



## A friendly fight

The pre-poll rivalry between the Congress and the TDP will not prevent a post-poll friendship

A divorce need not always be an unhappy mess. In Andhra Pradesh, the Congress and the Telugu Desam Party have agreed to go their separate ways, but remain friends. While deciding against any form of an alliance for the Lok Sabha and Assembly elections, they have agreed to work closely in the post-poll scenario at the national level. Going by the disastrous results of their alliance in Telangana, where they lost heavily to the Telangana Rashtra Samithi recently, this arrangement is the best for both. Indeed, the TDP, trying to retain power against a resurgent YSR Congress Party, may do better without the Congress, which is still blamed in Andhra Pradesh for the bifurcation of the State in 2014. The Congress, to the benefit of the TDP, could cut into the vote share of the YSRCP, a breakaway party led by the son of former Congress Chief Minister Y.S. Rajasekhara Reddy. Traditionally, the Congress and the TDP have been bitter rivals, but the bifurcation dramatically changed the political equations. The Congress vote bank collapsed in Andhra Pradesh as the Congress-led government at the Centre was seen as the architect of the bifurcation. In Telangana, the TDP, which vacillated on the division, suffered a massive erosion of votes. Thus, for the first time, the Congress and the TDP no longer had geographically overlapping support bases. While the leadership of both parties saw in this an opportunity to work together, the ground beneath had shifted. The vote banks of the Congress and the TDP did not add up in the recent Telangana Assembly election. Voters in the new State saw the alliance between the foes-turned-friends as opportunistic and returned the TRS to power with a bigger majority.

Andhra Pradesh Chief Minister N. Chandrababu Naidu, while not keen on an alliance with the Congress, wants the two parties to work together at the national level against the Bharatiya Janata Party. Much of Mr. Naidu's political campaign is directed against the BJP-led government at the Centre for not granting special category status to Andhra Pradesh. Installing a non-BJP alternative political formation at the Centre is integral to the TDP's vision for the State. For its part, the Congress, which is in the process of finding new allies in different States to cut into the BJP's share of the seats, is content with the TDP as a post-poll ally. The tactic of fighting the elections separately need not stop them from forming a government together. In the eyes of the Congress, a post-poll coalition in Andhra Pradesh is just as good as a pre-poll alliance. What matters is the number of seats that parties opposed to the BJP may get in the Lok Sabha. If the disbanding of the alliance makes any difference to that end, it can only be a positive.

## Crisis in Caracas

Venezuela plunges from one catastrophic crisis to another

The political crisis in Venezuela took a dangerous turn when Juan Guaidó, the new head of the National Assembly, declared himself "acting President", challenging the authority of President Nicolás Maduro. Soon after Mr. Guaidó's announcement, the U.S., Canada, Brazil and a host of other Latin American countries recognised the 35-year-old leader from the Popular Will party as interim President. A furious Mr. Maduro cut diplomatic ties with the U.S. and ordered American diplomats to leave in 72 hours. Venezuela has grappled with an economic and political crisis of its own making for almost two years now. When oil prices started falling from its 2014 highs, it badly hit an economy that was over-reliant on petroleum exports and was borrowing heavily to fund its over-spending on social welfare programmes, which former President Hugo Chávez liked to describe as a "Bolivarian revolution". Mr. Maduro's government was clueless when the economy started collapsing. At least 90% of the people now live below the poverty line, inflation is forecast to touch 10 million per cent this year, food and medicine shortages are widespread, and the economic woes have triggered a massive migrant crisis – nearly three million are estimated to have fled the country in recent years.

