

EDITORIALS

- Significance of the Karnataka Mandate
- The Cause and Effect of the Verdict on Maharashtra

FROM THE EDITOR'S DESK

- The Moral Career of Democratic Politics

COMMENTARY

- The Disqualification Debate: Law and Politics
- Fallacies of Triple Test Doctrine and Backward Classes Reservation in Local Self-government
- Under-reporting of Income by Wealthy Indians
- The Pension Reform Protests in France
- The Anatomy of Crony Capitalism in India

BOOK REVIEW

- *Bengal Muslims and Colonial Education, 1854–1947: A Study of Curriculum, Educational Institutions, and Communal Politics*

REVIEW ARTICLE

- *Rethinking the Social Sciences with Sam Moyo*

PERSPECTIVES

- The New Tenancy Act in Andhra Pradesh

SPECIAL ARTICLES

- Financial Inclusion and Remittance Services
- Multiplier Effect of MGNREGA-induced Inflow of Money
- Himachal Pradesh Assembly Elections 2022

DISCUSSION

- A Critique of Non-Marxist Caste Studies

CURRENT STATISTICS

Reservations in ULBs

A separation between social and political backwardness in Supreme Court's recent judgments on reservation for the backward classes in the urban local body elections dehistoricizes the notion of backwardness. [page 14](#)

Protests in France

By exposing the decaying French social model and drawing the state's repressive response, the protests against the undemocratically promulgated pension reforms have laid bare the authoritarian ways lurking behind the hegemonic liberal order. [page 19](#)

Sam Moyo's Contributions

Agreeing that it was imperialism which had converted the peasantry into petty commodity producing function, Moyo argued that it was only a formal subsumption of labour to capital, and the peasantry as a force still remained. [page 30](#)

New Tenancy Act in AP

In a hurry to protect the ownership right of the landowner, the new act has liberalised the tenancy relations and ignored many provisions protecting the basic rights of the tenant. [page 35](#)

Under-reporting of Incomes

At the top wealth levels, smaller tax liability relative to wealth is a direct and inevitable consequence of the relatively low income reported by affluent Indians. [page 17](#)



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Commencement of the Classes	31.07.2023

The Disqualification Debate

- 10 Locating Rahul Gandhi's "disqualification" within the legal-constitutional framework enables us to generate evaluative questions for thinking about constitutional democracy. — *Anupama Roy, Ujjwal Kumar Singh*

Fallacies of the Triple Test Doctrine

- 14 The Supreme Court's recent judgments on reservation for the backward classes in the urban local body elections are reviewed in this article. — *Prashant K Trivedi*

Under-reporting of Income by Wealthy Indians

- 17 The affluent Indians often complain about "excessive" income taxation. Yet, very few of them figure among the top income taxpayers. — *Ram Singh, Soumyajit Ray*

The Pension Reform Protests in France

- 19 This article discusses how the pension reform law in France took shape despite public and legislative opposition to it. — *Arnaud Kaba, Khaliq Parkar*

The Anatomy of Crony Capitalism in India

- 23 Crony capitalism is the direct consequence of the liberal and neo-liberal policies embraced by the governments. — *Kapil S Kamble*

The New Tenancy Act in Andhra Pradesh

- 35 The tenancy conditions in Andhra Pradesh are analysed and the new tenancy act is evaluated in this article. Highlighting the lacunae in the act, the urgent need to address the genuine concerns of tenant cultivators is pointed out. — *Sankar Rao*

Financial Inclusion and Remittance Services

- 40 Using the global Findex survey data, the various factors that may impact the use of banks and digital channels for remitting money have been explored in this paper. It is observed that the use of financial institutions/mobiles as remittance channels in India has improved from 2017 to 2021, especially for the lower-income people. — *Shika Saravanabhavan, Meenakshi Rajeev*

Multiplier Effect of MGNREGA-induced Inflow of Money

- 48 The core objective of the Mahatma Gandhi National Rural Employment Guarantee Act is to promote rural development and reduce poverty by supplementing private employment in the rural Indian economy with public employment. This paper is an attempt to verify the performance of MGNREGA by studying four sample villages from West Bengal. — *Kishor Naskar, Pinaki Das & Debabrata Datta*

Himachal Pradesh Assembly Elections 2022

- 55 Turning down the narrative of the "double engine" government, Himachal Pradesh once again voted the Congress in with a thumping majority of seats. This win can be attributed to a series of factors such as the promise of the old pension scheme, anti-incumbency, and intra-party factionalism. — *Harish K Thakur, Devender Sharma, Baldev Singh Negi & Ved Prakash Sharma*

A Critique of Non-Marxist Caste Studies

- 61 Neither the theory of caste nor the praxis of its annihilation, which was Ambedkar's dream, is conceivable outside Marxism. — *Hira Singh*

EDITORIALS

- Significance of the Karnataka Mandate 7
The Cause and Effect of the Verdict
on Maharashtra 8

FROM THE EDITOR'S DESK

- The Moral Career of Democratic Politics 9

FROM 50 YEARS AGO 9**COMMENTARY**

- The Disqualification Debate: Law and Politics
— *Anupama Roy, Ujjwal Kumar Singh* 10
Fallacies of Triple Test Doctrine and Backward
Classes Reservation in Local Self-government
— *Prashant K Trivedi* 14
Under-reporting of Income by Wealthy Indians
— *Ram Singh, Soumyajit Ray* 17
The Pension Reform Protests in France:
Towards the Dusk of the Liberal Democracy?
— *Arnaud Kaba, Khaliq Parkar* 19
The Anatomy of Crony Capitalism in India
— *Kapil S Kamble* 23

BOOK REVIEW

- Bengal Muslims and Colonial Education, 1854–1947: A Study of Curriculum, Educational Institutions, and Communal Politics*—Politics of Colonial Education
— *Gagan Preet Singh* 28

REVIEW ARTICLE

- Rethinking the Social Sciences with Sam Moyo—In Pursuit of Epistemic Autonomy*
— *D N Reddy* 30

PERSPECTIVES

- The New Tenancy Act in Andhra Pradesh:
Missing the Essence?
— *Sankar Rao* 35

SPECIAL ARTICLES

- Financial Inclusion and Remittance Services:
A Cross-country Analysis
— *Shika Saravanabhavan, Meenakshi Rajeev* 40
Multiplier Effect of MGNREGA-induced
Inflow of Money: A Social Accounting
Matrix-based Analysis—*Kishor Naskar, Pinaki Das, Debabrata Datta* 48
Himachal Pradesh Assembly Elections 2022:
A Trendsetter for 2024 General Elections
— *Harish K Thakur, Devender Sharma, Baldev Singh Negi, Ved Prakash Sharma* 55

DISCUSSION

- A Critique of Non-Marxist Caste Studies
— *Hira Singh* 61

CURRENT STATISTICS 64**LETTERS** 4

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Violence over ST Status

The riots between the Meitei and Kuki tribes of Manipur are primarily centred on the Meitei community's quest for the Scheduled Tribe (ST) status and the Kuki tribe's opposition to this demand. The Scheduled Tribe Demand Committee of Manipur (STDCM) is at the forefront of this movement, seeking constitutional safeguards for the Meitei community. The Meiteis are the followers of Lord Krishna and mostly live in the valleys of Manipur. Recently, the Manipur High Court directed the state government to consider including the Meitei community in the ST list. But the hill tribes, that is, the Kuki community, are against the court order. The Meiteis claim that they were called a tribe before 1947 and hence need the ST status to preserve their community and save their ancestral land, culture, and language. The Meiteis and Meitei Pangals occupy about 10% of the land mass in the central valley. They comprise 64.6% of the state's people. Hills surrounding the valley in the remaining 90% of the region are home to the recognised tribes, which comprise around 35.4% of the population.

The existing ST communities, particularly the Kukis, are concerned about the Meitei community being added to the ST list because they worry that the Meiteis will take unfair advantage of job opportunities and other benefits provided to the STs under the Constitution. The Kukis claim that some groups among the Meiteis are already granted the Scheduled Caste (SC) and Other Backward Classes (OBC) status. The Mandal Commission report from the 1980s and the implementation of its recommendations beginning in 1992 allowed the Meiteis to be categorised as OBC under Article 342A of the Constitution in the state list and union list. Also, the political domination of the Meiteis in the state legislative assembly is 40 out of the total 60 seats.

The recent protests and violence were triggered by a Manipur High Court order directing the state government to submit recommendations to the union government for including the Meiteis in the ST list. The Kukis claim that the Meiteis

belong to the "chaste" Hindu caste and are a developed community in Manipur. The Meitei community did not fall under the marginalised SC/ST classification. Since the Meiteis were proud to belong to the chaste Hindu caste system, they did not object to classifying the tribes as ST and the residents of a few Meitei villages as SC in Manipur. They also did not demand or assert their inclusion as STs or SCs. There are 34 recognised tribes in Manipur, known as "Any Kuki Tribes" and "Any Naga Tribes." Most of them have resisted the Meiteis' demands to be categorised as STs.

Conflicts between the members of the tribal Kuki community and the non-tribal Meitei community erupted when the All-Tribal Students' Union Manipur (ATSUM) staged a solidarity march known as the "Tribal Solidarity March" in eight hill districts in reaction to the high court judgment. The inclusion of tribes from five states into the ST list was recently accepted by the union cabinet. These states include Chhattisgarh, Himachal Pradesh, Tamil Nadu, Karnataka, and Uttar Pradesh.

The specific tribes that received the ST status include the Narikoravan and Kurivikkaran tribes in Tamil Nadu, the Hatti tribe in Himachal Pradesh, the Betta-Kuruba tribe in Karnataka, and the Gond community in Uttar Pradesh. These tribes will enjoy the benefits of this special status, aiding their social and educational empowerment.

The Meiteis are demanding for the ST status to enjoy similar constitutional rights. According to the STDCM, the indigenous Meitei population risks losing its majority status in Manipur without constitutional protections. Protecting their identity and culture is their utmost priority. According to some local lawmakers, it is unfair that the Meitei population can only settle in around 10% of Manipur's total land area, which the movement has brought to light.

The Meitei community's land rights could be increased if the ST status is granted. In opposition to this demand, the ATSUM's march was heavily attended by tribes such as the Nagas, Zomis, and Kukis, who together make up around 40%

of the state's population. The Kukis fear losing benefits such as political representation and reservations regarding education, employment, land rights, and resource distribution in the state. They are concerned that the Meiteis will infringe on their land and resources if the latter are granted the ST status. The Kukis also claim that the Meitei community is advanced and should not be included on the ST list. The United Naga Council of Manipur and the Kuki Inpi Manipur have expressed serious reservations over the court's directive on the Meiteis' demand for the ST status.

Akash Bag
KHARAGPUR

Health Risks of Vaping

Electronic cigarettes, commonly known as "vapes," are banned in India by the Prohibition of Electronic Cigarettes (Production, Manufacture, Import, Export, Transport, Sale, Distribution, Storage, and Advertisement) Act, 2019. This act completely bans the sale, purchase, production, and distribution of e-cigarettes, or e-hookah, with or without nicotine. The production and sale of vapes may lead to punishments of up to one year and a fine, or a fine that may extend to ₹1 lakh or both, and, for the second or subsequent offence, imprisonment for a term that may extend to three years and a fine that may extend to ₹5 lakh. In the case of a person who stockpiles vapes, they will be punished for the term which may extend to six months, and a fine of up to ₹50,000. E-cigarettes come with attractive appearances and multiple flavours, and their use has increased manifold during the last few years, especially among the youth and children.

There is a huge debate over vaping around the globe. Some of the advocates of e-cigarettes say vaping, which usually involves vapour inhalation of liquid nicotine, is less harmful than smoking tobacco, but many tobacco control activists are opposed to this statement and say that vapes can push the young generation towards nicotine addiction because of their cost, looks, aesthetics, and flavour range.

More than 9 million people in India die because of tobacco-related illnesses, and the number can go up manifold if e-cigarettes are allowed in the Indian market, which has a population of around 1.43 billion. The Indian vape market was worth around ₹57 million in 2018 before the ban and was expected to increase by 60% by the end of 2022, according to Euromonitor International.

Many states are facing a spike in vaping usage, especially by young people. The young generation is also using vaping as a status symbol. In Noida and Delhi, many paan parlours and shops are opening to sell vapes, and not many cases have been registered under the present law for violations of the provisions of this act. I have also noticed the sale of vapes in public areas without any fear of the police. The Mumbai police has done a commendable job in cracking down on the vape industry in the last few months. On 21 February, it seized e-cigarettes and imported cigarettes worth over ₹30 lakh. The crime branch also raided a few famous paan shops for allegedly selling e-cigarettes.

The police also seized thousands of e-cigarettes in the last three months from different parts of Mumbai, but, clearly, such action seems to be missing in others parts of the country. In Surat, e-cigarettes worth ₹20 crore were seized, and arrests were made for stockpiling

and selling them. I inquired at 20 different paan parlours in Noida and 10 in the Delhi Connaught Place area, and out of these 30 paan parlours, 18 had e-cigarettes, or the owners of shops informed that they could procure them on demand. Most of the e-cigarettes are manufactured in China or European Union countries, and by smuggling via various seaports, they reach India. The cost of these e-cigarettes is around ₹100, but they are sold at a much higher rate. Smugglers and sellers have huge profit margins, which makes it a lucrative business, and with poor law and order, the risks of arrest are also very low.

E-cigarettes are highly carcinogenic, and as they look like USB drives, hiding them in the pocket is very easy. As e-cigarettes do not require matches or lighters, they are reaching schools and colleges very easily. Many wholesale market vendors, under the guise of perfume, paan, and shoe businesses, are selling e-cigarettes to the people and making a huge profit. The easy access to vapes in local and wholesale markets clearly reflects that we need to make the implementation of the law more stringent and also make people, police, and market owners' associations aware of the laws related to e-cigarettes.

Nitesh Kumar Upadhyay
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Significance of the Karnataka Mandate

The results of the Karnataka assembly elections signal a victory for a politics centred on social welfare.

The verdict in the 2023 Karnataka assembly elections is unambiguous—the incumbent Bharatiya Janata Party (BJP) government has been roundly defeated by the Congress. These assembly elections also registered the highest-ever voter turnout for Karnataka at 73.19%, surpassing the 72.13% turnout in 2018. There were apprehensions among some pollsters and observers alike that these elections might result in a hung assembly, with neither the Congress nor the BJP crossing the requisite majority mark of 113 seats, in which case the Janata Dal (Secular) (JD[S]) could have emerged as a decisive player in the elections. Belying such predictions of a hung assembly, the Congress won 135 seats—22 more than the majority mark—in a 224-seat legislative assembly, whereas the BJP won 66 and the JD(S) won 19 seats.

While it is clear that the incumbent BJP suffered huge losses in terms of its share of seats as compared to the previous elections, its share of votes reveals a slightly different story. The BJP received 36% of the votes in the 2023 elections, more or less maintaining its vote share from the 2018 elections, which was at 36.22%. The Congress had garnered 38.04% votes in the 2018 elections, while it received 42.88% votes in the 2023 elections. The JD(S) had won 18.36% votes in the 2018 elections, while it could only fetch 13.29% votes in the 2023 elections. The division of votes among these three parties in the 2023 elections showcases a larger narrative about electoral politics in India, and offers significant clues to explain why the Congress registered such a massive victory in Karnataka.

The mechanisms of India's electoral democracy, which rely on the first-past-the-post system, may be simple, however, the political forces it wrests with as well as the political effects it generates are hugely complex. Cumulative vote shares do not provide the whole explanation about which party shall emerge victorious at the end. After all, the Congress garnered only 78 seats in the 2018 elections despite having a higher share of votes than the BJP, while the latter, with a lower share of votes, emerged as the single largest party. The margins of victories and defeats at the constituency level vary across the state, making the cumulative vote shares of a party an imperfect indicator of its propensity to clinch the elections.

Nevertheless, what can be surmised from the Congress's increase of around 4% additional votes from the last elections is that its strategy of appealing to a new sociopolitical bloc of people worked handsomely in its favour. The Congress's pitch in the 2023 elections largely surrounded the twin planks of economic welfare and social justice. It guaranteed the implementation of

five welfare schemes in all their election speeches and campaigning. These schemes—such as giving ₹2,000 to every female household head, free travel for women in public transport, 10 kg rice to all below-poverty-line families, financial aid of ₹3,000 and ₹1,500 to unemployed graduates and diploma-holders, respectively, and 200 units of free electricity to every household—aim to provide an economic support system to the masses who have been reeling under the two major problems of unemployment and inflation at least since the onset of COVID-19. These schemes also have an empowering side to them, especially the ones that are directed at women beneficiaries.

Moreover, the Congress also made announcements that it will conduct a caste census in the state and ensure equal representation and participation in politics and administration for under-represented groups. Such a strategy seems feasible after several surveys reported that the upper castes as a bloc largely vote for the BJP, and none of the Congress's strategies with regard to wooing this social bloc yielded any electorally significant results. The Congress's attempt to foreground the issues of corruption, unemployment, and inflation, along with announcing its support for the caste census, seem to have veered a large proportion of poor and/or low-caste votes in its favour.

The BJP had little to counter the Congress's assorted campaigning on the issues of economic welfare and social justice. Its political obsession with communal issues over the few years of its governance in Karnataka failed to attract any new bloc of voters. Without any concrete guarantees of welfare schemes to alleviate the economic miseries of the masses, the BJP's strategy of solely banking on its national leadership and the overall lacklustre performance of its regional leaders on the front of good governance appears to have received only a diminishing purchase among the voters.

With the Congress winning in Karnataka, none of the states in South India are currently under the rule of the BJP. Without going into the questionable rhetoric of the markedly different cultural character of the south of the Vindhyas that apparently makes this region more resistant towards the communal nationalism of the BJP, it should be noted that the latter has found it difficult to expand its footprint in Telangana, Andhra Pradesh, Kerala, and Tamil Nadu, mainly because of the presence of strong and assertive regional parties in these states. This is why the Congress's victory in Karnataka should not make it oblivious to its important but not dominant role among the current

opposition parties. In fact, the Congress can see this victory as giving a fillip to all opposition parties towards becoming more vocal on the issues of economic welfare and social justice. Such

a synergised focus might resonate more with the concerns of the masses, providing us with some premonition of what is to come in the 2024 general elections.

The Cause and Effect of the Verdict on Maharashtra

Mass politics has the potential to push the democratic struggle much beyond legal spheres.

The judgment by the five-judge constitution bench of the Supreme Court, pertaining to political developments in Maharashtra, has neither provided any definitive closure nor resolved the vexed questions emerging out of these developments. Although the judgment does point at several key actors and their actions that contributed to the change of guard in the state government, it upholds the change itself to be legally valid. The judgment chastises the then governor for calling a session of the assembly to hold a confidence motion when he had no objective material to deem that the Maha Vikas Aghadi (MVA) government had lost the confidence of the house. The judgment also says that it was illegal to deem the legislature party and not political party as the appropriate authority to appoint a new whip by the defectors. However, it leaves the matter of the disqualification of 16 members of legislative assembly (MLAs) to that very speaker whose election to that post could not have been possible without the unconstitutionally called session and recognition of the illegally appointed whip. Such an approach filled with lapses has adverse implications for the 10th schedule and could in effect destabilise the party system itself.

In its operative part, the judgment refuses the plea to restore Uddhav Thackeray as chief minister on the grounds that he resigned before facing the motion of confidence, and hence finds no fault with the swearing in of the new chief minister. So, the Court chastises the governor for the legal lapses, finds the ensuing process flawed, and yet the verdict effectively goes in favour of that very process that led to the removal of Thackeray as chief minister. The incongruence between the Court's critical observation and verdict does not leave any hope for the rectification of wrongs that have been duly acknowledged by the Court itself. The purpose of justice being the rectification of the wrong, the Court could have gone beyond the prayers, for which it is empowered by Article 142. One expects from courts *nyaya* in this sense of justice and not the *asatkaryavada* of the Nyaya school of philosophy which completely dissociates the *karya* (effect) from the *karana* (causes). Operating within this peculiar logic of cause and effect, one may satisfy one's liberal conscience while refusing to check the actions strengthening authoritarian and undemocratic tendencies.

Ideally speaking, judiciary is considered as a bulwark to check such tendencies subverting the decent functioning of democracy that has been put to trial by the rising threat of authoritarianism. But in several instances available before us, the judicial intervention appears to be falling short of meeting the challenge of authoritarianism. A palpable feeling seems to be developing among the masses that the instances of judicial intervention to

curb the anti-people or undemocratic policies and actions have become increasingly infrequent. Consistent with this feeling, the common activists–supporters–sympathisers of MVA in general and Shiv Sena in particular were not looking forward to the prospect of the restoration of the MVA government through the judicial route and unlike the prominent leaders of the Congress and the Nationalist Congress Party they do not seem to be finding the act of resignation by Thackeray to be a problematic one. Perhaps there was a legal-technical virtue in facing the vote of confidence on the floor of the house. Yet, who knows if that alone would have guaranteed a favourable outcome in the Supreme Court. In any case, the act of resignation cannot be seen from a mere legal-technical lens; in fact, its political–moral logic needs to be taken into account.

First of all, in political terms, facing the confidence vote would have amounted to willy-nilly sanctifying the series of secretly engineered wrongs that preceded it. Put differently, in refusing to face the confidence vote, Thackeray underscored both legally as well as morally illegitimate character of the whole politics of engineering defections that was aided by partisan politicking by the governor. Moreover, his resignation and immediate vacating of the official residence generated immense popular sympathy evident on the streets and established his position as someone who refused to bow before the unjust designs of the powers that be. It would not be an exaggeration to say that this act was the most important factor that galvanised the common Shiv Sena activist and supporters even as the MLAs had deserted the party. The defectors and their patrons in the Bharatiya Janata Party would have believed that this popular sympathy would wane over time and with the party name and symbol with the defectors, the mass base of Shiv Sena would shift towards them. From the different elections held—and more importantly the ones that have not been held—in Maharashtra and the consistently increasing support in the public rallies held across the state, the evidence points to the contrary. With the feeling of being cornered and having nothing to lose and also bolstered by the uncompromising stance of its leadership, Shiv Sena activists and supporters have further firmed up their resolve against the defectors and their patrons. With every passing day that the current state government is in office, the sympathy seems to be further maturing into popular anger that is waiting to be expressed in the coming elections.

Therefore, as things stand, the decision to resign appears to be a politically–morally astute one that recognises the terrain of the fight against undemocratic powers to be mass-political and not legal. In any case, the Supreme Court judgment has also driven home this democratic truth.

The Moral Career of Democratic Politics

It has always been possible to show the seamier side of the law which, now and then, tends to depart from the principle of the rule of law. Consequently, it finds itself walking into a moral incongruence, where the law differs from the spirit of the constitutionally laid-down and hence linear procedures and non-linear outcomes, like verdicts that are given outside the constitutional procedures. However, underpinning the violation of such procedures is the ethics of being aware of these lapses. The Supreme Court did show this awareness, which is manifested in the strictures that it has passed recently. However, the Court's critical observation and its verdict lay out the importance of the governor's moral commitment to follow a constitutionally laid-down process.

The Court said, quite unequivocally, that the governor's conduct in the Maharashtra legislative assembly was wrong, however, the result that it yielded in terms of the morally tutored resignation of the chief minister of the Maha Vikas Aghadi government was kind of a *fait accompli*. The strictures, rather than the actual judgment, seem to have a long-term significance for fostering the link between constitutional morality and the law. Using the critical observation of the Court, it is underlined that the judgment of voting ought to be in favour of a party that does not have the ambition to be wicked in its political practice.

This gap between the process and the verdict has been sharply brought out in the editorial dealing with the case of politics in Maharashtra in the current issue of *EPW*. The editorial makes an important observation to say that the verdict is not explicable in terms of the flaws that, by the Court's very admission, have infected the legal procedures. The Court suggested that the verdict was not explicable in terms of legal strictures, however, its moral strictures are explicable in terms of the verdict. The Court seems to treat both the procedural flaws and the verdict as being independent of each other. The editorial further elucidates that the Court verdict, sometimes, if not often, proves to be inadequate in taming the wickedness that is deployed by some political players to gain and retain power. The observation of the editorial underscores the important reminder that the moral function of the law is to tame the wickedness that seems to permeate the political career of democratic politics. Wickedness is deployed to gain power. It can be defined in terms of the attempt at a partisan manipulation of the other's ethical vulnerability that emanates from the desire to narrowly define and defend one's particular interest.

Having said that, while there is a gap between the verdict and the process that preceded the verdict, it is also necessary to

explore the potential that the strictures of the Court have for the democratic and hence electoral mobilisation of the people, who seem committed to weed out wickedness from politics, thus making it more decent and hence democratic, both in spirit and in practice. The Court's strictures can be taken as the source for a more informed and morally sound political mobilisation in general and electoral mobilisation in particular.

The verdict, which is taken as being complete in its own terms, however, is less likely to guarantee the overall development of the moral judgment of the citizens, which is dependent on them acquiring some familiarity with the legal process, which is full of strictures. The verdict, which makes sense in terms of its perfectness and completeness, however, makes the citizens cognitively complacent rather than morally curious to know the nature and the possible consequences of the Court's strictures. Although, the verdict can and does entice the legal experts to take it to its logical perfection, which is why we also see a review of existing laws. Narratives, rather than being technically drawn conclusions, have a greater potential to create a positive impact on the political sensibility of the people. Such a conclusion can give one a sense of victory or the mask of victory that can be worn, but only temporarily. But narratives built into the strictures give a long-lasting resource to mobilise the people against an opportunist politics.

The strictures are more powerful, in that they, if used unequivocally, can yield the maximum impact in terms of connecting the common people to the need for a moral evaluation of the political attitude that is replete with wickedness. The Court's strictures, arguably, have the pedagogical function and normative power to reveal political wickedness in its exposed forms as a naked pursuit of power. The judgment, due to its objective nature, does foreclose the possibility of narrativising the process that is replete with the unethical moves made by the political players in the state. The celebration of the judgment by the government becomes a shallow act, because confronting the strictures or the judgment, which are objectively pure, leaves no scope to go to the public with one's narratives. Thus, the essence of any court observation and even verdict is in the judgment of the people, which would prevent the political system from relapsing into moral degradation. Law and morality get connected through the public mediation of legal strictures, facilitated by those who are more capable to share these strictures with the people with immeasurable simplicity.

Epw

FROM 50 YEARS AGO

ECONOMIC AND POLITICAL WEEKLY

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Land Reform Is Dead, Long Live Land Reform!

From Our Correspondents

The report of the Task Force on Agrarian Relations under the Chairmanship of the Land Reforms

Commissioner, P S Appu, is a strikingly candid document. Going through it the only conclusion that can be reached is that genuine and radical land reforms are simply not possible within the established social and political order. Based on the report of the Task Force, guidelines are reported to have been issued to state governments for implementation of the land reforms programme in the Fifth Plan. But if the constraints on implementing the programme so sharply underlined in the report are taken into account, the

guidelines completely lose all operational and practical value. To be sure, the programme contained in the guidelines has everything to commend it. But where are the instruments and sanctions to ensure that even a fraction of this programme is carried out? The guidelines completely evade this issue [...].

Referring in particular to the slogan of "land to the tiller", it says quite forthrightly that this objective will never be achieved in the prevailing conditions of our society.

The Disqualification Debate

Law and Politics

ANUPAMA ROY, UJJWAL KUMAR SINGH

Locating Rahul Gandhi's "disqualification" within the legal-constitutional frameworks enables us to generate evaluative questions for thinking about constitutional democracy: What are the objectives of disqualification and how integral is it to achieving accredited and normative standards of democracy?

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The disqualification of Rahul Gandhi from Parliament has largely been presented as a story of three speeches and a court order, beginning with his "Modi surname" speech in an election rally in Kolar in April 2019, leading to his conviction on 23 March 2023 by a Surat trial court. The court found the speech defamatory and serious enough to attract the maximum punishment of two years—meeting the threshold for disqualification of a member of Parliament (MP) under Section 8(3) of the Representation of the People Act (RPA), 1951.

There are two hinge points in the narrative, however, without which the Kolar speech would have been inconsequential—Rahul Gandhi's speech in Parliament on 7 February 2023, his first after the Bharat Jodo Yatra, and his speeches in the University of Cambridge. Gandhi's speech in Parliament was a strident criticism of the government's policies and the Prime Minister's "comfortable" relationship with Gautam Adani, who in a recently published report by Hindenburg Research was accused of stock manipulation and accounting fraud in running his behemoth conglomerate. In the first week of March, lecturing at the University of Cambridge, Rahul Gandhi spoke of the threat to democracy in India under the Bharatiya Janata Party (BJP) regime. It was in the context of these two speeches that the Kolar speech, which was already the basis of a defamation petition by a BJP member of the legislative assembly (MLA) with a "Modi surname," became consequential. Filed in December 2019, the petition was held in abeyance by the petitioner himself and reactivated after Rahul Gandhi's Parliament speech.

The purpose of this article is to locate Rahul Gandhi's "disqualification" within the legal-constitutional frameworks to enable us to generate appraisive/evaluative questions for thinking about constitutional

democracy. For example, what are the objectives of disqualification and how integral is it to achieving accredited and normative standards of democracy? The idea that disqualification as well as qualification/eligibility are to be guided as much by procedural certainties as by norms and principles, makes the debate complex.

The Conundrum

What are the conditions in which an MP or an MLA can be disqualified from membership of Parliament or legislative assemblies in the states? Articles 102(1) and 191(1) of the Constitution of India lay down the disqualifications for MPs, MLAs, and members of legislative council, respectively. In addition to being "disqualified" for holding an "office of profit" under the central and state governments, being of "unsound mind," "an undischarged insolvent," an alien/foreigner, or for having voluntarily acquired the citizenship of a foreign state, a person/member can be disqualified "by or under any law made by Parliament." Parliament enacted the RPA, 1951, with provisions disqualifying persons "convicted of offences" (Section 8), on "grounds of corrupt practices" (Section 8A), "for corruption and disloyalty" (Section 9), for "government contracts" (Section 9A), for holding "office of profit under government company" (Section 10), and for "failure to lodge account of election expenses" (Section 10A). Additions to this list have been made incrementally, the duration of disqualification is not uniform, and the authority to determine disqualification is different. For example, disqualification on grounds of corrupt practices is decided by the President, and the Election Commission of India (ECI) decides disqualification on the grounds of failure to keep accounts.

Section 8 of the RPA is at the heart of the present disqualification debate. Subsections (1) and (2) cover a range of "offences"—from those committed under different sections of the Indian Penal Code (IPC) (for example, Section 153—promoting enmity between groups on grounds of religion, race, etc, to Section 171E—bribery, Section 498A—cruelty against women)—to special laws such as the Protection of

Civil Rights Act, Terrorist and Disruptive Activities (Prevention) Act and Prevention of Terrorism Act, specifying different “minimum” punishments which could disqualify a member for six years. Section 8(3) covers all laws not mentioned in Sections 8(1) and (2) under which a conviction involving a two-year sentence, would disqualify a convicted person for the duration of the sentence and an additional period of six years. Disqualification under Section 8 comes into effect “from the date of conviction.” Till the Supreme Court’s decision in two public interest litigation cases in 2013—*Lily Thomas v Union of India and Others and Lokprahari v Union of India and Others*—Section 8(4) of the RPA, 1951 provided protection from immediate disqualification to MPs and MLAs, allowing them a three-month period to appeal against their conviction and remain a member of the house till the appeal was disposed off.

Until the 2013 judgment removed the blanket protection of Section 8(3) to MPs and MLAs, the disqualification debate was presented as a conundrum over whether the same eligibility criterion should apply to a person contesting an election and someone who was already an MP or an MLA. The fundamental question was whether people’s representatives are immune from the laws that apply to ordinary citizens in matters of disqualification. Two contradictory tendencies can be traced in this: the Supreme Court judgment in an election petition in *K Prabhakaran v P Jayarajan* (2005) which elaborated upon the need for Section 8(4) of the RPA, 1951, and the Supreme Court judgments in *Lily Thomas v Union of India and Others* (2013) and *Lokprahari v Union of India and Others* (2013) which declared Section 8(4) unconstitutional.

The judgment in *Prabhakaran v Jayarajan* was a common judgment in two appeals¹ before the Supreme Court in election petitions. The petitioners asked for the disqualification of two MLAs of Kerala and Haryana under Section 8(3) of the RPA, 1951 on the grounds that their nomination papers had been accepted by the returning officer despite their conviction. The judges agreed that the objective of Section 8(3) of the RPA, 1951 was to prevent criminalisation of politics, which was a dynamic provision, whose “arena”

needed continual expansion for promoting “purity and probity in public life,” and “freedom and fairness” and “law and order” during elections. Yet, in the opinion of the judges, the exception carved out by Section 8(4) was indispensable. Section 8(3) read with Section 8(4), they argued, showed that the law made a clear distinction between those who were at the time of conviction an MP or MLA, and those who were not, making the two “well-defined and determinable groups” and “definite classes” based on a “reasonable” and “well-laid down differentia” to serve “a public purpose.” Public purpose was interpreted not as an individual’s right to either contest an election or to continue being an elected representative but the higher order purpose of protecting “the very existence and continuity of a House democratically constituted.” In case a member belonged to the ruling party and the government was “surviving on a razor edge thin majority,” disqualification would have a “deleterious effect on the functioning of the government” and lead to the “futile” exercise of holding a bye-election, especially, if a higher court subsequently acquitted the member of all the charges. The judges, therefore, preferred to take “a practical view, not pedantic basket of tests,” to arrive at “appropriate” conclusion. In this reasoning, Section 8(4) protected the house and does not constitute an individual privilege. Once the house dissolved, the convicted member was at par with others. No longer protected by Section 8(4), such a member would come within the purview of Section 8(3) and be disqualified from contesting election for a period of six years after serving his sentence.²

In 2013, Section 8(4) of the RPA, 1951 was declared unconstitutional in *Lily Thomas* (2013) and *Lok Prahari* (2013)³—cases of public interest litigation in which the petitioners pointed at the anomalous distinction made in Section 8 between persons to be elected as MPs and MLAs and those who were elected members. The petitioners argued that the Constituent Assembly had rejected Shibban Lal Saxena’s proposal in the discussions on Articles 102 and 191 that a member disqualified because of a conviction will not vacate his seat until three months

have elapsed, within which an appeal or petition for revision against could be sought. During this period, the member retained their membership but could not sit or vote in the house. While the Constituent Assembly rejected Saxena’s proposal, in the exercise of its legislative powers on the matter under Articles 102 and 191, Parliament incorporated parts of it in Section 8(4) in the RPA, 1951. The Constituent Assembly’s rejection of the proposal, the petitioners argued, was repudiation of “a blanket provision” such as Section 8(4). The respondents, that is, the union of India, relied on the arguments for the need for Section 8(4) elaborated in Prabhakaran (2005). The judges deliberated upon whether Parliament had the legislative power to enact Section 8(4) of the RPA, 1951—a question which was not considered in Prabhakaran—to argue that Articles 102(1)(e) and 191(1)(e)—the only sources of legislative power to lay down disqualification, made it “abundantly clear” that Parliament could make one law laying down “the same set of disqualifications for election as well as for continuing as a member.” Parliament did not, in the judge’s opinion, have the power under Articles 102(1)(e) and 191(1)(e) to make different laws for disqualification of members and non-members. In making a different set of laws for sitting members by laying down an exception in the general law for disqualification, Parliament “exceeded its powers conferred by the Constitution.” The exception in Section 8(4) was, therefore, unconstitutional. Having made this line of argument, the judges considered it unnecessary to address the question of constitutionality of Section 8(4) on the grounds of reasonableness tested against the requirement of Article 14 of the Constitution.

