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MADRAS DEVELOPMENT SEMINAR SERIES

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Some Notes on Tamil Nadu Economy 1987-88

Indian Economy in the 1980s and on to the 1990s

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Climate

The north-east monsoon, which ended with December 1989, was deficient in all districts compared to the good monsoon experienced in 1987. Though the state received good rains during the south-west monsoon, the north east monsoon which set in late, as noted in the last issue, tailed off after the good burst of rains in the second week of November. December was cool and dry except for the first week when there were some rains. The table below charts the rainfall in the state since October 1, 1988. It shows the serious deficit in rainfall faced by near 50 per cent of the 21 districts. That is there was a shortfall of over 50 per cent in Anna, Coimbatore, Dharmapuri, Madurai, Nilgiris, North Arcot, Periyar, Pudukottai, Ramanathapuram, Salem (which faces the highest deficit at 70 Percent) and Tiruchirapalli. This will affect both the drinking water situation and farming operations in the states.

Power

The power situation in the state during December 1988 was normal, with the reduced power cut on HT users continuing. The Tamil Nadu Electricity Board reports the good functioning of the 3 thermal stations. Ennore which suffered a fire accident, leading to the close down of 2 units of 110 MW each, however, not only produced 2147 million units in calendar 1988 compared to 1992 million units in 1987 but also achieved extra Plant Load Factor this year. The fire accident has been investigated and the report is under study for action to prevent its recurrence in other plants. A Rs. 120 crore modernisation programme is to be completed by 1989-90. Tuticorin thermal generated 4350MU in 1988 compared to 4249 MU in 1987 and recorded a Plant Load Factor of 75 percent. Mettur

Sl.	Districts	Week ending 21-12-88.			Rainfall since October to 21-12-88		
		Actual	Normal%	Dep.	Actual	Normal%	Dep.
1.	Anna	0.7	15.4	—95	181.9	439.8	—59
2.	Coimbatore	0	7.1	—100	106.3	344.1	—69
3.	Chengalpattu	8.1	18.9	—59	457.3	597.1	—23
4.	Dharmapuri	0	5.3	—100	70.4	298.8	—76
5.	Kanyakumari	0	10.3	—100	259.1	442.0	—41
6.	Kamarajar	1.3	12.1	—89	290.7	419.7	—31
7.	Madras	2.1	20.3	—90	713.1	740.9	—4
8.	Madurai	5.7	10.4	—45	213.4	402.8	—47
9.	Nilgiris	22.0	14.7	50	205.3	411.7	—50
10.	North Arcot	3.3	7.6	—57	195.7	385.2	—49
11.	Pasumpon Muthuramalingam	18.5	10.0	85	198.0	367.8	—46
12.	Periyar	0.8	6.0	—87	106.9	326.6	—67
13.	Pondicherry	38.0	27.2	40	518.1	820.7	—37
14.	Pudukottai	5.0	18.9	—73	195.1	424.0	—54
15.	Ramanathapuram	14.4	19.8	—27	231.7	487.3	—52
16.	Salem	1.0	5.5	—82	92.0	304.6	—70
17.	South Arcot	12.1	20.9	—42	379.3	612.9	—38
18.	Thanjavur	14.8	33.8	—56	545.0	687.4	—21
19.	Tirunelveli	2.8	21.5	—87	367.7	454.2	—19
20.	Tiruchirapalli	14.4	14.0	3	139.0	385.8	—64
21.	Chidambaranar	2.2	39.0	—94	333.5	441.6	—24

On prices, there is nothing to report beyond what is set forth in Vol. XVIII P. 574.

thermal is being stablised, producing 1131MU in 1988 against 382 MU in the previous last year which was its start. It is expected that a third unit of 210 MW will be commissioned in March 1989 and the fourth unit of similar strength will be commissioned in March 1990. The Board reports that the 2 units of 15 MW each with fourth barrage in the lower Mettur hydel power station will also be commissioned by March 1989.