The opposition, whose attempts to overthrow the Socialists, including the 2002 coup against Chávez, had failed in the past, launched protests against Mr. Maduro. The government used brute force to suppress them, while the economic situation deteriorated. This left Venezuela in a constant state of economic hardships and violent street protests over the past two years. The main opposition boycotted last year's presidential election, which Mr. Maduro won with 67.8% vote. Mr. Guaidó's claim is that the election was not free and fair and therefore Mr. Maduro is not the legitimate President – a claim that the U.S. and its allies back. While Mr. Maduro shares a lot of the blame for the mismanagement of the economy, forcibly removing him from power with support from foreign nations may destabilise the country further, even leaving aside the legality of such a move. Mr. Guaidó may have hoped that by anointing himself a rebel President with backing from the U.S., he could win the support of sections of the armed forces, without which he cannot unseat Mr. Maduro. But that plan appears to have failed with the military declaring its loyalty to President Maduro. To be sure, the people of Venezuela deserve a better deal from a government that has led them to untold suffering and forced millions to flee the country. Destabilisation by interfering in the political process is not the solution, however. What is required is a coordinated international effort to restore some degree of economic and political normalcy. In the long run, it is up to the people of Venezuela to decide their own political destiny.

# Examining farm loan waivers

The solution lies in better schemes that ensure universal coverage for small, marginal and medium-sized farmers



R. RAMAKUMAR

To do or not to do? According to reports, the Central government is discussing a scheme to waive outstanding farm loans in the aftermath of widespread farmers' protests between March and December 2018. Till now, at least 11 States have announced schemes to waive outstanding farm loans: Madhya Pradesh, Uttar Pradesh, Karnataka, Tamil Nadu, Maharashtra, Chhattisgarh, Punjab, Andhra Pradesh, Telangana, Assam and Rajasthan. The pitch for waivers among States has added to the pressure on the Central government for a nationwide farm loan waiver.

### Divided opinion

Economists and bankers are sharply divided on whether farm loan waivers are desirable. One section of economists and hard-nosed bankers argues that loan waivers represent poor policy for a variety of reasons. First, loan waivers have "reputational consequences"; that is, they adversely affect the repayment discipline of farmers, leading to a rise in defaults in future. Second, earlier debt waiver schemes have not led to increases in investment or productivity in agriculture. Third, after the implementation of debt waiver schemes, a farmer's access to formal sector lenders declines, leading to a rise in his dependence on informal sector lenders; in other words, waivers lead to the shrinkage of a farmer's future access to formal sector credit.

These arguments need careful

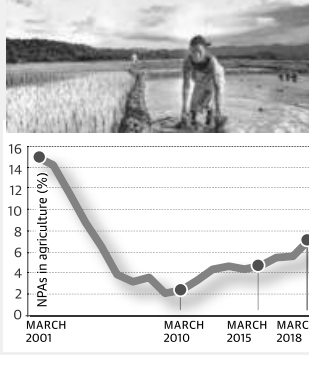
and critical assessment. To begin with, there have only been two nationwide loan waiver programmes in India after Independence: in 1990 and 2008. The accompanying image gives data on agricultural non-performing assets (NPAs) of banks before and after the 2008 waiver, and throws up two conclusions.

First, farmers are most disciplined in their repayment behaviour. In September 2018, agricultural NPAs (about 8%) were far lower than in industry (about 21%). Furthermore, agricultural NPAs were on a continuous decline between 2001 and 2008. Second, there is no evidence to argue that the 2008 waiver led to a rise in default rates among farmers. The lowest of all NPAs after 2001 was recorded in March 2009 (2.1%), which was just after the implementation of the 2008 scheme. The reason was the government's cleaning up of the account books of banks. Once this was complete, it was totally expected that NPAs would rise again to settle at a slightly higher level. This was exactly what had happened: agricultural NPAs rose and settled at about 5% by 2011.

For two reasons, the rise of agricultural NPAs, from 2% to 5%, is no evidence for discipline in farmer repayment behaviour. One, NPAs in agriculture remained stable at around 4 to 5% between 2011 and 2015. This was despite the fact that agricultural growth averaged just 1.5% between 2011 and 2015. Two, D. Subbarao, the former Reserve Bank of India Governor, had pointed out in a 2012 speech that the rise in agricultural NPAs between 2009 and 2011 was due to the "general economic slowdown" after 2009 and the introduction of new norms in the "system-wide identification of NPAs". Agricultural NPAs began to rise

### At the grass-roots

NPAs in agriculture fell after 2001. While they did not rise abnormally after the 2008 waiver, they have begun to rise after 2015.



again after 2015. There is enough evidence to suggest that this rise was not the result of any moral hazard; it was real, policy-induced and a direct consequence of acute agrarian distress that spread across rural India after 2015. In particular, the demonetisation of November 2016 aggravated already brewing agrarian distress by sucking cash out of the rural areas, crashing output prices and disrupting supply chains.

