LOCATION AND ADMINISTRATIVE MAP OF GUJARAT STATE
CHAPTER – 1

Introduction

Subsidies by government to the agriculture sector has been the subject of intense discussion and policy debates in developing countries as also in the developed countries. In the developed countries it has acquired the form of output support in the sense that governments intervene in the markets to buy agriculture produce at prices much higher than would be possible under free trade. To counterbalance the perverse incentive that the artificially maintained high prices offer to producers to increase production, the developed countries employ a number of supply control measures intended to balance demand–supply conditions in the economy. In contrast, in the developing countries the output prices of agricultural produce are suppressed to protect the more vulnerable population groups, which necessitates the lowering of input prices to make these agricultural inputs affordable to large number of farmers as also to increase agricultural productivity by the adoption of modern agricultural practices. These agricultural inputs, in the Indian context for which the government subsidizes agriculture, are fertilizer, power and irrigation.

This thesis attempts to study one of these subsidies – the power subsidy to the agriculture – in the context of the state of Gujarat in India through the perspective of an agricultural interest group in Gujarat – the Bharatiya Kisan Sangh. The thesis aims to apply the interest group approach to politics for the study of one of the very vexing issues in the economics and politics of Gujarat state – the issue of the power subsidy to the agriculture sector. Indeed with over Rs.3000–Rs.4000 crores of power subsidy being transferred to the agriculture sector per year from various sources, it is not only much higher than fertilizer subsidy to agriculture (about Rs.600 crores) or canal irrigation subsidy (about Rs.200 crores), but it is more than 2 percent of Gujarat State’s Gross Domestic Product (GSDP), almost 15 to 20 percent of the total agricultural output and almost 30 percent of the total development budget of the state. At the political level, all political parties are apprehensive of the strength of the agriculture sector and politicians would prefer to be called pro-agriculture than otherwise. This work endeavors to show how the agriculture interest group – working under the banner of Bharatiya Kisan Sangh

1 These statistics have been taken from various sources including Government of Gujarat 2005 Socio–Economic Review Gujarat State 2004 – 05 Directorate of Economics and Statistics, Gandhinagar, Annual Statement of Accounts, Gujarat Electricity Board, Vadodara, various years, figures from Irrigation Department, Government of Gujarat
in Gujarat – has managed, first, to gain such a huge subsidy flow from the State Government and then how it has been able to ensure the continuance of this subsidy.

The study starts with a theoretical analysis of the interest group approach as applicable to the study of political science. The group approach to politics transcends the formal constitutional analysis of the structure and functions of the state and examines "the effects of groups on policymaking, institutions and outcomes, and the effects of these processes and outcomes on the groups themselves." ² As David Garson writes, "group theory relies on the pluralistic assumptions that the best political outcomes would arise as a result of group conflict or the group's interaction with government" ³. Though there is an obvious absence of a shared vocabulary amongst political scientists while defining interest group- the earlier definition being extremely wide and defining group as any subsection of society 'acting or tending towards action' and that group and interests are not separate ⁴, we would agree with Heinz et al, and define interest groups only in the context of government. "It is only as these interests are affected by the action of authoritative public officials, by public policy, that the valued ends are transformed into political interests that can be sought or opposed by the interest groups" ⁵. In this thesis we propose to study the most predominant agriculture interest group in Gujarat – Bharatiya Kisan Sangh – as it interacted with the Gujarat State government over the most important issue of its survival, namely the agricultural power subsidy to the Gujarat agriculturists – how it was gained after a prolonged agitation and how the BKS has succeeded in retaining it despite various interventions and attempts at 'retrenchment' of the 'agricultural welfare state' ⁶.