At the national level, the power situation is normal, except in Karnataka where an additional power cut was imposed in early December on HT consumers to overcome the problem of overloading of the transmission system and in AP where a 30 per cent cut on HT users was imposed from December 1. There is also the problem that the transmission and distribution network has not kept pace with the generation and consumption of electricity as the current experience shows. Several states have surplus energy, while others face power cuts: thermal power stations in some states had to reduce generation because of improved hydel generation. This could have been used in the states facing shortage if the T & D network had kept up with power generation. Another problem is the growing reliance of the power sector on imported equipment which has increased from 1522 MW in the VI Plan to 4868 MW in the VII Plan and a further 12,000 MW in the VIII Plan. This alongside of the freezing of BHEL's capacity in the 80s, the reduction in BHEL's orders when the capacity creation has slipped and the growing BOP crisis raise serious problems on power's place in the economy. The government reports increase in power generation by 14.4 per cent in November, with the increase in thermal by 4.4 per cent and 53.1 per cent in hydel. In light of this, the recommendation of the National Council of Power Utilities to accelerate and include additional hydel projects in the VIII & IX Plan as one means of meeting peaking shortage and energy surplus situation is important. The government states that it has under study the setting up of 5000 MW of gas based power capacity in the VIII Plan, which would be part of the 1,11,000 MW power generation target for 2000 AD. Meanwhile there is a serious situation with regard to the states power traiff dues owing to the National Thermal Power Corporation and for 1988-89 the Union government states that it will appropriate Rs. 150 crores of the Plan funds due to the state — over serious protests of the states. The secretaries committee recommends that the debt-equity ratio for private power sector projects should be lower than 4.1 recommended by the expert group.

Water

The major water issue faced by the state in December/January was the fact of the inadequate North East monsoon and that as of mid December Mettur water storage was equal only to 5 days for delta irrigation. To save the standing paddy crops, the State government has repeatedly approached the Karnataka government to release 30 tmcft of water. Finally on December 23, the Karnataka government agreed to release 5 tmcft of water to the state in exchange for the equivalent power. Of the 16 lakh acres of paddy grown in the delta, (11 lakh acres in Thanjavur district, 2 lakh acres each in Tiruchi and South Arcot) the crops will ripen only towards the end of January and need water till then. This means that the 5 tmcft of water is totally inadequate to save the crop. As this problem keeps recurring year after year, there is need to find a permanent solution to the delta problem, and that is to change the cropping pattern away from the water intensive paddy crop. On the Madras city's drinking water, the combined storage of Red Hills, Poondi and Cholavaram is similar to that of previous year's (2426 million cubic feet against the previous year's 2260 mc ft) and so there will be water shortage in the coming summer months. The alternate days water supply to the city will continue this year also.

Supplementary Demand

Parliament in December approved supplementary demands for Tamil Nadu of Rs. 419.35 crores, mainly for adjustments and repayments of ways and means advances to RBI.

Urban Development and Pongal

MMDA states that it has introduced the single window clearance for the issue of planning permits and building plan sanctions. MMDA, upon receiving applications, will forward a copy to the Corporation staff, now under one roof in MMDA's Periyar building in Vepery to suggest any changes. Metro water will be consulted on water supply and sewerage simultaneously and so delays will be minimised. The Union government announced in December that in addition to the normal monthly 80,000 tonnes of rice, 25,000 tonnes will be made available as a special Pongal allotment to the state to be distributed through the PDS.