The second argument – that loan waivers do not promote investment or raise productivity – is a bit absurd because nowhere has investment or productivity figured as the official objectives of these schemes. The third argument – that loan waivers shrink access to formal credit sector for farmers – is only partly true. But the culprits here are banks and not farmers. After every waiver, banks become conservative in issuing fresh loans to beneficiaries, as they are perceived to be less creditworthy. For instance, a Comptroller and Auditor General (CAG) report on the waiver in 2008 found that 34.3% of the beneficiaries were not issued debt relief certificates after the

waiver, which meant that they could not avail of a fresh loan the following year. As a result, the scheme's objective of expanding the issue of fresh loans to farmers was not fully achieved. But to cite such opportunistic actions of banks to deny fresh credit to farmers would be perverse policy.

For every economic enterprise, it is only natural that when the bottom-line shrinks, a reduction of debt burden becomes inevitable. This is applicable for both (non-agricultural) firms and farms. Firms have always received debt waivers, though they are tactfully termed as "loan restructuring" or "one-time settlements". Just as for firms, farms also need a reduction of debt burden, followed by fresh infusion of credit, when their economic cycle is on a downturn. The demand for loan waivers in India is absolutely logical when viewed from such a standpoint.

On the other hand, to consider loan waivers as a panacea for the agrarian distress would also be wrong. To begin with, access to India's rural banks is skewed in favour of large farmers. While public banks actively service the credit needs of large farmers, a majority of small and marginal farmers are not proportionately included. The latter are forced to rely on informal sources, particularly money-lenders, for much of their credit needs. As a result, the benefits of loan waivers accrue disproportionately to large farmers while only marginally benefiting the small and marginal farmers.

### The Kerala blueprint

But is this a good reason to disallow a loan waiver scheme, as the Prime Minister suggested in a recent interview? No. The solution lies in carefully designing waiver schemes that ensure universal coverage for small, marginal and me-

diu-sized farmers while covering both the formal and informal sources of debt. The Kerala Farmers' Debt Relief Commission Act, 2006 is an excellent model in this regard. This scheme defines debt as "any sum borrowed by a farmer from the creditor", with the creditor defined as "any person engaged in money lending, whether under a licence or not". The commission's mandate included the right "to fix, in the case of creditors other than institutional creditors, a fair rate of interest and an appropriate level of debt, to be payable..." That is, the commission could waive, reschedule or reduce any debt on a need-basis after a detailed hearing of both the parties. Legislations such as Kerala's are blueprints to design comprehensive, inclusive and less-leaky loan waiver schemes in other States.

Finally, while loan waiver schemes are like a band-aid on a wound, it is the larger agrarian distress that demands urgent policy attention. Unless there are steps 'to raise productivity, reduce costs of cultivation by providing quality inputs at subsidised rates, provide remunerative prices following the recommendations of the Swaminathan Commission, ensure assured procurement of output, expand access to institutional credit, enhance public investment for infrastructural development, institute effective crop insurance systems and establish affordable scientific storage facilities and agro-processing industries for value addition', farmers will continue to be bonded to low income equilibrium and repeated debt traps.

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# A failed coup in Venezuela

The country was once the heartbeat of leftist assertion. But with change in the Americas, matters are now complex



VIJAY PRASHAD

The fulcrum of geopolitical tension sits on Caracas, the capital of Venezuela. An attempted coup on January 23 has failed. The U.S. decided to recognise a member of the Opposition, Juan Guaidó, as the President of Venezuela. U.S. officials called upon the military to rise up against the government of President Nicolás Maduro. This was against the charters of the United Nations and of the Organisation of American States (OAS). None of that mattered. The drumbeats sounded from Washington to Caracas. There was a minor drum playing from many Latin American capitals, those whose governments had joined the Lima Group – set up in Peru in 2017 to overthrow the government of Venezuela.