The thesis attempts to understand the importance of agriculture in the political economy of Gujarat state and how the agriculture in Gujarat has become critically dependent on groundwater irrigation and by extension on the power subsidy to agriculture. Indeed with the patterns of annual rainfall and with the spatial distribution of canal irrigation limited

---

³ Garson, David G 1978 Group Theories of Politics Beverly Hills California Sage
⁶ This term has been popularized by Adam D Shemgate in his The Rise of Agricultural Welfare State 2001 Princeton, New Jersey, Princeton University Press

4
to only a few districts in Gujarat, it is only natural that large areas of Gujarat – in particular North Gujarat, Saurashtra and Kutch have become critically dependant on groundwater. And, this utilization of groundwater is possible only through subsidized electrical power, as the microeconomics of groundwater irrigation demonstrates. This nexus of subsidized power–groundwater irrigation is further boosted by the increasing water requirement for dairy purposes, the development of water markets and the huge private capital investment in groundwater irrigation and the declining water table all over Gujarat. Thus to sustain agriculture in major areas of Gujarat, the State Government must subsidize power to the agriculture sector, but this burden has ballooned up to almost Rs.3000–4000 crores annually, which is almost 30 percent of the entire development expenditure being done by the State Government.

On the other hand, in the recent times it has become progressively more and more difficult for the State Government to sustain the burden of power subsidy in its overall financial management. The State Government supplies power to the agriculturists as also to other citizen through the Gujarat Electricity Board (GEB), which is presently in a grave financial crisis. There are several factors for the critical financial condition of the Gujarat Electricity Board (which was till March 2005, before its breaking up into several smaller functional entities, the most important arm of the State Government for the generation, transmission and supply of power), but the most important factor is the highly subsidized rate at which power is supplied to the agriculture sector. In fact, the total accumulated loss of the Gujarat Electricity Board has reached around Rs.9000 crores, which is more than 70 percent of State’s developmental expenditure per year. The annual losses were over 2000 crores during the 1999-2001 period, which have come down to Rs.1000-1500 crores recently. Losses of this magnitude have caused havoc to the entire financial structure of the Gujarat Electricity Board, and the entire power sector in Gujarat State is on the verge of collapse.

The thesis also attempts to study whether it is possible for the State Government to bear the entire load of agricultural power subsidy. However, an analysis of the State Government finances demonstrates that there are several disturbing factors in the State Government’s financial situation as well, and the State Government does not have
enough flexibility to shoulder the additional burden of the agricultural subsidy of this magnitude on a continuous basis year after year. **Thus, a milieu of conflict is set up:** on the one hand, it is extremely critical for the agricultural sector in Gujarat to continue to have subsidized power supply or else agriculture would suffer badly; on the other hand, the financial position of the State Government does not allow enough flexibility to sustain this highly subsidized power supply year after year regularly.

The thesis then analyzes the organization, objectives, development and the leadership pattern of the Bharatiya Kisan Sangh – the main agricultural interest group in Gujarat. Ever since its registration in 1986, the Sangh has espoused the farmers’ causes vehemently, and has by now attained a significant clout. Its growth also justifies Truman’s social order and disturbance theory for the growth of interest group – that most ‘associations, organizations emerged as a result of normal interaction among people with shared concerns and in response to social disruptions, often in business cycle’ **7**. The membership issue also illustrates Olson’s free-rider principle in discussing the dilemmas of mobilization in any group. **8** Indeed, most of the time, members are highly inactive and not very forthcoming in participating in the group activities. The study of financial resources of the BKS shows that though it has limited financial resources, it nonetheless has wide-ranging popular support (even though latent at times) among its constituents. A study of its stated aims and objectives and its correspondences with the Government show that it raises large number of issues with Government – ranging from local issues like local cooperative banks, local revenue rules, to national issues like remunerative rates for agricultural outputs, deteriorating terms of trade for agriculture and even international issues like patent and quantification issues in WTO. However, the core issue which galvanizes the entire organization against the Government is the issue of subsidized power.

The strategy and tactics employed by the Bharatiya Kisan Sangh range from submitting memorandum, meeting the Government officials and ministers, issuing threats of agitation and finally even agitation itself. All wings of Government are resorted to – executive, legislature and judiciary. It is very interesting that despite it being of the same

---

7 Truman, David B 1951 The Governmental Process Political Interests and Public Opinion New York, Alfred and Knopf  
8 Olson, Mancur 1965 The Logic of Collective Action Cambridge Harvard University Press
ideological mooring as the present ruling party, the BKS did not hesitate to ask for the removal of the BJP Government led by Narendra Modi and establishment of the President’s Rule in 2004. An attempt has been made to study both the ‘insider’ and ‘outsider’ strategies as employed by the BKS, in the light of the theoretical analysis done by Gais and Walker.  