All political parties rallied against the judgment to move a review petition and simultaneously framed a bill to circumvent the effect of the judgments in *Lily Thomas* (2013) and *Lokprahari* (2013). In September 2013, the government attempted to bring an ordinance to expedite the process. The bill and the ordinance were subsequently withdrawn, and a number of political leaders, including Lalu Prasad Yadav lost their seats when found guilty

by the courts in cases pending against them. In some quarters, the irony of Rahul Gandhi's public disapproval of the bill which could have now saved him from disqualification has been pointed out. We need, however, to look at the effects of excision of Section 8(4) from RPA, 1951 as part of a legal-constitutional journey towards electoral integrity and robust democracy.

A Question of Electoral Integrity

According to the Association for Democratic Reforms, as of 23 August 2021, 363 MPs and MLAs disclosed criminal cases in the affidavits submitted while filing their nomination papers.⁴ All of these fell under Sections 8(1), (2), and (3) of the RPA, 1951. The BJP was ahead of others with 83 candidates, followed by the Congress with 47 candidates. Among these were four union ministers and 35 ministers of state assemblies. All the four union ministers were charged for serious offences that is, abduction, dacoity, and attempts to cause death or grievous injury. Their trials were pending in the courts for six to seven years. Indeed, 24 Lok Sabha MPs had 43 criminal cases pending against them for 10 years or more. Thus, in the absence of Section 8(4), the long pendency of cases without conviction has protected MPs from disqualification. In its 170th report (1999) on electoral reforms, the Law Commission recommended disqualification of candidates against whom charges had been framed under any section of the IPC, Customs Act and Sections 10 to 12 of the Unlawful Activities (Prevention) Act, Section 7 of the Religious Institutions (Prevention of Misuse) Act, 1988, and the Protection of Civil Rights Act, to prevent the criminalisation of politics.

In 2011, the non-governmental organisation (NGO), Public Interest Foundation, petitioned the Supreme Court to enhance the ambit of Section 8 of the RPA, 1951 to disqualify "candidates" and "members" against whom serious criminal charges had been framed. The Supreme Court directed the Law Commission to prepare a report on "decriminalisation of politics." Chaired by Justice AM Shah, the Law Commission submitted a report on electoral disqualifications to the law and justice ministry on 24 February 2014 after examining issues of disqualification of candidates with criminal background

and legal implications of filing false affidavits.⁵ It recommended that the stage of framing of charges, with appropriate safeguards, be considered the threshold for disqualification. The existing practice of disqualification on conviction had failed to curb criminalisation of politics since the trials took long and convictions were rare. Filing a false affidavit was to be construed a corrupt practice and conviction on the charge would form a ground for disqualification. It may be recalled that the requirement of filing disclosure affidavits was initiated by the ECI in municipal corporation elections in Delhi and Chandigarh and extended to parliamentary and state assembly elections from 2001 onwards following the Delhi High Court and Supreme Court's affirmation of disclosure as integral to the citizen-voters' right to know.⁶ The Election Commission, however, attempted to filter out only those candidates who had a proven criminal record/conviction.

In 2016, the Public Interest Foundation case was entrusted to a constitutional bench which delivered its judgment on 25 September 2018. Deciding that modifying the criteria of disqualification in Section 8 of the RPA was within the purview of Parliament, it urged Parliament to enact an appropriate law to ensure that "persons facing serious criminal cases" do not enter "the political stream." It was "imperative" that persons "who enter public life and participate in law making should be above any kind of serious criminal allegation."⁷ In keeping with its judgment in the ADR and PUCL cases, the Supreme Court directed that contesting candidates should fill up disclosure forms prescribed by the ECI declaring criminal cases against them in bold letters. The candidates were obliged to inform the party about pending criminal cases, and the party was required to post this information on its website and publish it in widely circulated local newspapers, and in electronic media, at least thrice after filing of the nomination papers (paragraph 116).

In February 2020 and August 2021, "anguished" at the circumvention of its directives by political parties, and the inability of the ECI to elicit compliance, and "alarmed" at the rise of MPs with criminal background from 24% in 2004 to 43% in

2019, a Supreme Court bench made it mandatory for political parties to not just publish pending criminal cases against their candidates but also submit compliance reports to the ECI within 72 hours of selection of the candidate. The parties were asked to explain in the report, why a candidate with criminal record was chosen to contest over another person without it. The reason could not be the "winnability" of the candidate. The judges also ruled that states could not withdraw cases against MPs and MLAs without the approval of the concerned high court. It is in this context of increasing the presence of politicians with "dubious backgrounds," and the influence of money and muscle in the composition and functioning of political power that one must discuss the relationship between disqualification and democracy.

Conclusions: A Question of Democracy

The trial court in Surat found Rahul Gandhi guilty of defamation. Based on electronic evidence and testimonies, the court concluded that Gandhi had indeed made the "utterances" regarding the "surname Modi" and called the Prime Minister a "thief," clubbing him with "economic criminals" with the same surname. Acknowledging that the petitioner was personally hurt by the speech, it rejected Gandhi's defence that he was only speaking of the "problems" facing the county—a "duty" he owed to "all the people" of his country without any discrimination. Since he did not intend to insult any caste or cause pain/injury to the petitioner, he felt no need to seek "mercy or forgiveness." The judge concluded that Gandhi's offence was serious since an MP's address to the public had a wide impact—a lesser punishment would send a wrong message.⁸ Gandhi was subsequently sentenced to "simple imprisonment for two years" and given a 30-day period to appeal against the order. Under the provisions of Section 8(3) of the RPA, 1951, Gandhi stood disqualified and the Wayanad seat he was representing in the Lok Sabha became vacant. On 3 April, a sessions court in Surat admitted Rahul Gandhi's appeal and granted him bail till the disposal of his appeal. Rahul Gandhi can return to the Lok Sabha if the appeal leads to a stay on his conviction or the

court allows his appeal and sets aside the verdict (*Hindu* 2023). The questions raised during the trial regarding whether Gandhi wanted to make political gain by defaming those having the “Modi surname,” or those who have the “surname Modi” constitute a “determinate group,” or the speech was defamatory to an entire backward community, etc, have been the focus of legal wrangling, it is important to explore the larger questions that Rahul Gandhi’s disqualification raises about the robustness of democracy in India.

Section 499 of the IPC states that a person who through words—spoken or written—or through other visible representations, makes imputations intending to harm the reputation of a person, commits an offence of defamation. There are 10 exceptional speech situations identified and explained in Section 499 which would not be defamatory. Among them is a speech which claims to be “truth” which needs to be stated for “public good.” In its judgment in *Subramaniam Swamy and Others* (2016), joined by Rahul Gandhi and Arvind Kejriwal, among others, the Supreme Court upheld the constitutionality of Section 499. Arguing that the right to freedom of speech (Article 19) had to be balanced against a “right to reputation,” which it read in Article 21 (right to life and personal liberty), the Court considered Section 499 essential for “constitutional fraternity”—social solidarity. The implication is that Section 499 could curtail free speech to preserve a right to reputation and social solidarity (Bhatia 2016).

The defamation proceedings against Rahul Gandhi have been seen by legal experts as “weaponisation of a colonial era law”—as “lawfare”—to intimidate, delegitimise, and silence political adversaries (Gupta 2023; Bhatia 2023). BJP leaders have suggested that Gandhi’s response to the trial court order shows disregard for democratic institutions demanding that he “should apologize to the people of India” for “his series of irresponsible defamatory statements,” even as the opposition has rallied in his support (ANI 2023). The court order in Gandhi’s case has had the effect of cancellation of an electoral mandate in Wayanad. The repudiation of people’s mandate by a court requires careful judicial scrutiny.

All political parties including the BJP had sought a review of Lily Thomas (2013) on the grounds that the Court had not considered the arguments of its constitutional bench in the Prabhakaran case (2005) which had considered Section 8(4) necessary for protecting the house. Should protection be seen solely from the perspective of stability of the government? What about the opposition in a context where the ruling party may have an overwhelming majority and the opposition is rendered vulnerable, fragile, and beleaguered in a host of ways. The spate in cases against opposition leaders by central agencies, forcing them to approach the Supreme Court, manifests adversarial politics that has exceeded the deliberative space of Parliament, compelling a Congress leader to declare that it was time to see the opposition as a separate class whose freedoms—of speech and association—needed protection (Tewari 2023).

It is significant that the 2019 Kolar speech was red-flagged to the ECi by the BJP as a violation of the Model Code of Conduct (Vishnoi 2023). Speeches by the Prime Minister and other prominent leaders of the BJP were similarly flagged by the opposition parties. The ECi chose not to take note of some complaints (for example, Gandhi’s Kolar speech), gave clean chits in specific cases (for example, Prime Minister’s speeches), and sought responses from leaders in certain other cases (*Outlook* 2019). “Hate speeches” by prominent BJP leaders have allegedly escaped judicial scrutiny. A petition brought against BJP leaders Anurag Thakur and Pravesh Verma by the Communist Party of India (Marxist) leader Brinda Karat was dismissed by the Delhi High Court which stated that the leaders were public functionaries and a prior sanction for prosecution was required for the registration of FIRs against them, noting that the Delhi Police’s preliminary inquiries had shown that no cognisable offence could be made out in the case. The petition is now being heard by a Supreme Court bench.

The purpose of this discussion has been to make an argument for a robust democracy. The disqualification debate when read in the context of criminalisation of politics demands a more emphatic disavowal of money and muscle power from electoral

politics. All political parties, to different degrees, have skirted their responsibility in this regard and the ECi has been unable to turn disclosure affidavits into legal instruments, from simply “information” for voters, committing candidates to legal action. When read in the present context of Rahul Gandhi’s case, where an unprecedented two-year punishment was handed out with exceptional alacrity by the trial court to set in motion his immediate disqualification, the use of law to restrict democracy is abundantly evident.

NOTES

- 1 The second case was CA6691 of 2002, *Ramesh Singh Dalal v Nafe Singh and Others*.
- 2 *K Prabhakaran v P Jayarajan* (2005), <https://indiankanoon.org/doc/1711480/>
- 3 <https://indiankanoon.org/doc/80351/>.
- 4 <https://adrindia.org/content/363-sitting-mlas-and-mps-have-criminal-cases-against-them-bjp-tops-list-83-adr>.
- 5 <https://prsindia.org/policy/report-summaries/law-commission-report-summary-electoral-disqualifications>.
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- 7 *Public Interest Foundation v Union of India*, <https://indiankanoon.org/doc/146283621/>.
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Fallacies of Triple Test Doctrine and Backward Classes Reservation in Local Self-government

PRASHANT K TRIVEDI

The Supreme Court's recent judgments on reservation for the backward classes in the urban local body elections are reviewed. A separation between social and political backwardness dehistoricises the notion of backwardness. Political backwardness should be understood as inadequate political representation in the context of social, educational and economic backwardness.

Uttar Pradesh (UP) is third among the Indian states after Maharashtra and Madhya Pradesh, allowed by the Supreme Court, to reserve seats for backward classes in urban local body (ULB) elections under the "triple condition" regime. However, the questions raised by the apex court's judgments might continue to puzzle social scientists since the underlying premise, relating to the relationship between social backwardness and political backwardness, went unchallenged. This article argues that while the apex court has filled a gap in the law by laying down the identification process of backward classes for reservation in local self-government, the premise underlying the three conditions was erroneous. Moreover, it overlooked the interconnectedness between different facets of backwardness and political dynamics.

Genesis of the 'Triple Test'

The evolution of the famed "triple test" is a telling example of a fallacious understanding of society and politics; providing the basis for apparently just procedures, however, end up doing more harm than good. It started with the Krishna Murthy (2010: 31) case, where the Supreme Court ruled that Articles 243-D and 243-T formed a "distinct and independent constitutional basis for affirmative action" for local self-government. The apex court reasoned that the basis of "reservation under Article 15 (4) and Article 16 (4) could not be mechanically applied in the case of reservation in urban and rural local bodies." The court emphasised the need for an empirical investigation into the hurdles to political participation since the "political backwardness does not necessarily coincide with social and educational

backwardness." The apex court also distinguished individual benefits from the reservation in educational institutions and government service and benefits to the entire community from the political reservation (Krishna Murthy 2010: 37, 48).

Continuing with the same line of argument, the constitutional bench also ruled that "backward classes under Article 243-D (6) and Article 243-T (6) were not coterminous with the socially and educationally backward classes under Article 15 (4) and backward classes for Article 16 (4)." The apex court upheld the constitutional validity of Articles 243-D (6) and 243-T (6) since these were enabling provisions in favour of backward classes, the quantum of reservation and identification of beneficiary groups to be decided by the state-specific legislations (Krishna Murthy 2010: 48).

However, the "triple test" crystallised a decade later in Vikas Kishanrao Gawali (2021: 12) when a three-member bench of the Supreme Court, based on a reading of the Krishna Murthy judgment, noted that the provision for reservation in the case of backward classes was "statutory" as against the "constitutional" for Scheduled Castes (SCs) or Scheduled Tribes (STs). Accordingly, the bench ruled that before the state enacted the reservation for backward classes, three conditions of constituting a "dedicated commission for empirical probe in the nature and implications of backwardness" in the context of local bodies, specifying "local body wise" quantum of reservation based on the recommendations of the commission, and not crossing the limit of 50% vertical reservation, would have to be fulfilled. In Suresh Mahajan (2022), the apex court also reiterated the triple test requirement. Later, in 2022, ULB elections in UP and Bihar went in limbo after the intervention of respective high courts. Maharashtra and Madhya Pradesh were the first to hit the wall of triple tests.

Social and Political Backwardness

The legal-procedural aspect apart, the apex court's Krishna Murthy judgment posed a series of questions for social sciences, specifically relating to the relationship between various forms of

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backwardness and the interest of the individual and the community.

The distinction made by the apex court in the Krishna Murthy case, between political backwardness on the one hand, and social and economic backwardness on the other, overlooks the systemic nature of the backwardness and treats political backwardness merely as incidental. The century-old discourse has consistently located the notion of backwardness in the caste structure. The First and Second Backward Classes Commissions affirmed the understanding that social backwardness was at the root of all forms of backwardness, and it resulted from the low status in the caste hierarchy. Based on the same understanding, the Mandal Commission (1980) assigned the highest weightage to indicators of social backwardness rather than educational and economic backwardness. In fact, economic indicators found the least weightage in the Mandal Commission's scheme.

Many landmark judgments also reiterated the centrality of social backwardness and its nexus with caste. In *Minor P Rajendran v State of Madras* (1968), the apex court ruled that the "classification of backward classes if a particular caste was socially and educationally backward, then identifying the whole caste as backward did not violate Article 15 (4)." Other judgments of the apex court following *Minor P Rajendran* recognised that

identification of a particular caste was not solely because it was a caste, but because it constituted a class of citizens, and if the whole class of citizens was found to be socially and educationally backward, reservation could be made in favour of that particular caste. (Balram, 1972 cited in *Indra Sawhney* 1993: 35-38)

The historical *Indra Sawhney* judgment (1993) endorsed the same understanding. One of the remarkable observations of the Supreme Court in *Indra Sawhney* paving the way for recognition of backward classes considering caste was that

caste is nothing but a social class—a socially homogenous class. Its social status and standing depends upon the nature of occupation followed by it ... As observed by Dr Ambedkar, a caste is an enclosed class and it was mainly these classes the Constituent Assembly had

in mind though not exclusively—while enacting Article 16 (4). (p 82)

The series of judgments, including *Krishna Murthy*, *Vikas Kishanrao Gawali* and *Mahajan*, clearly diverged from the understanding that evolved from a series of judgments and the two backward class commission reports. While social backwardness was considered the root cause of all forms of backwardness by the former group of judgments, the latter group conceived the possibility of political backwardness that was not necessarily rooted in social backwardness. It essentially dehistoricised the notion of backwardness and uprooted it from the caste structure. It came out more clearly when the apex court expected millennium-old backwardness to wither in decades by arguing that the requirement of reservation in local bodies was for a much shorter period than that of education and public employment.

The entire edifice of the *Krishna Murthy* judgment has been constructed on a distinction between various forms of backwardness. While earlier judgments clearly noticed an interconnection between forms of backwardness, the latter rulings saw the possibility of one form of backwardness without reference to the other. For instance, *Indra Sawhney* (1993: 85) noted, "social backwardness leads to educational backwardness and both of them together lead to poverty which in turn breeds and perpetuates the social and educational backwardness." Against this interdependence among forms of backwardness, *Krishna Murthy* believed in the autonomy of political backwardness.

Though it appeared in *Indra Sawhney* judgment, it must be admitted that the notion of political backwardness has remained underdeveloped, both in constitutional-legal discourse and social science debates. While social sciences remain preoccupied with representation, participation and articulation, political backwardness for judicial rulings simply meant numerical under-representation. But just numerical representation could also be incidental, defying structural logic inherent in the concept of backwardness. Political backwardness should be defined as inadequate representation in elected

positions, which occurs in the context marked by social, educational and economic backwardness.

Once political backwardness is understood this way, *Krishna Murthy* would not need to be an exception to *Indra Sawhney* but would follow the same line of backwardness that had a strong resonance with the deficient share in state power. Public employment surely is the repository of the state power, and so is the elected position, including ULBs. It has been a settled position in the law that the purpose of reservation for backward classes is empowerment (*Indra Sawhney* 1993). Local self-government, being the first interface between citizens and the state, would be the most suitable institution for devolving power to citizens belonging to backward classes.

Political Dynamism and Reservation

Krishna Murthy sought to create a new category of backward group which would not necessarily coincide with the existing socially and educationally backward classes. A superficial understanding of politics informs the categorisation of two backward groups. The apex court likes us to believe that political success requires only "association with a political group, ideological inclination, ability to canvass support," etc (*Krishna Murthy* 2010: 32). If politics was conducted in a vacuum, why would upper castes continue to maintain a predominant position in several states, often winning double the share of assembly, Parliament and local body seats than their share in the population? A team of social scientists assessed the interface of politics and resources, including land, education, income, and assets and found that the stake in resources than the share

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among the voters corresponded with the number of seats by a particular caste in the UP assembly elections (Trivedi et al 2016).

The judgments rightly refer to the objective of ensuring substantive equality in representation but need to understand the dynamic nature of politics. During the interim period between Krishna Murthy judgment and Vikas Kishanrao Gawali judgment, the world of backward politics had turned upside down. Social science works show that the ascendancy of Hindutva has overshadowed autonomous backward politics, and Other Backward Classes (OBCs) are relegated to numerical representation at the cost of substantive power (Trivedi and Singh 2022). A quick perusal of the UP data also revealed that a large chunk of OBC elected representatives were concentrated at the lower rungs of ULBs, having virtually no representation outside for them at the mayor position.

The apex court's judgment appeared to have been based on the impression that OBCs were politically dominant in several states. Apparently, some upwardly mobile castes might have been on the

Court's mind. However, the Court emphasised the internal heterogeneity of the group but generalised conclusions regarding the absence of a relationship between different facets of backwardness over the entire category.

Krishna Murthy's emphasis on separating individual benefits from educational and employment reservation and community gains accruing from political reservation did not find empirical support from the social sciences. Strict compartmentalisation between the interest of a community and members was otherwise not sustainable. Close to a century of affirmative action in India was a testimony to the fact that individual gains have mostly translated into community action and vice versa. For instance, the peasantry benefited from the land reforms programme has been at the forefront of the backward class movement in most of the Indian states, and it was this group that pressured the government to implement reservation in jobs and education for the socially and educationally backward classes. Similar instances could be found in the case of Dalits too.

The Supreme Court has a record of protecting marginalised groups' interests. However, a finer grasp over socio-economic life would help the apex court discharge responsibility towards the poor in a better manner.

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Under-reporting of Income by Wealthy Indians

RAM SINGH, SOUMYAJIT RAY

The affluent Indians often complain about the “excessive” income taxation. Yet, very few of them figure among the top income taxpayers. This paradoxical situation results from the relatively low incomes reported by wealthy groups. On average, the wealthier a family is, the smaller the income it reports relative to its wealth.

The affluent Indians and those representing the corporate sector often complain about the “excessive” income tax rates applicable to them. They criticise the multiple taxes levied on their capital income and the excessive tax rates and cesses applicable to the top income levels. Several tax experts and commentators sympathise with demands to reduce maximum income and corporate tax rates. Some analysts demand outright scrapping of the income tax.

The Tax Paradox

These claims notwithstanding, the direct tax–gross domestic product (GDP) ratio of the country (a little above 6%) is lower than several developing countries. Even more intriguing is the fact that only a few of the affluent Indians figure among the top-income taxpayers. By the media accounts, celebrity movie stars such as Akshay Kumar, Amitabh Bachchan, Salman Khan, and cricketers dominate the list of the highest taxpayers. This suggests that the wealthiest Indians are not the ones who report the highest income since the amount of tax paid goes hand-in-hand with the income levels reported to the tax authorities.

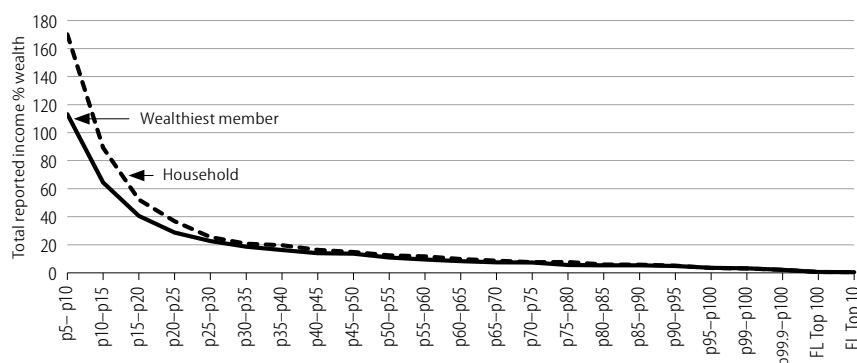
How does it happen that the “excessively taxed” wealthy Indians are not the ones who pay the highest taxes? Singh

(2023) explains this paradox. The study has combined several data sources to estimate the relation between reported income and wealth for more than 7,600 families nationwide and their adult members.¹ It shows that, on average, the wealthier a family is, the smaller the income it reports relative to its wealth. Whereas the 5% of least wealthy families reported income more than five times (500%) their wealth, the reported income of the wealthiest 1% of families amounted to just 3%–4% of their wealth. For the wealthiest 0.1%, the total reported income added up to less than 2% of their wealth. For the most affluent Indian families on the *Forbes* list, the reported income was only about half a per cent of their wealth! Similarly, the wealthier an individual, the lesser the reported income relative to their wealth. Figure 1 reports income as a percentage of wealth for households and their wealthiest members (one from each family).

Consequently, the income reported by the wealthy groups as a ratio to their wealth is far below the national average. The total income–wealth ratio reported by the top 20% of the wealth pyramid is less than a third of the national average. The ratio reported by the wealthiest 0.1 percentile is just above one-sixth of the national average.

The situation is even worse if we consider the income reported as “taxable.” Any income declared by a taxpayer is reported either as “taxable” or “tax-exempt.” No tax is paid on the income reported under the latter category, including agricultural income and several other forms of capital income. Simply put, only a

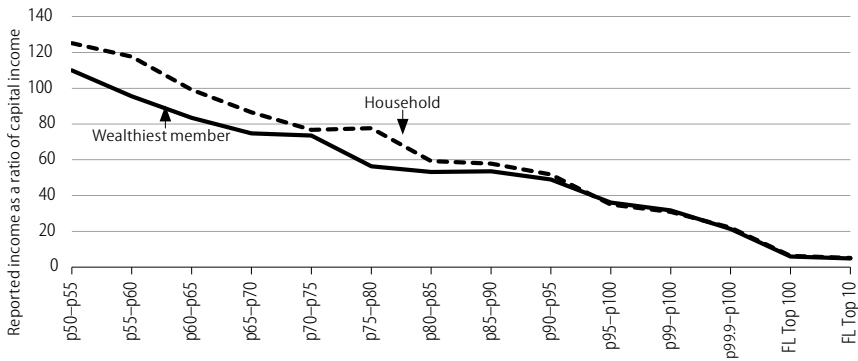
Figure 1: Total Reported Income as a Percentage of Wealth



The horizontal axis shows the wealth percentiles of the households—lower percentiles represent less wealthy groups, and vice versa. Source: Authors’ calculation using general election 2014 and 2019 affidavit data.

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Figure 2: Total Reported Income as a Percentage of the Capital Income (10% of wealth)

Source: Authors' calculation using general election 2014 and 2019 affidavit data.

part of the total income that taxpayers report is subjected to taxation. The income reported as taxable by the wealthiest 1% of households is merely 2% of their wealth. The *Forbes* listed group's taxable income is less than half a percent of their fortunes. Similarly, the wealthier an individual is, the smaller the income reported as taxable relative to their wealth.

Missing Income at the Top

The national income accounts suggest that the average rate of returns on private capital in India is more than 7.2%. This inference is further evidenced by the fact that during the last two decades, the average GDP growth rate has been upward of 6%, and historically, the returns on capital have been several percentage points higher than the growth rate. One can easily get a 6%–7% return simply by investing their wealth as fixed deposits in commercial banks. Mutual funds and stocks provide much higher returns.

Average returns on equity tend to be much higher, typically upward of 15%. As most of the wealth of the super-affluent groups is held as equity, their capital income has to be at least 10% of their wealth, even after factoring in the corporate taxes. Therefore, simply on account of their capital income, the total income of the affluent groups should be at least equivalent to one-tenth of their wealth, even if we totally disregard their labour income. However, the income levels reported by them are strikingly low, even with respect to their expected capital income (Figure 2).

As shown in Figure 2, for the top 30% of families and individuals, the reported income is less than the return from their capital. The total income reported by the

top 5% of families and individuals is about a third of their capital income. The wealthiest 0.1% families' reported income adds up to only a fifth of their capital income. The *Forbes* listed families' total reported income is just about half a percent of returns from their wealth. Therefore, income levels reported by the super and ultra-wealthy groups are inexplicably small.

This begs the question: What explains the relatively small incomes reported by the wealthiest groups? Is it tax-evasion or tax-avoidance?

Tax Avoidance

The answers lie in the tax rules for capital income. Under the Indian tax law, unrealised capital gains are neither taxable nor required to be reported in tax returns. This enables the wealthy groups to reduce their tax liability simply by staying invested in stocks and their by-products. Guided by similar motives, wealthy groups tend to minimise the distribution of profits among the stockholders of their group companies.

Profits distributed as dividends have to be reported as personal income and hence invite tax liability for the recipient. On the other hand, if company profits are reinvested, it results in two benefits for the stockholders: the tax obligation is reduced while the stock market value of equity gets a boost. The net result is hefty tax-free capital gains for the stockholders. Unsurprisingly, people who influence corporate decisions—the chief executive officers (CEOs), board members, or promoters of group companies who decide how much of profits will be distributed among the shareholders—want to keep the dividend payouts at the bare minimum. They

are better-off reinvesting most of their profits into the group companies. So, they have a strong incentive to retain their income in the company accounts. Their motivations are enforced by the hierarchy they enjoy in corporate governance.

It is for these reasons that dividend payouts by Indian companies are meagre compared to many other countries. Surprisingly, the average dividend income from the top 100 private listed companies in India is just 0.85% of the market value of their stocks. The dividend yield is even smaller for companies controlled by *Forbes*-listed families. Deliberately suppressed dividend income is a leading reason why the capital income reported by wealthy groups is a small fraction of their actual equity income. On top of this, the affluent groups receive a part of their dividend income indirectly in the accounts of financial intermediaries like limited liability partnerships. This income does not figure in their individual income and tax accounts.

Due to such creative accounting, a significant fraction of the wealthy groups' capital income goes missing from the individual accounts. Only a tiny proportion of their actual capital gets reported in the returns filed to the tax authorities. This explains why the wealthiest Indians are not the ones who report the highest incomes. Only 35% of the 100 wealthiest individuals have declared income levels that figure in the list of the top 100 incomes reported to tax authorities. Just like Jeff Bezos, Elon Musk, and Warren Buffett in the United States, Indian billionaires also manage to pay taxes that pales by comparison to their wealth.

The policymakers do not seem to realise that the wealthy groups can choose labour income, just like they decide their capital income. Media reports abound about how, for long, the wealthy groups have not received any increment on income they received from their group companies in the forms of salary, perquisites, allowances, and commissions. Such decisions are part of the tax-saving strategies of the affluent, even though they might appear charitable.

The problem is that the business tycoons pay themselves too little, in contrast to the CEOs in the banking sector

and their bankers, who infamously seek hefty pay packages. An average taxpayer's burden will be reduced if affluent groups pay themselves higher salaries and dividends.

A Regressive Regime

The above-discussed strategies that the wealthy groups use to under-report their income render the direct tax regime regressive. As is shown in the above-cited study, at the top wealth levels, the wealthier the taxpayer, the smaller the tax liability relative to their wealth. This is a direct and inevitable consequence of the relatively low income reported by affluent Indians. The average tax paid by the wealthiest 5% amounts to less than one-fifth of the income they earn from

their wealth alone. The tax liability of the top 0.1 percentile of these wealthy individuals is less than one-tenth of their income. The tax liability for the super-wealthy Indians is smaller than the relative tax liability of middle-wealth groups!

True, a part of the wealthy group's income is taxed multiple times. However, this is a small fraction of their total income. The rest of their income—kept as undistributed profits in company accounts—is taxed at a rate much lower than the top tax rates applicable to the salaried class. Whichever way we look at the issue, the affluent Indians are not overtaxed.

Therefore, there is a compelling case for revisiting the tax code to make it progressive by removing the loopholes that

make it regressive. While we have to recognise that the wealth groups need to be rewarded for the risky investments they make to promote the growth and prosperity of the country, reducing the income and corporate tax rates is not the way forward.

NOTE

- 1 The data sources used in the study include affidavits filed by election contestants in 2014 and 2019, the *Forbes* list of Indian billionaires, the annual statistics published by the Central Board of Direct Taxation, the ProwessIQ data set, and the annual accounts of listed companies managed by the wealthiest.

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The Pension Reform Protests in France

Towards the Dusk of the Liberal Democracy?

ARNAUD KABA, KHALIQ PARKAR

In the context of a wave of protests in France against the pension reforms, it is necessary to ask: How did the pension reform law take shape despite public and legislative opposition, reach this point of violent contestation, and what do the protests bode for the future of a discontented republic?

The last few months in France have been marked by strikes following the Macron government's pension reform. The strikes saw widespread violence between protestors and police, burnt townhall doors in Bordeaux, rubbish piled in many streets and banks vandalised in many of France's major cities. It seemed like a political dead end for President Emmanuel Macron who signed the pension reform law into effect on the night of 15 April 2023. As France took to the streets again to protest on May Day, we ask: How did the pension reform law take shape despite public and legislative opposition, reach this point of violent contestation, and what do the protests bode for the future of a discontented republic?

The Paramount Law of Macron's Presidency

We must start with the first term of Macron's presidency, when there was an early attempt at pension reform. At that

time, the reform aimed to create a point-based pension system, which would supersede the extremely complex, but often beneficial French corporation system (wherein each trade has its own pension regime). Macron, on the other hand, was arguing that the reform was one of "social justice," which equalised the diverse corporatist regimes. However, the system was disadvantageous towards public sector workers, who had some advantages in their pension regimes which could compensate for their relatively low wages. Under a regime where pensions are strictly proportional to the money which has been put in the system, the high-income private sector workers were largely prioritised. The reform law was to pass in early 2020, but in December 2019, a powerful strike was triggered by the main unions in the transports and public services, with the exception of the reformist unions such as Confédération Française Démocratique du Travail (CFDT) and Confédération Française des Travailleurs Chrétiens (CFTC) (Veyrier 2019). Transport routes (subways and suburban trains) were blocked in Paris and people had to walk for most of the Christmas vacations. The movement has continued with massive demonstrations, gathering millions of people in the streets (Statista Research Department 2020). The law adoption, however, had been delayed, as the debates in parliament

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were also extended in length. Eventually, the COVID-19 crisis, which hit France in late March 2020, buried this reform, but it was not forgotten till Macron came to power again in 2022. A brief note on the French presidential elections is necessary. The election follows a “two-round” model—if a candidate does not secure a majority in the first round, a “run-off” election with the two highest polled candidates is conducted. Despite leading in the first round, Macron polled only 23% of the votes, which is especially low, considering that the vote abstention was at a high of 26% (La rédaction du Monde 2022a).

Macron and his deputies were quick to use the mantra “vote for us, or you’ll be responsible for the rise of fascism” in the run-up to the second round. Any reluctance from the Left Front to call for a vote in favour of Macron was then portrayed as playing into the far-right’s favour. In the second round, Macron faced and defeated the far-right leader Marine Le Pen albeit with a narrower margin than the 2017 elections. Macron’s party, “Renaissance,” only got a relative majority in the National Assembly (lower house) elections which followed in June 2022 (La rédaction du Monde 2022b). Thus, even as Macron returned to power with the pension bill as key part of his reform, it was not necessarily with the support of an electorate that supported this agenda within his manifesto. While he claimed the vote as public support for the reform, he ignored that under the two-round model, electors had little choice than to vote for him, to prevent Le Pen’s ascension to the presidency.

Despite an electorate which were clearly unhappy with the reform, Macron felt that he had the legitimacy he needed to push through the pension bill which was presented as “the mother of all the reforms.” The new version of the law did not intend to abolish the corporatist pension system anymore, and simply sought to add two or three more years to everyone’s retirement age. Immediately after the law’s announcement, a united union front was formed, comprising all the major unions of the country. This inter-union syndicate is notable since during previous mobilisations, there was a division

between reformist (such as CFTD and CFTC) and radical unions (such as Confédération Générale du Travail [CGT] and Solidaires or Solidaires Unitaires Démocratiques [SUD]) regarding the modalities of protest.

From 19 January 2023, huge demonstrations were organised broadly every 10 days, gathering in average between 1 million (according to the police) and 3 million (according to the unions) across the country. Without indulging too much into the French exercise of counting demonstrators, it is important to highlight that this was one of the biggest demonstrations, gathering 1.28 million people according to the police, and 3.5 million according to the unions (La rédaction de France Bleu 2023). It is virtually one of the most popular demonstrations since Le Pen’s qualification to the second round of election in 2002.

However, these large demonstrations had an ordered, non-violent, even sometimes placid tone. Except for some skirmishes between the anarchist radical groups and the police, the demonstrations followed the same ritual: a long gathering in one of the main squares of Paris followed by a long, slow procession along central avenues, punctuated by feminist flashmobs, mobile-bar trucks run by local unions to fund the strikes,

polite and impolite slogans, and a dispersion at the final point. Most of the protests did not even witness the expected illegal “wild” demonstrations taking place after the official parade timings filed with city authorities. Indeed, a massive social movement had seldom been so calm until recently.