There is little respite for the country, where tension sits heavily from one end to another. Thus far, the government of Mr. Maduro remains in power, and the military has pledged its fealty to the re-elected president. It is unlikely that the Venezuelan Opposition –

controlled by the old oligarchy – will be able to engineer a coup from within the country. It tried such a political manoeuvre in 2002, which failed. This time it has failed again.

Venezuela's Foreign Minister Jorge Arreaza, 45, has been understandably busy on the day after the attempted coup. The U.S. tried to isolate the Maduro government. The OAS met in Washington DC, where the U.S. government tried to get it to unanimously vote against Mr. Maduro. Even that meeting could not go as scripted. A veteran activist from Code Pink, Medea Benjamin, sneaked into the room and chanted slogans against the attempted coup. Many Latin American states, despite intense pressure from the U.S. government, either voted against the OAS motion or abstained. Mr. Arreaza watched these developments and more.

When I asked him about the coup, he went back to 2017, the last time that the oligarchy tried to wrest control of the government from the socialists. The socialists, led by Hugo Chávez, came to power in 1999. After the U.S. attempted to overthrow Chávez and the socialists in 2002, things calmed down. Oil prices rose and the U.S. was distracted by events in Iraq and Afghanistan. For a decade, Venezuela was able to lead a regional process of integration on an anti-



imperialist foundation. But, when Chávez died in 2013, the experiment began to unravel. Oil prices fell dramatically, and the U.S. had already turned its attention to Latin America. A coup in 2009 overthrew the democratically elected government of Honduras. The gunights turned toward Venezuela. The oligarchy, backed fully by the U.S., attempted to foment trouble in 2017.

Mr. Arreaza recalled one man, Orlando Figueroa, 21, who was going through an Opposition stronghold in May 2017. "He was accused of being a government supporter and brutally beaten by masked protesters who then soaked him in gasoline and set him on fire," Mr. Arreaza told me. He brought up this story to offer an illustration of the character of the Opposition. Mr. Arreaza called this a "violent fascist movement". He wanted to make it clear that the coup at-

tempt was a part of that movement – one that is less interested in democracy and more interested in power and wealth.

### Steeped in trouble

Venezuela is in trouble. No one doubts that. Oil prices have fallen to half of what they were at the highpoint of Chávez's government. Since the treasury of Venezuela is almost entirely replenished by the incomes from oil sales, the collapse of oil prices means the collapse of Venezuela's public finances. Unable to borrow easily, the country faces serious economic difficulties. Sanctions by the U.S. and the seizure of refining sites in the Caribbean put the country into a situation of great crisis. No wonder that people are leaving the country, fleeing their homeland as it is suffocated for political purposes by the U.S. and its Latin American allies in the Lima Group.

Colombia's Iván Duque and Brazil's Jair Bolsonaro are both right-wing politicians who control the governments of Venezuela's neighbours. They have committed themselves to the overthrow of the Venezuelan government. Mr. Arreaza and others in Venezuela told me that Mr. Duque, Mr. Bolsonaro and U.S. President Donald Trump have overplayed their hands. After the attempted overthrow in 2017, the Venezuelan government tried

to deepen public participation by the formation of a Constituent Assembly. It is true that the oligarchy hated this idea and that the western press amplified its views about this being anti-democratic. But, as many Venezuelans say, the Constituent Assembly and the many elections for candidates and referendums that came before 2017 have sharpened their political consciousness. It will be hard to be fuddle them with talk of dictatorship.

The isolation of Venezuela is remarkable. Not long ago, the country was the heartbeat of the leftist assertion in the hemisphere. Now, with the emergence of right-of-centre governments in Latin America and with an explosive energy for regime change in Washington, matters are more complex. Mr. Arreaza said that Mr. Maduro had invited the UN High Commissioner for Human Rights, Michelle Bachelet, to visit Venezuela. She has not yet come. Mr. Maduro, he said, wanted the UN to host a dialogue with the Opposition to restore some balance to the politics in the country. No such assistance has been provided. A hand is outstretched from Caracas, Mr. Arreaza said. It is waiting for someone to take hold of it.