National

Plan

The Plan is surrounded by contradictions. On the one hand as reported in Vol XVIII p577, the commission after much deliberation (and against a deal of evidence) has fixed the VIII Plan growth rate at 6 per cent : on the other hand it is represented that because of shortage of resources all new projects for 1989-90 are being put off to the VIII Plan. These include the Rs. 2600 crore Karnal refinery, the Mangalore refinery and petro chemical complex. Both union ministries and State government plans have been asked to defer all new projects to the VIII Plan (these are not to be included in the plan for the first year 1990-91). It is only the Projects based on foreign aid that are to be included : this ban on new projects affects the power sector, particularly, as it needs advanced action now to attain the VIII Plan capacity realisation. Further, the fact that the economic growth of the current plan is costly based on macro economic balances, despite which the VIII Plan has been targeted at 6 per cent means that the budgeting and foreign accounts gap may become unmanageable by the end of the Plan. The pointer to this is that the Rs. 650 crores supplementary demand passed by Parliament (to be referred to later) does not allocate 1 Re to any plan programme, but only to non plan, export and fertiliser subsidies and flood relief. This also means that the budgetary deficit for this year will be higher than forecast and the trend will continue in 1989-90. Because of elections, the populist programmes based on the AICC resolution referred to in the last issue will not only add to the deficit, this along with the additional Rs. 2000 crores for anti-poverty schemes will involve cutting plan schemes. The Plan therefore is going in for growth without stability but with inflation and a weakening of the forward and backward linkages of the economy. In this rather sombre situation, all hope could be the decentralisation of Planning which can (a) have greater focus on minimum needs programme, (b) ensure greater attention to end use of energy, (c) improve the availability of rural jobs, and (d) open up new sources of revenue by giving zilla parishads power to levy taxes. In the access of decentralized planning, there should be (a) periodic and regular elections, (b) agrarian reforms which can counter the power of the rural elite and (c) a national perspective plan which will fill the gaps left by decentralized plans. In this situation, the proposals for the 1989-90 plan seem unrealistic. The Railways have proposed an outlay for that year of Rs. 4895 crores compared to Rs. 3850 crores for 1989-90. What is certain is that BHEL will not receive in the VIII Plan equipment orders for a part capacity of 26,000 MW (13000 MW already placed and 13,000 MW expected to be).

Prices

For November 1988, the average whole sale price index recorded a decline of 0.6 per cent at 436.7 compared to October 438.4. On a point to point basis it fell from that figure to 435.9 on November 26. The index for primary articles declined by 0.2 per cent, non food articles falling by 0.5 per cent. Fuel, power etc. rose by 0.1 per cent and manufactured products fell by 0.4 per cent. On this basis, the government reported to Parliament that the annual rate of inflation during the first 7 months April-October 1988, fell to 6.6 per cent from 10.6 per cent, whereas for that period 1987 it rose from 5.3 per cent to 7.3 per cent : the average WPI for April-November 1988 rose by 7.6 per cent compared to that period in 1987. The effect of the sharp increase in administered prices in the last quarter of 1987-88 was felt in 1988-89. (In December the government reports that the price rise upto that period is 4.1 per cent). The effect of the price rise of coal from January 1, 1989 will be felt in WPI and CPI in 1989. In fact the indices vary on the basis of the base year chosen. On the basis of 1970-71, prices of manufactured products are seen to rise faster than those of agricultural products, whereas on the 1980-81 base, prices of agricultural products rise faster. Further, the relation between WPI or CPI is rather tenor and is lagged. There is a comprehensive expose on CPI — its significance, basic requirement, population covered, centres selected, sample size, distribution, selection of families, schedules canvassed and processed, items involved, and pricing on the basis of which the CPI is compiled in Vol 29 No. 11 of the Indian Labour Journal. In April — September 1988, CPI recorded the highest in Nagpur at 13.3 per cent, followed by Calcutta 11.4 per cent, Delhi 10.8 per cent and Madras 9.4 per cent. RBI reports that the shortterm money market continues to reflect comfortable conditions in November, with borrowers lending at 10 per cent. Meanwhile RBI announces the norms for its credit monitoring arrangement (CMA) replacing CAS from October 10, which replaces the requirement for RBI clearance of working capital base.

Supplementary Demand and tax bills

Parliament approved in December supplementary demands for the Union for Rs. 650 crores. which are all for non plan items. This however, means, as pointed out, that the budget deficit will rise. In 1987 it exceeded the budget estimate by Rs. 4489 crores. The finance minister has called for a tightening of the runaway expenditure, particularly the non development expenditures of the union and states which has risen from Rs. 24740 crores in 1984-85 to Rs 44,000 crores in 1987-88. The worrisome aspect of the issue is that not even half of the increase is sustained by additional revenue receipts. They are met by deficits and market borrowings. The Direct Tax Laws (Amendment) Bill 1988 introduced in Parliament introduces a new scheme of assessement of firms, partners, charitable and religions trusts, runs into 95 day clauses and amends. 4 existing bills. The income tax officers have been directed to mobilise Rs. 10,000 crores as annual revenue for 1990-91, the 1989-90 target of collection from income and corporation tax is Rs. 7760 crores. The Justice Misra committee has recommended that all public sector employees governed by the Union dearness allowance should be given the IV Pay Commission salaries, which involves 2.41 lakh employees and will cost Rs. 155 crores per year. In addition the interim relief recommended amounts to Rs. 172 crores for 69 companies. This further worsens non plan expenditures and the gap between the poorest section of society and the salaried ones.

