for listening to villagers is brilliantly demonstrated by some of the very top level officials. But while they sit quietly and wait for the villagers to speak, a flock of minor officials buzz around, wanting to demonstrate their activities, to push plans and figures under the eyes of the high official and prove that they have been "on the job".

The Mission found several examples of the ways in which "the lines of communication from the top downwards through all the echelons of community development officials are blocked...."

"Until these lines of communication are opened up, and the free flow of ideas can be assured from the very top level down through all the ranks of officials, and from the village level up through the ranks of officials, the whole community development programme cannot be, in the words of the latest community development report, "revitalized". The vitality is there at the very top level, and to an increasing extent in the villages themselves. But some kind of drastic change involving a more alert and open mind, and a real desire to get alongside village people, has to take place among the community development officials at every level above the village level worker, and including, sometimes, the village level worker himself."

The following is a concrete illustration, chosen at random from the Report, of the gap that exists between what is intended and what exists. Here is what the Mission say about minor irrigation systems :

"The use of such systems has at least four main advantages over large-scale operations : (1) the cost per unit of surface area is, as a rule, lower, often very much lower ; (2) they can be installed with no greater outlay than the use of "concealed productive forces", *i.e.*, labour otherwise idle ; (3) with next to no expenditure of public funds—amounting in many cases, to no more than the mere cost of technical supervision ; and (4) since the benefiting peasants feel themselves to be the "owners" of the installations, they are far more willing than they would otherwise be to carry out the necessary maintenance work.

"Despite urgent appeals by the Governments of India and of the States, past and present performance on those lines through community development programmes has been affected by factors mentioned below. In many blocks, achievement amounts to no more than 30 to 40 per cent of the original targets, and in some areas, nothing at all has been achieved, even where it would have been of the utmost value. In the course of a visit to one block in the eastern part of India, it was found that none of the grant of 200,000 rupees allocated for minor irrigation had been spent. Yet this is a district with only 4 per cent of crops other than paddy, and still less of double-crops, in spite of the existence of many tanks, all more or less choked up with mud, and recent large-scale irrigation works which have been carried out in the area."

III

It might be argued that the community development scheme imposes an exceptionally onerous burden on the field staff both because the staff itself is largely new and because its responsibilities include in addition to progress on a very wide front, the difficult problem of stimulating attitudinal changes in the minds of villagers. Consequently, it may be considered unreasonable to expect any quick results. Let us, therefore, take a programme which is very much more concrete and simple, namely, an increase in the production of foodgrains. On the psychological front, one would imagine that the need for additional food supplies is so manifest that not only would there be no resistance but active co-operation on the part of the farmers. In terms of the steps to be taken, these are all very precise, such as the production and distribution of improved seeds, the distribution of fertilisers, the repair of wells and tanks, the use of better implements and the like. It has been demonstrated again and again that where these concrete steps have been taken, there has been a spectacular increase in production, right up to Japanese standards. It is these concrete steps and the necessary credit arrangements that go with them that form the core of any programme of increased production.

In the course of a follow-up survey of rural credit problems, the Reserve Bank recently made a special investigation into the food production programme in a few selected areas with the object of assessing the actual achievements in relation to the targets. The staff went round a few villages selected at random and interviewed cultivators as well as various officials and non-officials who could be expected to be knowledgeable about the programme. The results confirm the findings of the U.N. Mission. For example, out of eight villages surveyed in one district, only two derived any benefit at all from the seed distribution scheme, although this scheme received more attention than any other scheme; and even

in these two villages, only nine out of twenty cultivators in one village and one out of twenty in another got improved seed. The position was much worse with regard to fertilisers. Out of 143 cultivators who were interviewed, 115 were not even aware of the fertiliser scheme and another 10 reported that they tried to obtain fertilisers but did not succeed in getting them. The major factors responsible for this unsatisfactory progress are reported in this particular sample, to be administrative inefficiency, including corruption at some points, inadequate propaganda and demonstration and insufficient participation on the part of the agriculturists. Cultivators complained of lack of adequate storage facilities, ineffective supervision over the quality of seed and inadequate arrangements for their transport and distribution. They also complained that adequate instructions were not given in regard to the utilisation of fertilisers even when they were available; the use had in some cases become unpopular among the illiterate cultivators because they had not been told how exactly to utilise them. It was alleged that in some cases false progress reports of propaganda work were submitted to higher officers. There was also inadequate technical advice and lack of effective co-ordination between different departments.