A study of the influence of the BKS as an interest group shows that the Government relented several times to the sustained pressure applied by the BKS. In 1986, there was an almost revolutionary change in the power supply to agriculture: the metered tariff was replaced by flat rate horse-power based tariff and that too at an extremely subsidized rate. For the next fourteen years, while power tariff increased for all other sectors, it remained the same for agriculture. In 2000, the GEB (indirectly supported by the State Government) approached the Gujarat Electricity Regulatory Commission (GERC) to change the agriculture tariff structure. Once again there were protests and agitation, and Government decided to directly give the subsidy to GEB rather than ask the farmers to pay the additional amount. In 2003-04, the Narendra Modi Government asked the farmers to directly pay the electricity dues and these again caused tremendous problems between the agriculturist and the State Government. Reacting to the agitationists’ approach of the BKS, the Modi Government dislodged the BKS office from MLA’s Quarters unceremoniously, while the BKS also petitioned the Governor to dismiss Modi Government. It had its impact apparently on the BJP’s fortune in the 2004 parliamentary elections, where the party fared worse than before. In public perception this was because the agriculturists had gone against the ruling BJP party.

To offset the agriculturists’ ire, Government launched in the post-election period several major pro-agriculture water related initiatives – namely the Sujalam – Sufalam Yojana, the Sardar Check-dam scheme, the Jyoti Gram Scheme, Krishi Rath etc. In the Sujalam–Sufalam Scheme, government aims to take the canal water to North Gujarat and Saurashtra areas (this is over and above the Narmada waters), while also initiating several important rain-harvesting measures. In the check-dam scheme, Government liberally collaborates with agriculturists to make check-dams in their areas. In another

---

electricity related initiative for the rural sector (apparently also to support the rural-agricultural support base), *Jyoti-Gram scheme*. Government has undertaken to supply 24 hours electrical power to the household sector in the rural areas. The aim, hidden or apparent, of all these schemes, is on the one hand, to curtail power supply to the agriculture sector, while at the same time providing them alternate water supply – thus satisfying the agriculture sector.

The study also attempts to understand and analyze the 'success' of the BKS in achieving its objectives in the power sector vis-à-vis the State Government. As we shall discuss, directly or indirectly, the BKS has been quite successful in its aims. The study will analyze the reasons for its success: namely its party/political affiliations, its elite-representation in the legislature and the executive, its sharing of class values with the elected representative, the perception of its strength among the political class etc.

Here we shall also study the broad macro trends which are constraining the governments all over the world to reduce agricultural subsidy, namely, the pressure on the budget, the impact of economic liberalization on the national and State’s economy, and analyze whether these factors are relevant in the context of Gujarat. While attempting or deliberating any cuts or retrenchment in the existing welfare state, there is an attempt at blame-avoidance and path dependence. Weaver’s theory of blame-avoidance 10 and North’s theory of path dependence 11 are analyzed in our present context of the interaction of the BKS with Gujarat State Government. We also examine why Narendra Modi government ultimately decided to challenge the BKS and implement certain harsh measures and whether it can be understood by referring to the concept of ‘creative opportunist’ 12 as Martin Hering would say, or ‘political entrepreneur’ 13 as Sheingate would theorize.

We have also tried to discuss the agricultural interest groups in three democratic countries – Japan, France and the United States of America. A study of NOKYO in Japan, the FNSEA in France and the multi-sectional farm interest groups in the US, shows significant similarities with the BKS in Gujarat. Though the type of subsidy is different – in case of the BKS the main subsidy is the input subsidy of power, while in Japan, France and the US it is the output price support for the agricultural produce – there are similar attempts by governments to attempt a subsidy ‘retrenchment’ after the first

---

13 Sheingate op cit
phase of unquestioned agriculture subsidies. And yet, in all these cases there is a limit to what the ‘retrenchment’ by government has achieved; everywhere the respective governments have tried to avoid blame and minimise the electoral risks by ‘side-payments’, so as to keep the agricultural interest groups as their allies or in the very least not to annoy them. Thus the agricultural interest groups appear to be fairly powerful, and governments do not attempt any major change in status quo except by fully resorting to ‘blame-avoidance’ and by ‘side-payments’.

