

## **Co-lending: Towards recolonising the peasantry\***

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In colonial times, the peasantry had to borrow from private moneylenders. According to Provincial Banking Enquiry Committee reports, these moneylenders in turn borrowed from commercial banks. But while disbursing credit to the peasants and charging exorbitant interest rates, the money lenders at least bore the whole of the lender's risk. The banks from whom they borrowed did not bear any risk in case the peasants could not pay back the loans they had obtained from the moneylenders. The banks in short had nothing to do with the ultimate borrowers.

But with the new arrangement being put into effect, of which the deal between Adani Capital and the State Bank of India is an example, there will be co-lending, with the bank paying 80 per cent and a 'non-bank financial company' (NBFC) like Adani Capital paying 20 per cent of the loan. The NBFC will obviously decide whom to lend and on what conditions, subject, one presumes, to certain restrictions imposed by the Reserve Bank of India's guidelines; on the other hand, in case the ultimate borrower fails to pay back the loan, the loss will be borne by both the bank and the NBFC. The bank in short will be bearing the risk of lending without having any say on who the ultimate borrower is (for if the bank had a say on who the ultimate borrower is, then it would have been a straightforward bilateral relationship between the bank and that borrower without the need for any co-lending).

The NBFCs in short are in a far better position than the moneylender of colonial times: they decide whom to lend and on what terms but hardly run any risk of the sort that the colonial moneylender had to run. At the same time, the bank is in a far worse position than the bank in colonial times: it has no say on who the ultimate borrower is, but bears most of the risk of lending. The Modi government has at one stroke extended favour to its capitalist patrons (the owners of the NBFCs) whose business can now expand rapidly and whose profits can now soar, without their having to run any significant risks. And it has extended this favour at the expense of the nationalised banks that are being run to the ground, a fact over which it will shed no tears at all. Already plans are afoot to make the depositors bear the nationalised banks' risks, in which case the government will not have to pay from the budget to cover the losses of such banks; and if losses mount then it can always privatise these banks "for a song" which it has been keen to do anyway and for which it will then get a very valid excuse.

While all this is being done, one obvious question remains unanswered: why is this being done? Is there an iota of benefit that this arrangement will bring either to the peasants or to the MSME sector, or to the nationalised banks, or to anyone other than the capitalist owners of the NBFCs? The answer is a resounding "no". And one would like to come across a single government spokesperson to contradict this "no" with a valid argument.

The State Bank of India's official claim in defence of its co-lending agreement with Adani Capital is that it would help to "expand customer base as well as connect with the underserved farming segment of the country and further contribute towards the growth of India's farm economy". But this argument is just laughable. The SBI is a

massive bank, the largest in the country, which has 22,000 branches all over India compared to about 60 branches of Adani Capital; it has 1.4 crore credit accounts with farmers and Rs 2 lakh crore outstanding credit to farmers, compared to 28,000 and Rs 1,300 crores respectively for Adani Capital. To say that Adani Capital will “help expand the customer base of the SBI” which the latter could not otherwise have done (for else there was no need for the co-lending deal) is like saying that ISRO must have a deal with a Sivakasi, firecracker manufacturing unit to improve its rocket-launching ability!

In fact, even to call this deal a public-private partnership is to over-stretch definitions. In public-private partnerships, even though they are all characterised by the private sector making profits while the public sector bears the risks, the private sector at least brings something to the deal; one may not think much of what it brings, but it does not come empty-handed. But that is not the case here. Adani Capital in this case is bringing nothing whatsoever to the deal with the SBI. It is a pure case of the SBI helping Adani Capital with financial resources and also bearing the lender’s risk while getting nothing in return so that the latter can expand its business.

It is a scandalous case of blatant cronyism for which a public sector bank is being used by the government as if it is part of the government’s jagir. It is disgraceful on the part of the SBI to fall in line with such cronyism; and it is utterly disgraceful too on the part of the Reserve Bank of India, which is supposed to have an overall supervisory role over the banking sector of the country, to acquiesce in such a deal. But what can one expect from the SBI board, when the chairperson of the SBI takes up a job with the Ambanis after retirement, having okayed an SBI deal with an Ambani company entirely to the latter’s advantage?

There is however more to it than just cronyism or benefiting the NBFCs owned by corporate giants. One of the main objectives of the now-repealed farm laws was to change the pattern of land use in the country away from foodgrain production. This has been a long-term demand of the metropolitan countries, faithfully echoed by the corporate-financial oligarchy, and a host of pro-imperialist economists. The reason for this demand on the part of the metropolis is to have the land currently devoted to foodgrain production shifted to producing crops that the metropolis demands but cannot produce at all, or in adequate quantities, or all the year round (it has a surplus of foodgrains which it wants to sell to third world countries in lieu of such goods). For the domestic corporate-financial oligarchy, as long as farmers are producing food grains that are procured by the government at assured pre-announced prices and distributed through the public distribution system, the scope for corporate profiteering through encroachments into the agricultural sector remains constricted.

Not surprisingly, therefore this is an issue on which the interests of imperialism, and of the domestic corporate-financial oligarchy converge; and there is no dearth of economists promoting their cause by demanding the repeal of the minimum support price regime, by demanding the end of the system of government procurement at the MSP, by “advising” the farmers to move away from producing foodgrains, and so on.

The three farm laws were a brazen attempt on the part of the Modi government to change the current system which also ensures food security for the country. The repeal of those laws in the face of implacable and admirable resistance from the farmers has left the government red-faced vis-à-vis international agribusiness and its

own domestic corporate backers. Its desire is to change the pattern of crop production, and hence land-use, by other means. And channelling government institutional credit through the domestic corporate-financial oligarchy, through NBFCs owned by this oligarchy, is one such means.

Here again, we are confronting the rejuvenation of a colonial-style regime. Under colonialism, since land revenue had to be paid by specific dates and times, the peasants had to borrow in order to meet the revenue demand. And the traders, often the East India Company's own agents, gave them advances for this purpose on the condition that they grow specific crops and sell them to the agents at pre-contracted prices; this is the way that the cultivation of crops like opium and indigo was encouraged in India.

Credit in short is a powerful means of changing land use and the SBI-Adani deal is a way of achieving such a change in the pattern of land use. In other words, through such "nationalised banks-NBFC" deals the government is trying to achieve what the three farm laws could not achieve. Such deals must be opposed with the same intensity and single-mindedness with which the farm laws were opposed, for it is part of the same fight.

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