Skippping the Parliament

So why did these protests turn violent so quickly? One has to contrast this huge, pacific movement, in relation to the state’s—and especially Macron’s—everlasting deafness to the calls of the social republic which resonated in the street. Macron categorically refused an audience which the unions had for long asked for. He maintained absolute silence until the moment of the law’s validation which skipped regular legislative procedures. Macron chose to circumvent the parliament by using Article 49.3 of the constitution which allows the executive to introduce a law without consulting the parliament. This is the most salient characteristic of this conflict, which makes it different from the ever ongoing French social conflicts and brought another layer to the contestation—the radicalisation of the protest was triggered not by the law itself but by the anti-democratic way in which it was steamrolled through.



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From the very beginning, Macron's government tried to shorten the parliamentary debate as much as possible. To do so, they presented the law as a part of social security budget, allowing them to invoke Article 47.1 which limited the debates in the parliament to only 20 days and the debates were finally shrunk to 12 days, from 16–18 February (*Assemblée Nationale* 2023). Such a limitation is possible only because the budget laws have to be adopted quickly in order to run the public spending, but sneaking such an important structural law as an article of a budget was an obvious misuse of the constitution. The opposition coalition (Nouvelle Union Populaire Ecologique et Sociale [NUPES]), and its most prominent party, La France Insoumise, led a parliamentary guerrilla against the law, laying up thousands of amendments. The result of this was that the main point of the reform—the retirement age at 64—did not even get debated in the parliament, as the debates were aborted before the deputies could even get to that article.

After this, the law was presented in front of the Senate (upper house), which was dominated by Macron's party and the conservative party (Les Républicains) which already had a similar agenda of extending the age to 65 in their manifesto. Eventually, this law was passed by the Senate, followed by a joint commission between the representatives from the Senate and the National Assembly. This commission agreed on 15 March that a simplified and amended version of the law had to be confirmed in a second vote from the parliament.

The vote never took place. After some days of dilly-dallying and claiming that she did not want to short-circuit the parliament, Prime Minister Élisabeth Borne resorted to Article 49.3 of the constitution, colloquially called the “parliamentary nuclear strike” on 16 March. Under this article (put in place to resolve parliamentary blockades), the government is allowed to put its position at stake. In other words, the law is not voted upon, but a no-confidence vote can be triggered. If this is done, then either the government is overruled, the law is cancelled and elections are scheduled, or the government remains, and the law is adopted

without a vote. It is the night after this *passage en force* that the slogans in the crowd transitioned from “the pension at 60 years old, we fought to get it, we'll fight to keep it” to “we will also force our way.” The streets of Paris, covered with the uncollected rubbish from weeks of waste-picker's strike, saw violence and rioting as did many other French cities.

Repression and Consequences

After 16 March, the state unleashed unmoderated violence on every protest event in the country, whether about the pension reform or other marches. The demonstrators were repelled with water cannons and tear gas which was widely covered in social media and news. I was caught in one of the most serious events in Strasbourg, on 20 March which resulted in at least three people collapsing from the gas (Labit 2023). I was part of a protest group which got tear-gassed in the medieval streets of Strasbourg which had no exits. Multiple people fainted and I witnessed a man collapsing unconscious in front of me. These repressive actions were reflected in the state's crackdown against other protests, such as the use of anti-riot police (Brav-m) who shot rubber bullets and used explosive grenades against an ecology demonstration on 25 March. More than 200 protestors were injured, with one of them still in a coma at the time of writing (Barroux 2023).

Scared by the growing police violence, exhausted by months of strike, and the final steamrolling of the reform, people reduced in the streets and the movement seemed to have calmed down until the May Day protests. What now is the legacy of this reform and the protests? How will it be possible, as Macron desires, to get through it and come back to business as usual? In the French press, editorials are unanimous:¹ this conflict will bear scars. Not mainly because it is one more injury in the now largely decaying French social model but because of the openly authoritarian and anti-democratic way the law has been promulgated. In his national address after the passage of the law, Macron declared that he gives himself “100 days to reweave the bond with the French people.” At each of his public appearances, he was

followed by a cacophony of utensils, which led a local security deputy prefect in the South of France to take measures against the use of “portative noise producing devices” (Robles 2023). The anger seems to have not been calmed and instead has transformed into cold grief. The grief and anger was evident in the large crowds on 1 May when all the unions and opposition parties called for a historical demonstration.

Macron's party still has only a relative majority in the parliament, and governing the country may be extremely tough, if he keeps short-circuiting the parliamentary process. But regardless of the course he takes, the deep stakes that arose from these events are symptomatic of the social dynamics. On the one hand, Macron, who pretended to be a centrist and has a social side to his policy is now openly playing an ultra-liberal, conservative and anti-working-class policy. For the left, the urge to reorganise and propose an alternative project is crucial, be it for the social or for the ecological struggles to come. If not, the grim future seems, also, obvious: opinion polls say that if there were elections these months, the left would overrun Macron's party but the social anger would benefit more to Le Pen's chauvinistic party who would get almost as many representatives as the Left Front, which would be a difficult progression since the last elections (Lepellet 2023; Garnier 2023). The growing distrust against politicians, the institutions, and the democratic process itself is now threatening the regime itself. If there is another confrontation between Macron's political heir and Le Pen for the next elections, who will vote for Macron's party against Le Pen to “build a dam against populism and authoritarianism” to borrow the usual rhetorical formula? These are indeed times of uncertainty as Gramsci said: “The old world is dying, and the new world struggles to be born: now is the time of monsters.”

An Indian View of the Protests

As researchers located both in India and France, the authors would like to add a note as participant-observers on the marches and protests that Indian readers would have seen in the news or social media.

It was heartening and refreshing to see public political participation in public avenues, and not in isolated pockets like Jantar Mantar or Azad Maidan. The scale of the visible public protesting regularly, multiple times a month was also indicative of this sense of camaraderie. It was refreshing to see solidarities of mobilisation across classes, social groups, and job sectors. This diversity was even more pronounced after the Article 49.3 steamroll, as the protestors were united in their disdain for a leader unwilling to acknowledge the people and their representation. The action of sending out Brav-m forces alongside riot-police added to this disdain, revealing a repressive attitude of the state that the public has not reconciled with.

This exercise of public participation is evidently a product of French political socialisation—in most marches, one sees generations of families protesting together, and it is not surprising to see young children who march and sloganeer alongside parents and grandparents. The protest march is organised in “blocks,” sections representing the unions, syndicates, collectives march one behind the other and the parades can be kilometres long. One of the most visible and energetic blocks I witnessed was the high-school students’ union sandwiched between the firefighters’ union and the transport workers’ syndicate, leading Parisian youth who are not yet eligible to vote.

At the same time, outside these marches, cities like Paris continue with their quotidian life. Tourists flock to the monuments, parks are full of families celebrating spring, cafes fill up for dinners while garbage piles a few feet away grow taller the next day. As voter turnouts continue to drop, vote abstentions increase, and protests see sporadic participation, unions and political groups continue to strategise for future mobilisations.

As tear gas shells and rubber bullets were being fired at one end of the May Day protest, I decided to call it a day and turned back along the main avenue where the march took place. Even as the last stragglers with placards brought up the rear, a small group of municipality workers walked behind them, cleaning

up the shattered storefront glass and crushed cans, remnants of bonfires, fallen banners and torn placards. It struck me that these contractual workers, the most precarious within the hierarchy of municipal workforce, could not join the marches for the future of their republic, not even on May Day.

NOTE

1 See, for example, Gatinois and Goar (2023) or Duguet (2023).

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The Anatomy of Crony Capitalism in India

KAPIL S KAMBLE

Crony capitalism is the direct consequence of the liberal and neo-liberal policies embraced by the governments. Of course, the licence permit raj has also played a substantial role in the emergence of this monster but the way the neo-liberal policies vitalised it perhaps has no counterparts anywhere in the world. The emergence of the one-party majority rule opened up new vistas for the functioning of crony capitalism.

The unholy nexus between the political class and the business persons is called crony capitalism. It is an indicator of the overall health of an economic system and the nature of the governance. In India, crony capitalism is a direct result of the licence permit raj and the subsequent adoption of the liberal and neo-liberal economic policies of successive governments, irrespective of the political parties they belong to. Though we can trace the existence of crony capitalism in almost all economies of the world, its presence is more rampant in India due to certain structural problems.

Before we delve deeper into various dimensions of crony capitalism, it is pertinent to understand clearly the meaning of this novel phenomenon. Simply speaking, crony capitalism is a system of favouritism and partiality where only a few selected business persons or business houses are showered with special treatment from the political class and the bureaucracy. Such a precipitation of rewards and concessions are provided not because of the superior or outstanding talent that they possess or the distinctive abilities they have inherited, but out of predilections and predispositions. It is a symbiotic relationship between the political class and the capitalists, where they both gain handsomely due to the mutual aid and assistance at the cost of certain essential attributes of a sound economy, such as open market, perfect competition, rational price mechanisms, transparency, rule of law and the principle of natural justice.

Crony capitalism, truly speaking, is a perverted form of capitalism. It is an abettor; a bigot. The father of political science, Aristotle in his classification of governments, argues that any pure form of government, over time, turns into a perverted form: monarchy into dictatorship, aristocracy into oligarchy and so on. Aristotle is right when we apply this

proposition to the phenomenon of crony capitalism. Liberalism and its corollary, capitalism emerged in the West to cater to the burgeoning aspirations of the middle class who liberated themselves from the stranglehold of the landlords, nobles, religious dogmas and entrenched traditions in the then society. Liberalism as a political doctrine upheld the principles of individualism, freedom, reason, justice and tolerance. To put it more emphatically, liberalism and capitalism eulogises freedom of choice and equality of opportunity. Corresponding importance is also accorded to the principle of merit where special talents and skills are given due weightage so that the entire society enjoys the fruits of their endeavours. As such, the theory of liberalism reflects the Aristotelian concept of equality: the like should be treated alike. But crony capitalism is profoundly in antithesis to these notions.

In the same vein, crony capitalism is contradictory to the ideas of socialism as well. Fundamentally, the ideology of socialism emerged as a strong reaction to the cacophonies of liberalism in the 18th century. Socialism extols the principles of common ownership of the means of production, equality, equity, justice, and community. According to this doctrine, the idea of atomistic, egoistic and possessive individualism, owing nothing to society for its success, is the root cause behind the emergence of self-centred and socially divorced tendencies like crony capitalism. The never-ending greed for personal property, power, influence and authority morally corrupts human beings and when such cupidity transgresses all the limits by consummating with politics, it corrupts the individual absolutely.

Crony capitalism as an economic doctrine befits well only with fascism and other such extreme ideologies. The reason is simple: nepotism, favouritism, and partiality are at their zenith in totalitarian regimes. Theoretically, fascism is in great estrangement from capitalism for it has a strong distaste for private property and unbridled capital. However, to stay in power, fascism desperately needs to win the legitimacy of the masses and for this particular task, robust propaganda in the name of emotive issues, such as

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race, nationality and ethnicity is much needed. Such propaganda works in proselytising the ideas of fascism and totalitarianism by contriving political socialisation and political culturalisation. The big industrialists because of their stronghold on the means of production, especially on the means of propaganda, handsomely do this work for the fascist tendencies. Hence, Marx was right when he avowed that in every epoch the ruling ideas are the ideas of the ruling class since the class which owns the means of material production also owns the means of mental production.

The Indian Context

Our Constitution provides for democratic socialism where both capitalism and socialism interplay in the form of a mixed economy. Democratic socialism envisages relative equality and not the absolute equality that pure socialism endeavours to achieve. Whether social equality and community ownership get the preponderance or individual liberty and private property occupy the prominence, eventually hinges on the ideological makeover of the ruling classes. Though we have adopted democratic socialism and made the early pronouncements of forging a socialistic pattern of society, capitalistic forces always played a dominant role in the socio-economic and political system of India both overtly and covertly. Hence, programmes for alleviating income inequality, regional disparity and eradication of poverty have been the *sine qua non* of almost all the five-year plans. Despite the extensive planning and huge expenditure made on tackling these socio-economic problems, India is still groaning under the overwhelming weight of these maladies, which is a clear testimony of the mismanagement of means of production, forces of production and the relations of production.

Politics–Business Nexus

The embracement of liberal policies in the Indian economy and the corresponding structural changes which were introduced more enthusiastically after the 1980s readily furnished a fertile ground for the indulgence of the capitalistic forces in the national economy. The

adoption of the liberalisation, privatisation, and globalisation policies opened up new horizons for the market economy. The role of the state in deciding what to produce, how to produce and who should get what retrenched gradually and such an abatement of the state made the way for the private players to determine these basic premises of the economy. In recent years, the abdication of the government of its onerous task of looking after the essential needs of the people and the transfer of these seminal activities to the whims and fancies of the selected capitalistic interests, has further bolstered the phenomenon of crony capitalism.

However, the roots of crony capitalism can be found in the Indian social system itself. The varna system and its by-product, the caste system, can be attributed as the major forces that favoured the emergence of crony capitalism. The most important features of the caste system are nepotism, favouritism, partiality and prejudice. One can conspicuously experience the intercourse of these malicious factors behind the emergence and functioning of crony capitalism in India. The hegemony of some castes on political power and the means of economic production, in addition to their purported caste coalitions for ostracising the lower castes of the social hierarchy from the circles of power, led to the phenomenon of crony capitalism. Political scientist Robert Michaels while explaining his ideas on elitism in democracy made two important observations: the iron law of oligarchy and the circulation of the elite. The former says that political power (while reading this article economic power also) is the prerogative of elites in society who by their intelligence, dexterity and manipulation always see that power remains at their disposal. Whereas, the latter enunciates that the old elite may be replaced by the new ones but the stronghold of the class on the power in its entirety is continuing unabated.

The politicisation of the castes in India and increased awareness among them of the importance of holding political power turned the electoral democracy of India into a plutocracy. Elections have become a highly costly affair as billions of rupees are spent in both cash

and kind to woo the voters. According to the audit report submitted to the Election Commission of India by the various parties, ₹6,500 crore was spent by 18 political parties (seven national and 11 regional) between 2015 and 2020. Two major parties, the Bharatiya Janata Party (BJP) and the Indian National Congress (INC) spent ₹2,000 crore and ₹560 crore respectively on publicity alone! The 2019 Lok Sabha elections broke all the records wherein around ₹55,000 crore was spent according to the report of the Centre for Media Studies. It means, more than ₹100 crore for each constituency and about ₹700 for each vote! Therefore, Indian elections have turned out to be the most expensive elections in the world, even beating the record of the American presidential elections. The important question that sprouts in everyone's mind are: from where do the political parties get money for their activities? The answer is quite simple: from the capitalists, especially from cronies.

The nexus between the capitalist and the politician in the Indian sociopolitical and economic set-up is beautifully summarised by Raghuram Rajan in the following words:

the crooked politician needs the businessman to provide the funds that allow him to supply patronage to the poor and fight elections. The corrupt businessman needs crooked politicians to get public resources and contracts cheaply. and the politician needs the votes of the poor and underprivileged. Every constituency is tied to another in a cycle of dependence which ensures that status quo prevails.

The moral degeneration of the voters, the never-quenching thirst of politicians for power and the never-extinguished greed of the capitalists for money, have systematically contributed to the stronger relationship between politics and economics which has made a mockery of

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democracy. Some of the politicians are themselves entrepreneurs, who due to their power easily get concessions, rewards and contracts clandestinely from the government.

Plato exhorted for the separation of politics and economics when he propounded that those who exercise political power should have no economic motives and those who are engaged in economic activities should have no share in politics. What is happening in India is diametrically opposite to this gospel. Many industrialists, business persons and landlords have been elected to the union and state legislatures. According to a report of the Association for Democratic Reforms, 34% of members of the lower house and 38% of the members of the upper house of the Indian Parliament own assets worth more than ₹10 crore. The average asset of a Lok Sabha member is ₹20.47 crore whereas that of a Rajya Sabha member is ₹79.54 crore. When the houses of public policymaking are replete with so many wealthy people, policies in favour of crony capitalism are bound to be made since the law of attraction enunciates that like forces attract each other as they are in the same direction and parallel to each other.

Crony Capitalism at Its Zenith

Crony capitalism is the direct consequence of the liberal and neo-liberal policies embraced by the governments. Of course, the licence permit raj has also played a substantial role in the emergence of this monster but the way the neo-liberal policies vitalised it perhaps has no counterparts anywhere in the world. The emergence of one-party majority rule opened up new vistas for the functioning of crony capitalism. It is not that crony capitalism was innocuous before the resurgence of one-party rule in the Indian political horizons with the 2014 general elections. However, the swiftness and buoyancy it has attained for the last 10 years are unprecedented. During these years, the Indian economic system turned into a monopolistic market system from its previous avatar of oligopoly; prominent business houses have more or less become household names. Today, the power and influence

of some capitalists are so enormous that they are part of many official delegations to foreign countries. Because of such favouritism and policy of protectionism, selected capitalists multiplied their wealth in many folds, and that also in a short period. Despite the opposition's relentless demand for a thorough probe into the matter, the government was unmoved. This is a clear testimony of what formidable heights he has attained in the Indian democratic set-up!

The preferential treatment made towards such selected capitalists put Indian democracy in a bad light. India ranked seventh in the crony capitalism index 2021, prepared by the *Economist*. According to this report, crony capitalism wealth accounts for 8% of the Indian GDP. Marcellus's investment manager estimates that the 20 most profitable firms produced 14% of total corporate profits in 1990, 30% in 2010 and 70% in 2019. Crony capitalism has instigated huge income inequality. The Oxfam report reveals that 10% rich hold 77.4% of total national wealth, whereas the bottom 60%, only 4.8% of it. The soaring income disparity will further debilitate Indian society which is already fractured along the lines of caste, religion, region, ethnicity and gender. Even during the time of the COVID-19 pandemic, while the income of the majority of Indians shrank drastically, the wealth of selected capitalists increased exponentially because of the patronage they could enjoy from the political class.

Impact on the Indian democratic set-up: The founding fathers of the Constitution espoused representative democracy for India. In this system, people are regarded as supreme and the means of all power. Indian democracy envisages the inclusive development of its entire people irrespective of religion, race, caste, sex, place of birth and so on. Indian democracy is the confluence of the principles of both liberalism and socialism. It seeks to ensure socio-economic and political justice by distributing equal opportunities for all. At the same time, it appreciates the principle of merit where one gets rewards according to his talent and skills, abiding by the law of the land.

Crony capitalism flouts the basic principles of democracy since it is based on invidious factors, such as favouritism, nepotism, and partiality. It has systematically corroded the Indian democracy in several ways by making sarcasm of the sublime principles ingrained in the preamble of the Constitution.

First of all, let us discuss the deleterious effects of crony capitalism on the Indian economy and the overall development of the nation since it is an economic phenomenon. It strangulates the competition by creating a monopoly market. The capitalist resorts to predatory pricing as he can sell his goods at throwaway prices which have become possible by the favours and concessions he has obtained from the political leadership and the bureaucracy. Once he decimates all the competitors, he starts raising the prices of his goods as has happened in the telecom sector. Further, to favour the favoured capitalist, the rules and regulations are arbitrarily changed and government undertakings which are functioning in a particular sector are either weakened or privatised as has happened in the case of BSNL and Air India. The policy of disinvestment is rigorously applied and even profit-making public sector units are privatised only to clear the way for the capitalists. It affects the price of goods and services in the country as they are left to the market forces, which badly hits the consumers.

The income and savings of the poor and the lower-middle class are steadily eroded which eventually leads to increased poverty and greater dependence on government patronage to meet even the basic needs. The introduction of popular schemes one after another requires huge funds, a part of which will flow from capitalist funding. Due to privatisation and a monopolistic market system, the number of employment opportunities shrinks which leads to further unemployment and a poverty. Of course, such a precarious situation boosts the income of the selected capitalists and the wealth of political parties but reduces the purchasing power of the people, and lowers demand and innovations in the economy. Foreign firms also keep away from India as they are reluctant to

invest in an economy where fair competition is absent and rampant corruption is present. Such an egregious condition eschews not only foreign investment but domestic entrepreneurship also.

In the same manner, crony capitalism affects the stability of lending institutions. The banking institutions are hit hard when loans made to the big business person turn into non-performing assets (NPAs). The financial frauds where some industrialists deliberately default on repayment of loans leave the banks in poor financial health. In many cases of financial fraud, financial institutions were compelled to extend loans to the likely defaulters. The increasing proportion of NPAs impels the banks to set aside more funds which in turn leads to the lower bank credit in the economy. The sectors with inadequate flow of institutional credit like micro, small and medium enterprises (MSMEs) have to bear the brunt of this impact. To revitalise the banking sector, a huge amount of government funds are diverted to these institutions. The revenue loss accrued to the exchequer by this funnelling is again

replenished by either increasing the quantum of existing taxes or by introducing new ones. It lowers public morale and erodes the credibility and legitimacy of the government.

Let us move on to the political effects of this phenomenon on Indian democracy. Crony capitalism works as a formidable pressure group and squarely influences public policymaking. Capitalistic interests lurk behind most of the policies implemented in various sectors. It is an open secret that public policies are shaped and reshaped by business interests before being officially announced. Neo-liberal policies ensure greater private participation in economic activities even in those areas which were so far regarded as moral and ethical responsibilities of the elected governments. The growing role of the invisible hand in policymaking causes a legitimacy crisis as the common people experience the functioning of the parallel power structure guiding policymaking, policy implementation and policy adjudication. The infiltration of large-scale corruption in the political class, bureaucracy and the media, in the

wake of heightened intimacy between the political leadership and business persons in general and decision-making bodies and the cronies in particular, is a matter of serious concern to the Indian democracy. It has morally degenerated the electoral democracy, representative democracy, participatory democracy and deliberative democracy.

The control and manipulation of the information by their control of the media, in clear terms, is the murder of democracy. A major segment of the print and digital media are owned by big industrialists. Even social media sites are used effectively to promote nefarious interests and hidden agendas. Recently, Wikipedia divulged how certain business groups manipulated the web pages to build an impressive image of the group. The misappropriation of the data by high-tech companies to study voter preferences is yet another instance of how the real anti-social and anti-national elements influence the course of Indian democracy. Conspiracies are hatched to fool the people using emotive issues and given wider media coverage to establish



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hegemony on Indian society. People raising voices against ideological indoctrination are either put behind the bars or declared as anti-nationals. An atmosphere of vindictiveness, enmity, hatred and intolerance is created so that dissenting voices do not gather momentum. The common people are always denied factual information which is itself the negation of the right to life and liberty.

The preferential treatment showered upon certain capitalists infuses an attitude of submissiveness among the entrepreneurial class. When the capitalists realise that their fortunes will only shine by tangoing with the political leadership and the bureaucracy, business ethics gets derailed. It ends up in political socialisation and culturalisation of such virulent ideas. The rule of law is replaced by arbitrariness and the principle of natural justice is overtaken by the *matsyanyaya*. The law of survival of the fittest and the belief that might is right is established. The impunity that crony capitalism enjoys despite being exposed undoubtedly instigates others to toe the same line. Such a precarious situation hurts the sentiments of the young entrepreneurs who find the situation in the economy diametrically opposite to the lessons imbibed in educational institutions. This disillusionment and the resultant frustration lead to a brain drain and constrain all innovative efforts in the economy.

Coming to the social impact of crony capitalism, the income inequality engendered by the phenomenon creates a social hierarchy of the haves and have-nots. Indian society, which is already organised on the lines of caste, further deteriorates when additionally saddled with divisions on the basis of class. There has always been a close relationship between caste and class in India since the concentration of wealth is also on a caste basis. The creation of the dominant and dependent class on the one hand and a supreme and subordinate relationship on the other leads to the further congealment of the vertical division of society. The concentration of power in the dominant class leads to the exploitation of the dependent class in innumerable ways. It causes the emergence of fissiparous tendencies by bringing to the forefront

peculiar arguments like India and Bharat and one country, two nations. In addition, the concentration of wealth creates atomistic and egoistic individualism that owes nothing to society for its fortunes. Further, it subscribes to the concept of the situated self instead of the embedded self. Social adhesiveness and cohesiveness deteriorate leading to further ghettoisation of Indian society. Such a divided society easily becomes prey for the self-aggrandising and mean-minded politics.

Reining in crony capitalism: Finding reasonable solutions to the menace of crony capitalism is not so easy, for the arguments related to its emergence are divergent and at the same time often contradictory. While liberals accuse the strict state control in the economy as the principal reason behind its emergence, socialists criticise unbridled capitalism and its conception of atomistic, possessive and egoistic individualism as the important cause of crony capitalism. Since India has espoused democratic socialism where in both liberalism and socialism negotiate with one another, the solution for crony capitalism should be India-specific. The following measures will prove to be more effective in regulating the menace of crony capitalism in India:

- (i) Excessive government regulation should be shunned. Reasonable and well-deliberated regulations should be introduced instead of hasty and ambiguous legislation.
- (ii) The public-private mode of production should be given more weightage instead of exclusive domain production models.
- (iii) Greater transparency in decision-making and awarding contracts. Due process of the law and procedures established by law should be adhered to.
- (iv) Independence and autonomy of the constitutional and statutory bodies must be ensured so that they can uphold the rule of law and perform the duties and responsibilities bestowed upon them by the Constitution.
- (v) A robust mechanism to evaluate the ethical practices of the political class and appreciation of such behaviour through incentives, such as devolution of more resources to their constituencies, etc.

(vi) A practical code of conduct for the private sector and incentives for their active participation in inclusive development.

(vii) Strict audit of the finance of the political parties and their inclusion under the ambit of right to information regulations.

(viii) Encouraging the active role of the opposition parties and civil society organisations in exposing instances of cronyism.

(ix) Proactive interventions by the business class and their associations against crony capitalism to ensure a level playing field.

(x) Simplification of laws and devising a transparent and merit-based system for project approvals.

(xi) Promotion of ethical media practices and establishment of professional bodies to safeguard the interests of the media persons and protect ethical media houses from interferences by the government.

(xii) More weightage to the collection of direct taxes such as income and corporate taxes instead of indirect taxes such as goods and services tax.

(xiii) Introducing a ceiling on the expenditure of political parties instead of limiting it to the individual candidates alone.

(xiv) More effective laws against political factionalism and defection by elected legislators to prevent horse-trading.

(xv) Ensuring internal democracy among the political parties. The concentration of the power in the higher echelons of political parties should be curtailed by effective checks and balances.

(xvi) Ethical voting practices should be promoted and a more proactive role should be taken by the Election Commission and the media to spending on elections.

(xvii) Swift adjudication by the Indian judiciary on the matters of political corruption and unethical business practices.

The aforesaid measures can play an effective role in regulating the menace of crony capitalism but they cannot root out it completely. It is not merely a law-and-order problem but also an ethical issue which requires strengthening personal and societal values in India. The need of the hour is to encourage the Gandhian ideas of swaraj and sarvodaya in the length and breadth of the country so that politics with principles and commerce with morality is practised and where pleasure with conscience becomes the reality.

Politics of Colonial Education

GAGAN PREET SINGH

In recent years, several new studies have enriched our understanding of the history of education in modern South Asia. These studies have shown how the questions of gender, caste, and community were deeply implicated in the debates on the history of Western education. Though these works have broadened our understanding, the scholarship on how religious minorities engaged with Western education has remained neglected. In this respect, the book under review is a welcome addition to the scholarship on the history of education.

Nilanjana Paul's book, *Bengal Muslims and Colonial Education, 1854–1947: A Study of Curriculum, Educational Institutions, and Communal Politics*, is a broad survey of the history of the education of Muslims in colonial Bengal. The key argument of the book is that the history of Western education was shaped by the politics of the Hindu–Muslim divide. For various reasons, in contrast to Hindus, Muslim representation in educational institutions remained poor. For instance, in 1912, the entire province of Bengal had 13,484 students in various colleges, out of which only 1,048 students were Muslims (p 59). By the 1910s, “out of the 800 students admitted in medical colleges, only ten were Muslims” (p 31). As a result, Muslims were also poorly represented in government employment. The British attempts to provide special assistance to Muslims to enable them to attend schools and colleges were perceived as a threat by the Hindu leaders.

Education and Hindu–Muslim Politics

The book has five chapters, of which the first four chapters are chronological in order. They trace the history of Muslim education in Bengal from the 19th century to the 1940s. The last chapter is a broad survey of the history of the education of Muslim women.

BOOK REVIEWS

Bengal Muslims and Colonial Education, 1854–1947: A Study of Curriculum, Educational Institutions, and Communal Politics

by Nilanjana Paul, Abingdon: Routledge, 2022; pp xii+ 103, ₹695 (paperback).

In Chapter 1, the author argues that the British introduction of Western education in the post-1835 era benefited only an affluent section of society, and thereby colonial policies created “a small class of highly educated elites and many illiterate peasants” (p 14). By the post-1857 era, there was a general realisation that Muslims were lagging behind Hindus and had a poor socio-economic status. The root cause of the problem was identified as the lack of Western education among Muslims. The loyalist Muslim reformers like Sir Syed Ahmed Khan in northern India and Abdul Latif Khan in Bengal believed that with the British help, Muslims can secure better access to education and employment. As a result, since the 1870s, the British introduced several measures to enable Muslims to attend educational institutions. These preferential policies alienated Hindu leaders, who perceived the British policies as anti-Hindu. Paul also mentions that only a handful of affluent Muslims could afford Western education, while the rest were dependent on *ulema*, who proved religious education.

Chapter 2 studies the politics of education around the partition of Bengal. Though Muslim leaders were divided on the question of the partition, Paul argues that the creation of a separate province of East Bengal helped Muslims gain better access to education, as now they faced less competition from the Hindus from West Bengal. In contrast, the Muslims continued to be poorly represented in educational institutions in the region.

However, the partition was undone in 1911, and Paul mentions,

after the annulment of the Partition, Dacca lost its position of prominence in East Bengal and East Bengali Muslims were left at the mercy of educated Bengali Hindus who dominated education and employment. (p 29)

In Chapter 3, Paul narrates that in the wake of the Khilafat and Non-Cooperation Movement (NCM), the Muslim leadership developed an ambivalent attitude towards Western education. The *ulema* came to regard the educational institutions run by the government as “the greatest enemy of Islam and of Muslims of India” (p 44). At the same time, many leaders like Fazlul Huq opposed the NCM because the boycott of the Western educational institutions was not in the interest of the Muslim community. In the 1920s, the British introduced several policies to help Muslim students gain access to education. These policies were perceived by the Congress and the Hindu leaders as anti-Hindu. For example, when Dacca University was set up, several eminent Hindu Bengali nationalists protested against it.

Chapter 4 studies the politics of Huq in the period 1937–47. According to Paul, during his tenure as the chief minister of Bengal, Huq introduced several special measures to enable Muslims to have better access to education and employment. Paul argues that this led to “communalisation of education,” as it further antagonised Hindu interests. The Congress leaders in Bengal accused him of adopting anti-Hindu policies.

The last chapter, which is different from the rest of the book, deals with how Muslim women gained access to Western education. Her focus is particularly on the activities of the pioneers like Nawab Faizunnesa Choudhurani (1834–1903) and Rokeya Sakhawat Hossain (1880–1932). She mentions that Calcutta University remained reluctant to include Muslim women. The setting up of Lady Brabourne College in Calcutta, in July 1939, played a crucial role in enabling Muslim women to attend college. The institute was set up to provide education to Muslim women. She argues that these endeavours were

highly successful and created a class of educated Muslim women who played a crucial role in post-independence East Pakistan and later on Bangladesh.

Paul has successfully demonstrated that the introduction of Western education had unfortunate consequences, where access to education became a highly politicised matter. She has drawn on colonial archives and Bengali language sources to build a convincing argument, yet the book suffers from several flaws.

Shortcomings

I have identified at least four such flaws worth discussing here. First, throughout the book, the author mentions that the school textbooks and the curriculum of Western education were anti-Muslim. For instance, she mentions “textbooks discriminated against Muslims” (p 32). In another place, she mentions that in the textbooks there were “objectionable materials towards the Muslim community” (p 26). But nowhere the author has discussed what exactly was objectionable in these books. A detailed discussion of this question would have enriched our understanding. Again, throughout the book, she mentions about the complaints that “Hindu teachers discriminated against Muslim students,” but there is

no further discussion of this question beyond generalised statements. The author could have provided an in-depth discussion of a case study to substantiate the claims. Moreover, the book abounds with unpalatable generalisations. For example, there is a point made that Western education was in great demand with colonial subjects, as “it guaranteed better job prospects and distinguished them from Africans or people without any conscience” (p 13). I believe the author needs to retract this egregious statement from the book. Third, most of the primary sources used by the author are in Bengali. I believe a large number of primary sources will also exist in Urdu and other languages, which the study has not used at all. The discussion of the Bengali-Urdu controversy is also superficial, and the reader will not gain much information on this important theme. Fourth, the discussion hardly brings up the issue of curriculum, though the subtitle of the book mentions it. The reader will not get any idea of what was taught in schools and colleges beyond a general list of disciplines.

One expected a more nuanced discussion of Muslim women’s education, but that again is done in a simplistic manner. The readers do not get to know how Muslim women students engaged with

modernity (for more on this, see Minault 1998). I am also surprised that the author nowhere discusses the question of pedagogy, a question whose importance has been underlined by recent historians of education (Seth 2007).

In Conclusion

On the whole, the book is a political history of education. It is rich in facts and figures collected from the colonial official reports, but much of the data and arguments are reproduced without any critical scrutiny. It would have been better if the author had gone beyond the narratives introduced by the colonial officials. Despite these flaws, the book is short, well-written, and dense. It will enrich our understanding of the history of education and would be a good resource for teachers and students of the history of modern South Asia.

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Wage Rates in Rural India

The **EPW Research Foundation** has added a module on Wage Rates in Rural India to its online database, EPWRF India Time Series (EPWRFITS).

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The wage rates for agricultural occupations are provided for ploughing/tilling, sowing, harvesting, winnowing, threshing, picking, horticulture, fishing (inland, coastal/deep-sea), logging and wood cutting, animal husbandry, packaging (agriculture), general agricultural segment and plant protection.

The non-agricultural occupation segment presents wage rates for carpenters, blacksmiths, masons, weavers, beedi makers, bamboo/cane basket weavers, handicraft workers, plumbers, electricians, construction workers, LMV and tractor drivers, porters, loaders, and sweeping/cleaning workers.

The data have been sourced from *Wage Rates in Rural India*, regularly published by the Labour Bureau, Shimla (Ministry of Labour and Employment, Government of India).

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In Pursuit of Epistemic Autonomy

D N REDDY

This book is a tribute to Sam Moyo, an exceptional intellectual and activist who strived towards liberating social sciences in the South from the hegemonic Western epistemic. In the introductory essay, the editors locate Sam's intellectual and activist trajectory in pan-African tradition of political economy, and highlight his contributions to the evolving land, agrarian, and national question at the continental level and in his home country, Zimbabwe. They also trace his emergence as an intellectual force by bringing

to light Sam's leading role in the frontlines of the struggle for epistemic sovereignty in Africa and the South at a time when neo-liberal restructuring sets its sights on autonomous knowledge production and when epistemological questions succumbed to a potent "cultural turn" ... In this, he defended an approach to political economy that was homegrown in Africa and fundamentally anti-imperialist, against Western intellectual trends, whether materialist or culturalist.

