

FEATURES

HELPING THE RURAL MILLIONS IN SRI LANKA

Warnasena Rasaputra

In this address delivered at the fifth anniversary of the Village Re-awakening Movement, in June 1983, Governor of the Central Bank, Dr. Warnasena Rasaputra discusses the vast potential within Sri Lanka's rural sector and the need for the development of a strong rural economic structure to attain rapid economic growth and raise the people's living standards. This, he emphasises, requires massive organisation in the nature of development cells in each village or cluster of villages, with assistance from the Centre, the people, banks, government organisations and private organisations.

HE

A country with twenty five thousand villages must necessarily place emphasis on the development of a strong rural economic structure for the attainment of rapid and sustained high growth in the living standards of the people. Apparently, many traditions are changing but some are deeply rooted in the village society. Monetisation of the economy has given rise to changes in attitudes, relations and objectives. The importance of land, as a measure of wealth predominates. However, due to rapid population growth, its relative importance has declined. Nevertheless it still remains a scarce resource in the rural areas. The parochial attitudes are breaking down with the impact of modernisation and growth. There is generally an inexorable desire to reach high living standards amidst mixed attitudes and aspirations. Any development programme for the rural areas must take into consideration not only the changes that are taking place, but more so the changes that are expected, but have not taken place. The emancipation of the rural people from the existing social environment and moving them to a development oriented environment requires the creation of a psychological atmosphere of innovation, expansion and development.

Villagers find it more comfortable to grow within their social system. In ancient times, the people collectively enhanced their development prospects through various schemes to increase agricultural production and provide

the necessary infrastructure. The extended family system enabled a large variety of skills to be developed with the minimum of costs. These were further encouraged through royal patronage. Cultural activity was woven around agriculture. Music, songs, dances and drama were more directed towards invoking blessings for a good harvest, or giving thanks to the deities for a bountiful harvest. Thus, the economic, social and cultural life were all well integrated and the working of a self-reliant development scheme was eagerly awaited, keenly assisted, and enthusiastically implemented. But income levels were low. In order to meet the increased demand for goods and services from the West after the rise of capitalism this economic system had to adjust, to changed conditions.

This pattern of development cannot be re-introduced in a changing world. The economic structure has to adjust further. Inadequate changes lead to bottlenecks, and disruption of economic growth, due to disparities. The older people are slow in accepting change but nevertheless, they want to change for the sake of their children. The poor villagers have always sacrificed quite a lot for the sake of their children and they are willing to do so even now. However, they are cut off from the younger generation due to the communication gap or what is better known as the 'generation gap'. In the absence of ameliorating or moderating influence from their own households, the youth become frus-

trated and restive. Since their contact with the elders outside their households is minimal, they tend to think that the elders are insincere and are more concerned with the maintenance of the status quo. Thus, conflicts arise among those who want slow and gradual change in the context of existing social privileges and those who want quick and rapid changes devoid of privileges.

The rural sector generates the bulk of the national income and in the last decade it had made significant progress. This is evident from several criteria - incomes have increased, unemployment has decreased and housing conditions and other amenities such as access to electricity and pipe-borne water have improved. The average income of the rural person which was only fifty four rupees in 1973 rose to one hundred and seventy two rupees in 1978-79 and to two hundred and sixty rupees at the end of 1981. The average income for the rural family or the household was less than three hundred rupees in 1973. It increased by over four-fold to one thousand seven hundred and sixty three rupees between 1978-79 to 1981-82. Unemployment has decreased substantially since 1973. Rural unemployment which was as high as 25 percent had dropped to 15 percent in 1978-79 while the latest available data indicate that the rural unemployment in 1981-82 decreased to 13 percent.

The availability of amenities in the rural areas has increased steadily. The percentage of households having access to electricity increased from 2.5 percent in 1973 to 6.7 percent in 1978-79 and those having pipe-borne water increased from 4 percent to 6.6 percent. A larger proportion of the rural households have latrines today. Three-fourths of the rural households in 1978-79 had this facility, whereas five years ago this was confined only to little over half of the rural households.

The averages do not speak of the poverty that is in existence; nor does it reflect the infrastructure facilities that

have been made available to them. Nearly 40 percent of the rural population live in abject poverty. They receive less than three hundred rupees a month. Nearly half the population have been issued with food stamps. A study made in 1975 on the basis of 1969/70 survey data indicates that 45 percent of the rural population is below the poverty line on the basis of calorie intakes, compared with the desired level.

Poverty in a developed country is measured by the relative position it occupies in the midst of affluence. In developing countries, on the other hand, it is measured by its relative position in the midst of an ocean of poverty with a few scattered islands of affluence. The grim future that lies for the poorest of the poor in such countries as Chad and Mali in Africa or such Asian countries as India and Pakistan, may be very different from what we can see in Sri Lanka. Sri Lankans in relative terms, are better fed, better clothed and better housed. But this should not impart any sense of euphoria, as our comparisons are with our immediate neighbours and with other developing countries. This type of comparison is misleading and would result in erroneous judgements being made for the betterment of the large bulk of the people. All are too keen to raise the lot of the poor and to build up an asset owning democracy by well designed and accepted plans for the development of the country. The gap between the rich and the poor indicates not only the potential but also the size and nature of the problem. In reducing this gap, the world community has to work with speed and efficiently. The fact that Sri Lanka is not in that unhappy position as the neighbouring Asian countries or the African countries should not reduce our enthusiasm to accomplish things fast. We have got to compare ourselves with the average income earners in a developed country. It is with this in mind, that any initiative that has to be sponsored and maintained, should be well-conceived, identified and promoted.