Vijay Prashad is Executive Director, Tricontinental: Institute for Social Research

## LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

### The ICICI case

The move by the Central Bureau of Investigation to file a case against high profile banker Chanda Kochhar is bound to send shivers down the spine of the banking industry (Page 1, "ICICI loan scam: CBI books Kochhars, Videocon head", January 25). She was considered a role model for women entrepreneurs but lost her way by doing the unthinkable – of promoting her husband's business interests. Whatever be the final outcome, nothing can take away from the able leadership she gave to the bank she once headed. While there appears, prima facie, a question of conflict of interest, it also brings to the fore the role of the board which ratified the decisions taken by those within the bank who sanctioned loans. Can only a few individuals be singled out when the joint stock system works under the

principle of collective responsibility? What effective checks and controls are there in place to deter such transgressions from happening? Banking authorities have to frame suitable guidelines for accountability and transparency in operations. The statutory auditors have also failed to bring to the notice of shareholders the conflict of interest while certifying the corporate governance report forming part of the annual report.

V. SUBRAMANIAN,  
Chennai

### Rights and regulations

The right to life, granted under Article 21 of the Constitution of India, does not mean having a mere animal existence. It includes the right to working in safe, secure and humane conditions. Rat-hole mining in Meghalaya is nothing but a disregard for human life that is over-

ridden by the overpowering need for economic gains. Mining must be regulated. After all, what is the use of land and forest resources if we lose precious lives (Editorial page, "A tragedy that was long in the making", January 25).

DIVYA SINGLA,  
Patiala, Punjab

The tragic incident is a reminder that public interest should outweigh corporate interests. It also shows that our disaster response agencies need to be much better equipped and better coordinated in order to pull off a rescue mission despite many odds and within a limited window of time. The efforts taken by Delhi-based lawyer Aditya N. Prasad are commendable especially in a world where being humane and showing a humanity streak in oneself is a dying virtue.

AGNIVESH MISHRA,  
New Delhi

It is heart-rending to see a State such as Meghalaya, renowned for its scenic beauty and pristine nature, being "defiled". The incident also shows the appalling apathy towards disaster preparedness. How can a State government remain stoic while people are busy flouting the rules? Will there be a political will now to come up with strict regulations?

KEMAR DUKOM,  
Hamnagar, Arunachal Pradesh

The blatant disregard by the state for the working class and socially backward groups is at the core of the incident. The problem in our country is the lack of implementation of constitutional principles. Even in the case of environmental degradation, there is a failure by the state machinery to act. When we celebrate Republic Day today, let us ensure that the values enshrined to us by the

Constitution reach the last citizen.

KAVIN CASTRO,  
Tiruchirappalli

### ISRO aces it again

The Indian Space Research Organisation has achieved yet another significant milestone (Inside pages, "ISRO tastes first success of 2019", January 25). The encouragement ISRO has given to students should encourage them to carry out more science experiments.

M. JEYARAM,  
Sholavandan, Tamil Nadu

### Fighting cancer

The report, on actor, politician and cancer survivor, Nafisa Ali, doing her bit to focus attention on the need for early diagnosis is a report that should have been published on the front page. Depression and anxiety are some of the many emotions a person experiences when fighting the disease. Such positive

thinking must be encouraged especially when the country is advancing with better treatment facilities ('Life' page, January 25).

A.J. RANGARAJAN,  
Chennai

A report that a Chennai-based hospital chain has acquired the capability to offer proton therapy to help fight cancer is welcome, also making India the 16th country to offer this (Chennai, January 25). But a detail in the report, "that the entire treatment would cost ₹25-₹30 lakh per patient", is startling. Cancer treatment should be made affordable in a country where the disease is said to become a key health issue. Here, the government must take the lead rather than leave it to the private sector, where profit will be the main factor.

RADHA SUBRAMANIAM,  
Chennai

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