Epistemic Freedom Is Foundational

The book is divided into three parts. The first part of the review discusses the emergence of Sam as the torchbearer in the path of epistemic sovereignty. The first is "Epistemic Vision and Contributions," with papers assessing Sam's contributions to social sciences. The second is on "Land, Labour and Agrarian Questions" with contributions on alternative perspectives on accumulation in the periphery. And the third, "Unfinished Dialogues on Revolution and Liberation," is a set of contributions on the notion's "emergence" in the South, the peasant question, nature of accumulation, the national question, Karl Marx's analysis of capitalism in the context of colonialism, etc. Notwithstanding the fact that there are enlightening contributions in the second and third parts by globally acclaimed scholars, the space devoted

REVIEW ARTICLE

Rethinking the Social Sciences with Sam Moyo

edited by Praveen Jha, Paris Yeros and Walter Chambati, New Delhi: Tulika Books, 2020; pp XIV + 341, ₹995.

in this review to the first part—the emergence of Sam as a leading light in the work towards the assertion of the epistemic sovereignty of the South—is somewhat intentionally biased, not least because the book is in recognition of his seminal work.

Sam's intellectual traditions were the outcome of the struggles for liberation, and that of his defence for an approach to political economy that was rooted in Africa. It was shaped by the trajectory he traversed in pursuit of knowledge from the very early stages as much as the contemporary anti-imperialist struggles in Africa. With a unionist parental background, he was actively involved in liberation struggle in Zimbabwe since an early age, serving a short stint in jail even before he was in his teens (D Tsikata, 29).¹

After his high school in Zimbabwe, still a British colony, he won a scholarship to go to the liberated French colony, Sierra Leone, in early 1973 to pursue his under-graduation. Besides being an opportunity to get exposure to two different academic traditions—the French and the British—this was his first experience of the trends in liberated Africa with very different organisation of land and labour relations in contrast to his own settler colonial Zimbabwe. After his post-graduation in Ontario, Canada, he had a stint of teaching in Nigeria. In between, he had several sojourns in Dakar and the Institute of Economic Development and Policy (IEDP) that brought him into close interaction with scholars like Samir Amin and Mohmood Maudani that enabled him to be part of building the Council for Development of Social Sciences

Research in Africa (CODESRIA) and the Third World Forum (TWF). Samir Amin (15) had this to say about Sam of those times:

beyond his qualities as a cultivated and intelligent scientific researcher, he was also courageous and determined activist who pursued the cause of peoples and nations—his own (Zimbabwe), of Africa and of the Global South—with conviction ... with every passing day, our collaboration brought us closer.

The principles of epistemological sovereignty that Sam pursued set him apart from the mainstream argument of trouble in reconciling the "public intellectual" and the "scholar," the former being closer to the ground as distinct from the latter with the universalist aspirations, abstracting through heuristic categories of discourse and representation. But Sam engaged with the questions of discourse and representation in his own terms.

For Sam, discourse and representation cannot be detached from material conditions and the aspirations of African working people, and thus the task of the scholar-activist rolled in one is seen as one of unmasking the universalist pretensions of the West and seeking to define what was particular about Africa, and even the South. Epistemic freedom is foundational and much broader and deeper. It speaks of cognitive justice on what it is that we are free to express and on whose terms. It is about democratising "knowledge" from singular into plural, known as "knowledges."

Critiquing Eurocentric Hegemony

His methodological journey is rooted in Marxist political economy. His understanding of political economy of agrarian change begins with simple questions like who owns what, who does what with it, who gets what and what do they do with it, thus moving from concrete complexity to simple abstractions and then to a conception of a rich totality of

many determinants and relations. This is a reflection of the concept of “differentiated unity” as a methodological and theoretical key to the text of Grundrisse and Marx’s method as a whole (I Scoones, 6).

Sam was also clear that knowledge was political, and positioned normatively and politically committed to, for instance, not only on the economic, social, and political context of land reform but also on the impact of structural adjustment on the commodification and appropriation of land (K Amanor, 7). Sam’s legacy disrupted and replaced the coloniality that structures its own intellectual work (W Martin, 3).

Very early on, he recognised that epistemic sovereignty is incumbent on institutional infrastructure. He made it as his mission to create institutions and capacities that could be handled once the generations of scholars follow the alternative path. The process of political decolonialisation of Africa opened up unprecedented space for the development of universities and research centres which opened up potential for rethinking both African and world history by appropriating the principles of political economy on its own terms. Such reimagining was in contrast with the prevailing Eurocentric hegemony that imposed idealised images of European or even Asian experience with universalistic pretensions. Such conscious efforts were a struggle for indigenisation of the social sciences consistent with the struggles for national and regional liberation. Towards this task, there existed foundations in the establishment of the CODESRIA in 1973 for consciously consolidating the emerging initiatives into a distinct pan-African mould.

On return to newly independent Zimbabwe in 1980, Sam played a key role in building the Zimbabwe Institute of Development Studies (ZIDS), which was envisioned as an autonomous think tank after independence, converging young and veteran scholars for the building of a new Zimbabwe. Sam led research and policy advocacy especially related to land and agrarian questions. In 1986, he was also a co-founder of the Zimbabwe Environmental Research Organization

(ZERO), a unique centre for policy advocacy in the national and regional arena. In the 1990s, Sam became a key figure in the development of the Southern African Political Economy Series (SAPES) Trust, and its teaching programme at the Southern African Regional Institute for Policy Studies (SARIPS), of which Sam was the director.

Even as the onslaught of the spread of the neo-liberal policy regime tended to affect the resources driving down the “political economy” tradition of intellectual activity elsewhere in Africa, Sam’s role in ZIDS continued to provide a second breath to evolving a set of intellectual concerns. However, it was not long before the SAP could break the thin barriers of the bastion of Zimbabwe, taking its toll on both the autonomy of the ZIDS and resources for teaching and research in social sciences at state institutions. Sources of strength that were to come from CODESRIA were itself slipping due to a “cultural turn” that was threatening to replace the epistemological gains of the past. The pan-African perspective was being co-opted by the neo-liberal winds sweeping the reform-oriented African union and its New Partnership for Africa’s Development, and the overall intellectual trends that were pushed all around by the Western Marxists and liberals alike. And this included a slew of neo-Weberians and post-structuralists creating an atmosphere in which issues like land and agrarian questions, with a pan-African perspective, were pronounced dead.

It was in this vicious turn in intellectual pursuits that Sam took a bold step in 2002 to establish the African Institute for Agrarian Studies (AIAS) in Harare. It was the centre for his work to continue to decolonise advanced research on and about the continent with his focus on three areas: (i) defining and conceptualising African research problems; (ii) creating self-directed centres of training, research, and publications; and (iii) re-casting relationship among intellectuals, the state, and postcolonial social movements (Martin, 3).

In the face of radicalisation of land reforms in Zimbabwe, there were sanctions imposed by the Western

imperialist powers, and funding was denied to AIAS by the North Atlantic agencies. At this juncture, Sam’s election as the vice president of the CODESRIA provided him with intellectual solidarity and a measure of sanity, though it did not help much in resolving financial stress. Sam courageously withstood these crushing pressures and sought larger engagement through new South–South solidarities via CODESRIA, the TWF led by Amin, and the World Forum for Alternatives (WFA). He spearheaded the Agrarian South Network (ASN), a tricontinental initiative with its own agenda—Agrarian Summer School and with the journal, *Agrarian South: Journal of Political Economy* (Tsikata, 2).

Sam stood apart from the intellectual trends coming from the North in the name of “peasant studies” which, from the 1990s onwards, transformed the peasantry into an intellectual curiosity by reducing them into petty commodity producers. Agreeing that it was imperialism that had converted the peasantry into a petty commodity producing function, he argued that it was only a formal subsumption of labour to capital and that peasantry as a force still remained. Based on systematic field-level data on small peasant farms and documentation of the African peasant mobilisation from below and the success of land reforms from above through redistribution of land, he exposed the widely theorised myths of large farm superiority, and the “passivity” of the peasantry as well as the lack of enterprise among Africans.

One of the severe challenges he faced in his intellectual and activist role was in the early 2000s when his well-reasoned support for the Zimbabwe constitutional provision for land acquisition without compensation was rejected in the referendum, which led to the radical movement by the war veterans towards mass occupation of land. The social science community’s response, which was in favour of pro-peasant revolt against neo-colonialism until a couple of decades ago, was overwhelmed by the neo-liberal turn, and blamed the “fast-track” land reforms (redistribution of confiscated land) and

land distribution by the state. And the state-led land reform was vilified as “authoritarianism,” “crony capitalism,” and “corruption” (T Murisa, 8).

Research on land reforms experienced a severe squeeze in funding. It was left to Sam to pursue a series of research studies through a nationwide baseline survey on the process of land reforms in Zimbabwe, through AIAS, with meagre funds. These studies with meticulous detail showed that “fast-track” land reforms served as a historical redress and helped in advancing towards social justice. Though there was no space for these studies in the so-called “progressive” journals up until late 2008, the findings of a parallel independent study by the Institute of Development Studies, UK came with findings of strong support to the AIAS studies. In the face of external political disapproval and the neo-liberal academic co-opted criticism, Sam’s systematic empirical analysis with a larger political economy framework, the fast-track radical land reforms came out with findings that received universal appreciation. And without Sam’s work, the positive social impact of land reforms in Zimbabwe would not have been fully understood (Tsikata, 2).

Alternative Perspective in the South

In this second part of review, the alternative perspective in the South is covered. For the ambitious but dedicated efforts to build an epistemic autonomy with clear Southern characters, Sam had been in continuous interaction with the scholars with similar concerns across the tricontinental universe. These efforts indeed have stimulated extensive research on land, labour, the agrarian question, and the national question across the South. And the bewildering diversity within the South has been open to continuous debate.

The contributions in the second and the third parts of the book do reflect this diversity as much as the ongoing dialogue among scholars working from the alternative perspectives in the South. For instance, I Shivji (16) draws attention to some of the issues, to be addressed,

based on new and concrete situations in Africa. One is the agrarian question—which was both the peasant and land question—for Sam. While Sam was right in rejecting the Western Marxist narration of the disappearing peasantry emphasising that there was no land or agrarian question but only “labour question,” his solution of redistribution of land from above or below was appropriate for a settler agriculture like that of Zimbabwe. But for other African countries with “communal” or state ownership of land, the solution is to ensure tenurial rights to the small peasantry.

On the Western notion of lack of enterprise among Africans, Sam was categorical on the entrepreneurial abilities and the emergence of African national bourgeoisie. But many of his mentors (Amin and Shivji) pointed out to the process that the emerging African bourgeoisie would end up as a comprador class. Therefore, they suggest that the national question has to be addressed from the perspective of anti-imperialism. Sam was always open to debate and ready to modify his position, as could be seen from his inclination towards the cooperatives of the peasantry. Some of these issues indicate the unfinished dialogues of Sam with his compatriots that were disrupted by his untimely death.

Amin (15) takes us to the other dimensions, other than the agrarian question, of the debate with Sam. The attention is on prevailing conditions in the peripheral nations and the question of their “emergence” (he parenthetically comments that possibly “development” has become too narrow, hence the need for a broader concept). He considers “emergence” of states or nation as a collective process of economic, social, political, and cultural transformations (which make possible the “emergence” of a state, a nation, or a people from the peripheral position).

Emergence is a political project. It depends on the capacity to resist the “dominance” of the capitalist powers. It is a dominance in technology, control over natural resources, financial systems, information systems, and an arsenal of destruction. Such a dominance exists in a collective form of imperialism—

a “Triad” (the United States [us], Europe, and Japan) which aim to maintain dominance at all costs. Ambitions of nations that aspire to “emerge” come into conflict with the objectives of the Triad. The manifestation of increasing informal survival strategies and the processes of pauperisation, which he characterises as “lumpen development in the periphery,” borrowing a phrase from Gunder Frank, are the results of this dominance.

In the South, he finds, a few which managed to emerge—South Korea and Taiwan—for reasons of certain specific contexts of history and politics; and China and Vietnam because of the abilities to successfully pursue alternative path (Cuba could be there if it succeeds its present contradictions). There are some countries which he characterises as being caught in a “hybrid system” connecting “emergence” in terms of industrialisation, expansion of middle classes, certain technological and educational development, certain autonomy in foreign policy but yet caught in a state of “hamper development” with vast population caught in pauperisation. To this hybrid system belong India, South Africa, and Brazil. But in most of the remaining South, especially those in Africa, there is no “emergence” but only “lumpen development.”

Turning to sub-Saharan Africa, he finds that the Triad views this region emerging in terms of natural resources, oil, minerals, agricultural land, sun and water, only to pillage these resources and not for industrialisation. The spell of structural adjustment imposed at the behest of the World Bank and Europe since the 1980s reduced these countries into a kind of “paleo-colonisation.” The politically reactionary forms of Islam in the Sahel countries (Mali, Niger and Chad), new bases for Quida, Daesh, disintegration of Libya, Boko Haram in Nigeria, Shabaabs in Somalia, and similar forces elsewhere have amplified it. The challenge of defining appropriate paths towards emergence thus is within the South where social movements can modify these givens.

He considers Sam’s work towards such a path as of greatest significance.

He pleads for engagement in sovereign projects

which are conceived by us, for us and which are to the great extent independent of the tendencies and pressures exerted by the global capitalist system. Non-capitalist forms of agricultural base for industrialisation must be the goal of sovereign projects. Agriculture and industry are necessary to walk on two feet.

The contribution of Erebus Wong Wen Tiejun, Sit Tsui, Lau Kin Chi, defending the Chinese Land Revolution of 1949, comes as an ongoing relevance of the non-capitalist forms of peasant agriculture that enabled early industrialisation.

Making Sense of Contemporary Global Capitalism

Utsa Patnaik (17), in her brief but brilliant contribution, takes issue with the Western Marxists towards their silence on the contribution of drain as the alternative form of exploitation under colonialism and imperialism for the rise of capitalism as a global system. Drawing attention to criticism against Marx that absolute immiseration of the working class was not proved by the development in Europe, she points out that critics would be right if we confine development within the narrow confines of national economies alone.

But there is abundant evidence to believe that from the beginning the accumulation was not merely from national production but involved subjugation and enslavement of peoples of non-European origin. While accumulation through exploitation of labour's surplus value from expanded production is one form, the other form of accumulation was through the exploitation of subjugated peasants and workers in colonies. Drawing attention to colonial India, she points to the

abnormal use of internal taxes converted to international purchasing power and taken away by the ruling country was the essence of the *drain of wealth* of India to Britain.

Though this was made evident in the writings of the early Indian scholars (Dadabhai Naoroji and R C Dutt), it does not find a mention in modern Marxists with some exceptions from the North.

However, she mentions that Marx's reference to colonialism in India did

recognise the emerging character of expanding capitalism as an act of accumulation at one pole and impoverishment at the other. However, she feels that lack of elaboration on this dimension of capitalism was because of Marx's own intellectual project. She concludes that with the imperial expansion, emergence of free wage labour as part of capitalist development at the core is doubtful in the periphery. The need is for progressive movements towards an alternative path of development.

In an attempt to make sense of the contemporary global capitalism, C P Chandrasekhar and Jayati Ghosh (18) argue that in spite of recent geographical spread of economic growth to China and East Asia, the fundamental forces that made for uneven development of global capitalism are only getting accentuated. It is increasingly fragile and vulnerable because of unstable growth driven by speculative activities and increasing inequalities driving demand deficiencies. An alternative theoretical approach that would mobilise towards an alternative path is the need but yet to emerge.

Yoichi Mine (21) draws attention to the global political protests between the oppressor and the oppressed classes across the North and South, comprising the radical activism in the 1970s among Japanese social movements and South African Black consciousness movements. He argues that despite divergence, emancipatory politics in South Africa and Japan in the 1970s shared an important pattern of events—exposure of individuals in the oppressor camp to the lived realities of the oppressed people. Drawing inspiration from Panlo Trsire, Mine concludes that emancipatory struggles help both the oppressed and the oppressors to regain humanity.

Dinesh Abrol (20) refers to extreme forms of agrarian distress caused by neo-liberal policies promoting ecologically unsustainable and economically unremunerative agriculture with absolute decline in employment. He discusses the challenges of building new forms struggle through the peasant-worker alliance in India against the neo-liberal

policy framework led by a regime of right-wing authoritarian populism.

Contributions in the second part of the book deal with critical issues in the South in the alternative perspective. The issues include employment, food security, expropriation of forest resources, dispossession of land, and the future of urban question from the alternative perspective. Prabhat Patnaik (9) focuses on the prevailing nature of employment and unemployment situation under the neo-liberal regime. Referring to India, he observes that though the rate of growth of gross domestic product has doubled under the regime, the rate of employment growth has halved, a proof of the fallacy of faster growth overcoming unemployment. Building a simple model of "income unemployment"—employment with earnings below a certain "benchmark" (acceptable minimum)—he shows that even those employed end up with low earnings resulting in a continued low level of per capita consumption of foodgrains across the South.

Neo-liberalism severely restricts the capacity of the nation state to move towards full employment that ensures a minimum "benchmark income." Such an alternative path is possible only by delinking from globalisation through meaningful controls on finance, capital, and trade flows. The essays in this part provide detailed evidence on the nature of the global food crisis and employment at below subsistence earnings. Based on a detailed analysis of the available data on the unregistered manufacturing, which accounts for over 70% of total manufacturing employment, the two essays that follow provide solid quantitative evidence on the two issues focused by Patnaik—one on foodgrains, and the other on employment with less than subsistence wages.

Anamitra Roychowdhary (14) shows that there is hardly any "surplus" left in most of the unregistered manufacturing activities, therefore, the squeeze on the "subsistence wages" if their activities were to survive. He further shows there is complete absence of the state in alleviating the problems, thus concluding that there is limited ability of the

unregistered manufacturing sector to generate gainful employment.

Arindam Banerjee (10) digs into detail to show that global foodgrain prices during the 1980s and 1990s were low and stable because of generalised income deflation in the South along with a major demographic disaster of net decline in the population and collapse of grain demand in the former Soviet Union during the 1990s. Disregarding these exceptional factors for the depression in the global food prices during the period, it was used for encouraging the idea that developing countries can reliably depend on global markets for “food security.” This became a doctrine of the neo-liberal prescription for trade liberalisation and for transforming agriculture towards export orientation that was sought to be built into the negotiations on agriculture running up to the World Trade Organization. The consequence of this shift brought about the global food crisis during 2006–13, much to the distress in the South.

By referring to the ecological crisis which is largely the consequence of nature of capitalist development, Archana Prasad (11) shows how capitalism resolves its own crisis through reinvention of nature as capital. The focus of the study is on the changing form of expropriation of forest resources through multilateral agreements like the Reducing Emissions from Deforestation and Forest Degradation (REDD+). She argues that the agreement represents the kind of recent methods of land-grab and centralisation of markets for natural commodities via carbon stocks. She argues that “REDD+ became a vehicle for promoting green capitalism in the wake of a severe capitalist crisis and the need to address concerns regarding dipping profits of corporations.”

The global South falls in line because of the way in which these nation states are integrated into a larger world economy through increasing debts. The establishment of carbon exchange markets is a clear instance of not merely redesigning of accumulation but effectively a process that nurtured simultaneous expropriation by restructuring North–South relations through the multilateral REDD+

system. In effect, through reconfiguration of the relationship between the North–South, contemporary capitalism tries to resolve its own latest crisis.

Smitha Gupta (12) graphically analyses 120 years of misuse of the colonial Land Acquisition Act, 1894 with loopholes that facilitated interpretation in favour of the more powerful state and private interests at the cost of denying justice and fair provision for those land-poor losing land. The repealing of the draconian act and replacing it with the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 brought much hope that it would ensure fairness to the land-poor. One of the fatal flaws of the act is the malleability in the definition of “public purpose.” Instead, Smitha Gupta points out that the 2013 act is a disappointment because it not only retains the power of “eminent domain” of state acquisition but, much worse, defines “public purpose” in a very elusive manner, to include infrastructure, ranging from mining, real estate, manufacturing zones, industrial corridors, etc.

Though there was an attempt to correct the flaw through an amendment, it became infructuous because of abandoning it. In her meticulous analysis of the law, Gupta observes, the judicial interpretation of the definition of “public purpose” still considered flexibility which leaves room for the dominant and the powerful to secure their power no definitive integra. In a vision shared with Sam, Gupta states that the struggles for fairness and justice in land acquisition should continue until there is a reframing of law that minimises displacement, adheres to equitable and sustainable land plan, eliminates forcible land acquisition, and institutionalises

the principle of prior consent to protect forest dwellers, Dalits, and Adivasis by treating compensation and resettlement and rehabilitation as an avenue to give a share of the enhanced land value to those tilling and working on land, and hence a far better life than before.

Sandeep Chachra (13) pleads for an alternative path of the city-countryside linkages. Across the three continents of South Asia, Latin America, and Africa, though agriculture continues to be an important occupation, most of the farming takes place in small farms. With the failure of land reforms, gradual decline of the state support to peasant farming and the climate change, there has been a growing phenomenon of circular migration between the countryside and cities for a highly vulnerable employment that reflects a kind of straddling between the precarious present and a bleak future. Future of “urbanism,” he suggests, lies in a reversal from the present nightmare of inequality and injustice to a conjoined development of the countryside and the city—a city that is affordable, accessible and equitable.

The contributions in the book are a befitting tribute to the path-breaking efforts of Sam Moyo in pursuit of the epistemic autonomy of the social sciences in the South and an inspiration to the younger generations to follow their intellectual pursuits as a larger public commitment with a broader framework of political economy.

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NOTE

1 The numbers in the parentheses refer to the authors' contributions in the book.

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The New Tenancy Act in Andhra Pradesh

Missing the Essence?

SANKAR RAO

The tenancy conditions in Andhra Pradesh are analysed and the new tenancy act, Andhra Pradesh Crop Cultivator Rights Act, 2019, is evaluated. Highlighting the lacunae in the act, the urgent need to address the genuine concerns of tenant cultivators is pointed out.

Agricultural tenancy in India, after several decades of decline, has once again started rising in the current decade.¹ Apart from the rise in the proportionate share of leased-in area, with wide inter- and intra-regional variations across the country, the tenancy regime witnessed many substantial changes in terms of its form/type of lease, registration of lease and nature and size and social composition of tenant households. These changes have had wider implications on equity and efficiency issues in the farming sector. Concurrently, there has also been a continuous rise in direct governmental benefits to the cultivators which are being mostly provided on a landownership basis. This accentuates inequalities between owner and tenant cultivators in terms of accessing institutional credit, crop insurance, crop damage compensation, output procurement, investment support (YSR Rythu Bharosa), etc, as the tenant cultivator is usually deprived of these benefits.

It was argued that the restrictive and prohibitive provisions in the old tenancy laws constrained the land tenancy markets and ensured the spread of informal tenancy which bars the tenant from accessing any government benefits (Haque 2012). Consequently, the union government came up with a model act on agricultural land leasing in 2016 for legalising and liberalising the agricultural land lease market without effecting the landowner on one side and transferring the state benefits directly to the tenant cultivator. This model act completely reverses the premises of the old tenancy act from strongly protecting the tenant's interest to strongly protecting the landowner's interest and ignoring the important tenancy provisions and basic rights of tenants (Rao 2019). As the land comes under the state's subject, the union

government is persuading the state governments to bring similar kind of laws as per their local needs. Rajasthan, Madhya Pradesh and Uttar Pradesh are in the process of bringing in new tenancy acts on similar lines (*Business Line* 2018). Recently, the Government of Andhra Pradesh (AP) has legislated new tenancy laws replacing the old ones of 1956 and 2011. In a hurry to protect the owners' interests and simultaneously facilitating the tenant cultivator to access the state benefits, the new act has ignored many basic issues of tenancy and basic rights of tenants which may constrain the implementation of the new tenancy act on the ground. In this context, this article aims to study the tenancy conditions in the state and critically assess the Andhra Pradesh Cultivator Rights Act, 2019.

The changes in various aspects of tenancy in AP and at the all-India level are analysed, based on the unit-level data from the Land and Livestock Survey, NSSO 59th (2002–03) and 70th (2012–13) rounds.² Basic statistics and tabulation methods are used for data analysis. Later, the new tenancy act of AP is critically assessed to suggest the ways to remedy the current shortcomings.

Tenancy Conditions in Andhra Pradesh: The Empirical Evidence

The empirical data analysis on several aspects of tenancy in AP gives us an understanding how agricultural tenancy is practised on the ground. As per the data, AP emerged as the state with the highest tenancy in 2012–13, with the extent of tenancy at 34.8% of the total operated area which is 20 lakh hectares. The extent of tenancy in the state is more than three times higher than the all-India average (10.3%) and far ahead of the second highest state—Punjab (23.3%) (Table 1, p 36). The tenancy in the state has more than doubled in a decade, that is, during 2002–12. However, the independent research studies report that if one includes unreported tenancy, the total extent of tenancy in AP is much higher than the official figures and it is more than 60% in the old green revolution belt in the Godavari and Krishna delta areas (Vijay and Sreenivasulu 2013).

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Table 1: Proportion of Leased-in Area and Households across Major States in India

State	Proportion of Leased-in Area		Proportion of Leased-in Households	
	2002-03	2012-13	2002-03	2012-13
Andhra Pradesh	15.1	34.8	20.5	39.5
Punjab	17.4	23.3	18.7	23.1
Bihar	11.8	22.9	19.1	28.3
Odisha	12.8	17.0	18.9	22.8
West Bengal	10.1	15.7	17.2	25.1
Telangana	3.1	14.8	4.5	15.8
Haryana	15.2	14.1	17.3	10.2
Tamil Nadu	6.7	13.4	9.4	14.8
Kerala	6.8	10.3	7.4	11.3
Uttar Pradesh	9.9	7.9	15.1	12.3
Rajasthan	3.2	6.7	3.6	8.1
Karnataka	3.4	6.4	4.9	5.5
Gujarat	4.9	5.8	5.2	6.4
Madhya Pradesh	2.9	5.1	5.8	6.4
Maharashtra	4.6	3.4	6.9	4.5
All India	6.8	10.3	11.5	14.2

Source: Calculated from Land and Livestock Surveys, NSSO 59th and 70th rounds.

The data also shows that the proportion of leased-in or tenant households in total operational households in AP in 2012-13 is very much higher (39.5%) than all other states and about three times higher than the all-India level (14.2%). It also shows that the proportion of tenant households in the state almost doubled in the decade period from 20.5% in 2002-03 to 39.5% in 2012-13. This indicates the fast rise of tenancy in AP as compared to the other states in India in terms of both area share and household share during the period. But regrettably, despite there being no direct prohibitive laws against tenancy, the record/registration of tenancy was dismally low at 4.2% of the total leased-in area and this is much lower than the all-India level of 12.8%. The high level of tenancy with very low reporting or recording, obviously deprive the tenant from accessing many public provisions for the agricultural sector which are provided solely based on the title of land-ownership. As a result, the tenants' rights movement in the state is active with several organisations fighting for accessing governmental benefits by the tenant cultivators (Eenadu 2019).

However, the state-level indicators show that AP tenants fare relatively better in terms of other aspects of tenancy such as average area of lease per tenant and the duration of lease. The average area of lease per tenant in the state stands at

2.2 hectares which is higher than the all-India level of 1.3 hectares per tenant. The ratio of tenancy area leased in for two years or more is also high in the state at 79.4% of the total leased-in area which is also higher than the all-India level at 63.5% (Table 2).

Table 2: Details of Tenancy

Tenancy Details	Andhra Pradesh		All India	
	2002-03	2012-13	2002-03	2012-13
Average area leased-in per operational holding per tenant (hectare)	1.75	2.21	1.31	1.29
Share of area leased-in under lease duration of two years or more (%)	60.6	79.4	43.0	63.5
Area share of recorded lease (%)	2.4	4.2	9.2	12.8

Source: Same as in Table 1.

Generally, it is believed that a small farm size farmer prefers to lease in additional land in order to maximise the use of inputs or to reap the economies of scale at a given level of endowments like family labour, animal, machine, etc. Usually, in such cases, the proportion of mixed tenant who cultivates both owned and leased-in land shall be increasing over time. But in the case of AP, the data (Table 3) shows that the pure tenant (the tenant with 100% leased-in land) or the high extent of tenancy households (tenants with above 50% of leased-in land in total operated land) have been significantly increasing over time from about 13% in total leased-in area in 2002-03 to 35% in 2012-13, which is much higher than the all-India level of 11%. This is an alarming state for the tenants in terms of equity in accessing the public provisions in agriculture as compared to the owner farmer.

The literature shows that the terms of tenancy have implications on the risk-sharing mechanism in farming. The share tenancy distributes the risk of farming

Table 3: Share of Operational Holdings under Different Categories of Leased-in Area Shares

Percentage Quartiles of Leased-in Area Share with Tenant Households	Andhra Pradesh		All India	
	2002-03	2012-13	2002-03	2012-13
1%-25%	81.3	61.2	88.9	85.8
25.1%-50%	4.8	3.8	3.1	2.7
50.1%-75%	2.8	8.8	2.4	2.7
>75%	11.1	26.3	5.6	8.8
Total %	100	100	100	100

Source: Same as in Table 1.

between the landowner and the tenant cultivator, while the fixed tenancy (produce or cash) shifts the entire risk burden on the tenants (Rao 1971; Stiglitz 1974). The data (Table 4) shows that the terms of lease have witnessed a major shift in the state during the period 2002-12. It is seen that the share of fixed rent, dominated by cash, went up from 29.9% to 55.6% in AP during the study period. This is much higher than the changes at the all-India level where the share only went up from 30.9% to 40.5%. The change of tenancy from the share to fixed type shifts the entire risk burden of farming, that is, the fluctuations in output, onto the tenant. The fixed cash rent also shifts the price risk, that is, the fluctuations in prices of both inputs and of output, onto the tenant. Given the agrarian crisis across states during the study period, the shift in terms of tenancy heavily towards the fixed rent makes the tenant doubly vulnerable in the state.

Table 4: Share of Leased-in Area under Different Terms of Lease

Terms of Lease	Andhra Pradesh		All India	
	2002-03	2012-13	2002-03	2012-13
Fixed money	29.9	55.6	30.9	40.5
Fixed produce	33.2	23.1	19.5	15.7
Share produce	32.2	15.9	40.2	29.4
Other terms	4.7	5.3	9.4	14.4

Source: Same as in Table 1.

Regarding the farm size of the tenant cultivator in the leased-in market, the numbers show that the semi-medium and medium-size farmers dominate and their share has been increasing over time both in AP and at the all-India level during the study period. The share of the semi-medium tenant is very high in AP at 53.8% of the total leased-in area in 2012-13 but it is only 25.4% at the all-India level (Table 5). This tells us that tenancy is mainly prevalent among farmers in the semi-medium and above farm size in AP and is not serving the needs of the marginal and small farmers as it is

Table 5: Share of Leased-in Area by Farm Size (%)

Farm Size	Andhra Pradesh		All India	
	2002-03	2012-13	2002-03	2012-13
Marginal	8.4	3.6	13.2	13.1
Small	16.7	9.7	17.6	17.1
Semi-medium	23.9	53.8	21.5	25.4
Medium and large	50.9	32.9	47.7	44.5
All	100	100	100	100

Source: Same as in Table 1.

expected to do. This may be because the smaller farmers are not preferring to lease in land during the crisis period.

The social composition of tenant cultivators is important to understand as the institution of caste has significant bearing on the agriculture operations as the socially marginalised farmers face several constraints to their work (Rao 2017). Indeed, the data (Table 6) shows that there has been a major social shift of tenancy in AP as compared to all-India trends. The share of leased-in area is very high among Scheduled Castes (sc) (56.5% in 2012–13) as compared to all other social groups in the state. This could be mostly because of increased cultivation by the sc households who had been agricultural labour in the past. This phenomenon could be observed in the Godavari–Krishna delta region in the state where the socially forward groups who own most of the land in the region, and who reaped the gains of the green revolution, had shifted to non-farm sectors by leasing out their lands mostly to scs in the village who were earlier their agricultural labour. Given the negative effect of caste on performance of socially marginalised farmers, the rise of scs among tenant cultivators in AP will have many consequences, especially when the state is going through an agrarian crisis.

Table 6: Social Group-wise Share of Leased-in Area (%)

Social Group	Andhra Pradesh		All India	
	2002–03	2012–13	2002–03	2012–13
Scheduled Tribe	8.5	18.0	4.0	6.7
Scheduled Caste	27.4	56.5	13.2	18.3
Other Backward Classes	13.0	18.9	6.7	10.1
Others	15.4	42.2	6.0	9.4
All	15.1	34.8	6.8	10.3

Source: Same as in Table 1.

Tenancy Laws in Andhra Pradesh

AP, since its formation in 1956 and its bifurcation in 2014, has enacted three tenancy acts in 1956, 2011, and 2019. The Andhra Pradesh (Andhra Area) Tenancy Act, 1956 (old act) was promulgated at the dawn of independence to protect the tenants from unjust eviction. It aimed to provide for the payment of fair rent by cultivating tenants and for regulating the relations of landlords and cultivating tenants of agricultural lands in the Andhra area of the then united AP. The

important provisions in this act were as follows—the minimum lease period of six years (Section 10 [2]); renewable of lease after six years (Section 10[3]); loan advance to tenant against his interest in the land (Section 10[4]); the maximum rent payable was up to 30% of the gross produce for irrigated land and up to 25% of the gross produce for unirrigated land (Section 3); remission of rent in the case of crop failure (Section 8); resumption of land by the landlord for personal cultivation but within the ceiling limit as per the AP Land Reforms Act, 1973 (Section 12); the registered cultivating tenant has the right of first preference in the purchase of leased-in land when the landlord wishes to sell that land under tenancy and the price shall not exceed five times the rent and can be payable in 10 annual instalments (Section 15); adjudication of disputes by a special officer not below the rank of district munsiff and the appeal can be made to the district judge (Section 16); and non-application of the act to plantation crops, orchids, grazing and government lands (Section 18).

The old act was enacted at the time of independence to regulate the exploitative relations between powerful landlords and weak tenants in the agrarian sector and to empower the latter by conferring some protection and rights. Accordingly, there were restrictions imposed on minimum lease period, maximum rent, retaining rights on some portion of land when resumed for self-cultivation by the landlord, and purchasing rights when land was being sold. The restrictive provisions in the law were necessary at that time. The rationale for the regulations comes from the premise that the landlords of that time were mostly rich and powerful and the tenants were weak and solely dependent on the land for the livelihood. Hence, there was a need to provide extra security and purchasing right over the land to the tenants.