Significance and Scope of the Study

This study seeks to integrate three different strands in the political economy of Gujarat; first, the critical requirement of groundwater irrigation for agriculture in Gujarat and the consequent need of subsidized power for this; second, the impact of the agricultural power requirements on the financial position of the Gujarat Electricity Board leading almost to its collapse; and third, the constant pressure by the predominant agricultural interest group in Gujarat – the Bharatiya Kisan Sangh – in ensuring that the agricultural sector continues to get subsidized power.

There has been great amount of research and documentation on the need of groundwater irrigation and agriculture. Robert Chambers, Tushar Shah, Aditi Deb Roy et al have shown that groundwater irrigation has a positive impact on productivity and generates year round employment due to intensification of agriculture 14. The development of groundwater irrigation leading to creation of water markets has been discussed by Tushar Shah 15 and Navroz Dubash 16 among others. Shah argues for dense and competitive water markets on grounds of equity and efficiency of water use. This, however, has been criticized on grounds of his policy recommendation of flat rate tariff which has led to wide-scale overexploitation of groundwater leading to ecological imbalance as also strengthening the dominant caste/class hierarchy in the rural areas 17. Dubash studied the agrarian question and institutionalization of groundwater exchange in north Gujarat. A very recent study on the politics and power in north Gujarat related to groundwater irrigation by Anjal Prakash focuses on the agrarian transformations taking place in groundwater dependent economies in North Gujarat. 18

Similarly, there has been good amount of study and documents on the financial positions of the State Electricity Boards and the need of reforms therein. The Annual Accounts of the Gujarat Electricity Board of various years as also the unpublished documents in the Distribution and Commercial Departments give tremendous insights into the various ramifications of the GEB’s finances. There has also been critical insights by credit rating agencies, notably by the ICRA, on the power sector in Gujarat. Some excellent cross-country works on power sector reforms include Power Politics edited by Navroj Dubash and that by Bacon et al. In the Indian and especially Gujarat context, many articles have been published in Economic and Political Weekly, the World Bank websites, as also that by the Tata Energy Research Institute, Delhi. Some important articles include those by S. L. Rao, Sant and Dixit and T. L. Shanker et al. These articles deal with various aspects of reforms in the power sector. A recent well researched article with Gujarat in focus by Hansen and Bower advocates micro level reforms rather than attempting to reform the State Electricity Boards.

Similarly there have also been works linking up groundwater irrigation and power utilization, the so-called ‘irrigation–energy nexus’. Among important studies, one can mention those by Batra and Singh, Kishore and Sharma, Shilp Kumar and Shah et al, all works being sponsored by the International Water Management Institute. These works by and large advocate the retention of the flat rate tariff system in the pricing policy for agriculture power supply, but with modifications. Thus Shah et al recommend gradual and regular increase in flat power tariffs, explicit subsidy, use of off-peak power and intelligent supply management. It should be mentioned here that the studies originating from power sector advocate a total abolition of flat power tariffs and gradual

---

metered tariff system in agriculture – an influence which is also seen in the orders of the Electricity Regulatory Commission of various states as the experts here are from the power sector. There is thus an interesting but totally fundamental dichotomy between the perception of the power sector experts and the irrigation–agriculture sector experts on the entire issue of agriculture power pricing. This dichotomy, as we shall show later, is also reflected in the views of the Bharatiya Kisan Sangh and that of Gujarat State Government, the latter being influenced by the viewpoint of the Energy and the Finance Department rather than by the Agriculture or the Irrigation Department.