It would be improper to jump to the conclusion that all complaints made to the field staff are necessarily reliable. Some of the stories may be exaggerated and some may not even be correct. Moreover, the pattern varies from area to area. In another area selected for study, the difficulties that were emphasised were neither of character nor of competence but of faulty administrative arrangements. A great majority of the functionally more important categories of personnel were working on a temporary basis; some of them had done so for years on end and were consequently feeling apprehensive and frustrated. The pay scales were inadequate in comparison with those in sister services. An officer was required to handle cash amounting to a few lakhs a year but he was not provided with an Accountant or a cashier. Another one had no clerical assistance although he was required to submit periodically a number of returns which he could fill up only at the cost of field work. The consequence of all this was that the time and energy of the staff were inadequately available for the real task in hand and the whole programme lagged behind.

IV

The "confusion in India between what is intended and what in fact exists", referred to by the U. N. Team, is particularly noticeable in the agricultural co-operative sector. The policy of Government is that every village should have a co-operative society, that nearly every agriculturist should be a member of that society, and that his needs for credit should be met by the society which should, in addition, help him to market his produce as advantageously as possible. To attain this objective the revised Second Five-Year Plan proposed to enrol twenty million agriculturists in agricultural co-operative credit societies and provide them with credit to the extent of about four-hundred crores of rupees. Few people will deny that basically the policy of Government is right. I am not referring here to matters such as co-operative farming or to the controversy between small-sized and large-sized societies. Irrespective of the views one may hold on such matters, the basic concept of Government, *viz.*, that the co-operative society is the best form of organisation for promoting the economic interests of agricul-

turists is right. Even from the limited point of view of increasing agricultural production, experience has shown that service co-operatives can lead to excellent results. It is because of this faith in the agricultural co-operative movement that the Reserve Bank of India has been financing co-operative societies through State Co-operative Banks and Central Co-operative Banks for providing funds to agriculturists for the production and marketing of crops. The loans disbursed by the Reserve Bank for these purposes have increased from a few lakhs in 1946-47 to nearly Rs.70 crores in 1958-59.

It might be supposed that these loans would be rapidly utilised and there would be demand for more and more. In reality, many State Co-operative Banks have not drawn in full the credit limits sanctioned by the Reserve Bank. On an average, the monthly unutilised credit limits were about Rs.12 crores in 1957-58 and Rs.16 crores in 1958-59. This sounds astonishing, having regard to the enormous need for credit by the farmers. The reason is that the co-operative credit structure is not equal to the task of absorbing the assistance offered by the Reserve Bank. For instance, in one State where the State Co-operative Bank has not drawn any amount at all from the Reserve Bank, 30 per cent of the loans outstanding to it from the Central Banks are overdue ; the overdues of the central banks from their affiliated agricultural credit societies are even higher, in one case as high as 92 per cent. The structural weakness of the Central Banks is also illustrated by the fact that 67 out of 418 Central Banks have not been able to raise a deposit of even one lakh and nine have no deposits at all.

The primary co-operative credit society is the base of the co-operative credit structure and it is this institution that lends directly to the agriculturists. Hence, the ability of the co-operative credit movement to measure up to the task legitimately expected of it depends in very large measure on the soundness and efficiency of this institution. Unfortunately, of the societies which were audited in 1956-57, only 16 per cent were A and B class societies, *i.e.*, those which could be regarded as well run or reasonably well run ; 16 per cent were classified as D and E, that is to say they were hopeless and on the verge of liquidation. The large majority of societies belonged to the C class, that is to say, were mediocre societies which were functioning in a weak and haphazard manner and having heavy arrears. It is true that there has been a large increase in the coverage of agricultural co-operatives ; the number of societies has gone up from 85,000 in 1947-48 to 1,66,000 in 1957-58, the membership from 3½ million to 10 million and the working capital from Rs.24 crores to Rs.134 crores. But the percentage of A and B class societies has gone down and that of C class societies shown a rise.