Despite lofty intentions, the implementation of the old act ran into many hurdles. The rights of the tenant and the other provisions would come into effect only upon the registration or record of the lease. However, there was no mandatory provision in the old act for the registration of land lease. Consequently, only a very

small proportion of the leased-in land was recorded that entails benefits to few tenants. The restrictions on provisions of a minimum period of lease, maximum rent and first purchasing right by tenants discouraged the landlord from registering the land lease which led to informal tenancy and deprivation of tenants from many rights and from accessing loans from public financial institutions as mentioned in the act. Tenants were deprived of governmental input benefits because of non-registration of lease at the first level and also because of poor implementation of law at the lateral level. It was argued that the restrictive tenancy laws, which were expected to benefit the tenants, rather harmed them by leading to unrecorded or informal lease (GoI 2008; Haque 2012; NITI Aayog 2016). It was also argued that unlike in colonial times, most of the present-time landowners are mostly small who may be working in the non-farm sector. The Jayati Ghosh Committee on the status of farmers in AP in 2005 and the Koneru Raga Rao Land Committee in 2006 have recommended for the transfer of government benefits to the tenant—the actual cultivator. This situation has forced the governments into amending and liberalising the old tenancy laws with the sole objective of extending state benefits through various forms to the tenant cultivator without affecting the rights of the landowner. This objective may be genuine especially in the changed circumstances. To meet this objective, it is sufficient to amend the restrictive provisions in the old act such as purchasing rights by the tenant and minimum duration of lease to protect the interests of the owner.

The Andhra Pradesh Land Licensed Cultivators Act, 2011 (the 2011 act) was enacted by the united AP government to address the problems of tenants. The 2011 act provided a loan and other benefits eligibility card (LEC) to tenant cultivators which allowed them to access credit from public financial institutions (PFIs) and to claim benefits of input subsidy, crop insurance, compensation to crop damage, etc. The 2011 act had entrusted the identification of a tenant and allocations of LECs to government officials through the gram sabha. The agricultural

department also provided for the issue of certificate of cultivation (CoC) for non LEC tenants to extend crop loans. The state-level bankers' committee has resolved to provide crop loan up to ₹1 lakh to LEC or CoC holders either in single or in joint liability group (JLG) (GoAP 2019). These changes were made for securing the rights of the landowner by deleting all the rights of the tenant. Despite these changes, the implementation of the 2011 act remained tardy. Out of the total 15 lakh tenant farmers in the state, only 30% of them were given LEC and few of them availed credit from the PFIS of an average annual amount of ₹3,000 (Mohan 2019). However, the 2011 act failed to take off due to government's apathy. Consequently, the newly formed state government legislated the Andhra Pradesh Crop Cultivator Rights Act, 2019 (new act) by repealing the old acts of 1956 and 2011.

The New Tenancy Act, 2019

Like the previous 2011 act, the new 2019 act also sought to transfer the state government benefits to the tenant cultivators while protecting the interests of the landowners. But in a hurry to protect the ownership rights on the leased-in land of the landowner, it has ignored several essential provisions of tenancy and rights of tenant cultivators which are important for the successful implementation of the act and for ensuring sustainable tenancy relations in farming. The word "cultivating tenant" in the old 1956 act was simply changed as "cultivator" in the new 2019 act which defines the cultivator as "a person who cultivates land by entering into an agreement with the landowner for agriculture either on payment or any other consideration without exclusive possession for a period of 11 months and whose name is not recorded on any of the revenue records in respect of that agricultural land" (GoAP 2019).

The old act of 1956 clearly mentioned against the inclusion of any intermediary and sub-lease in a tenancy. But this important provision is not mentioned in the new act of 2019 which then leaves open the scope for sub-leasing by any intermediary. Similarly, there is also no

mention of any ceiling on leasing-in land for cultivation. Big corporates may take advantage of these provisions by leasing-in large areas of agricultural land and lead to the alienation of landless labour and small tenants from the lease market. Hence, it is necessary that the new 2019 act clearly defines the tenant cultivator as an individual household without scope for any intermediary or sub-lease in any form and also to check the entry of any corporate firm in the agricultural land lease market.

The new 2019 act makes all the state benefits, that is, crop loan, crop insurance, input subsidy, crop damage compensation, investment support (under the YSR Rythu Bharosa scheme), etc, available to the tenant cultivator only when there is a formal lease agreement registered with village officials and after obtaining the crop cultivator rights card (CCRC). Despite the deletion of purchasing rights of the tenants, there is no mandatory provision or incentive to the owner for making a land lease agreement in the act and it is left to the will of the landowner. On the other hand, there is an incentive for the owner for not registering the land lease agreement because the owner is entitled to get a subsidised or zero interest annual crop loan for the land from the public financial institutions. This is a significant amount ranging from ₹20,000 to ₹50,000 per acre in an agricultural year. Thereby, the landowner can get a benefit of annual interest amount ranging from ₹4,000 to ₹10,000 per acre based on the prevailing informal market interest rate of 24% per annum.

This again defeats the whole purpose of this new 2019 act of providing benefits of state subsidies or incentives to the original cultivator who needs to get a registered land lease which is often denied by the landowner so that he can benefit from the heavily subsidised crop loan from PFIS. In this connection, the tenant organisations in the state are fighting for the implementation of the provision of identifying the tenant cultivator in the gram sabha which was mentioned in the 2011 act. This may require full transparency in land records. Hence, this situation calls for a mandatory provision for the registration of land lease or at least

some incentives or disincentives for registration of land lease or to secure governmental benefits to the tenant cultivator without the submission of officially registered land lease agreement.

The new 2019 act provides for a land lease of only 11 months' duration. The rationale for keeping this period was not explained in the act. Though it may be worthwhile to reduce the minimum lease period of six years in the old act, reducing it to very small period of 11 months may put the tenant at a big disadvantage every year. The cultivator requires a decent lease period to plan the farming operations such as crop rotation and to make investment in the land like land levelling, bounding, etc. Hence, the new 2019 act must provide for a uninterrupted long lease period of more than 11 months if the parties agree for it.

The new 2019 act specifies that the lease period must be for only 11 months in an agricultural year from June to April. Since June is the month of sowing or planting of crops in anticipation of the timely arrival of the monsoons, it is required that the land be with the tenant at least one month prior to June for the preparation of the land by ploughing, levelling, etc. Hence, the lease period should be changed to a full agricultural year from May to April.

The new act does not specify the maximum rent to be paid by the tenant cultivator to the landowner. The old 1956 act had clearly provided for the maximum rent at 30% of the output share for irrigated land and 25% for unirrigated land. The 2019 act completely leaves the issue to the market forces and treats both the landowner and the tenants on an equal footing which is not true in reality. Similarly, the absence of a legal upper limit on the amount/share of leased land rent or lease amount can lead to the exploitation of tenants especially since the landlord is powerful. In an unregulated and completely liberalised scenario, the poor, landless and small tenant farmers do not have any bargaining leverage to deal with landowners who may be non-farm based and hold large-size plots. Hence, the new 2019 act needs to clarify the provisions about the ceiling on the maximum amount of land rent which might

be up to one-third of the produce or equivalent value.

The new act does not have provisions for the remission of rent in the case of crop failure or damage as was mentioned in the old act. This provision is important especially since the tenant is poor and socially marginalised as in the case of AP. Hence, the new act should consider such a provision.

The new act clearly states that the CCRC is a sufficient document to obtain crop loans from the public sector financial institutions against the security of crop produced on the leased-in land. However, the act missed out to mention about the scale of finance to be given to the tenant, that is whether it is given equal to that of the landowning farmer. The absence of such specified rules in the 2011 act about the scale of finance to the tenant cultivator resulted in inequality of credit availability between owner and tenant cultivators. As a result, the actual amount of crop loan given to tenant cultivators in AP is very meagre, and not more than ₹10,000 per tenant cultivator in an agricultural year in the delta regions. The amount is very less in the case of dryland regions in the state (Mohan 2019). This loan given to tenant cultivators is about one-fifth of the loan given to the owner cultivators. Hence, there is a need for clarity in the new act about the scale of finance to the tenant cultivators. It must be at least half the amount given to owner cultivator.

Unlike the old 1956 act which was biased towards tenant cultivators, the new 2019 act leaned more towards the landowners for protecting their ownership rights on the land and by keeping the tenant cultivator always at the mercy of the landowner. Such excessive bias in both acts has created hurdles for their implementation. The needs of both sides have to be balanced by ensuring proper access of government benefits to tenant cultivators on one side and protecting the rights of the landowners on the other.

Conclusions

The empirical analysis shows that AP has the highest extent of tenancy in terms of both the share in leased-in area and tenant households in the country and it

has shown an increasing trend. However, most of the leases are mostly unrecorded or unregistered. The tenancy is high among socially marginalised groups (SCs). The informal tenancy and inadequacies in tenancy laws create hurdles to accessing the governmental benefits by tenant cultivators and create large inequity between owner and tenant cultivators. To address these inadequacies, the state government has brought in the new tenancy law: the Andhra Pradesh Crop Cultivator Rights Act, 2019 by repealing the old acts of 1956 and 2011.

It was well-recognised that it is necessary to change the old tenancy act 1956 to protect the ownership rights of the landowner thereby providing governmental benefit to the registered tenant cultivator. But at the same, it is also important for the new act to retain some important regulations on tenancy and ensure the basic rights of tenant cultivator which are not related to the ownership of the land. But the new tenancy act of 2019, in a hurry to protect the ownership rights of the landowner, has completely liberalised the tenancy relations and ignored many important provisions that protect the basic rights of the tenant. The complete deregulation of agricultural land lease in the new act may not provide a level playing field to marginal and small tenants especially when the lessor/owner is rich and powerful and is in a position to thwart the goals of equity and efficiency which the act strives for.

The new 2019 act needs to provide for a clear definition of "tenant cultivator" as an individual household without giving scope for an intermediary or sub-lease in any form. The landowner has to be incentivised for a mandatory registration of the lease which is essential for accessing any governmental benefits by the tenant cultivator. The size of the crop loan to the tenant cultivator shall be equal to the owner. The new act must have provisions on the issues related to ceiling on maximum leased-in land, decent duration of lease, maximum rent and remission of rent on the event of crop failure or loss that is in favour of the tenant cultivator. These changes are important for sustainable agrarian relations and growth of agricultural production in the state.

NOTES

- 1 The share of leased-in area has been decreasing from 11.6% in 1972–73 to 8.28% in 1992–93 and further to 6.5% in 2002–03 but it then increased to 10.3% in 2012–13 (Rao 2019).
- 2 This is only the latest official data available on the agricultural tenancy in India and across states.

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Financial Inclusion and Remittance Services

A Cross-country Analysis

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Using the Global Findex survey data, the various factors that may impact the use of banks and digital channels for remitting money have been explored. The cross-country analysis shows that while many people send/receive remittances in low-income countries, they are still transmitted through informal channels. In India, it is observed that the use of financial institutions/mobiles as remittance channels have improved from 2017 to 2021, especially for the lower-income people. The econometric analysis conducted for both conventional and digital modes of remittance transmission shows that while the banking infrastructure matters for formal remittance transmission, the poorer countries are able to address the problem of lack of adequate infrastructure by using the mobile platform.

Financial inclusion has become a policy priority in most emerging countries, with policymakers and governments acknowledging its various benefits. Financial inclusion allows individuals and households to overcome emergencies, increase investments in productive activities and improve employment opportunities for individuals through increased investment in education and skills (Banerjee and Newman 1993; King and Levine 1993; Schumpeter 1934). In India too, the government has emphasised that all individuals, particularly the weaker sections and lower-income groups, should have access to basic financial services at an affordable cost (Rajan 2009).

The Rangarajan Committee has identified “payments and remittance facilities” as an important component of financial inclusion besides the three basic services: credit, savings, and insurance (Rangarajan 2008). Access to remittance channels is particularly crucial for internal migrant workers, who generally leave their families back home and regularly remit their savings for the upkeep of their families. Remittances from migrants are used to meet various living expenses of a family and are known to reduce poverty and improve overall living standards (Deshingkar 2006a). Considering these benefits, access to safe and reliable formal channels of remitting money is essential.

Despite the importance of this component of financial inclusion, the access and use of remittance services have not been examined much in current financial inclusion literature. This may be because there is limited data on remittance channels (government sources such as National Sample Surveys do not gather any information on formal remittance channels as yet). Thus, given the lack of research on the remittance component of financial inclusion, this paper tries to examine this issue using the Findex database, as it is one of the very few databases that provide information on the channels of remittance transmission.

As far as remittance channels are concerned, two types are of significance for financial inclusion, namely the traditional banking channel and the digital channel, which use mobile technology. From the recent Findex data, we observe that of those who received remittances, around 40% still send money through informal agents/friends/families in cash. This implies that many still do not use even the traditional banking channel. In recent times, digital financial inclusion has been given considerable importance, an aspect of special relevance for remittance services as it reduces transaction costs for the customer and lowers the overheads for financial institutions (Bachas et al 2018). Given this, the paper considers it relevant

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to examine the remittance component of financial inclusion by viewing the traditional and digital channels separately.

It examines whether there exists any specific groups of the population that need special attention. Such groups may include the aged population, women, the unemployed, or people with less education who usually remain at home and receive remittances. Further, we try to understand the role of the digital mode (using mobiles) of remittances and whether digital technology has been able to circumvent the problem of the lack of adequate banking infrastructure in less developed countries. While these questions are of relevance, there is limited literature on the subject and this paper tries to fill this important gap. We use a rigorous econometric technique to derive our conclusion as results based on descriptive statistics would be only indicative and cross effects of different factors cannot be separated.

Given these research issues and questions, it is necessary to use unit record data which provides information on individual characteristics.¹ Therefore, we use the Global Findex Database 2017 for the main econometric analysis. We use the older round of data as the latest round (Findex Database 2021) does not distinguish between bank and mobile channels. Furthermore, 2021 was a COVID-19 year with a severe impact of the Delta variant, and consequently, visits to banks were restricted. Hence, it is essential to look at the factors that impact remittance through formal sources in a normal year. Additionally, we have presented a descriptive analysis using Findex Data 2021 to provide the recent status across various regions, specifically for India.

We find from the descriptive analysis that, in the case of India, there is a considerable reduction in the use of informal remittances channels between 2017 and 2022 and an increase in the use of the formal remittance channels by the poorest income category. Despite this, the use of informal channels and cash-based transfer of funds continue to prevail. In our attempt to understand whether factors such as gender, education, and income influence the use of formal services, both digital and traditional, we carry out a bivariate probit regression with correction for sample selection.

We find that as the banking infrastructure of countries improves, the use of banks as remittance channels also improve. On the other hand, banking infrastructure and the use of mobiles for remittances have an inverse relationship. Our analysis also shows that lower-income countries are more likely to use mobiles as a remittance channel. These are interesting findings which suggest that low-income and low-infrastructure countries tend to move towards mobile banking.

A Brief Review of Literature

Importance of remittances: Domestic remittances have several implications for economic development and growth. The amount of money that the domestic migrants remit may be small, but it reaches a large number of households, mainly in the rural sector, which significantly impacts the receiving households and the local economy. The increase in household

income leads to a rise in the demand for goods and services, consequently boosting the local economy (Deshingkar 2006b; Tumbé 2011). The flow of remittances, thus, causes a redistribution of resources from developed to lesser developed areas. Studies show that households with internal migrants reach a higher level of human capital development than other households (Harttgen and Klasen 2011). Money from remittances also helps repay existing debts, thus relieving households from spiralling further into indebtedness (Anzoategui et al 2014).

In countries like India, underdeveloped rural regions find it increasingly difficult to support the rural population. Most of the opportunities in rural areas are agriculture-related. However, small-scale agriculture, which is most common, has become less lucrative over the years, resulting in lowered profitability and fewer jobs. Hence, there has been a surge in people moving from rural to urban areas (Viswanathan and Kumar 2015). It is usually the poorest households that cannot sustain their livelihoods by depending only on agriculture, which migrates (Deshingkar 2006a). Also, in cases where not all household members can sustainably work on a small landholding, some household members look for opportunities elsewhere (Dodd et al 2017). For such households, migration is a way of diversifying risks so that the higher income earned can act as a buffer in times of need (Lucas and Stark 1985).

Channels of remittance transmission: Considering the aforementioned benefits of remittances, people should have access to seamless formal channels for remitting money to their homes. Sending money through banks is safe and efficient. For many individuals, it could be the first experience of associating with a financial institution, and thus the first step towards further financial inclusion (IFAD and World Bank 2015). Also, when households receive money through banks by transfer, it is generally observed that the recipient does not debit the entire amount. Instead, they leave some amount as savings, thus enhancing the household reserves for future contingencies (IFAD and World Bank 2015; Tiwari et al 2011).

Despite these benefits, bank outreach is low in less developed nations, and the recipient may have to travel long distances to reach the banks (Gopinath et al 2010; Tiwari et al 2011). In addition, there could be several other reasons as to why people do not use banks for sending/receiving remittances, such as inconvenient working hours, long queues at the bank, unhelpful behaviour of bank officials, lack of appropriate financial knowledge (for instance, while filling forms) (Agarwalla et al 2016). Due to these reasons, migrant labourers prefer to transfer money through informal ways, even if the households have bank accounts (Bakshi et al 2014). They send money through friends and relatives despite it being inefficient and time-consuming (CDFI 2020). Moreover, the risks involved are higher as the cash could get stolen or lost en route, which could be a significant setback for migrants with low incomes.

Use of digital technology: An increasingly popular way of remitting money is through mobile banking. Porteous (2006) distinguishes between two types of mobile banking. First is

the additive model in which mobile banking is an add-on to an existing bank account, and the second is the transformative model where it can improve the financial inclusion of the unbanked and poor. For instance, India's Unified Payments Interface (UPI) is designed to be transformative and simple, as it does not require much information while carrying out a money transfer. Anyone with a mobile phone and a bank account can use this system through a relatively simple procedure.

Several developing countries have taken advantage of the high penetration of mobile phones to improve financial inclusion. For instance, mobile banking has been a great success in certain African countries with poor banking infrastructure. One of the well-known examples is M-PESA, a mobile phone-based financial transaction service in Kenya launched in 2007 by Safaricom. Within four years of initiation, around 70% of the population was using M-PESA (Jack and Suri 2014).

In countries like Kenya, many families are geographically separated due to rampant domestic migration. Earlier, most migrants resorted to traditional means of sending money through friends and families. After the introduction of M-PESA, however, the cash-based transmission system was replaced, and M-PESA became the norm (Mas and Morawczynski 2009). Due to improved access to mobile phones, several other African countries, such as Uganda, Tanzania, and Ghana, are also encouraging mobile banking, to improve the social and economic development of the poor.

Theoretical argument for the adoption of new technology:

Evidence from developing countries suggests that contrary to popular belief, technology adoption is generally slow (Mobarak and Saldanha 2022). One theory that explains technology adoption is the technology acceptance model (TAM) (Davis 1989), which has been used in several contexts and has received empirical support from many studies (Kuo et al 2013; Lee et al 2003). According to the model, the adoption of new technology depends on the perceived usefulness and the perceived ease of use (Davis 1989). Perceived usefulness and ease of use can alter a person's behavioural intention to use the technology. The intention to use ultimately decides whether the person uses the new technology. It is also seen that perceived usefulness has a more significant effect on technology adoption (Davis 1989). Extended versions of the TAM suggest that perceived usefulness and ease of use depend on various external factors too, depending on the context in which the model is used (Al-Ammary et al 2014; Davis 1993; Venkatesh and Morris 2000)

We saw from the literature review that many developing countries do not use the available payment systems, despite the availability of such conveniences. Looking through the lens of the TAM, we assume that perceived usefulness and ease of use may be low for digital banking services, which results in the continued use of informal methods.

Thus, the paper focuses on some of the important factors that affect the adoption of digital banking services. These factors impact the actual use of banking services by modifying the perceived usefulness and ease of use. The external factors that

interest us include individual characteristics such as education, gender, age, and employment, and macro factors such as the availability of banking infrastructure that could influence perceptions, behaviour as well as actual ability and usage. To examine these aspects, we conducted an empirical analysis which is discussed below.

Data and Methodology

We have used the Global Findex Database 2017 for the econometric analysis (Demirgüç-Kunt et al 2018). It is a cross-country survey that covers 1,50,000 people in 144 economies. The survey is conducted by Gallup world Inc as part of the Gallup world poll. The target participants are adults who are above the age of 15. The survey is done through both face-to-face and telephonic interviews. Face-to-face interviews are implemented in countries where the telephonic coverage is less than 80% or in countries where it is the norm. We have also used other data sources such as the World Bank development indicators. Summary statistics are provided in Appendix Table A1 (p 47).

Both descriptive statistics and econometric analysis are used in this paper. Initially, we undertake a comparative analysis of the different regions regarding the use of banks and mobiles as remittance channels. Further, we have tried to present the current Indian scenario. For this, we have used the latest round of Findex, for which the data was collected in 2021.

To explore the different factors that may influence the use of formal remittance channels (banks and digital banking), we carry out a bivariate probit regression with correction for sample selection which is discussed in the following section.

Econometric methodology: We face two issues when we examine the use of formal channels for sending/receiving remittances. First, we consider only those respondents who have sent/received remittances. Second, the question of whether they have used a formal channel for sending money. When we select only those who have sent/received remittances, the rest of the sample is not observed, leading to sample selection bias. A probit model with sample selection correction is generally used in such cases. We assume that the individual will decide to send money through a formal channel only if they need to send remittances. So, the errors of the two decisions are likely to be correlated, and there could be sample selection bias. According to Van de Ven and Van Pragg (1981), there is an underlying relationship such that the outcome of interest y_i^p is observed only if

$$y_i^* = x_i\beta + u_{1i} \text{ (Latent equation)} \quad \dots (1)$$

Or,

$$y_i^p = 1 \text{ if } y_i^* > 0 \text{ (Probit equation/Outcome equation)} \quad \dots (2)$$

The outcome variable y_i^p is not always observed; we observe y_i^p only if the selection variable is greater than zero.

$$y_i^s = Z_i\alpha + u_{2i} > 0 \text{ (Selection equation)} \quad \dots (3)$$

where i refers to individual i , u_{1i} , $u_{2i} \sim N(0,1)$ and $Cov(u_{1i}, u_{2i}) = \rho$; when $\rho = 0$ a univariate probit model is sufficient.

Therefore, we have $y_i^p = 1$ if an individual sends remittances, 0 otherwise;

$y_i^s = 1$ if an individual sent/received remittances, 0 otherwise. Data for y_i^p is observed only if y_i^s is equal to one. So, we have three types of observations in the sample:

y_i^p is equal to zero when y_i^s is equal to zero;

y_i^p is equal to 1 when y_i^s is equal to 1;

y_i^p is equal to zero when y_i^s is equal to 1.

An exclusion restriction variable has to be included in the selection equation, which is not in the second stage, for the model to be well-identified. If not, the model will be identified only by its structural form.

Analysis and Results

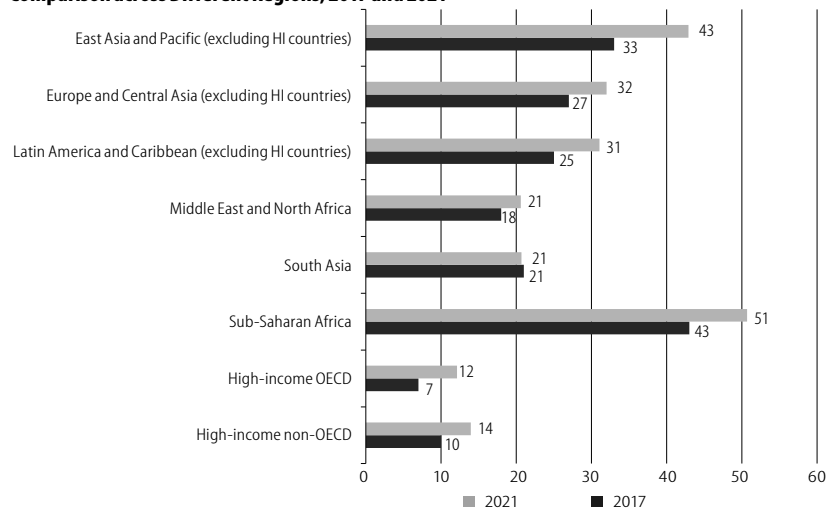
Our analysis first provides a comparative study across different regions of the world. This is followed by a discussion on India. Then we present the regression analysis to explore the various micro and macro factors that may impact the use of formal remittance channels.

Usage of remittance channels: Comparative analysis across different regions—We begin by examining the percentage of people who have sent or received remittances through any channel (formal or informal) and whether there has been any change during the past few years. Since the latest survey was done in 2021, which is a COVID-19 year, our results also capture the changes brought in by the COVID-19 pandemic. Figure 1 shows the percentage of respondents who have sent/received remittances across different regions of the world.

We observe that the respondents from low-income countries send or receive remittances much more than the Organisation for Economic Co-operation and Development (OECD) or other higher-income countries. There are regions of underdevelopment within developing countries, and people from such areas are forced to migrate to more developed areas in search of employment. These people need to send money to their homes, to their dependent families who are left behind. In developed countries, such situations are not very common. Accordingly, we observe from Figure 1 that the poorest region, sub-Saharan Africa, has the highest percentage of respondents sending or receiving remittances.

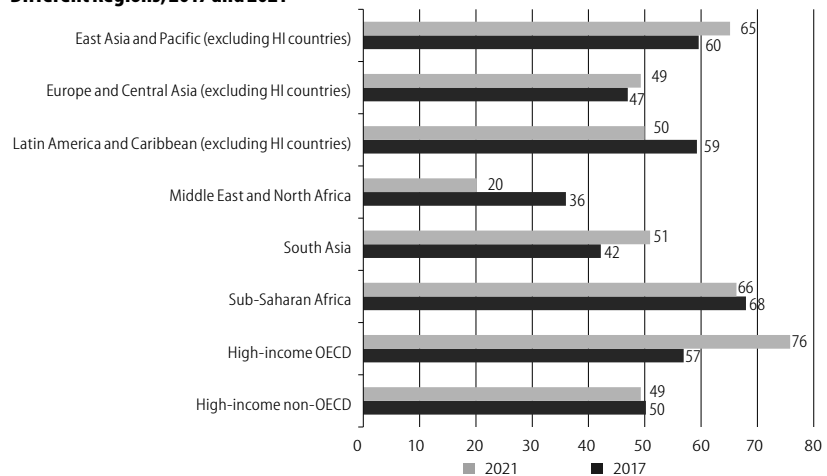
We now look at the use of formal channels for sending and receiving remittances across regions. From Figure 2, we observe that the use of banks/mobiles for remittance is the highest for sub-Saharan African countries, and East Asia and Pacific countries. In the latest round of Findex, we do not have information about money transfers through banks and mobile phones separately. The 2017 data have this information, and when we examine this data, we see that the use of banks is the highest for high-income

Figure 1: Percentage of Respondents Who Have Sent/Received Remittances in the Last Year—Comparison across Different Regions, 2017 and 2021



Source: Authors' calculation using Findex survey 2017 and 2021.

Figure 2: Percentage of Respondents Who Have Sent/Received Remittances through Banks/Mobiles (Out of the People Who Received Remittances in the Last One Year)—Comparison across Different Regions, 2017 and 2021



Source: Authors' calculation using Findex survey 2017 and 2021.

OECD countries, East Asia and Pacific, and Latin America and the Caribbean. On the other hand, the use of mobiles as a remittance channel is high for sub-Saharan Africa.

When we specifically look at some of the South Asian countries, of the people who received remittances, we find that 3% of respondents from Afghanistan, 40% of respondents from India, 41% of respondents from Sri Lanka, and 59% of respondents from Pakistan used either the bank or mobile channel for sending/receiving remittances. If we compare these figures with China, we see that 90% of respondents reported using formal channels, which is far above any of the South Asian nations. Further, to gain a deeper perspective of India, we present the following analysis.

Channels of Remittance in India: Findex 2021

Focusing on India, we observe that remittances sent or received have not changed much between 2017 and 2021. Similarly, the use of formal channels for remittance transmission also shows no substantial increase from 2017 to 2021 (Table 1, p 44).

Overall, 18% of the respondents from the latest survey have reported sending or receiving remittances, which is 1% lower than the previous survey. This survey was conducted during the COVID-19 period, which was marked by loss of jobs which could explain the decrease in the percentage of respondent sending/receiving remittances. Of the total people sending or receiving remittances, 39% have used financial institutions, while 37% have sent cash directly. We see that during 2017–21, the percentage of people sending money as cash has decreased. The use of money transfer operators has also increased by 4 percentage points (Table 1).

Table 1: Percentage of Respondents in India Who Have Sent/Received Domestic Remittances through Various Transaction Channels across Income Quintiles

	Income Quintile (%)	Sent/Received (%)	Of Those Who Sent/Received Remittances		
			Financial Institutions (%)	In Person: Cash (%)	Money Transfer Service (%)
2017	Poorest 20	13	6	66	2
	Second 20	17	29	62	1
	Middle 20	14	35	52	5
	Fourth 20	22	39	47	4
	Richest 20	30	63	39	2
	Total	19	40	51	3
2021	Poorest 20	14	28	53	3
	Second 20	9	31	37	3
	Middle 20	18	26	39	4
	Fourth 20	17	45	36	8
	Richest 20	31	52	29	11
	Total	18	39	37	7

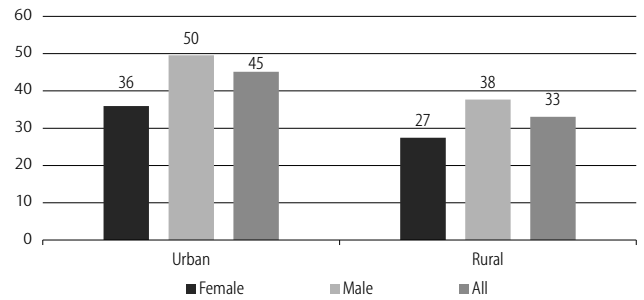
Source: Authors' calculation using Findex Database 2017 and 2021.

Table 1 also shows the percentage of respondents who have sent/received domestic remittances through various transaction channels across different income quintiles. The respondents are categorised into five equal quintiles based on their income (Findex data does not provide the income value but only the income quintile to which the respondent belongs). We observe that the poorest 20% of the respondents show low usage of formal channels for sending and receiving money (remittances through financial institutions, including transactions at a branch, at an automated teller machine [ATM], through direct deposit into an account or through a mobile phone) for both the years. However, the latest survey indicates a considerable improvement for the lowest-income group (6% to 28%). Not surprisingly, the respondents in the poorest income quintiles show the highest dependence on cash, which, however, shows a decreasing trend in the latest survey.

Now, we look at the use of bank/mobile phones as remittance channels across gender (and across rural/urban areas) (Figure 3). Here, we consider only the respondents who have sent/received any remittances in the past year through any channel.

We see that 45% of the urban respondents and 33% of the rural respondents who sent/received any remittances have used banks/mobile phones. Understandably, the urban percentage is higher than the rural; however, a significant percentage of people are still using informal channels, which is a cause for concern.

Figure 3: Percentage of Respondents Who Have Sent/Received Remittances through Banks/Mobile Phones across Rural and Urban Regions, 2021



Source: Authors' calculation using Findex database 2021.

We now examine whether the respondents who have access to bank accounts and have sent/received money in 2021 (Table 2) use the formal route. This is important as the non-use of bank accounts is one of the serious issues faced by the financial inclusion drive in India, and therefore it would be useful to know how many of those who have a bank account still send/receive cash.

Table 2 shows that only 42% of those who have an account and have sent/received remittances in 2021 have used financial institutions. This implies that many with bank accounts prefer to send remittances as cash. These numbers reveal a lack of usage of bank accounts, which is a critical issue in India's current financial inclusion scenario.

Table 2: Percentage of Respondents Who Have a Bank Account and Have Sent/Received Remittances through Financial Institutions (or as cash), 2021

		Poorest 20	Second 20	Middle 20	Fourth 20	Richest 20	Total
		2021	Sent/received through financial institutions/mobile phones	30	30	25	50
	Sent/received as cash	50	36	39	29	28	35

Source: Authors' calculation using Findex Database 2021.

These observations led us to explore the factors that may determine a person's usage of formal banking for remittance services. Alongside, we also examined digital channels as it reduces the need for brick-and-mortar banks which are often less in supply in developing countries. The following section examines some of these issues using a regression model.

Factors Influencing the Use of Formal Channels

The motivation behind this exercise and the methodologies used for the purpose are discussed above. In this section, we present the analysis and the results.

Variables used for analysis: The respondent's decision to use the bank or mobile remittance channel is of key interest to us. Therefore, we have done two sets of analyses and have used two outcome variables: (i) the use of banks for remitting money, and (ii) the use of mobiles for remitting money. The Findex survey asks the respondents whether they have sent or received remittances in the last year and, if yes, what channels they use. Our dependent variables are based on these questions.

We first consider individual characteristics such as education, whether employed, income (income is an ordinal variable

from 1 to 5, where 1 is the lowest-income class and 5 is the highest-income class), age, and the gender of the respondent. We have also included banking infrastructure, which is the number of bank branches per person in a country (from World Bank indicators). It is calculated as (the number of institutions + branches)/adult population. We have also controlled for country categories, such as whether the country belongs to the high-income category, upper-middle-income category, lower-middle-income category, or low-income category.

Finally, we have included “saving” as the exclusion restriction variable, which is required for this method of analysis. The survey has collected data on whether the respondent saved money during 2021. We reason that a person who has saved money is likely to send money to their homes, and their decision to save does not affect the channel used for sending money. We have considered this variable as the exclusion restriction to produce reliable results in the presence of sample selection bias. This variable appears in the selection equation and is not included in the main equation of the model.

Results: As mentioned earlier, we use a bivariate probit model with correction for sample selection to examine the factors affecting money transfer through formal channels. We estimate this model in two stages: stage one predicts the probability of sending/receiving remittances, while stage two provides the results of the main estimation and is conditional on stage one. Specifically, stage two determines the probability of sending/receiving remittances through banks in model 1 and sending/receiving remittances through mobiles in model 2. In stage one of model 1 and model 2, we have included the “Saved” variable, the exclusion restriction, which determines the sample selection but does not independently affect the dependent variable of interest.

The results of our analyses are presented in Table 3. First, we look at model 1, which examines the factors influencing the decision to send/receive remittances through banks. From the second stage of the regression, which is of main interest, we observe that the gender and age of the respondent do not have a significant association with the probability of sending/receiving remittances through a bank. Further, we observe that higher-income classes are more likely to use banks for remitting money. Given that a large percentage of people do not use formal services, these results imply that the poorer sections from all age and gender categories need special attention.

From our results, we also find that as the respondent’s education level increases, the use of banks for remittances increases. Apart from enhancing the skills and awareness levels of the individuals, education also increases their understanding about the benefits of using formal channels of remittances.

Further, we have included the income categories to which the countries belong. From stage 1 (of model 1), we observe that lower-income countries have a much higher probability of sending/receiving remittances (as compared to high-income

countries) but have higher chances of not using formal banking channels (as compared to high-income countries). In addition, we find that the infrastructure variable is positively significant, implying that outreach of banks is necessary for encouraging people to remit money through banks. However, in most developing countries, banking infrastructure is poor, especially in rural areas. Therefore, in the next part of our analysis (model 2), we try to understand whether digital technology helps to overcome this problem of not having the required level of banking infrastructure.