The most important factor in any developmental programme is the need
ECONOMIC REVIEW, DEC. '83

to promote and cultivate economic development as a habit forming activity. Once they have acquired this habit, there will be some automaticity in the approaches made by each individual member of the family, by the families themselves and by the community itself. The attitudes of the people must be so organised to allow them to have a clear idea of the direction in which they could move for the betterment of their living conditions. These may vary from village to village, from place to place and country to country. In Sri Lanka it is not easy to find a cluster of cohesive villages. It is therefore, necessary to consider the village as the unit and bring about structural changes in the village areas. This, when fully supported from the Centre, would result in a lasting and indelible impression on the developmental activities of the country. People cannot take the initiative unless they feel that they can get something out of what they are doing. At least a part of their hopes must be realised by the time they take stock of the situation into which they have been guided and directed.

The most important aspect of the development that is understood by the villagers is the provision of employment and the growth of incomes. Traditional society encouraged under-employment: the unemployed were looked-after by the pooling of family incomes. Even today it has reduced social stress; Undoubtedly, the most pressing problem today to which the policy maker pays the highest attention is the creation of more job opportunities.

The rural sector is agricultural. But low productivity in agriculture has resulted in low demand for its activities. Agriculture and its allied activities such as dairying, fisheries and animal husbandry need to be intensified to provide more income and employment opportunities. Attention given to this sector has not been so far equal to its potential. Rural industrial base remains weak. Rural industries could not grow, not only because of lack of entrepreneurship but also due to lack of proper attitudes apart from

credit and other facilities. A large number of people employed in agriculture can be taken away without affecting its productivity. Obviously, industrial growth in rural areas using appropriate technology, could be one way out. Rural industries may not be of the capital intensive type and they can vary from those that use moderately advanced technology to those that use low technology. But adequate work has not been done on the type of technology that is most appropriate for a particular village and to a particular project or product. Regulation of technological changes cannot be regarded as a farsighted policy to protect and enhance employment. That is good enough as a holding operation. Technology has to be developed in such a way, so as to take advantage of its annual growth and its effect on employment, both direct and indirect.

Clearly, the effect of an employment expansion comes through income and substitution effects pertaining to primary, secondary and tertiary sectors. Just as tourism in village areas will create a further demand for transport, trade, storing, packing, repair services, telecommunication training and other allied services, so will any agro-based industry create similar direct effects on employment. Mere emphasis on cottage industry or handicrafts which are based on individual skills, cannot widen the base for employment in the medium term.

Rural development planners run into a dilemma. On the one hand, lack of cohesion among a group of villages makes it difficult to organise clusters of villages large enough to carry out development through recognised instruments and methods. On the other hand, the socio-cultural pattern makes it difficult to isolate individual villages and try to solve problems in isolation. There is a strong lobby to work within the existing social environment so that modern civilisation does not destroy existing social and cultural values. At the same time, the youth are looking forward to using more fashionable methods in agriculture and its allied activities. Though the small man is a producer, consumer and distributor, there are constraints on the successful working of small

units. Marketing is important for any sustained growth but due to the low acceptability of the locally produced goods the rural market is unable to expand.

Undoubtedly, at the early stages of development, rural units require protection from severe competition from outside. At the same time, the quality of the product should not inhibit the sale of the products, and reduce its acceptability. Quality control methods need to be enforced with determination and purpose.

The Commercial banks are chosen institutions for rural development. Just as much as they encourage savings, they can encourage investment. Identification of projects, promotion of entrepreneurship and provision of credit can all be done by this one institution. Conservation of the Commercial banks make them reluctant to take undue risks. It is important to provide credit at the appropriate time even if it means the establishment of new agencies and institutions in keeping with the social requirements and with which banks can work directly. Credit available when it is least needed is as good as credit given for consumption purposes.

The banks cannot work alone towards rural development. The multi-agency approach is indispensable. Government departments and private organisations can always give a helping hand and be directly involved. The extension work and the work of various agencies in rural areas have not always received satisfactory reports, mainly because of a lack of commitment to the larger cause of rural development, to promote social justice. There is no need to create too many institutions as it will prove to be counter-productive. What is required is the strengthening of the existing institutions with strict supervision and guidance. The rural participation cannot be replaced, but they require training and expert advice. Just as United Nations' experts are sent out from the headquarters to developing countries to assist them in various disciplines the despatch of experts on various disciplines from the Centre, charged with

the exclusive responsibility of developing the area assigned to them, would be desirable.

The rural sector has vast potential but it requires massive organisation in the nature of development cells in each village or cluster of villages, with assistance from the Centre, the people, banks, government organisations and private organisations. The physical resources of each village are to be matched against the financial resources available, and that can be made avail-

able, through the banking system, so that maximum funds go to the priority sectors. To meet the requirements of social justice, employment and income opportunities for the rural poor, and the economically weaker, but viable farmers, need to be significantly increased. With this end in view all agencies must necessarily give their time, effort and attention with the support of resources from the government, private organisations, credit institutions and local resources of the villages themselves.