Stock Exchange

With a view to curbing excessive speculative activities, the Bombay Stock Exchange has raised the rates of daily margins on 32 scrips from 20 to 30 per cent and from 10 to 15 per cent on sales. Also margins have been imposed on 18 additional scrips. A limit of Rs. 2 crore has been imposed on the gross business outstanding of a member at the close of business on any day. It is to be hoped that these measures will dump down the high activities of the Exchanges. It also states that it is setting up a new share holding corporation in partnership with the Reserve Bank of India. This may also help in making more liberal credit available to the brokers.

Environment

An International scientific group states that the earth's most distinctive resource may soon prove to be the cause of its destruction. No problem is more threatening to the earth's environment than the proliferation of species it states. Today the plant holds 5 millions and by the next century it will double, with 90 per cent of that growth occurring in poor countries. In India 37 per cent of our people cannot buy enough food to sustain themselves. Environmentalists have urged that the world adopt the goal of reducing population growth by 50 per cent, which means a 2 child family and in some countries a 1 child family. India which was one of the first countries to adopt a family planning programme 30 years ago, failed to forge a national will and so population is increasing at 2 per cent a year. In China the one child per family has had distressing results, with women being coerced into abortions and increased female infanticides, as parents want the one child to be a boy. According to UN surveys half of the 463 million married women in developing countries do not want more children but have no access to effective birth control methods, which require that the current $3 billion a year be increased to $8 billion. They see religion as the greatest obstacle to population control and in improving the social status of women as the key to population control. In India, in 1988 environmentalists succeeded in highlighting that ill effects of big dams but could not stop the Planning Commission's clearance of Sardar Sarowar. Their notable success was the decision of the authorities to abandon the Rajghat project on the Indravati in MP. A meeting on Anandwar in Maharashtrah as drawn up a nation wide plan to create mass awareness about the ill effects of big dams. In February to save the western ghat, the march over 3000 km was completed Intensive campaign against environmentally destructive projects like the Tehri dam and the Olyumkutty dam, was intensified, the nuclear campaign against the Kaiga plant in Karnataka, Narora in UP were successfully launched. A revised Forest Policy was announced in December in Parliament involving full protection to existing forest land, improvement of its productivity, enhancing forest cover on hill slopes and catchment areas of rivers, extensive and better management of sancturies, national parks, biosphere reserves. It aims at maintenance of environmental stability through preservation and restoration of ecological balance. It is to be hoped that this revised policy will be fully enforced as the policy is full of contradictions and the major one is that it keeps the tribals and forest dwellers away from forests, while talking about their well being. The issue of acute water scarcity is not dealt with. People's management of forests is excluded, with the completion of the exclusion of forest dwellers from the forests.

Economy

The government in an optimistic review states that the Indian economy having made a remarkable recovery from the drought of 1987-88, "shows signs of moving on to a high growth path in the coming years". (It is to be hoped that this forecast will not suffer the same fate as that of the Economic Survey of 1987-88). While pressure on prices, budgetary resources and balance of payments continued, the good monsoon will result in a bounce back in agriculture a growth rate of 8-10 per cent, which will also help achieve the annual average 5 per cent growth for the VII Plan and lay a sound base for 6 per cent for the VII Plan. Industry will grow only 9 per cent because of the lagged effect of the drought. As on December 3 the rate of inflation was 6.3 per cent, with particular reference to increased food and industrial items price. Despite higher procurement prices and a bumper harvest, food procurement has not picked up and food stocks as at November 1 were below 8 million tonnes. On revenue collection which are higher in the first 9 months of 1988, they are below the budget target. Budgetary expenditure is on the increase, with difficulty in maintaining the deficit at the budgeted Rs. 7484 crores, leaving the government with the option of higher market borrowing and raising administered prices. For the VIII Plan, the tax base is to be expended (through increasing the area of tax deduction at source, extending taxation to new areas where tax evasion is practised. Exports are keeping to the 1988-89 target of Rs. 20,000 crores but imports have increased beyond the target, with a rise of 26.4 per cent. The trade deficit has widened to Rs. 4177.37 crores. The answer to this deficit BOP situation has been to give more export incentives. The level of foreign exchange reserves has fallen steeply to Rs. 6202.18 crores on December 1, 1988 which was a decline of Rs. 943.01 crores from December