In model 2, presented in Table 3, which examines the use of mobiles as a remittance channel, we find that most of the results are qualitatively similar to model 1. However, we have an interesting result here which indicates that low-income countries are not only receiving a higher level of remittances but are also using a higher level of digital/mobile services to transmit their remittances. This result suggests that one can overcome the problem of a lack of a (brick-and-mortar) banking infrastructure by using mobile technology. It is discussed in the literature that many African and other less developed nations have attempted to improve financial inclusion using

Table 3: Regression Results—Factors Influencing the Use of Formal Channels for Remittances

Variables	Model 1—Traditional Bank		Model 2—Mobile Banking	
	(Stage Two)	(Stage One)	(Stage Two)	(Stage One)
	Send/Receive Remittances through Banks	Send/Receive Remittances	Send/Receive Remittances through Mobile	Send/Receive Remittances
Age	-0.0004 (0.001)	-0.0025*** (0.000)	-0.0075*** (0.001)	-0.0025*** (0.000)
Gender	0.0090 (0.016)	-0.0289*** (0.010)	-0.0111 (0.017)	-0.0289*** (0.010)
Income class	0.0377*** (0.007)	0.0550*** (0.004)	0.0059 (0.007)	0.0550*** (0.004)
In workforce	0.1063*** (0.020)	0.1467*** (0.011)	0.0739*** (0.021)	0.1467*** (0.011)
Base—primary and below				
Secondary	0.2177*** (0.020)	0.1248*** (0.012)	0.0710*** (0.020)	0.1231*** (0.012)
Tertiary	0.4990*** (0.030)	0.1828*** (0.018)	0.0581* (0.030)	0.1819*** (0.018)
Log bank infra	0.1013*** (0.010)		-0.1628*** (0.010)	
Base—HI				
Upper MI	-0.0625** (0.029)	0.1662*** (0.018)	0.5886*** (0.040)	0.1667*** (0.018)
Lower MI	-0.2330*** (0.029)	0.2246*** (0.018)	0.4417*** (0.040)	0.2238*** (0.018)
LI	-0.5301*** (0.036)	0.3718*** (0.021)	0.8991*** (0.049)	0.3712*** (0.021)
Saved		0.6195*** (0.010)		0.6192*** (0.010)
Constant	-0.0072 (0.074)	-1.2331*** (0.029)	0.0123 (0.083)	-1.2311*** (0.029)
Observations	87,106	87,106	87,106	87,106
Censored obs	59,919	59,919	59,919	59,919
Uncensored obs	27,187	27,187	27,187	27,187

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1; High infrastructure countries: >=15 commercial banks per 1,00,000 adults; Low infrastructure countries: <15 commercial banks per 1,00,000 adults; LI- Low-income countries; Lower MI- Lower-middle-income countries; Higher MI- Higher-middle-income countries; HI- High-income countries.

mobile technologies and have been very successful (Jack and Suri 2014; Klapper et al 2021; Suri and Jack 2016).

Concluding Remarks

The lack of access to formal channels for money transfer is relevant as migration is on the rise within developing countries due to growing urbanisation and dwindling opportunities in the villages. As a result, there has been a surge in internal remittances in the last few decades. The access and use of formal channels for money transfer, as part of financial inclusion, however, have not received much attention in existing studies. This paper attempts to remedy this omission by examining the use of banks and mobiles as remittance channels using the latest two rounds of Findex data.

From the analysis on India, we observe that the use of financial institutions/mobiles as remittance channels have improved from 2017 to 2021, especially for the lower-income groups. During this period, the practice of sending money as cash through a person has considerably reduced. This could be the immediate effect of the COVID-19 pandemic, whether it is a long-term change remains to be seen.

Examining the determining factors of the two formal channels of remittances, we observe interesting results. We find that the lower-income countries are more likely to send/receive remittances but are also less likely to use formal banking channels than high-income countries. Also, the positively significant coefficient of the banking infrastructure variable indicates the need for bank branch outreach to encourage the use of banks

as remittance channels. However, in most developing countries, banking infrastructure is poor, so we thought it necessary to understand whether digital technology helps to overcome this problem of low banking infrastructure. We find that low-income countries are not only receiving a higher level of remittances but are also more likely to use digital/mobile services to transmit their remittances. This result indicates that low-income countries are adopting mobile technology to overcome the problem of a lack of a (brick and mortar) banking infrastructure.

Our analysis shows that a large percentage of people do not use formal services (even banks) for remittance purposes. Hence, in the financial literacy training, a special module on remittances would be useful. Our regression results also show that the poorer sections from all age and gender categories are financially excluded as far as remittance services are concerned.

Emphasising on general education, we find that as the respondent's education level increases, the use of banks or mobiles for remittances improves. Apart from enhancing the skills and awareness levels of the individuals, education also improves their understanding about the benefits of using formal channels of remittances. Thus, improvement of the general education level itself can enhance financial literacy, especially digital literacy, to an extent, and one may not need to incur much in terms of both time and money to equip the poor with financial literacy. Also, as mentioned, some training focusing on the poor, low-educated and unemployed receiving remittances would be useful.

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NOTE

1 Though two rounds of the data provide information on remittance channels, it is not possible to use it as panel data as individual identities cannot be recognised.

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Appendix Table A1: Summary Statistics

Variable		Obs	Mean	Std Dev	Min	Max
Send/receive remittances through mobiles	=1 if the respondent sends/receives money through banks	1,53,923			0	1
Send/receive remittances through banks	=1 if the respondent sends/receives money through banks	1,53,923			0	1
Age	Age of respondent	1,53,476	41.81	17.91	15	99
Female	=1 if the respondent is female	1,53,923			0	1
Income	Income class to which the individual belongs	1,53,923	3.18	1.42	1	5
Employed	=1 if the respondent is employed	1,52,923			0	1
Primary and below	=1 if education of the respondent is primary or below	1,53,003			0	1
Secondary	=1 if the education of the respondent is secondary	1,53,003			0	1
Tertiary	=1 if the education of the respondent is tertiary	1,53,003			0	1
East Asia and Pacific	=1 if the respondent is from East Asia or the Pacific	1,53,923			0	1
Europe and Central Asia	=1 if the respondent is from Europe and Central Asia	1,53,923			0	1
HI OECD	=1 if the respondent is from high-income OECD countries	1,53,923			0	1
HI-non-OECD	=1 if the respondent is from high-income non-OECD countries	1,53,923			0	1
Latin America and Caribbean	=1 if the respondent is from Latin America	1,53,923			0	1
Middle East/North Africa	=1 if the respondent is from Middle East/North Africa	1,53,923			0	1
South Asia	=1 if the respondent is from South Asia	1,53,923			0	1
Sub-Saharan Africa	=1 if the respondent is from sub-Saharan Africa	1,53,923			0	1

Multiplier Effect of MGNREGA-induced Inflow of Money

A Social Accounting Matrix-based Analysis

KISHOR NASKAR, PINAKI DAS, DEBABRATA DATTA

The core objective of the Mahatma Gandhi National Rural Employment Guarantee Act is to promote rural development and reduce poverty by supplementing private employment in the rural Indian economy with public employment. This paper is an attempt to verify the performance of MGNREGA by studying four sample villages from West Bengal. The study has built a social accounting matrix from which the output and employment multipliers for each village are computed. However, it shows the demand-side impact, whereas the realisation of MGNREGA's potential positive multiplier effect depends on supply-side support, which is lacking in the villages. The paper, therefore, suggests supply-side initiatives in MGNREGA through a focus on productivity enhancement measures.

Given the severity of poverty in the country, the Government of India has introduced several direct and indirect poverty alleviation programmes through different centrally sponsored schemes (css). Since the poor live predominantly in the rural areas and depend mainly on agriculture, achieving the goal of poverty reduction depends on the growth of agriculture. To achieve more than 3% reduction rate of rural poverty per annum, it is essential that agriculture grows annually at 4% to 5%, especially in the regions with a high concentration of poor (Parikh and Radhakrishna 2005). Since such high agricultural growth rates are not consistent, supplementary rural support programme is found necessary. Against this backdrop, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was framed and introduced in 2005 under the United Progressive Alliance (UPA) government to provide public employment opportunity to the rural unemployed. This programme was expected to improve agricultural productivity by developing the rural infrastructure and also combat poverty in the process. It was a short-term employment programme to generate income, and help consumption smoothing for poor households during the lean agricultural seasons.

The prospect of income growth and shift in demand patterns among households after the introduction of MGNREGA has triggered a new interest in an analysis of intersectoral linkages in the rural economy. The demand for non-farm services such as transport, education, hair-cutting, carpentry, etc, will increase with direct (MGNREGA participation) and indirect (increased farm production with improved rural infrastructure) increase in income. Hence, the MGNREGA was expected to strengthen the linkages between agriculture and the rural non-farm sector considerably (Saikia 2009). An analysis of sectoral linkages using the Social Accounting Matrix (SAM)-based multipliers has become popular due to its ability to measure the overall impact, unlike linkage measures provided by the conventional input-output matrix. In this paper, we evaluate the impact of employment guarantee programme on households in a SAM framework. While similar studies have been done in the past, none of them considered the impact of employment guarantee programme with detailed micro-level analyses (McDonald and Punt 2003; Thurlow 2002). The present study proposes to determine the multiplier effect of MGNREGA on the basis of the calculated

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SAM with respect to the four surveyed villages, along with a comparative analysis.

Conceptual Framework of SAM

The multiplier effect refers to an increase in the final income due to any new injection of spending. The concept of multiplier is usually attributed to Richard Kahn (1931), which Keynes adopted later and used as a building block in *The General Theory of Employment, Interest and Money* (1936). The size of the multiplier depends upon households' marginal propensity to consume (MPC). The multiplier also depends on the distribution of income. Since the MPC of poor household is usually higher than that of the rich household, the increase in income in favour of poor household will increase the value of multiplier.

In order to analyse the interdependence within the sectors and multiplier effect, we use SAM which is the extended input-output model. It is a particular representation of the macro and meso-economic accounts of a socio-economic system, which captures the transactions and transfer among all economic agents in the system (Paytt and Round 1985; Reinert and Roland-Holst 1997). The origin of the SAM framework can be traced back to Quesnay's (1758) *Tableau économique*. The 20th century social accounting has been heavily influenced by the work of Kuznets (1937), Leontief (1941), and Richard Stone (1978; Stone and Croft-Murray 1959; Stone and Brown 1962; Stone and Stone 1977).

Round (1981) defines SAM as "a single entry accounting system whereby each macroeconomic account is represented by a column for outgoings and a row for incomings." SAM is a square matrix. The rows consider production and income generation by different institutional groups and classes. The columns consider data about expenditure. In a SAM, incomings are treated as receipts for the row accounts and outgoings are treated as expenditure for their column accounts. Taylor (1983) observed the SAM as a tabular presentation of the accounting identities where incoming must be equal to outgoings for all sectors of the economy. So, the total of rows as well as columns must be equal for the given account. For detailed exposition of the SAM accounting and the system of equation, one can refer to the works of Pradhan et al (2006) and Breisinger et al (2009).

Sarkar and Subbarao (1981) of the National Council of Applied Economic Research (NCAER) have made the pioneering attempt to build a SAM for India, to provide a consistent database for their computable general equilibrium (CGE) model. Thereafter, a number of SAMs were constructed by different authors. But there are only a few SAM estimations in India at the village level. To address all the possible effects of the multiplier of MGNREGA and the barriers to it, we construct a SAM at the village level which considers all types of transactions and depicts a full circular flow of income from production to factor incomes, household income to household consumption and back to production.

The Study of Villages

Our major concern in this paper is to derive the multiplier effect in a village economy. We consider four districts of West Bengal. Two of them, namely Hooghly and Howrah are relatively

developed and other two, namely 24 Parganas (South) and Birbhum, are less developed districts. One village was selected randomly from each of these four districts. Dwaripara and Ramchandrapur Ditiyakhanda villages were selected randomly from Goghat-II block in Hooghly district and Amta-I block in Howrah district, respectively. The village Bajesukdebpur and Manikpur were selected randomly from Mandir Bazar block in the 24 Parganas (South) district and Labpur block in Birbhum district, respectively. So this is a purposively stratified random sampling. The study was conducted in 2016 and 2017.

The data was collected on the basis of census method, that is, each and every household were interviewed to capture the entire flow of income, keeping in view our objective to construct a SAM for every village. The households were classified into five categories in terms of occupational pattern: farmer, agricultural labour (AL), self-employed non-agriculture (SENA), regular employed (RE) and other labour (OL).

Table 1 depicts the occupational structure of the households across villages. Our study reveals that households are mainly dependent on labour for income.

The mean income of the villages varies. The per capita annual income of a person in Bajesukdebpur, Dwaripara, Manikpur and Ramchandrapur Ditiyakhanda were ₹17,859, ₹20,473, ₹20,645, and ₹21,174, respectively. But the annual income of 1.69% households was above ₹5 lakh in Bajesukdebpur (₹13.6 lakh), while the annual income of only one household each exceeded ₹5,00,000 in Manikpur (₹5.8 lakh) and Dwaripara (₹8.8 lakh). The household's annual income class of below ₹50,000 was highest in Dwaripara (18.16%) and lowest in Ramchandrapur (3.39%). The figures were 12.11% and 10.79% in Bajesukdebpur and Manikpur, respectively.

MGNREGA in the Villages

MGNREGA was introduced in village Bajesukdebpur and Manikpur in 2006 and in Dwaripara and Ramchandrapur Ditiyakhanda villages it started in 2007 and in 2008, respectively. The availability of allotted fund per household under MGNREGA is highest in Manikpur (₹6,162), followed by village Dwaripara (₹4,763).

Table 1: Distribution of Households by Household Types in Sample Villages

Household Type	Bajesukdebpur	Manikpur	Dwaripara	Ramchandrapur Ditiyakhanda
Farmer	20	71	43	4
AL	26	18	35	15
SENA	10	3	10	58
RE	9	5	4	7
OL	35	3	8	16
Total	100 (471)	100 (213)	100 (132)	100 (118)

Source: Village-level survey, 2016–17.

Table 2: Percentage of Households Participating under MGNREGA

Household Type	Bajesukdebpur	Manikpur	Dwaripara	Ramchandrapur Ditiyakhanda
Farmer	38	71	77	40
AL	55	74	70	61
SENA	52	0	23	22
Regular employed	10	30	60	25
OL	34	67	82	5
Total	40	67	69	26

Source: Village-level survey by authors, 2016–17.

The households under study, from all categories, participated in MGNREGA. Farmers and agricultural labourers are the main beneficiaries of MGNREGA in the villages.

Though the participation rate is relatively high in Dwaripara, the average person-days are the lowest. But in village Manikpur both the participation and average person-days are relatively high. MGNREGA has been framed to provide at least 100 days job to the rural households who are willing to work in a financial year. From Table 3 it is clear that employment creation in these villages is far below the stipulated employment level (100 days).

Table 3: Average Person-days of Employment Generated in MGNREGA

Household Type	Bajesukdebpur	Manikpur	Dwaripara	Ramchandrapur Ditiyakhanda
Agriculture	52	50	38	66
AL	60	62	40	58
SENA	22	0	36	56
Regular employed	32	22	23	22
OL	42	54	47	14
Total	48	52	39	54

Source: Village-level survey by authors, 2016–17.

SAM for the villages: SAM is a comprehensive accounting framework within which the full circular flow of income is captured. The flow of production creates factor income that goes to household for consumption and also for investment. The village-level SAM for our study had four components: production activities, such as crop husbandry, animal husbandry, construction, self-employment and services in manufacturing, government and private sectors; factors of production, that is capital and labour; institutions like households and village panchayat; and “outside the village” which consists of values of sectors and labour going out of the village and coming into the village. The number of production sectors varies among villages depending on the goods and services produced within the village. There were 65 sectors (a sector comprises production activities in a related group of products) both in Manikpur and Ramchandrapur Ditiyakhanda, whereas Dwaripara and Bajesukdebpur had 66 and 63 sectors respectively. Economic activity related to one commodity was linked to an economic activity of another. The available data was collected directly on a commodity basis for inputs and outputs. SAM is a commodity by commodity matrix, which is derived from use and supply matrices. Detailed information was collected about the activities, costs, and revenues from various sources and in particular from the panchayats. Information was also collected about the workings of MGNREGA in the villages.

Output and labour income multipliers: The output multiplier for a sector, say rice, is the change in the total value of production due to one unit increase of final demand. The increase in the demand for the output of rice will necessitate additional production of seed, fertilisers, labour, etc. These are called indirect requirements. The increased employment of labour will result in their higher incomes and

higher expenditures. The increased expenditure should match with the value of extra output. These direct and indirect requirements result in the “output multipliers” estimated by the SAM multiplier matrix.

Table 4 gives the total output and labour income multiplier in monetary terms. The labour income multiplier gives an estimate of the direct and indirect labour income changes resulting from a change in the unit output. It is obtained by multiplying the output multiplier of each sector with the respective employment coefficient. The employment coefficient of each sector gives the wage share to produce per unit of output (say for per ₹1,000). Each column of the inverse (taking production sector in the village) of SAM gives the increase in output of different sectors in response to one unit increase in the final demand of that sector. The sum of primary input sector gives the corresponding income multiplier. The total of rows of institutions like households gives the impact on the incomes of various sections of the households.

The study derives the sector-wise multiplier on output and employment for the villages. Again for the sake of getting an overall view and comparability, the study calculates aggregate multiplier of output and labour income for four villages, having multiplied a sector multiplier with its output (income) share in the respective village economy and adding them out.

The income multipliers in Table 4 indicate the magnitude by which the outputs will increase if there is a unit increase in the expenditure owing to an external shock (here, MGNREGA works). For example, if the MGNREGA worker in Dwaripara spent an amount of ₹1,000, the impact in terms of increase in total value of production produced within the economy will be ₹1,763 (1,000 × 1.763).

The aggregate output multiplier in Dwaripara village is the highest (1.763) and the multiplier for the village Ramchandrapur Ditiyakhanda (1.315) is the lowest. The difference in the values of multipliers arises from the differences in output and income structures of the village economy. There are multiple cropping in village Dwaripara and Manikpur. But Bajesukdebpur and

Table 4: Village Economy General Output and Wage Share Multipliers (in monetary unit)

Sector	Bajesukdebpur		Manikpur		Dwaripara		Ramchandrapur Ditiyakhanda	
	Income Multiplier	Wage Share	Income Multiplier	Wage Share	Income Multiplier	Wage Share	Income Multiplier	Wage Share
Rice	0.657	0.506	1.067	0.496	0.312	0.199	0.561	0.220
Pulses	0.093	0.021	–	–	–	–	–	–
Potato	–	–	0.065	0.015	0.769	0.274	–	–
Sesame	–	–	0.016	0.003	0.102	0.017	0.074	0.019
Sunflower	0.004	0.001	–	–	–	–	–	–
Animal husbandry	0.161	0.086	0.125	0.061	0.138	0.075	0.084	0.024
Vegetable	0.165	0.059	0.065	0.011	0.09	0.020	0.013	0.002
Pumpset	–	–	0.058	0.004	0.033	0.003	0.002	0.000
Power tiller	0.042	0.010	0.030	0.006	0.033	0.008	0.039	0.008
Construction	0.100	0.026	0.068	0.014	0.048	0.011	0.268	0.058
Education	0.042	0.018	0.012	0.007	0.004	0.001	0.014	0.003
Barber	–	–	0.003	0.001	0.007	0.004	0.021	0.011
Carpenter	0.018	0.008	0.008	0.002	0.01	0.002	0.048	0.015
Grocery	0.077	0.017	0.072	0.016	0.042	0.011	0.157	0.025
Potato vendor	–	–	–	–	0.165	0.002	–	–
Transport	0.052	0.019	0.013	0.003	0.010	0.003	0.034	0.006
Aggregate multiplier	1.412	0.773	1.603	0.639	1.763	0.630	1.315	0.392

Source: Authors’ calculation.

Ramchandrapur Ditiyakhanda produces rice and only a low volume of vegetables. This difference in the number of cropping is reflected in the value of aggregate output multiplier. Note that the multiplier for rice exceeds the unity in Manikpur village on account of multiple cropping. The multipliers are also relatively high in those villages where most of the incremental income is spent within the village, as it happened in relatively remote villages like Manikpur and Dwaripara. The labour income multiplier is higher in the village where labour is used for meeting the local demand as in Bajesukdebpur village, where it is the highest (0.773), followed by Manikpur (0.639). This multiplier is the lowest (0.392) for Ramchandrapur Ditiyakhanda, where most of the households are involved in *zari* work and tailoring activity, whose local demand was absent within the village. As a result, the spread effect of MGNREGA spending on increase in labour income is very low in Ramchandrapur Ditiyakhanda. If we consider commodity-wise increase in total output and labour income, the effect of the shock has relatively a higher impact on major agricultural crops in these villages, compared to the impact on other sectors of the economy.

The above multipliers may be called as the village economy general multiplier due to its effect on the local village as well as the national economy. The magnitude of the multipliers on the village income is smaller. This is because there are leakages; it is estimated that more than half of the backward and forward linkages of new demand generated are not absorbed within the village income but satisfied by the commodities procured from outside the village. The intermediate goods like fertiliser, construction materials, most of the grocery, clothing and footwear items, are imported from outside the village and are then used to manufacture goods within the village. Thus the multiplier effect of MGNREGA majorly contributes to the production of outside economy. We have to eliminate the effect on intermediate goods to find out the actual effect within the village economy. We have a proportion of value addition corresponding to the total production within the village. After

the multiplication of this proportion with the general output multiplier of the respective village, we get the village economy local output multiplier (VELOM) of the village. This is termed as VELOM because we are considering only the effect on local village economy. We get the village-level wage share or labour income multiplier after the multiplication of VELOM with the labour coefficient of the respective goods and services.

From Table 5 we see that the village economy local multiplier is less than the village economy general multiplier. The local wage share multiplier is highest in Bajesukdebpur village, as the production process adopted there is primitive and to meet the possible increased demand in agriculture, more labour is involved. Since in Ramchandrapur Ditiyakhanda the main source of income is non-farm activity like tailoring, where raw material comes from outside the village, the local effect of MGNREGA is low and the local output (0.717) and wage share multiplier (0.231) are smallest among the figures of four villages.

Multiplier Impact of MGNREGA

The total cost of the public works was spent on labour in terms of wages (there was no allocation for material cost). The effect of this new injection—“cost” from the standpoint of government spending and “new income” from the standpoint of participating beneficiaries—on the economy is arrived at in accordance with the prevailing expenditure patterns of the households that received this income. It is observed that the labour households spent some part on items produced inside the village (rice, pulses, vegetable, etc) and the rest on those imported from outside the village (clothing, pesticides, etc). By distributing the amount among the sectors in the ratio of household expenditure, we get the increase in direct final demand of various goods and services. It is then multiplied with the inverse matrix and by adding this multiplied value, we get an aggregate additional output, aggregate additional value added and aggregate additional household income in the village economy. This is called the indirect effect of MGNREGA.

As an example, for the Bajesukdebpur village, the households received ₹16,91,360 from the MGNREGA job and out of this, the labour households spent ₹7,29,001 (approximately 43.10% of the total household income from MGNREGA on the basis of assumption of constant MPC) on the internally produced items, whereas the rest was spent on externally produced items. If we multiply 7,29,001 with the multiplier 0.882, we get the possible additional increase in village income in the long run from this programme, provided of course there is no supply-side constraint. Similar figures can be worked out for other.

Government expenditure-led demand increase: Injection of money into the village economy with the help of MGNREGA fund generates additional demand for

Table 5: Village Economy Local Output and Wage Share Multipliers

Sector	(in monetary unit)							
	Bajesukdebpur		Manikpur		Dwaripara		Ramchandrapur Ditiyakhanda	
	Income Multiplier	Wage Share	Income Multiplier	Wage Share	Income Multiplier	Wage Share	Income Multiplier	Wage Share
Rice	0.569	0.465	0.788	0.232	0.231	0.111	0.437	0.159
Pulses	0.045	0.008						
Potato			0.040	0.009	0.448	0.137		
Sesame			0.011	0.001	0.055	0.014	0.056	0.022
Sunflower	0.003	0.001						
Animal husbandry	0.152	0.104	0.108	0.076	0.118	0.083	0.069	0.011
Vegetable	0.02	0.001	0.010	0.000	0.021	0.001	0.01	0.000
Pumpset			0.011	0.000	0.007	0.000	0	0.000
Power tiller	0.014	0.002	0.012	0.002	0.011	0.002	0.012	0.002
Construction	0.014	0.002	0.009	0.001	0.010	0.002	0.047	0.008
Education	0.021	0.01	0.012	0.010	0.004	0.001	0.014	0.003
Barber			0.003	0.002	0.007	0.007	0.021	0.015
Carpenter	0.011	0.007	0.003	0.001	0.003	0.001	0.018	0.007
Grocery	0.008	0.001	0.007	0.000	0.005	0.000	0.016	0.001
Potato vendor					0.024	0.001		
Transport	0.024	0.009	0.006	0.002	0.006	0.001	0.018	0.002
Aggregate multiplier	0.882	0.610	1.019	0.336	0.951	0.361	0.717	0.231

Source: Authors' calculation.

goods produced in the village. If there is excess capacity or if there is capacity enhancement due to creation of asset through MGNREGA work, this additional demand will result in increased production and income. From this aspect we can derive the percentage increase in demand in each sector following an addition of ₹1 through MGNREGA.

Table 6: Sectoral Increase in Demand from MGNREGA Inflow

Sector-wise Percentage Increase	Bajesukdebpur	Manikpur	Dwaripara	Ramchandrapur Ditiyakhanda
Rice	2.25	1.55	3.63	4.13
Pulses	5.15			
Potato		8.88	0.9	
Sesame		24.11	0.43	0.66
Sunflower	4.63			
Animal husbandry	5.14	6.21	5.04	17.56
Vegetable	5.13	18.63	14.12	62.69
Pumpset		1.9	1.17	2.58
Power tiller	2.35	3.2	1.97	2.35
Construction	4.94	3.99	3.58	2.63
Education	4.87	12.01	28.76	18.03
Barber		22.34	8.89	6.5
Carpenter	4.81	5.62	5.5	2.19
Grocery	5.23	10.33	8.54	4.43
Potato vendor			0	
Transport	3.94	9.21	11.38	12.39
Percentage increase in total demand	3.8	3.94	2.99	5.65

Source: Authors' calculation.

Table 7: Increase of Household Income (percentage)

Household Type	Bajesukdebpur	Manikpur	Dwaripara	Ramchandrapur Ditiyakhanda
Farmer	2.26	2.47	2.21	2.51
AL	1.63	2.77	2.45	2.19
SENA	0.94	2.88	1.52	0.49
RE	0.13	0.25	0.24	0.2
OL	0.72	2.7	0.96	0.18
Total	0.98	2.15	1.77	0.66

Source: Authors' calculation.

From the village income expenditure pattern, the MPC of each sector is calculated. The total addition of MGNREGA fund is multiplied by this sectoral MPC to capture the additional increase in the demand. The multiplication of this level one additional demand of each sector with the multiplier matrix is the final increase in sectoral demand in absolute terms. The percentage increase is calculated therefrom.

Table 6 shows an interesting pattern in evolving demand. The increase in demand is much more for the non-agricultural sector than for the agricultural sector and this shows that the primitive character of the villages have undergone transformations. The demand for education services shows very high growth in all the villages, except in Bajesukhdebpur, as it already had a high demand for education. Similarly, vegetable and animal husbandry has high demand growth due to MGNREGA introduction, showing a transformation in demand for food away from carbohydrate (cereal) consumption. A good growth of demand in transport also shows transformation in

the rural activity. The overall increase in demand for the village economy is 5.65% in Ramchandrapur Ditiyakhanda, followed by Manikpur (3.94%). But the overall increase in demand for villages Bajesukdebpur and Dwaripara are 3.8% and 2.99%, respectively.

Increase in household income: The effect of the increase in the output of sectors produced in the village will increase the income of the hired workers as well as of those receiving capital incomes. This will again have an impact on the expenditure of different occupational households.

A possible increase in the household incomes arising from MGNREGA work is given in Table 7. The percentage increase in the income of farmers is 2.26%, followed by the households of agricultural labour, which is 1.63% in Bajesukdebpur. The increase in their income in other villages is similarly interpreted.

The highest increase in income is seen for the agricultural labour and farmers in most of the villages, as they are the major beneficiaries of MGNREGA and their percentage expenditure on food is the maximum. The regular employed households experienced the lowest increase.

Indirect employment generation: The employment multiplier for different sectors can be interpreted as the number of person-days generated in the economy. The increase in employment is due to the increased output in a sector, induced by the MGNREGA-led rise in the consumption. For example, if there is an increase in demand and expenditure on rice, the person-days of employment in the whole of the economy (owing to an increase in the production of this sector) rise as per the value of the multiplier. Similarly, multipliers in all the sectors are multiplied by the additional expenditures allocated to the labour in respective sectors. This gives the estimates of the employment generated in the economy owing to the changes in different sectors. To get a detailed information on employment, generated in each sector, we have multiplied the employment coefficients by the sector-wise effect of the MGNREGA (already undertaken) on the output. The additional employment generated is depicted in Table 8.

Table 8: Possible Increase in Sectoral Indirect Employment (In person-days)

Sector	Bajesukdebpur		Manikpur		Dwaripara		Ramchandrapur Ditiyakhanda	
	Person-days	Increase in %	Person-days	Increase in %	Person-days	Increase in %	Person-days	Increase in %
Rice	692	2.25	354	1.55	207	3.63	109	4.13
Pulses	56	5.15						
Potato			93	8.88	68	0.9		
Sesame			31	10.45	4	0.43	2	0.66
Sunflower	5	4.63						
Animal husbandry	315	5.14	372	6.21	169	5.04	39	4.63
Vegetable	37	5.13	32	10.29	17	8.43	4	4.64
Power tiller	9	2.35	18	2.22	6	1.76	3	2.35
Construction	56	4.94	41	3.99	18	3.58	21	3.29
Education	73	4.87	96	10.64	16	7.99	11	5.79
Barber			32	10.74	23	8.79	14	4.77
Carpenter	36	4.81	15	4.88	7	4.02	7	2.19
Grocery	23	5.23	41	10.33	17	8.54	9	4.43
Transport	54	3.94	31	6.8	12	4.98	11	4.41
Aggregate	1,242	2.97	1,156	3.34	564	2.85	230	3.88

Calculated as per 2016–17 MGNREGA expenditure.

Source: Authors' calculation.

In all the villages, rice production creates the maximum person days, although percentage increase in demand is low in this sector. When there is an increase in the income of labour households owing to MGNREGA wages, they spend more on other services, vegetables, education, and all other service sectors. Because of this spending, the output of these sectors rises, which requires high percentage increase in labour and person days in the economy.

Table 8 shows that the possible increase in employment in the village economy is 1,242 and 1,156 person-days in Bajesukdebpur and Manikpur. On the other hand, possible additional employment in villages Dwaripara and Ramchandrapur Ditiyakhanda are 564 and 230 person-days, respectively. It is interesting to note that increase in employment is less for women than for men in most of the villages. Since more than half of the goods and services consumed in the village come from outside, the employment multiplier impact is reduced. This shows that with development and increase in economic interaction with the rest of the world, the indirect employment multiplier effect will go on declining.

Supply-side Constraints

The SAM is the expansion of Leontief's input-output model, where all coefficients of production are fixed. The multiplier process of SAM is based on the mechanism of Keynesian multiplier where the model considers only the demand side. If there is an injection of exogenous demand in the economy, income of the households, involved in the production process will increase. This leads to further increase in demand in different sectors of the economy through additional consumption. As a consequence, income and employment rise in a chain process, generating the multiplier effect in the economy. SAM is a model to capture the numerical value of this multiplier in a general equilibrium framework.

From the above analysis it is clear that excess capacity is the prior condition for the above mechanism to hold. If there is full utilisation of the resources, there is no possibility of new (secondary) income and employment generation in the economy and the multiplier is inoperative. Though the present model follows the Keynesian type multiplier, the appropriate model for the economy described here is Lewis-type model, where seasonal unemployment is a natural phenomenon. The MGNREGA addresses the problem of seasonal unemployment. So labour is not the constraint for the model; rather the supply-side constraints are natural resources and infrastructure. The multiplier process can effectively contribute to the growth of village economy, only if the MGNREGA programme focuses on supply-side improvement through rural infrastructural development. In this respect, our study identifies the supply-side constraints in the rural economy and highlights the sectors, suffering from scarcity of resources.

The supply of agricultural land can be increased by multiple cropping through the expansion of irrigation. Under the MGNREGA, irrigation works are classified under three broad categories—micro irrigation works (canals), water conservation and harvesting (digging new tanks/ponds, small check dams) and renovation of traditional waterbodies (desilting tanks/ponds, desilting old canals, desilting traditional open wells). They also include some special type of work like drainage in waterlogged areas,

construction and repair of embankments. Creation of these types of assets will protect the crop from natural calamities. The second activity focuses on increasing the fertility of land and transforming the fallow land to agricultural land. The first three activities enhance total production and the last activity of road connectivity helps transport the agricultural produce to the market.

The theoretical support of MGNREGA work is based on its role to create public employment in activities that boosts rural economy by creating productive assets. This leads to an increase in the demand for labour and ensures more private employment, reducing the necessity for public employment. The multiplier is fully operative only in such a case.

Ground Reality

Table 9 shows the poor state of work completion under the MGNREGA and this reduces the effectiveness of the multiplier. The percentage of completed works to total works taken up has decreased drastically over the years and, in 2015–16, the figure became merely 14.88% and 15.58% for West Bengal and India respectively. Although the more recent works may be completed after some period and gradually the percentage for recent years may rise, still the completion percentages leave much to be desired. While the completion of work percentage was poor, 83.65% of the fund was spent and 23.55 crore person-days were created under the programme in West Bengal in 2016–17. Again, in 2017–18, using 95% of the allocated fund and creating 31.25 crore person-days, the state had completed only 1.58% of the total work. This indicates the mismatch between fund utilisation and actual work under the MGNREGA (Ghosh and Tiwari 2018).

Infrastructure and MGNREGA

Though there was no problem of labour availability for agricultural production in the villages studied, there was a shortage of capital and land. The small and marginal households were unable to earn sufficient money to purchase the durable high value capital goods through the MGNREGA income. With limited money, they could only afford traditional capital for agricultural production. Moreover, they had no collateral to get loan, and were left with the only option of borrowing capital from the large farmers to purchase fertilisers as well as other kinds of agricultural inputs. Since land availability is fixed, farmers can increase gross cropped area by multiple cropping with better irrigation. The problem of water availability is the most important supply constraint in a village economy in this context. Marketing difficulties like delay in transporting perishable goods, produced in the village are possible supply-side problems. The road construction through the MGNREGA helps to reduce many such supply constraints.

We calculated the total asset considering the residential house (as per gross national product [GNP] calculation norm)

Table 9: Percentage of Work Completed over Work, Taken Up

Year	West Bengal	India
2006–07	56.2	47.2
2007–08	48	46.1
2008–09	54.5	43.8
2009–10	66.4	48.9
2010–11	58.1	50.8
2011–12	40.4	20.3
2012–13	38.5	15.8
2013–14	29.05	18.34
2014–15	13.98	14.52
2015–16	14.88	15.58
2016–17	1.58	2.74

Source: www.nrega.nic.in.

and any kind of productive asset (without land). From Table 10, it is clear that the capital inflow through the MGNREGA is insignificant with respect to total assets in the villages. The percentages of MGNREGA-created assets in total village assets in 2016–17 were 1.92% and 0.68% in Bajesukdebpur and Ramchandrapur Ditiykhanda, respectively. Along with low level of allocation, about 30% fund is used to build non-productive assets.