The weakness of the primary co operative credit societies and the central co operative banks is in its turn due to the weakness of co-operative marketing societies. Loans from agricultural credit societies are intended to be disbursed partly in the form of seeds and manures; and the primary societies are expected to draw their supplies of seeds and manures from the co-operative marketing societies, which function as stockists, and distribute them to agriculturists debiting their loan accounts. About 1,000 marketing societies had been organised by the end of 1957-58 but few of them have begun to stock seeds and manures in adequate quantities, and few primary credit societies affiliated to them draw their supplies of these commodities from the marketing societies. In those few

cases where supplies are available, they are often either inadequate or arrive too late to be of any use. In some States the supplies of chemical manures are not given, or are given only in part, by State Governments to co-operative marketing societies.

Most of these marketing societies again are no' marketing the agricultural produce of their members and of the members of their affiliated societies. Although there are notable exceptions, the volume of marketing business done by marketing societies in the country constitutes an insignificant part of the agricultural produce raised with the help of co-operative loans. As a consequence, very little is done to recover production loans of primary credit societies by the sale of produce through marketing societies. Unless dues are recovered from the sale-proceeds of produce, the problem of overdues is likely to assume more serious proportions.

The situation in India may be compared with that in Japan where also the co-operative movement was initiated a little over 50 years ago. The movement in Japan has had a phenomenal success. In fact Japan's co-operative structure, which is largely similar to what we have wanted to set up, is so strong that it gives substantial support to the rest of the economy.

Now there are several reasons for the difference between Japanese and Indian experience in the field of co-operatives. Some of these go beyond the field of mere administration. But there is little doubt that the situation in India has been aggravated by failure, at both official and non-official levels, to pay adequate attention to the need for administrative competence and quality.

In the light of this recital of facts regarding the co-operative movement, the question arises as to whether efforts should not be concentrated on improvement and consolidation rather than on large-scale expansion. One hears of thousands of new societies that are either immediately programmed for or actually registered. Unless steps are taken to ensure that these societies are not going to share the same fate as the large majority of those now in existence, the time and effort spent in organising them will have been largely wasted. There seems a real danger that by the time the policy of Government is translated into reality, a consciousness of mere numerical targets overtakes the need for quality.

V

The facts do not justify my ending on a sombre note. After all, we have had only 12 years of independent existence and the times have been exceedingly hard. Such progress as we have achieved in the rural field is not by any means negligible. For instance, the index of foodgrain production for 1958-59 on the base 1949-50=100 is 128.2. This has happened simultaneously with an increase in oil-seeds production to 131.5, in cotton and jute to 179.0, in plantation crops to 126.6 and in miscellaneous crops such as tobacco and sugarcane to 129.7. The total agricultural index for 1958-59 is 131.0. The truth of the matter is that but for the staggering increase of population, this rate of progress would actually be regarded as pretty good. Moreover, there are indications that conditions in the countryside are showing signs of some general improvement. The Reserve

Bank had carried out a rural credit survey on a fairly massive scale in the year 1951-52 and a follow-up survey is now in progress. The first indications that have come out of the follow-up survey are suggestive of a general change for the better in rural conditions. But whether one looks at the problem from the specific point of view of agricultural production or of the general economic conditions of rural families, it is clear that such improvement as has taken place is inadequate for our needs. We have to make more massive and quicker progress. A variety of steps has to be taken for this purpose ; one of the most important among them is to see that the administrative machine is really capable of doing its job, in letter and in spirit.

It is not my purpose to go into the reasons for the gap that exists between the aspirations of the Plan in the field of rural economics and the actualities of the situation. The simplest thing of course would be to throw the blame on the official class, but that would not be just. The forging of an administrative machine that efficiently carries out in the field the policies of Government is a complex task involving not merely the basic qualities of the officials at various levels but the manner in which they are handled by the non-officials who have or seek control over them. The fact that an administrative machine, rated to be of first class quality, was forged and maintained during the British regime is evidence that the basic factors needed for such a machine are in existence in the country. There is the inspiration of noble ideals at the top. There is material for first class administrative leadership. There is growing sense of a national purpose. What is necessary is that there should be awareness all-round that a good administrative machine does not happen automatically but is the result of continuous care and attention. The facts regarding the administration, at all points of contact between the peasant and Government, must be ascertained and both drive and imagination must be used to see that at all these points the face of Government seen by the farmer is clean, friendly and dynamic. If this is not done, I fear that the gap between intentions and actualities will widen with time.