1987. The country's dependence on external financial resources for its investment is not large but is disturbing. On the economy, it is pointed out that public intervention must be properly focussed for assuring the freedom to eat well and access to opportunities that guarantee a good life. Noting that statistics of national products may prove misleading in determining the average quality of life, where the experience of countries from China to Costa Rica show that positive freedom like the ability of active public support seems to create food distribution, education, medical and other basic benefits that enable the common man to live long and well. There is a paradox in China where life expectancy increased with nearly stationary nutrition, work and slow production, which with the introduction of 1979 market oriented reforms resulting in dramatic increase in food output, life expectations has fallen and morbidity and mortality increased. While India has conquered one type of hunger, famine, it is yet to remove endemic deprivation which China has done, which has less to do which any agriculturalist transformation as with systematic use of public intervention strategies of growth as in South Korea, which has followed a pattern of growth oriented security, unlike Kerala which with low growth has assured the provision of food, health care and education to the people at a high level and the level of child mortality which is similar to that of industrialised countries. On the country's anti-poverty programme, the adverse findings of the Central Vigilance Commission on the misuse of the mass credit camps (the loan melas) where loans were sanctioned regardless of their use and the conclusions of the Ministry of Programme Implementation that country's poverty profile, despite the array of anti-poverty strategies continues to remain skewed show the long way we have to travel to fight poverty. The conference of Revenue Ministers in December has recommended steps to expedite land reforms through (a) abolition of all intermediate tenures by the end of the VII Plan, (b) getting cases in courts to be decided on top priority basis, (c) protecting interests of women and tribals, (d) identification of tenants and share croppers to be taken up as a target oriented programme, (e) where tenants have not been able to acquire ownership rights due to inability to pay compensation, the provision should be legally deleted or by making payments in easy instalments, (f) consolidation of holdings to be taken up on a priority basis in areas covered by command irrigation projects and impact of consolidation on poorer farmers and agricultural labour should be studied, (g) the union should help strengthen revenue administration, update land records and computerise them, (h) start to take up comprehensive investigation into the rights and interests of tribals in land and land based resources and (i) panchayats of tribals should be given a specific role in detecting alienated land. The conference also noted that there has been no progress in the distribution of surplus land to the landless in the last few years. Against the estimated availability of 4.8 million hectares to 12 million hectares, the total area declared so far is less than 3 million hectares. Of the remaining undistributed land, 1,65,000 hectares are involved in litigation and 1,46,000 hectares unfit for cultivation — this data being the same as at the last revenue ministers conference in 1986. The government has brought all fruit and vegetable products along with processed foods under the broad banding scheme

in order to simplify procedures, to encourage greater flexibility in production and to help in the use of capacity. The 1989 status of the world's children report of UNICEF states that per capita GNP is a poor indicator of real development because it tells little about the progress of the poor majority. It states that progress towards true development can now be measured directly by such social indicators as average life expectancy, child mortality rates, literacy, school enrolement ratios, and per cent of people with access to clean water.