Table 10: Various Assets Created under MGNREGA

Description of Work	Number of Project			
	Bajesukdebpur	Manikpur	Dwaripara	Ramchandrapur Ditiyakhanda
Cross Bandh	10 (5,79,568)	–	–	–
Construction of ICDS centre	–	–	1 (7040)	–
Construction of CC road	–	–	2 (3,31,232)	1 (47,696)
Construction of house (IAY and Griha Samridhi)	4 (66,880)	–	2 (26,400)	1 (3,696)
Land development work	–	5 (8,71,024)	–	3 (1,11,936)
Natun Khal Open to Baro Bill with Plantation of Khal Bandh	–	–	–	1 (70,048)
Pond excavation	9 (6,31,488)	–	–	–
Pond embankment	2 (76,032)	–	–	–
Pond re-excavation	1 (54,032)	1 (20,592)	–	1 (12,320)
Re-excavation of canal	–	–	2 (4,45,633)	–
Re-excavation of drain	–	4 (89,584)	1 (1,49,600)	–
Road site strip plantation	15 (2,56,080)	–	–	–
Suchi Sikhyanagan	1 (27,280)	–	–	–
Total cost of MGNREGA assets in ₹	16,91,360	13,12,432	6,28,672	2,52,032
Percentage of expenditure under productive assets	45.03	67.94	70.88	77.09
Total village assets in ₹	8,80,17,450	5,19,58,700	2,40,57,750	3,69,58,400
Percentage of MGNREGA assets in total village assets	1.92	2.53	2.61	0.68

Figures in parentheses represent total expenditure on the mentioned project. Source: Village-level survey, 2016–17.

The focus of the MGNREGA on pond excavation and re-excavation could have significantly contributed to increasing agricultural production. But cultivable lands are outside the villages, while the ponds are inside the villages. Moreover, in many cases pond waters are not sufficient for both domestic use and at the same time, irrigational use. The medium, small and

marginal farmers who form the majority of cultivators in the study are interested in multiple cropping for which they depend on canal irrigation. But the MGNREGA works rarely link canals with sub-canals, although this linking optimises the canal system. The above analysis shows the lacuna in supply-side support that could have made the multiplier effective.

In Conclusion

The present study has drawn attention to the potential of an employment guarantee programme like the MGNREGA to transform a village economy and the national economy. The multiplier analysis shows, with proper attention to supply-side factors, the output, employment and income of the studied villages can increase on account of the programme. Thus proper implementation of such acts can reduce poverty and empower the poor. The value of multiplier depends on two factors: the distribution of income inflow to the village economy through the MGNREGA work and consumption pattern. We observe that the augmented income has been distributed more in favour of the households of farmers and agricultural labourers. The second determinant of the value of multiplier is the number of commodities produced in

the economy, either consumed or exported out of the village. However, in order to realise the full multiplier effect, it is necessary to implement the programme in such a way that it creates rural infrastructure and enhances the production of goods and services by easing the supply-side constraints and improving overall productivity.

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Himachal Pradesh Assembly Elections 2022

A Trendsetter for 2024 General Elections

HARISH K THAKUR, DEVENDER SHARMA, BALDEV SINGH NEGI, VED PRAKASH SHARMA

Turning down the narrative of “double engine” government, Himachal Pradesh once again voted Congress in with a thumping majority of seats. The Congress’s win can be attributed to a series of factors such as the promise of old pension scheme for about 1,50,000 employees, anti-incumbency linked to poor performance of the Jai Ram Thakur government, and intra-party factionalism in Bharatiya Janata Party. The thesis that India has gone down the path of “*de jure* majoritarianism” from “*de facto* majoritarianism” since 2019 receives a setback with the Congress’s victory in HP. This election also proved that the party system of HP remains predominantly a two-party system and there is lesser space for a third party like the Aam Aadmi Party which could only secure less than 1% votes.

The landscape of Indian elections has registered a paradigm shift from the erstwhile tangible material factors to the non-material ones. The declaration of the post-1989 phase as a “post-Congress phase” was too hasty and it sounded more relevant after the 2014 parliamentary elections when the Congress was reduced to a mere 44 seats. After a quarter century of coalition politics, the Bharatiya Janata Party (BJP)-led National Democratic Alliance’s (NDA) victory in 2014 heralded a new era in Indian politics where the BJP assumed a central role that the Congress had once played. E Sridharan (2014) even observed that the electoral patterns of the last quarter-century in India have undergone a sea change, and the world’s largest democracy now has what appears to be a new party system headed by a newly dominant party.

From the general election in 1952 until 2014, India’s electoral history can roughly be divided into three orders: the Congress dominance period, the coalition era, and the BJP dominance period. According to Yogendra Yadav (1999), the Congress provided a pan-Indian representation for India’s diverse caste, linguistic, and religious groups and the opposition forces were badly fragmented. The year 1967 proved to be a critical inflection point, ushering in the dawn of India’s second party system, although the Congress remained dominant even then, except for the small post-emergency stint of two and a half years. “Three powerful forces—often termed ‘Mandal, Masjid, and Market’—disrupted Indian politics, giving way to a multipolar constellation of forces in which the Congress was no longer the single party around which politics revolved” (Vaishnav and Hintson 2019). After these elections, while the thesis forwarded by Jafferlot and Verniers (2020) that after the 2019 mammoth BJP win, Indian politics has entered a phase of “*de jure* majoritarianism” from the previous “*de facto* majoritarianism” has received a setback, the strong comeback by the Congress and the Aam Aadmi Party (AAP) in Himachal Pradesh (HP) and Punjab sets a new trend in Indian politics before the 2024 general elections.

The post-2014 elections mark a disruption from the past when the BJP won 282 seats in the 2014 Lok Sabha elections. Keeping in view the slowing economy, rising unemployment, corporatisation, and anti-incumbency, a repeat appeared improbable for many analysts. However, riding on the populist jargon of security and nationalism, the BJP won 303 seats in the 2019 general elections, demolishing all earlier projections. In the post-2019 Lok Sabha elections, the factors like farmers’ protest and civil society movements have become more volatile

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and the opposition has realised the leadership void and its strategic follies. In the last few years, the Congress and AAP have registered a comeback, which may flog the path of the BJP in the upcoming general elections of 2024.

State politics in India is getting swamped by the populist jargon, authoritarian leadership styles, and media interventions. The victory of the Congress in all the three assembly and one Lok Sabha seats in the HP by-elections in 2021 had laid the foundation of its 2022 win. This may not always be true (Thakur 2021). “Political scientists generally caution against overinterpreting by-election results, which non-experts often take as a bellwether or early indicator of the results of the next general election (Silver 2011). In the HP elections of 2022, factors like unemployment, inflation, corruption, old pension scheme (OPS) and the apple growers’ agitation pushed the “double engine” government narrative to the backseat, resulting in the Congress securing 40 seats against 25 of BJP and three of others. While the Congress secured 43.90% votes, the BJP lagged behind just by 0.09% but this cost it a loss of 15 seats, which deserves serious examination as several micro-dynamics have affected the results. It also shows that the speculation of many political analysts and the media about the repeat of a BJP victory was close to the point, but it has ultimately proven to be false.

Analysing the HP Elections, 2022

HP witnessed a record voter’s turnout of 75.6% in the assembly elections of 2022, surpassing the previous record of 75.57% registered in 2017 (Table 1). The highest polling percentage of 85.25% was reported from the Doon assembly constituency of Solan district and the lowest polling percentage of 62.53% was in Shimla assembly seat. The percentage of votes recorded through electronic voting machines was 74.6% (Times of India 2022).

Table 2 presents the voters’ share of the BJP and the Congress, their vote difference and the proportion of seats secured in the last five assembly elections since 2003. It shows that in 2017, the BJP had a lead of 7.21% votes when it secured 44 seats against 21 of the Congress (a 23-seat margin). In 2012 elections,

Table 1: Voter Turnout since 2003 Elections

Election Years	2003	2007	2012	2017	2022
Total electors	41,01,093	46,04,443	46,08,359	5,02,59,411	55,92,828
Electors who voted	30,55,710	32,97,252	33,49,852	37,98,176	41,20,655
Total (%)	74.51	71.61	72.69	75.57	74.64
Male (%)	73.14	68.36	69.39	70.58	72.48
Females (%)	75.92	74.01	76.20	77.92	76.80

Source: Election Commission of India, Himachal Assembly Election Results, 2003–22.

Table 2: Trends of Vote Share and Seats Won by the BJP and Congress in HP

Elections	Vote Share		Seats Won	
	BJP	Congress	BJP	Congress
2003	35.38	41.00	16	43
2007	43.78	38.90	41	23
2012	38.83	43.21	26	36
2017	49.53	42.32	44	21
2022	43.01	43.90	25	40

Source: Election Commission of India, Himachal Assembly Election Results, 2003–22.

the Congress had secured 36 seats against the 26 of BJP (a margin of only 10 seats) with a lead of 4.38% votes. In 2003 and 2007 elections, the leads of the Congress and the BJP were 5.62% and 4.88%, respectively, and the margin of seats were 27 and 18. However, in the 2022 elections, the margin between the two was just 0.09% with a seat loss of 15, which signifies the impact of micro-dynamics in the shape of rebel politics, cross-voting and OPS.¹ The elections further seal the bi-party nature of the electorate and the rejection of AAP as a potent third force in the state.

The social landscape: HP has been a peaceful, riot-free, and harmonious province for the last 50 years. In the political scheme of things, the state remained largely on centrist lines till 1977 followed by the alternate rise of the BJP and Congress. But the 2017 elections marked the shocking defeat of former chief minister Prem Kumar Dhumal giving way to a stauncher leader, Jai Ram Thakur, who had the back of the Rashtriya Swayamsevak Sangh (RSS). HP, like many other states, has its own mathematics of caste votes and regional pulls. Besides, with an interesting equation of old and new voters and the horticulturist and farmers belts, it has an equally important community arithmetic too. As per the 2011 Census, 50.72% of its population belongs to higher castes (32.72% Rajput and 18% Brahmin), 25.22% to Scheduled Castes (SCs), 5.71% to Scheduled Tribes (STs), 13.52% to Other Backward Classes (OBCs), and 4.83% belong to other communities. Within the larger framework of the micro-dynamics of state politics, while the higher castes are also horizontally divided between the bi-party outline, the SCs, STs, and OBCs have been playing a significant role in the constituencies of their concentration.

The electoral issues: All the elections have certain issues at the root, which are tangible, intangible, and instantaneous in nature. While the factors like anti-incumbency, crime and corruption, and a strong national leadership and organisation guided the BJP to power in the 2017 state elections, it was a different scenario this time. The people of the state had to choose between the narrative of nationalism, strong leadership, development, security, health and welfare policies of the state and union governments and the counter-narrative of the state issues like inflation, unemployment, and the OPS. Besides the instantaneous floating of OPS to capture the proportionately larger segment of state government employees, unemployment, regionalism, and caste invocations on account of the grant of tribal status to “Hatti” community provided a strong counter platform. The local issues of the state consequently prevailed over the BJP’s electoral agenda and the Hindutva slogan that saw its flaring during the rallies of the chief minister of Uttar Pradesh (UP) and the Prime Minister.

The issues at work were complex in view of the 2024 parliamentary elections and the stakes involved for the BJP, the Congress, and AAP were high. While the BJP had its pan-Indian welfare schemes and development works completed at the core with a promise guaranteeing the introduction of the uniform civil code, generation of 8 lakh jobs, pucca roads

to all the villages, five medical colleges, mobile clinic vans, *ex gratia* compensation for the family of martyrs, start-up schemes, bicycles and scooties to girl students, 33% reservation to women in jobs, etc. The Congress came up with 10 guarantees and tried to use the card of regional discrimination by pleading for sops to the apple belt of upper HP. Besides OPS and 1 lakh jobs in the very first year, it came up with ₹1,500 to every woman, ration to above the poverty line families, 300 units of free electricity per month, sops to apple growers, and the Land Acquisition Act and compensation to the owners. AAP, the third party in the fray, though at a distance, followed its Delhi model of quality education and ₹1,000 to every woman for empowerment. Following the AAP line, the freebies offered by the Congress and the BJP have not only degenerated the civilian democratic values but also made the voters more conscious (Thakur 2022a).

Leadership implications: The 2022 elections were fought after a long time in the absence of Virbhadr Singh for the Congress and Prem Kumar Dhumal for the BJP. However, the BJP had a much clearer picture about the state leadership as Jai Ram Thakur, a close associate of the BJP national president, did not have any potent rival in the state or at the centre. The distribution of tickets had also made it crystal clear that at least about the state chief ministership, there would be no suspense. Congress has been a divided house after the colossal loss of the former chief minister Virbhadr Singh, who died last year. In his absence, there have been several ambitious voices in the Congress to succeed. They include the state Congress president Pratibha Singh, Sukhwinder Singh Sukhu, Mukesh Agnihotri, Kaul Singh Thakur, Sudhir Sharma, and Asha Kumari. The Congress has struggled to have a new leadership profile in the state. It has had to face internal rivalry where leaders are trying to fix calculations for becoming the chief minister. Although Sukhu, Agnihotri, and Kaul Singh Thakur were quite emphatic in their public campaigns, they could not devote time to party campaigning at the state level and largely remained engaged in their constituencies due to the fear of loss. The influence of the former chief minister Virbhadr Singh could also be seen in the Shimla parliamentary constituency. The elections also saw the rise of Jai Ram Thakur as a strong state leader since he succeeded in securing 9 out of 10 seats in Mandi district. However, the BJP's big loss was in the districts of Kangra and Shimla that saw the revival of older sensitivities of the region in favour of the Congress. The loss at Hamirpur and Una also questions the leadership of Anurag Thakur, the parliamentary representative from the Hamirpur constituency.

OPS and Agnipath: HP has been a state that has a comparatively larger portion of its population engaged in government services and the public sector (about 4.15 lakh employees and pensioners comprising around 10% of the population) who have always played a significant role in elections and schemes like OPS and national pension scheme (NPS) and have a direct bearing on the state employees. While the Congress under

Virbhadr Singh withdrew the OPS in 2003 in favour of NPS, it is the Congress again that has been flaring and now promising the restoration of the same to the employees of the state. Broadly speaking, while OPS ensures 50% of the total salary as pension at retirement, the NPS provides for a different structure—10% contribution of salary by the employee and 14% by the government, and the amount thus fixed at retirement is comparatively lesser than OPS. It also discredits the Congress for compromising with the old commitments and playing electoral gimmicks. What, at best, could have been done was that the NPS could have been rationalised by increasing the amount of the gross pension at retirement, the primary woe of the employees, and reduction of employee's contribution to around 5%. Once the older batch of OPS claimants ends by 2030 to 2035, the issue will automatically exhaust and the NPS would have full sway. This is what the union and state governments had envisioned, but now the election engineers from Rajasthan, Punjab, New Delhi, and Chhattisgarh have been flaring the old slogan again. The issue of NPS mobilised the employees throughout the election campaign.

Besides the issue of OPS, one more issue which factored in the election was the "Agnipath scheme" of the union government launched for recruitment in the defence services. After facing protests, the scheme emerged as an issue in the assembly election of HP. The narrative in the hilly state that had witnessed several protests against the Agniveer scheme earlier is that it would affect scores of youths who have been preparing to get into the defence services for secure career prospects (Vasdev 2022).² The scheme would diminish such a prospect of all youths, including those from HP. It is estimated that HP has around 2.8 lakh people who are currently in the defence services or are ex-service persons. Out of these, 80% are from Kangra, Una, and Hamirpur districts. Besides, 8 lakh unemployed people are registered in employment exchanges across the state that has 3 lakh government employees. Raghubir Singh Bali, the Congress candidate from Nagrota Bagwan, said that lower HP was carved out of Punjab, and people in this belt always looked at defence to serve the country. But with the Agniveer scheme, their job prospects have been hit badly, making it a major issue in the state. The villages in Kangra, Una, and Hamirpur are full of service persons and ex-service persons. The scheme has evoked strong reactions in these areas.

The campaign: Without a doubt, the BJP had an edge in the initial campaigning in terms of organisational strength and a strong leadership profile. The Congress's campaign of "Taj Badlega" (the government will change) had relied primarily on Priyanka Gandhi, party president Mallikarjun Kharge, Chhattisgarh chief minister Bhupesh Baghel, Rajasthan chief minister Ashok Gehlot, Anand Sharma and the state trio of Sukhwinder Singh Sukhu, Pratibha Singh, and Mukesh Agnihotri. The Congress campaigners focused on the fact that the BJP has brought inflation and joblessness in HP and it was critical of its Agniveer scheme. The Congress promised to give jobs to 1 lakh people and the restoration of the OPS within a

year. AAP had a distant face in the elections and its national leadership did not show up much in the campaign. The campaign of the Communist Party of India (Marxist) (CPI[M]) was also limited primarily to Shimla (Urban), Kasumpti, and Theog constituencies.

The BJP's key driver behind the campaign was its overarching mantra of the "double engine" government. It was led by the Prime Minister, the union home minister, the BJP's national president, various cabinet ministers, the UP chief minister, and the then chief minister Jai Ram Thakur. The team tried to pursue a repeat of the BJP's victory in HP (a dream for the previous chief ministers like Shanta Kumar, Virbhadra Singh, and Prem Kumar Dhumal) with the slogan "rivaaz badlega" and highlighted the achievements of the state and union governments. Addressing a rally at Palampur, the UP chief minister reminded the people of the state that HP was in when the BJP's working committee, for the first time, passed a resolution for the construction of the Ram Mandir in Ayodhya in 1989. The inaugurations of the All India Institute of Medical Sciences at Bilaspur and the Vande Bharat train from Una were listed as fresh achievements of the party. Issues like national security, scrapping Article 370, terrorism, surgical strikes, clamping down on the drug mafia, celebrating the "vir jawans" or soldiers of the state, and welfare schemes re-verbated in their speeches.

Use of money, liquor, and drugs: Another seamy side of the elections has unravelled with the seizure of huge cash and kind. In Gujarat and HP, the states which polled in November and December 2022, the Election Commission seized cash and goods worth ₹71.88 crore and ₹50.28 crore, respectively. The Election Commission said that there has been a fivefold increase in seizures in HP as compared to the 2017 assembly elections. The seizures in HP amounted to ₹50.28 crore as compared to ₹9.03 crore, it said (Anand and Saurav 2022) (Table 3).

Table 3: Money, Liquor, and Drugs in HP and Gujarat

State	Cash	Liquor		Drugs	Precious Metals	Freebies	Total Seizure
	(₹ Crore)	Quantity (Litre)	Value (₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)	(₹ Crore)
HP	17.18	9,72,818.24	17.50	1.20	13.99	0.41	50.28
Gujarat	0.66	1,09,189.19	3.86	0.94	1.86	64.56	71.88

Source: Election Commission of India.

Grant of ST status to Hatti community: The grant of tribal status to the Hatti community of Sirmaur district was also seen as an additional bonus to the BJP since it could affect at least three seats in its favour. The Hattis have had a long-standing demand for ST status since 1967 when it was accorded to the people of the community living in Jaunsar Bawar (present-day Uttarakhand), a part of the wider Western Pahari belt which shares a similar culture, territorial contiguity, and a common border with Sirmaur district. The 0.35 million strong Hatti community consists of 14 clans and is spread across 154 panchayats in the Trans-Giri region. The community through its central Hatti committee succeeded in 2009, when their demand for ST status was included by the BJP in its manifesto.

Hatti leaders have been mobilising the people by holding *khumbli*s (local assemblies) and have continuously put pressure on the government to expedite the matter. Many within the state have supported their cause but it has invoked the opposition of SC communities and other backward classes making the issue more complex.

Due to the BJP's 2009 Lok Sabha election manifesto promise to give ST status to the Hattis, many members of the community sided with them. In 2014, Rajnath Singh also assured ST status to the community in a rally in Nahan. Chief Minister Virbhadra Singh also moved a file in 2016 to the Union Ministry of Tribal Affairs asking for tribal status to the Trans-Giri region, and Dodra Kwar in Rohru on the basis of a study conducted by the Tribal Affairs Institute, Shimla. The ministry, however, said that the ethnography report about the Hatti community was inadequate, and sought a full-fledged ethnographic study on it. In March 2022, the Jai Ram Thakur government sent a detailed ethnographic proposal to the union government, seeking the inclusion of the Hattis in the ST list of HP. But nothing has happened since.

The BJP tried to make inroads into the traditionally Congress-dominated Sirmour district and among the upper castes, in the hope of fulfilling their 50-year-old demand. Mobilisation on the issue to vote for the BJP could not get the expected results among the Hatti community that dominated three constituencies—Shilai, Renukaji, and Pachhad. The issue polarised the castes in the Hatti community and the issue became more of a political issue in terms of the BJP wanting to strengthen its grip in the area which has largely been a Congress bastion. But the results of seats comprising this community show that the BJP could not get the expected advantages of the polarised voters.

Intra-party factionalism: The BJP, in a bid to fight anti-incumbency, replaced some of their sitting members of legislative assembly (MLAs). They might now have to admit at least to themselves that the failure to allocate tickets to 11 sitting MLAs and shuffling the seats of two ministers were poor choices. Fifteen other prominent party leaders were denied tickets, sparking a small-scale rebellion that went on to seriously dent their electoral fortunes. Although the party suspended many of the dissidents, this ended up weakening the position of its official candidates. The impact of rebels in the Congress was comparatively lesser. The BJP faced a stiff resistance from several rebels while it managed to pacify many of them. The allocation, therefore, did not go well with the affected candidates and it still faced about 20 rebels in the field which affected the election outcome adversely for the BJP. The Congress also faced a rebel challenge from about a dozen candidates but was better placed than the BJP in this regard (Thakur 2022b).

The increased role of the youth: The elections ended the career of a generation of older politicians like Suresh Bhardwaj, Prem Kumar Dhumal, Thakur Kaul Singh, Mahinder Singh Thakur, Thakur Singh Bharmouri, Jagat Negi, and about 25

other leaders who were either denied or got election tickets for the last time. This shows that the parties have done away with the old “clan politics” and headed towards a younger leadership. The elections also saw an increase of 10% of young voters. In 2017, there were around 50 lakh voters in the state which increased to above 55 lakh in 2022. This shows that an additional 5 lakh youth joined the electorate (between the age group of 18 and 25) which played a crucial role in these elections. The issues of unemployment, corruption in recruitment, and the “Agnipath” scheme definitely impacted the youth.

Corruption as an issue: The issue of corruption had been central to the BJP campaign in 2014 that popularised the scams of the Congress regime, with the Prime Minister flaring the slogan *Na Khaunga, na Khane Dunga*, which roughly means that “I will neither indulge in nor tolerate others’ corruption.” This anti-corruption stance increased his popularity tremendously in the 2014 elections. The 2022 elections in HP also saw the rise of the same issue where corrupt practices were spotted in the government’s recruitment drive. The police recruitment scam had a volatile effect on the assembly election. The presence of a globally declared defaulter in the investor’s meet held by the state government at Dharamshala also brought the government on the back foot. Similarly, the purchase of hand sanitisers during the COVID-19 period was also under the scanner (HW 2021).

Treatment of apple growers: In HP, fruit growers constitute a powerful pressure group in the apple-producing regions of Shimla, Solan, Sirmaour, Kullu, Kinnaur, and Mandi districts. In August, under the call of “Sanyukt Kisan Manch,” fruit growers and farmers from across the state thronged in Shimla to protest against the government at the state secretariat. The manch posted a dharna for about five hours, demanding fulfilment of their long-pending demands. During the protest, the Theog MLA said that apple farming is no longer profitable. The government that works behind closed doors is blind to the hardships being faced by the farmers, who are exploited by commission agents in *mandis*, while the Agricultural Produce Market Committees (APMCs) remain a mute spectator.

The demand of the growers in HP has been an increase in the minimum support price as per the quality of the fruit along the lines of Kashmir, restoration of subsidies on fungicides, insecticides, and other chemical fertilisers, reduction of the goods and services tax on packaging material, a ban on imported apples or a 100% increase in the import duty of apples, strict implementation of the Agriculture Produce Marketing (Regulation) Act, 2005 and clearance of farmers’ pending dues. They have also requested the government to waive off the farmers’ loans, constitute an expert committee to fix the price of apples in controlled atmosphere stores of private companies, and reserve a 25% space in these stores for apples.

This time, the fruit growers’ protest was the biggest since the agitation held in 1987 and 1990. In 1987, farmers had been caned and charged for protesting outside the HP secretariat demanding for an increase in the minimum support price for

apples. In 1990, the protest spread across the apple-growing regions of the state, so much so that the army had to carry out a flag march in Shimla to control the agitated crowds. Three farmers were killed on 22 July 1990 at Kotgarh when the police opened fire on agitating apple growers. Apple-growing regions, which comprise nearly 26 assembly segments, have played a significant role in drawing the political contours of HP, particularly in the upper Himachal region. There have been two chief ministers from apple-growing regions—Virbhadra Singh and Thakur Ram Lal. Apple farming contributes to 13.5% of the gross domestic product of the state, which boasts of a ₹6,000 crore apple economy. The other grievance against the government was that the horticulture ministry was given to Mahender Singh Thakur of Mandi district, who had no horticulturist background and experience compared to the previous ministers like Narender Bragta, who hailed from the belt itself.

Strategic failure of the BJP: The BJP had an upper hand before the declaration of elections in the absence of a Congress stalwart like Virbhadra Singh, and a popular slogan like the “double engine” government. However, the BJP could not encash this opportunity and faced a tough ordeal. The electoral politics in the state began with the declaration of Jai Ram Thakur as the chief ministerial face by the Prime Minister and BJP national president. As a result, there was strong enthusiasm and vibrant energy among the BJP. On the contrary, the Congress was a divided house in the beginning and various factions were frustrating its supporters and a reluctance about the change of the “Taj” was visible. But the issue of the OPS made a wave of anti-incumbency, which together with other factors like unemployment, inflation, and corruption, transformed into a strong tide of resentment among the voters against the BJP.

Politics of regionalism: Unlike the previous elections, the 2022 assembly election was characterised by the BJP cadre being divided due to intra-party factionalism on the basis of regional considerations between the two centres—namely the Dhumal group, headed by the union minister Anurag Thakur and the Jai Ram group headed by the chief minister Jai Ram Thakur himself—reflecting the leadership battle between the two centres. On the contrary, the Congress had an equal footing as far as the politics of regionalism was concerned. Sukhwinder Singh Sukhu represented lower Himachal or new Himachal, and Pratibha Singh represented upper Himachal or the “Apple belt region,” also known as “old Himachal.” But the Congress this time was able to tide over such differences as they popularised the narrative of a common “Himachalhood” with the late Virbhadra Singh and Prem Kumar Dhumal and alleged Jai Ram Thakur of being dishonest with regard to Himachali identity, who was portrayed as trying to impose a Hindutva agenda in the state. The “Congress mandate” that evoked a popular consensus around opposing Hindutva via regional identities, despite the leadership divide, may also work as a guiding principle for the forthcoming 2024 general elections.

Rejection of AAP as a third force: This time once again, just like in 1998, the emergence of a third force in the form of AAP sensitised the political environment, at least for psephologists. Many political analysts and the media speculated that the performance of AAP, just like in Punjab, may bring in new permutations and combinations, both before and after the elections. Such speculation was contrary to the fact that the electorate in the state has always been in tune with a two-party system and had rejected the third alternative in the past as well. So far, AAP neither had an organised political cadre in the state nor a solid political base and its handpicked candidates were either the disgruntled ex-members of the BJP and the Congress or did not have a fair public profile. However, AAP, with 1.05% votes, and the CPI(M), with 0.067% votes, could only make for an insignificant presence in the HP elections.

In Conclusion

Conclusively, it could be stated that keeping in view the 2024 general elections, the BJP has lost a very important state. Although HP is a small state, the BJP's loss has been shocking to its key leaders and several ministers. For the Congress, which was considered as a weak and divided house on account of its split leadership, the mandate shows the people's faith in a well-coordinated and collective effort that leaves strong footprints for the Congress and the opposition to be followed in the 2024 general elections. The thesis that the Indian state has entered into "a state of *de jure* majoritarianism" has received a setback as the Congress and AAP now have a significant mass base in three North Indian states and a union territory (Punjab, HP, Uttarakhand, and Delhi). It also provides timely

oxygen to the Congress, which was arguably on a ventilator, and helps it halt the process of its "Bhajpatisation," which refers to its leanings towards a "soft Hindutva."

The elections also subsided the effects of national issues like nationalism, security, and Hindutva and saved the state from the prevalent narrative that has overwhelmed more than two-thirds of India in the last decade. Caste and communal politics could not affect the electors of the state significantly. Although the Dalit and OBC belts have registered a shift in polls in favour of the Congress, the elections were endured purely on local- and state-level issues like demand of OPs, unemployment, and inflation, thus significantly affecting the voting behaviour.

However, a single factor cannot be attributed to the BJP's defeat in this election. No doubt the BJP lost the support of Dalit and OBC voters as the CSRS (Centre for the Study of Developing Societies) survey points out, one cannot discount the rebel factor as well as the loss of support among government employees due to the old pension scheme. (Gupta 2022)

Although the margin of votes between the BJP and the Congress is just 0.09%, the impact of micro-variables helped the Congress win 40 seats. OPs emerged as a strong instantaneous factor that helped the Congress to significantly upstage the BJP government. For the first time, a rampant use of liquor and money had also been registered in the state. The so-called "freebies" may cost the Congress heavily as the promises it made would be difficult to fulfil, keeping in view the financial health of the state. It would be a serious challenge before the Congress as to how it will manage the finances of the state if it does not receive a bailout package from the union government.

NOTES

- From the given statistics, it appears that had the BJP secured even a lead of above 1% in the assembly elections, it would have suffered a loss of about five to seven seats. The phenomenon of "micro-shift variables" guided by the relationship between emotions and voting (impacted by factors like faith, commitment, or revenge, etc) could prove self-defeating to a democracy, if taken mathematically.
- "Agnipath" is the name of a union government's scheme for recruiting soldiers below the rank of commissioned officers into three services of the armed forces, under which, instead of permanent jobs, recruits would be hired for a period of four years.

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A Critique of Non-Marxist Caste Studies

HIRA SINGH

Caste as a system of Brahminical ideas derived from Hinduism in isolation from material conditions and history, a view common to non-Marxist caste studies, is a mystification. The Marxist view of caste as a social relation of production rooted in economic, political, and cultural conditions specific to time and space is a demystification. Neither the theory of caste nor the praxis of its annihilation, which was Ambedkar's dream, is conceivable outside Marxism.

In his book review titled "Ambedkar as a Philosopher" (*EPW*, 11 December 2021), Chinnaiiah Jangam writes that the author's article (Singh 2018) titled "Three Moments in the Annihilation of Caste: Marx, Weber, and Ambedkar" in Suraj Yengde and Anand Teltumbde's edited book titled *The Radical in Ambedkar: Critical Reflections* illustrates "the historic failure of mainstream Marxism to understand caste" (emphasis added). Jangam's criticism of Marxism to understand caste is common to non-Marxist (read anti-Marxist) approaches—mainstream sociology, subaltern studies, and most Dalit studies of caste. My response below is directed not to Jangam in particular, but to non-Marxist caste studies in general.¹ My objective is not the rebuttal of a particular author's view, but an invitation to debate Marxism and caste seriously.

In my article, I use "mainstream sociology" to distinguish it from Marxist sociology. There are theoretical and methodological differences between the two. Their approach to caste is fundamentally divergent. Jangam does not provide any clue as to what "mainstream Marxism" stands for. Is there a version of Marxism other than "mainstream" with a possibly different outcome or methodology to understand caste? It would have been helpful had he provided some clarification here.

Ambedkar as a Philosopher of His Own Standing

Jangam writes (p 27):

The biggest challenge in analysing Ambedkar is poor theorisation because of the caste contempt of the Indian social science scholarship. Even scholars who subscribe to a revolutionary transformation in India ... use parameters of Marxism to assess Ambedkar instead of seeing him as a philosopher of his own standing.

I disagree with the premise that rather than using the parameters of Marxism, B R Ambedkar should be seen as a philosopher of his own standing. Ambedkar cannot and must not be treated as a Robinson Crusoe inhabiting a philosophical island of his own. Comparing Ambedkar's writings on caste to those of other scholars sharing a common area of interest, in this case, Marx and Weber, among many more is a legitimate and necessary exercise. Marx's work has been compared to that of Hegel's philosophy, the classical English political economists, and the French socialists by none other than Lenin (1978). Isolating Ambedkar as "a philosopher of his own standing" is a disservice to Ambedkar, his critical intervention in conceptualising caste and his lifelong struggle to realise his dream of annihilation of caste, transcending the realm of conventional philosophy.

Poverty of Theory in Caste Studies

I agree with Jangam on the poverty of theory in caste studies. It is not, however, because of "the caste contempt of the Indian social science scholarship" (p 27) as argued by him, despite the excessive preoccupation of social science scholarship, Indian and non-Indian alike, with caste. Caste is unarguably the single most widely covered subject in sociological and social anthropological studies of Indian society. Yet, caste remains poorly theorised. Why so?

The poverty of theory in caste studies is not "the failure of mainstream Marxism," rather it is the failure of non-Marxist studies of caste—mainstream sociology, subaltern studies, and most Dalit studies, including Ambedkar's, which share one feature in common. They study caste as a bundle of ideas and rituals, divorced from the material conditions and the historical context that gave rise to caste and reproduced it for millennia. In Marxism, caste is viewed as material and ideal, that is, through an intersection of economic, political, and cultural/ideological in a broadly historical perspective. Persistence or change in caste is a result of persistence or change in

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these conditions. For a theory of caste, there is no alternative to Marxism.

Colonialism and Caste

Jangam writes:

Invoking Marx's faith in colonial modernity's power in the dissolution of caste, Hira Singh says [that] "this was because the colonial rule was not totalising. The colonial state was not all-powerful. It was too weak to break the hold of the dominant class (and caste) in the countryside". This is a skewed argument because, in contrast, the success of colonialism lies in its powerful accentuation of caste and Brahminical ideology and its *assimilation* of dominant castes (p 27; emphasis added).

In the first place, the issue is not Marx's "faith," rather it is the Marxist logic of colonial capitalism and its likely impact on caste, a product of pre-capitalist social relations of production. Marx's anticipation was that forces of production released by colonial capitalism, for example, the introduction of the railways, will break up the unity of agriculture and manufacture, the foundation of the traditional caste division of labour, resulting in the disintegration of caste. That did not happen, because the unity of agriculture and manufacture, a feature of pre-capitalist, albeit feudal production and property relations, was not broken up by colonialism, mainly due to resistance by the then ruling class (and castes) in India, forcing the colonial state to seek a compromise and accommodation with the latter. That, in short, was the secret of the survival of caste in colonial India. Conventional historiography called the compromise and accommodation between colonial state and the then ruling class (and castes) in India as "indirect rule." "Indirect rule" is a conceptual tool of what I call the colonial mode of historiography. It eschews resistance by the colonised and attributes the agency of change and continuity in the colonial society entirely to colonial power, treating the colonised as passive recipients (Singh 1998).