However, there is a relative paucity of work on the political analysis of this entire issue. Though there have been some attempts to unravel the political economy of the entire power subsidy phenomenon notably in the works of S. L. Rao and Hansen and Joshi mentioned above, there has just been no attempt to view the entire issue from the perspective of interest group analysis. It is this wide gap in research, that this thesis aims to fill up. Thus in this thesis, the Bharatiya Kisan Sangh – the predominant agricultural interest group in Gujarat – is the main protagonist and the entire interplay of the need of groundwater irrigation and the linked need for power for agricultural sector on one hand, and the obvious reluctance of Gujarat Electricity Board and the Gujarat State Government to bear this huge subsidy burden on the other hand, is looked at from the angle of interest group theory with the case study of the BKS in mind. This research study thus aims to cover a major gap in the study of agricultural interest groups in the Indian context, with respect to a very topical and relevant issue of power reforms in the agricultural sector.

Thus, this study would not deal with the entire gamut of groundwater irrigation – its technical or the micro-financial aspects – except insofar as they demonstrate the dependence of Gujarat agriculture on groundwater irrigation. It would also not go into the discussion of power sector reforms either in Gujarat or in India in general as they have been widely discussed or commented elsewhere and are peripheral to this study. This thesis would also avoid discussing the various aspects of generation, transmission and distribution of power in Gujarat or even the measures for the improvement of efficiency.
in the power sector except in showing how they have contributed to the overall financial crisis in the GEB. The focus here is on demonstrating how the electric power pricing related to the agriculture sector is the biggest contributing factor to the financial crisis of the GEB. Overall, this study is an attempt at political analysis of how substantive resources of the Gujarat State one are being reallocated to sector of the economy, namely the agriculture sector, even at substantial cost to the state finances on the whole, through the effective mediation of an interest group, namely the Bharatiya Kisan Sangh

**Objectives of the Study**

This study aims to apply the group theory approach to the political analysis of one of the very intriguing issues in the modern political economy of Gujarat, namely the issue of agricultural power subsidy. The entire study is done from the perspective of the dominant agricultural interest group in Gujarat-the Bharatiya Kisan Sangh. While analyzing the main objective, this study would also seek to achieve the following sub-objectives:

1. The determination of the dependence of the agriculture sector in Gujarat on power (electrical) requirements - whether the dependence is peripheral or critical in nature.
2. The power sector claims that the agriculture subsidy is mining the Electricity Boards. The study would examine whether this is true and how the agricultural power subsidy compares as a factor among other factors responsible for the financial decline of the GEB.
3. The study of the organization, strategy and tactics of the BKS in order to understand as to how it is able to successfully pressurize the Gujarat State Government to continue with the huge subsidy.
4. An analysis of the influence of the BKS and a comparison with similar agricultural interest groups of some other countries.
Finally, the researcher with his experience of having served in the power sector for several years and having worked in senior positions in the Gujarat State Government would also contribute his own insights to the understanding of this problem.

The Methodological Design

In effect, this research entailed study of four different fields: the study of the theory of interest groups and its application to the present case, the groundwater problem and agriculture in Gujarat, the financial crisis in the Gujarat Electricity Board and finally, the in-depth study of the Bharatiya Kisan Sangh with its manifold linkages with the above issues. There is always a paucity of source-material for any researcher and the current researcher had to depend on large number of unpublished documents and records as also personal interviews and discussions with various field functionaries to understand the nuances of groundwater problems and the issues related to the GEB. Being a government official proved to be of great help here, as access to documents and field visits was ensured.

However, being a government servant was both a blessing and a problem during the discussions with the Bharatiya Kisan Sangh office bearers both at the State and at the district level in Gujarat. Especially after the unsavory incidents between BKS and the State Government during 2003–04, when the BKS office was vacated from the government premises, any government servant endeavoring to engage the BKS members in focused group discussions or ‘prying’ out information was always viewed with strong suspicion. The only answer to this was to have as many rounds of discussions as possible to allay suspicions that all these interviews were being conducted with non-bona fide purposes. Information used to come in bits and pieces, and the task of maintaining detailed interview notes was always tough. Still, a large number of interviews and focused group discussions were carried out with bureaucrats in finance and power sector,
political class, as also the representatives of the Bharatiya Kisan Sangh at the state and the district level. It is interesting to note that there was no major difference in the perception of different groups of people including the BKS officials themselves regarding the influence of Bharatiya Kisan Sangh as an interest group. Almost unanimously, all interviewed perceived it as an extremely powerful body; in the very least the BKS was considered to be a major nuisance, which could be ignored only at very grave peril.