Industry

Industrial growth for August 1988 (the latest available data) at 172.7 is 9.8 per cent higher over that of August 1987. The average growth for April -August 1988-89 is 9.5 per cent over the 5 months in 1987-88. On this basis, the government concludes that the industrial sector recorded sustained growth in 1988 and is expected to be 9 per cent for the year. Sectorally the record is uneven. Cement, coal, and steel output are at envisaged level. Power in hydel terms increased due to the good monsoon, though the overworked thermal plants recorded decline. Petroleum products in first 7 months of 1988-89 was 0.6 per cent. There was a dip in industrial growth because of the drought between June 1987 and March 1988 but has since picked up. According to CSO it was 12.31 per cent for the first quarter April—June 1988. July again shows a dip but August picked upto 9.8 per cent as noted earlier. On industrial sickness, the Board for Industrial and Financial Reconstruction (BIFR) states that governmental delays at both the union and state levels are hampering the quicker rehabilitation of sick units. It also points out that the expenses incurred by sick units for modernisation and expansion are higher than that for proposed new units. The long delays make the rehabilitation programme costlier. The Rural Planning and Credit Department of RBI reports that as at the end of June 1987, out of 1528226 small sick units with outstanding bank credit of Rs. 1524.25 crores, 12062 units with outstanding of Rs. 342.74 crores have been considered potentially viable by the banks and 139,346 units with outstanding of Rs. 1059.9 crores unviable. This rising trend of sickness in the small sector is noted with concern by RBI and its standing advisory committee. The government also reports that the country has lost Rs. 20,000 crores on account of delay in the 300 projects which have been monitored by the Ministry of Programme Implementation since its formation in 1985. The government announced in December new guidelines for metallurgical industries to enable them to avail themselves of the facilities extended to them under the liberalised MRTP/FERA Acts. Similarly the non electrical machinery sector has been asked to attain higher growth by better use through existing capacity. A 4 tier credit rating system has been evolved by the banks under the discretion vested with them by RBI. The system is based on allotting marks for specified performance norms on the basis of which all industrial borrowers are classified.

Public Sector

The government reports that 33 public sector undertaking under the Industry ministry have made a 21 per cent increase in their production in October 1988 compared to October 1987. Among the good performers are Breithwaite Burn Standard, HEC, HMT etc. The Comptroller and Auditor General in a resume of the company auditors report tabled in the Lok Sabha states that a large number of companies do not yet have manuals for internal audit, nor guidelines with regard to the exact functions of different account services and physical verification of fixed assets. These deficiencies are in respect of internal audit, credit and inventory controls, accounting norms, manpower management and production cost control.

National Production Front

SAIL

The steel sector faces many issues. On the one hand, SAIL reports that a sustained effort to improve customer service and air freight steel availability has enabled it to increase sales by 17 per cent during the first quarter of 1988-89. On the other hand it also points to the concern of steel producers in the developing countries over the decline in demand for steel. In India, however, steel production even at 100 per cent capacity will not meet the demand for flat products which will be in excess of 2 million tonnes by 1994-95 and over 5 million tonnes by 2000. The government's review of SAIL annual report states that product mix of Steel Authority of India during 1987-88 matched to a great extent the market demand, which increased by 7 per cent compared to 1986-87. SAIL has invited British steel to undertake a study of the functioning of its integrated steel plants. This has now begun and is in its third month — aimed at improved operational efficiency of the plant. SAIL reports that 1988 is a water shed in the history of India's steel industry. The SAIL plants and TISCO are all set for what would be one of the biggest modernisation programmes in any industry. The year will see Bokaro and Bhilai completing their 4 million tonne expansion programmes. The first phase of SAIL's modernisation programme will also clear the backlog of maintenance, revamp old equipment, upgrade technology, reduce energy consumption and improve the quality of inputs and finished steel. In the second phase the output of all the plants will be raised to their optimum levels using the human resources and infrastructure facilities to the maximum. Similarly on the technological front, the updating of IISCO, Burnpur, Durgapur and Rourkela is a major accomplishment.

Crude

Almost all offshore fields in the country, particularly the Bombay Highfield, have reached a plateau and are unlikely to increase their crude output. So ONGC is recording a stagnation and some fall in output — which is one reason for turning to gas. ONGC reports that oil has been found in the Cambay basin, with a production level potential of 2010 barrels of oil and 1.28 cubic metres of gas per day. This is leading ONGC to set up a committee of experts to explore fully this source and also take it into consideration in establishing the VIII Plan crude target. The committee has recommended creation of more crude refining capacity during the VIII Plan, during which 2 or 3 more large oil refineries are to be set up in the country. The fall in international crude prices will benefit India and relieve the pressure on its BOP. ONGC reports finding a new gas source in the Krishna-Godavari offshore area, providing 94,850 cubic metres of gas a day. The government has set up a committee to review the rate of royalty paid on crude oil.