Jangam labels the above as a "skewed argument." Alternatively, he argues that the strength and the success of the colonial state lay in its "assimilation" of dominant castes, by accentuating the Brahminical ideology. I disagree. Assimilation, like "indirect rule," is a tool of the colonial mode of historiography. There is a saying

among the Maori of New Zealand that the shark told the small fish, "let us assimilate," then opened its mouth and swallowed them. For centuries, the indigenous peoples in Canada, the United States, the South Americas, New Zealand, and Australia have been resisting and demanding acknowledgement, apology, and reparation for the policy of assimilation pursued by the colonial capitalist states in their respective jurisdictions. On an occasion to mark the International Day of the World's Indigenous Peoples, former Bolivian President Evo Morales highlighted the resistance of the indigenous peoples of Bolivia and other countries in Latin America against assimilation by colonialism.² Recently, Pope Francis visited Canada to offer an apology on behalf of the Catholic Church for its complicity in aiding and abetting the policy of assimilation followed by the settler colonial state.

Jangam dissolves resistance to colonial assimilation in India cutting across class, caste, and communal lines into a Brahminical ideology. That is myth-making. During colonial rule, there were two "Indias"—British India and "Indian" India. The latter, consisting of two-fifths of the territory and one quarter of the population of the country, remained outside the direct jurisdiction of the colonial state until the end of the colonial rule. Indian India, where the princely states ruled, is not only the story of assimilation accomplished by the colonial state by accentuating a Brahminical ideology, but rather is a story of resistance to colonial encroachment on traditional land rights, political-judicial authority, and the cultural dominance of feudal landlords.

What was at stake in the colonial encounter? As Marx (1975) wrote, colonialism was part of the process of primitive accumulation, which is the starting point of capitalism. The colonisers' main interest was the occupation of colonial lands, as noted by Thomas King (2013) in the context of the indigenous lands in Canada. To reiterate, the then ruling class in India, that is, the landed aristocracy, was able to resist colonial encroachment on the former's monopoly of economic-political power and social honour, the foundation of caste, because of which caste survived. Anti-Marxist caste studies

replace class with caste as the driving force of the colonial encounter and dissolve resistance to colonialism in India into Brahminical ideology.³

In conservative colonial historiography, religious ideology reigns supreme so much so that even the Great Revolt of 1857 was labelled as a religious reaction by the upper-caste Hindu and Muslim soldiers of the British Indian Army, who had to bite the bullets allegedly greased with cow and pig fat to load their guns. Marx debunks that narrative. Citing Disraeli, the then Prime Minister of England, who pointed out that the same Hindu and Muslim soldiers were biting the same bullets to kill British soldiers and officials, Marx argued that the 1857 Revolt was not a reactionary religious movement by disgruntled soldiers of the British Indian Army, but an act of rebellion by landlords to protect their traditional land rights, political power, and cultural privilege (Marx and Engels 1978), which were fully restored in the aftermath of the revolt, not to be violated ever again until the end of colonial rule. It may be added that more than a hundred years later, Barrington Moore (1966) dubs the Revolt of 1857 as a Brahminical reaction to the progressive reforms introduced by the colonial state. Treating Brahminical ideology as the driving force of the colonial encounter, which ends up dissolving the resistance to colonialism, is a form of colonial anthropology.

Division of Labour in Caste

Jangam writes (p 27):

[Hira Singh] also argues that the mainstream ... sociology and Ambedkar's reading of castes align with the Weberian reading and says, "Indian exceptionalism that caste-based division of labor is religious, a product of the Brahmin's imagination—the argument central to mainstream sociology—is a myth". He argues, "being socially isolated, small peasant producers were unable to see the commonality of their interest with other peasants in opposition to the interests of the ruling class on national level."

Jangam lumps together two separate arguments I make. One, the division of labour in caste as economic-political, not religious. Two, caste-class consciousness is necessary for political organisation and the struggle to end inequality, stigma, and exclusion of Dalits in the caste

system. I do argue that the idea of the division of labour in caste as religious, a product of Hinduism and Brahminical imagination, is a mystification. The division of labour in caste, like that in class, is economic-political, rooted in economic-political power, legitimised by dominant ideology, religion being a component part of the latter (Singh 2019). Rather than confronting the question of the division of labour in caste viewed differently in Marxist and non-Marxist approaches, Jangam mixes them up with the question of class and caste consciousness.

Caste-Class Consciousness

As is well known, Marx in his discussion of the small peasantry in mid-19th-century France makes a distinction between the objective and the subjective conditions in class consciousness and class struggle. He writes that objectively, in terms of their mode of subsistence, the small peasants were a class, but subjectively, in terms of class consciousness, they were not a class. As a result, they were unable to organise politically to fight for their class interest. That is the context of Marx's much-talked-about observation about peasants like potatoes "in a sack of potatoes" (Marx 1937).

The context of discussing this point in my article is to address the question whether Dalits have the caste-class consciousness for organising politically to fight for their interest against that of the dominant caste-class. Jangam takes it out of the context and writes that the above account "is a misreading of Ambedkar and the reality of caste experience. Castes exist not in isolation rather in a relationship; without the presence of castes below and above, the individual caste has no meaning." Jangam is either not reading or misreading the *Eighteenth Brumaire*. Peasants in the *Eighteenth Brumaire* were in physical contact with other peasants in the village. That did not, however, create class consciousness. Marx writes:

[In so far as] there's only a local interconnection, and the identity of their interests begets no community, no national bond, and no political organization, they do not form a class. (Marx 1975; emphasis added)

Mere physical contact at the local level, such as the castes living together in a

village with other castes above and below them, does not create the caste-class consciousness necessary to organise politically to fight for their caste-class interests against the dominant caste-class. Is that a misreading of Ambedkar or of the reality of caste? No. Ambedkar recognised that "Dalits were a minority divided into numerous castes and dispersed in villages," which in turn weakens them politically (Teltumbde 2018: 220). Ambedkar was aware that the depressed classes (Dalits) lacked the consciousness of their just rights for which they must organise politically ... to protect themselves in social struggle (Chatterjee 2018: 108–09, 113). Rather than engaging with questions of the objective and the subjective conditions in caste-class consciousness, Jangam deflects the issue.

Closing Argument

Contrary to the claim regarding the "historical failure of mainstream Marxism" to understand caste, it is argued that mainstream sociology, subaltern studies, and non-Marxist Dalit studies, including the ones by Ambedkar, end up mystifying caste. The foundation of caste lies in the monopoly of the means of production and the means of subsistence, along with the monopoly of political power and cultural power/ideology by dominant castes on the one hand, and dependence of Dalits on the former for their very subsistence, on the other. That is the foundation of caste and the caste system and the main source of the latter's exploitation, marginalisation, and stigmatisation. Cultural, albeit religious, Brahmanocentric approach taken by Ambedkar and most Ambedkarites turns things upside down, by making stigmatisation and marginalisation the very basis of property and production relations and exploitation in caste. The Marxist approach alone has the concepts, theoretical framework, and the method to demystify caste as the intersection of economic, political, and cultural/ideological factors in a broadly historical perspective. Replacing the trans-historical, cultural, albeit religious view of caste—characteristic of mainstream sociology, subaltern studies, and most Dalit studies following Ambedkar—with a historical-materialist approach is a

necessary first step towards decolonising the sociology of caste, a prerequisite for the theory of caste, and the praxis of annihilation of caste. Decolonisation of the sociology of caste is similar to the usage of Faye Harrison (1991) in the context of decolonising anthropology.

NOTES

- 1 Most of the material used for the article is taken from *The Radical in Ambedkar: Critical Reflections*, Suraj Yengde and Anand Teltumbde (eds), Penguin Random House India (2018), reviewed by Jangam (*EPW*, Vol 56, No 50, 11 December 2021).
- 2 See <https://en.granma.cu/mundo/2017-08-10/evo-morales-pays-tribute-to-indigenous-struggles>.
- 3 To its credit, resistance to colonialism is central to subaltern studies. My disagreement with subaltern studies is over the questions of class, caste, material conditions, and subaltern consciousness in resistance. See Singh (2002).

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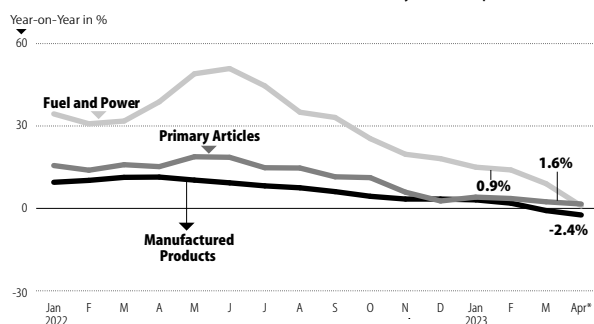
Wholesale Price Index

The WPI-based inflation rate declined to -0.9% in April 2023 from 15.4% registered a year ago and 1.3% a month ago. The index for primary articles grew by 1.6% against 15.2% reported a year and 2.4% a month ago. The rate of inflation for food articles decreased to 3.5% from 8.5% recorded a year ago. The index for fuel and power grew by 0.9% compared to 38.9%, while the index for manufactured products declined by (-)2.4% against 11.4% a year ago.

Consumer Price Index

The CPI-inflation rate decreased to 4.7% in April 2023 from 7.8% reported a year ago and 5.7% a month ago. The consumer food price index decreased by 3.8% against 8.3% registered a year ago and 4.8% a month ago. The CPI-rural inflation rate was down to 4.7% and the urban inflation rate to 4.8% from 8.4% and 7.1%, respectively, a year ago. According to Labour Bureau data, the CPI for agricultural labourers (CPI-AL) increased to 7% in March 2023 from 6.1% a year ago and the CPI for industrial workers (CPI-IW) to 5.8% from 5.4%.

Movement of WPI-Inflation Rate January 2022–April 2023



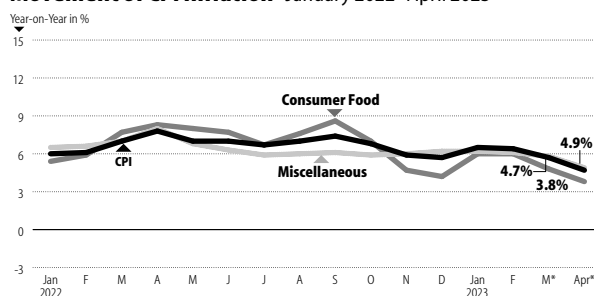
*Data is provisional; Base: 2011–12=100.

Trends in WPI and Its Components April 2023* (%)

	Weights	Over Month	Over Year	Financial Year (Averages)		
				2020–21	2021–22	2022–23
All commodities	100	0.0	-0.9	1.3	13.0	9.4
Primary articles	22.6	1.3	1.6	1.7	10.2	10.0
Food articles	15.3	1.5	3.5	3.2	4.1	7.3
Fuel and power	13.2	-2.7	0.9	-8.0	32.5	28.1
Manufactured products	64.2	0.0	-2.4	2.8	11.1	5.6

*Data is provisional; Base: 2011–12=100. Source: Ministry of Commerce and Industry.

Movement of CPI Inflation January 2022–April 2023



*Data is provisional. Source: National Statistical Office (NSO), Ministry of Statistics and Programme Implementation, Base: 2012=100.

CPI: Rural and Urban April 2023* (%)

	Latest Month Index	Over Month	Over Year	Financial Year (Avgs)	
				2021–22	2022–23
CPI Combined	178.1	0.51	4.70	5.51	6.65
Rural (2012=100)	178.8	0.45	4.68	5.43	6.84
Urban (2012=100)	177.4	0.62	4.85	5.58	6.41

CPI: Occupation-wise#

	Latest Month Index	Over Month	Over Year	2021–22	2022–23
Industrial workers (2016=100)	133.3	0.5	5.8	5.1	6.1
Agricultural labourers (1986–87=100)	1175	0.3	7.0	4.0	6.8

Provisional; # March 2023; Source: NSO (rural and urban); Labour Bureau (IW and AL).

Foreign Trade

The foreign trade deficit narrowed down to \$15.2 bn in April 2023 from \$18.4 bn reported a year ago. Exports contracted by (-)12.7% to \$34.7 bn and imports by (-)14.1% to \$49.9 bn compared to \$39.7 bn and \$58.1 bn, respectively. Oil imports stood lower at \$15.2 bn and non-oil at \$34.7 bn compared to \$17.6 bn and \$40.4 bn, respectively, registered a year ago. During the FY 2022–23, cumulative exports increased by 6.0% to \$447.5 bn and import by 16.5% to \$714.2 bn compared to \$422.0 bn and \$613.1 bn, respectively, reported in the FY 2021–22.

Index of Eight Core Industries

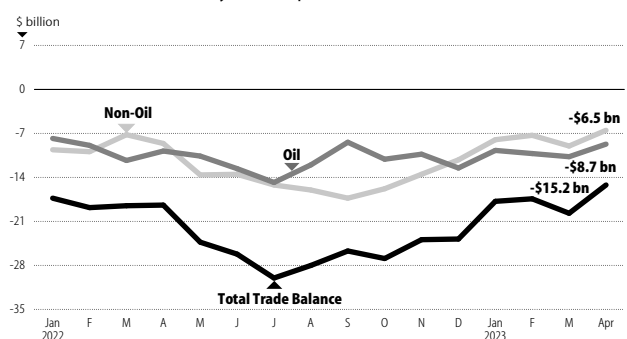
The ICI grew by 3.6% in March 2023 compared to 4.8% registered a year ago. Growth rate in petroleum refinery products segment decreased to 1.5%, electricity generation to -1.8% and cement to -0.8% from 6.1%, 6.1%, and 9.0%, respectively. Production of coal grew by 12.2%, steel by 8.8%, natural gas by 2.8% and fertilisers by 9.7% compared to their respective growth rates of 0.3%, 4.1%, 7.6%, 15.3%. Growth rate in the crude oil segment stood at -2.8% compared to -3.4%. During FY 2022–23, the ICI grew by 7.6% compared to 10.4% recorded in the same period last year.

Merchandise Trade April 2023

	April 2023 (\$ bn)	Over Month (%)	Over Year (%)	April–March (2022–23 over 2021–22) (%)
Exports	34.7	-9.7	-12.7	6.0
Imports	49.9	-14.1	-14.1	16.5
Trade balance	-15.2	-22.8	-17.0	39.6

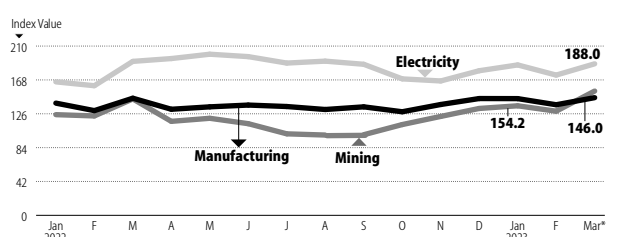
Data is provisional. Source: Ministry of Commerce and Industry.

Trade Balance January 2022–April 2023



Oil refers to crude petroleum and petroleum products, while non-oil refers to all other commodities.

Movement of Index Values of Components of IIP January 2022–March 2023



* March 2023 are quick estimates; Base: 2011–12=100.

Index for Eight Core Industries March 2023* (%)

	Weights	Over Month	Over Year	Financial Year (Avgs) in %	
				2021–22	2022–23
Infrastructure industries	40.27@	11.3	3.6	10.4	7.6
Coal	10.3	25.0	12.2	8.5	14.8
Crude oil	9.0	13.5	-2.8	-2.6	-1.7
Natural gas	6.9	11.4	2.8	19.2	1.6
Petroleum refinery products	28.0	12.1	1.5	8.9	4.8
Fertilisers	2.6	-5.7	9.7	0.7	11.3
Steel	17.9	7.7	8.8	16.9	8.6
Cement	5.4	9.5	-0.8	20.8	8.6
Electricity	19.9	7.8	-1.8	8.0	8.9

(Base: 2011–12=100); *Data is provisional; @ The revised eight core industries have a combined weight of 40.27% in the IIP. Source: Ministry of Commerce and Industry.

Comprehensive current economic statistics with regular weekly updates are available at: <http://www.epwrf.in/currentstat.aspx>.

India's Quarterly Estimates of Final Expenditures on GDP

₹ Crore At 2011-12 Prices	2020-21				2021-22				2022-23		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Private final consumption expenditure	1548901 (-22.9)	1857460 (-7.4)	2188868 (1.5)	2223256 (6.5)	1822102 (17.6)	2121839 (14.2)	2426098 (10.8)	2262405 (1.8)	2187196 (20.0)	2309155 (8.8)	2477160 (2.1)
Government final consumption expenditure	412664 (9.2)	310074 (-25.9)	331300 (-4.2)	441224 (29.0)	403808 (-2.1)	346501 (11.7)	350565 (5.8)	462316 (4.8)	411243 (1.8)	332450 (-4.1)	347661 (-0.8)
Gross fixed capital formation	669321 (-44.1)	1075997 (-1.6)	1164824 (2.6)	1303947 (10.1)	1077836 (61.0)	1209609 (12.4)	1179221 (1.2)	1371090 (5.1)	1299435 (20.6)	1327486 (9.7)	1276872 (8.3)
Change in stocks	2689 (-90.1)	4154 (-84.6)	41592 (59.5)	-3490 (-112.4)	8895 (230.8)	3140 (655.9)	29902 (-28.1)	51450 (-1574.2)	31151 (250.2)	30691 (-2.3)	29969 (0.2)
Valueables	3791 (-91.4)	52366 (18.4)	50926 (37.2)	100918 (156.9)	22035 (481.2)	134378 (156.6)	73595 (44.5)	51597 (-48.9)	35011 (58.9)	108364 (-19.4)	45729 (-37.9)
Net trade (Export-Import)	6136	-28799	-120133	-167215	15630	-46285	-91259	-205582	-86172	-170575	-97491
Exports	523787 (-25.5)	660856 (-6.3)	646358 (-8.5)	724592 (3.7)	765031 (46.1)	826729 (25.1)	825929 (27.8)	846715 (16.9)	915472 (19.7)	928593 (12.3)	919661 (11.3)
Less imports	517651 (-41.0)	689655 (-17.7)	766491 (-5.0)	891807 (11.7)	749401 (44.8)	873014 (26.6)	917188 (19.7)	1052297 (18.0)	1001644 (33.7)	1099168 (25.9)	1017152 (10.7)
Discrepancies	80521 (18.2)	75478 (-17.0)	40637 (-5061.5)	19085 (-92.0)	-59256 (-173.6)	-145787 (-293.2)	-117350 (-388.8)	84749 (344.1)	-129956 (119.3)	-56583 (-61.2)	-61316 (-47.9)
Gross domestic product (GDP)	2724023 (-23.2)	3346731 (-5.6)	3660581 (1.7)	3917725 (2.5)	3311500 (21.6)	3651659 (9.1)	3850772 (5.2)	4078025 (4.1)	3747908 (13.2)	3880988 (6.3)	4018584 (4.4)

India's Overall Balance of Payments (Net): Quarterly

	2021-22 (\$ mn)				2022-23 (\$ mn)			2021-22 (₹ bn)				2022-23 (₹ bn)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Current account	6559	-9734	-22167	-13424	-17971	-30868	-18243	484	0.9	-721	-1.3	-1661	-2.6	-1010	-1.5
Merchandise	-30715	-44511	-59750	-54483	-63042	-78257	-72720	-2266	-3298	-4477	-4099	-4866	-6245	-5978	
Invisibles	37275	34777	37583	41059	45071	47389	54477	2750	2577	2816	3089	3479	3781	4478	
Services	25808	25579	27809	28319	31069	34429	38719	1904	1895	2084	2130	2398	2747	3183	
of which: Software services	25136	26781	28356	29266	30692	32681	33541	1854	1984	2125	2202	2369	2608	2757	
Transfers	19013	18991	21312	21132	22874	24773	28467	1403	1407	1597	1590	1766	1977	2340	
of which: Private	19222	19212	21447	21350	23065	24991	28641	1418	1423	1607	1606	1780	1994	2354	
Income	-7547	-9792	-11538	-8392	-8872	-11813	-12710	-557	-726	-865	-631	-685	-943	-1045	
Capital account	25392	39622	22500	-1707	21909	1409	30178	1873	3.7	2936	5.2	1686	2.7	-128	-0.2
of which: Foreign investment	11956	12575	-1283	-1439	-1252	12743	6700	882	932	-96	-108	-97	1017	551	
Overall balance	31870	31189	465	-16024	4595	-30379	11069	2351	4.6	2311	4.1	35	0.1	-1205	-1.8

Figures in square brackets are percentage to GDP.

Foreign Exchange Reserves

Excluding gold but including revaluation effects	5 May 2023		6 May 2022		31 March 2023		Month Ago		Year Ago		Financial Year So Far				Variation									
											2022-23		2023-24		2018-19		2019-20		2020-21		2021-22		2022-23	
	₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore		₹ crore	
	4454383	4223095	4340297	90020	231288	-14522	114086	68050	668976	590416	302585	102680												
\$ mn	544468	549225	528083	11587	-4757	-10390	16385	-14168	56831	94535	21435	-31532												

Monetary Aggregates

₹ Crore	Outstanding 2023	Over Month	Over Year	Financial Year So Far				Variation																
				2021-22		2022-23		2020-21		2021-22		2022-23												
Money Supply (M ₃) as on 21 April	22682193	349173 (1.6)	1970145 (9.5)	218319 (1.1)	348966 (1.6)	2044615 (12.2)	1649151 (8.8)	1839498 (9.0)																
Components																								
Currency with public	3345708	67374 (2.1)	252549 (8.2)	57470 (1.9)	67375 (2.1)	402080 (17.1)	283860 (10.3)	242644 (8.0)																
Demand deposits	2280876	-39693 (-1.7)	145417 (6.8)	-77533 (-3.5)	-39722 (-1.7)	257428 (14.8)	217872 (10.9)	107606 (4.9)																
Time deposits	16987300	318513 (1.9)	1561438 (10.1)	239258 (1.6)	318334 (1.9)	1376262 (10.9)	1136326 (8.1)	1482362 (9.8)																
Other deposits with RBI	68309	2979 (4.6)	10740 (18.7)	-876 (-1.5)	2979 (4.6)	8844 (23.0)	11094 (23.4)	6885 (11.8)																
Sources																								
Net bank credit to government	7165779	249721 (3.6)	754189 (11.8)	-66038 (-1.0)	249721 (3.6)	890012 (17.9)	627254 (10.7)	438430 (6.8)																
Bank credit to commercial sector	14609805	186329 (1.3)	1926844 (15.2)	66441 (0.5)	186322 (1.3)	629822 (5.7)	948054 (8.1)	1806963 (14.3)																
Net foreign exchange assets	4884655	22382 (0.5)	36366 (0.8)	-5773 (-0.1)	22382 (0.5)	777810 (20.5)	275216 (6.0)	8211 (0.2)																
Banking sector's net non-monetary liabilities	4008333	109540 (2.8)	749526 (2.0)	-223689 (-6.4)	109739 (2.8)	253594 (8.4)	202475 (6.2)	416098 (11.9)																
Reserve Money as on 5 May	4442586	89641 (2.1)	397688 (9.8)	-23989 (-0.6)	129044 (3.0)	570276 (18.8)	468905 (13.0)	244655 (6.0)																
Components																								
Currency in circulation	3475932	59370 (1.7)	243577 (7.5)	98639 (3.1)	59370 (1.7)	406451 (16.6)	279953 (9.8)	246703 (7.9)																
Bankers' deposits with RBI	898439	33469 (3.9)	141868 (18.8)	-120155 (-13.7)	33469 (3.9)	154979 (28.5)	177859 (25.4)	-8933 (-1.0)																
Other deposits with RBI	68215	-3198 (-4.5)	12244 (21.9)	-2472 (-4.2)	68215	8844 (23.0)	11092 (23.4)	6887 (11.8)																
Sources																								
Net RBI credit to Government	1404199	-142611 (-9.2)	133923 (10.5)	-180321 (-12.4)	1404199	107495 (10.8)	350911 (31.9)	-248946 (-17.2)																
of which: Centre	1388787	-146559 (-9.5)	139215 (11.1)	-199400 (-13.8)	1388787	106606 (10.8)	352626 (32.2)	-254903 (-17.6)																
RBI credit to banks & commercial sector	-61811	154581 (-71.4)	398864 (-86.6)	83027 (-15.3)	-61811	-168464 (83.9)	-174345 (0.0)	631266 (0.0)																
Net foreign exchange assets of RBI	4708747	86418 (1.9)	280384 (6.3)	-14117 (-0.3)	4708747	608998 (17.0)	243080 (5.8)	164200 (3.7)																
Govt's currency liabilities to the public	30482	475 (1.6)	2322 (6.6)	147 (0.5)	475 (1.6)	565 (2.1)	1100 (4.1)	1994 (7.1)																
Net non-monetary liabilities of RBI	1639030	9222 (0.6)	417805 (34.2)	-87275 (-6.7)	1639030	21682 (-1.6)	-48160 (-3.5)	303860 (23.2)																

Scheduled Commercial Banks' Indicators (₹ Crore)

(As on 21 April)	Outstanding 2023	Over Month	Over Year	Financial Year So Far				Variation																
				2021-22		2022-23		2020-21		2021-22		2022-23												
Aggregate deposits	18311580	267874 (1.5)	1688104 (10.2)	158163 (1.0)	267666 (1.5)	1546019 (11.4)	1351801 (8.9)	1578601 (9.6)																
Demand	2138128	-42274 (-1.9)	143355 (7.2)	-77974 (-3.8)	-42274 (-1.9)	244190 (15.1)	211554 (11.4)	107684 (5.2)																
Time	16173452	310147 (2.0)	1544749 (10.6)	236137 (1.6)	309969 (2.0)	1301831 (10.9)	1140246 (8.6)	1470917 (10.2)																
Cash in hand	98073	7810 (8.7)	5452 (-5.3)	17599 (20.5)	7810 (8.7)	3487 (10.0)	-4822 (-5.3)	4337 (5.0)																
Balance with RBI	838212	28305 (3.5)	153264 (22.4)	1512 (0.2)	28305 (3.5)	6507 (1.2)	140743 (25.9)	126471 (18.5)																
Investments	5445718	30570 (0.6)	673962 (14.1)	42809 (0.9)	30570 (0.6)	715177 (19.1)	266421 (6.0)	686201 (14.5)																
of which: Government securities	5444912	30590 (0.6)	674057 (14.1)	42676 (0.9)	30590 (0.6)	722935 (19.3)	266547 (6.0)	686143 (14.5)																
Bank credit	13857671	182443 (1.3)	1901335 (15.9)	65022 (0.5)	182436 (1.3)	578649 (5.6)	1044026 (9.6)	178392																

Secondary Market Transactions in Government Securities and the Forex Market—Weeks Ending 5 and 12 May 2023

1 Settlement Volume of Government Securities (G-Sec) Transactions (Amount in ₹ Crore)

Week Ended	12 May 2023		5 May 2023		13 May 2022		2023-24*		2022-23**	
	Number of Trades	Volume	Number of Trades	Volume	Number of Trades	Volume	Number of Trades	Volume	Number of Trades	Volume
Outright	21327	278910	16254	225091	18566	233558	116793	1662661	91392	1280542
Repo	5376	951466	3280	572669	4213	667969	26743	4841455	20191	3361762
TREP	4805	1430340	3105	947638	6146	1688723	24554	7663182	34188	9687444
Total	31508	2660717	22639	1745398	28925	2590250	168090	14167298	145771	14329749
Daily Avg Outright	4265	55782	5418	75030	3713	46712	4672	66506	3385	47427
Daily Avg Repo	896	158578	820	143167	702	111328	955	172909	673	112059
Daily Avg TREP	801	238390	776	236909	1024	281454	877	273685	1140	322915

2 Instrument-wise Outright and Repo Details (Amount in ₹ Crore)

	Outright	Repo	Outright	Repo	Outright	Repo
Central Government	234497	705244	190432	418979	190017	486314
State Government	9506	177431	12563	102921	12670	110203
Treasury Bills	34908	68791	22096	50768	30871	71451
Total	278910	951466	225091	572669	233558	667969

3 Top 5 Traded Central Govt Dated Securities (12 May 2023)

Security Description	Trades	Value (₹ Crore)	% Value to Total
7.26% GOVT STOCK 2033	10841	102370	43.66
7.26% GS 2032	2516	27471	11.71
7.41% GS 2036	2356	26303	11.22
7.38% GS 2027	917	12800	5.46
7.06% GS 2028	482	7687	3.28

4 Category-wise Buying/Selling Activity (Market Share %) (12 May 2023)

Category	Outright		Reverse Repo		TREP Lending	TREP Borrowing	NDS-Call Lending	NDS-Call Borrowing	Forex	
	Buy Side	Sell Side	Buy Side	Sell Side					Buy Side	Sell Side
Cooperative Banks	2.75	2.38	0.16	0.17	0.59	1.65	57.99	2.39	0.26	0.27
Financial Institutions	0.12	0.00	1.69	0.00	2.43	3.81	-	-	0.02	0.00
Foreign Banks	23.72	27.71	23.37	29.87	2.66	11.66	2.25	1.05	39.60	40.74
Insurance Companies	2.01	2.16	1.74	0.00	13.30	0.00	-	-	-	-
Mutual Funds	15.51	10.31	50.30	0.00	64.32	0.87	-	-	-	-
Others	13.72	5.22	0.10	2.54	10.27	2.47	-	-	-	-
Primary Dealers	12.67	23.79	2.58	41.27	0.00	5.90	0.00	80.55	-	-
Private Sector Banks	16.51	18.82	11.14	19.63	5.09	19.69	24.20	8.90	30.91	30.89
Public Sector Banks	13.00	9.60	8.93	6.52	1.34	53.96	15.57	7.10	29.21	28.11

5 Trading Platform Analysis—Trading Value (Amount in ₹ Crore) (12 May 2023)

Week Ended	OTC			NDS-OM			Brokered Deals		
	Number of Trades	Volume	Market Share (%)	Number of Trades	Volume	Market Share (%)	Number of Trades	Volume	Market Share (%)
Central Government	760	44823	20.33	18158	175627	79.67	102	6900	3.13
State Government	227	5373	50.31	631	5306	49.69	42	1629	15.25
Treasury Bills	209	22968	63.60	428	13143	36.40	89	12115	33.55
Total	1196	73163	27.38	19217	194077	72.62	233	20644	7.72

6 Settlement Volume of Forex Segment

Segment	12 May 2023		5 May 2023		13 May 2022		2023-24*		2022-23**	
	Number of Deals	Volume (\$ mn)	Number of Deals	Volume (\$ mn)	Number of Deals	Volume (\$ mn)	Number of Deals	Volume (\$ mn)	Number of Deals	Volume (\$ mn)
Cash	1540	22504	1138	18350	1636	25066	8934	146338	9942	157215
Tom	2158	29927	1568	24294	2206	29799	12182	179040	14174	200902
Spot	100624	95740	65060	59257	102080	105399	484185	478466	517367	549374
Forward	584	7926	428	5214	774	10575	26092	245498	20424	222701
Total	104906	156098	68194	107115	106696	170839	531393	1049342	561907	1130193
Average	20981	31220	22731	35705	21339	34168	21256	41974	20811	41859

7 Tenor-wise Forward Trades

Tenor	12 May 2023			5 May 2023			13 May 2022		
	Number of Deals	Value (\$ mn)	% to Total Value	Number of Deals	Value (\$ mn)	% to Total Value	Number of Deals	Value (\$ mn)	% to Total Value
< 30 days	81	3180	40	69	2711	52	97	3998	38
>= 30 Days & <= 90 Days	83	2074	26	40	775	15	188	4818	46
> 90 Days & <= 180 Days	78	2116	27	55	1086	21	53	833	8
> 180 Days & <= 360 Days	21	372	5	38	573	11	37	740	7
> 1 year	29	185	2	12	69	1	12	186	2
Total	292	7926	100	214	5214	100	387	10575	100

* Data pertain to 1 April 2022–12 May 2023; ** Data pertain to 1 April 2021–13 May 2022.

(i) Tables 1 to 5 relate to Securities Segment, and (ii) Tables 6 and 7 relate to Forex Segment.

Source: Clearing Corporation of India Limited (CCIL).

Sameeksha Trust

An Appeal

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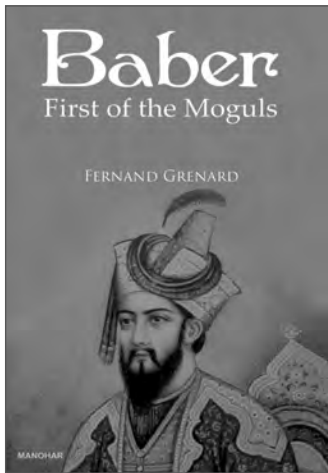
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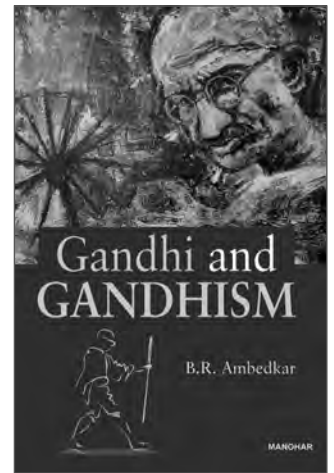
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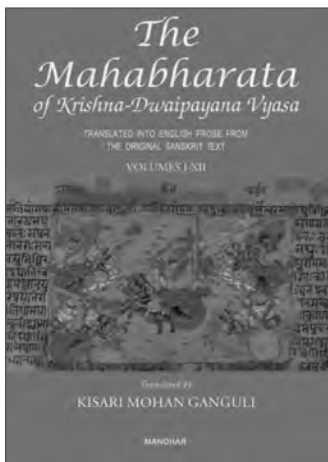
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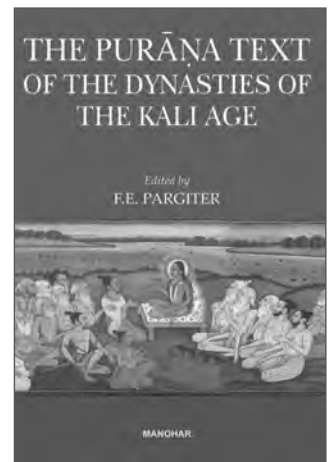
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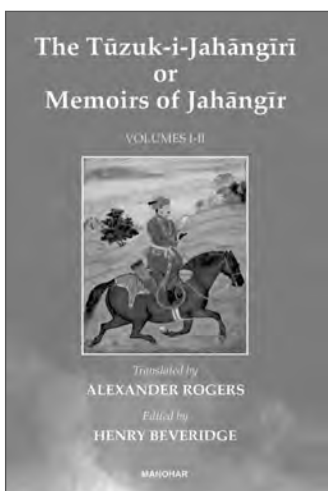
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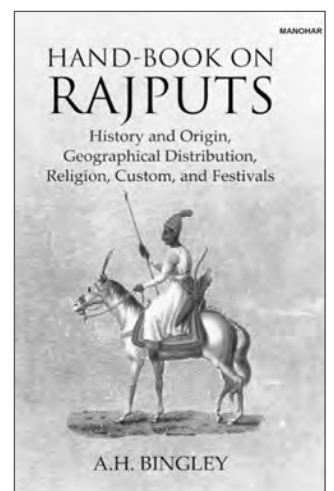
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