Coal

On the one hand, government reports that Coal India has achieved its first half 1988-89 target of 70.6 million tonnes, the actual production being 70.9 million tonnes. On the other hand the government has asked Coal India to tone up its overall performance in order to bring down its losses from the budgeted Rs. 270 crores to Rs. 235 crores — the accumulated losses at the end of 1987-88 being Rs. 2300 crores. Though the average growth rate of coal production is 7.2 per cent, the effective rate is less because of (a) the inferior quality of coal produced, (b) delays in transportation, (c) lack of weightment facilities at the transit and terminal points and (d) obsolete and inappropriate loading methods. CIL has been asked to concentrate on capacity use of machinery, particularly the new ones recently installed and increase productivity. In this context the half yearly report that OMS in the first 6 months of 1988-89 has been 0.98 tonnes against the target of 0.95 tonnes is not satisfactory, because this goes along with continuous rise in coal prices. CIL reports that it has taken up a wide ranging exploration programme to achieve a production of 300 million tonnes by 2000 AD. This should go along with improved quality of the coal produced. At the end of December, the government announced that the price of coal will increase by 13.7 per cent to Rs. 249 a tonne from 1 January 1989. This will bring in Rs. 350 crores annually. It will have multiple effects on all prices of commodities using coal.

Non Ferrous

MMTC states that copper shortage is likely to continue till March 1989 due to acute foreign exchange shortage. The total import demand is for 80,000 tonnes but the foreign exchange released upto now is for 50,000 tonnes which may be increased to 60,000 tonnes. Because of the fall in international prices, the government reduced in December the customs duty on copper, nickel, zinc, and lead. The total production of HCL might go upto 61,000 tonnes during the VIII Plan according to HCL. Work on its continuous copper rod plant at Taleja has proceeded to a point when it is likely to be commissioned in July/August 1989. BALCO for the first time reports earning a profit of Rs. 8.31 crores for 1987-88, after allowing for the loss of Rs. 2.15 crores at its Bidenby plant, which is now being modernised.

Cotton and Sugar

The cotton scene is as confused and mixed as ever. The Cotton Advisory Board at its meeting in November 1988 estimated the cotton output for 1988-89 at 108 lakh bales. This estimate is being revised and some 102 — 105 lakh bales is now being talked about. The export front is unclear. CAB has recommended export of 50,000 bales of Bengal deshi but because of the lower production estimate, has made no recommendation on export of staple cotton, which cotton growers are demanding at 4 lakh bales. Even at the lower estimate of 102 lakh bales, the consumption for the year being placed at 98 lakh bales, the opening stock in the mills at 18 lakh bales, the import of 4 lakh bales by exporting mills plus the 1 lakh bale of government for state cooperative mills, adds up to 125 lakh bales, which is a solid base to allow the export of staple cotton and on which government should stop dithering. On prices, the growers want CCI to enter market and ensure them the support price plus 20 per cent. This is the Maharashtra price under its monopoly procurement scheme (MPS). This meets the growers demand, but as they are free to sell in the most high priced market, and cotton prices are in Coimbatore, Gujarat, MP. Punjab moving up, it is doubtful if the MPS should continue, with all the costs involved. On the sugar front, the sugar industry has created a new record in producing 91.14 lakh tonnes in 1987-88 compared to 85 lakh tonnes in 1986-87. But consumption has risen even faster from 86.87 lakh tonnes to 93.89 lakh tonnes between the 2 years. Production increased by 7.2 per cent in the 1987-88 season but consumption increased by 8 per cent. In the current season 1988-89 the consumption increase has been maintained and will be 102 lakh tonnes. During earlier years, the gap between supply and demand was met by imports (between 1984-85 and 1986-87, 30 lakh tonnes at Rs. 1000 crores were imported) but now with soaring international prices imports will be very costly. In light of this (a) the free sale quota has been increased from 50 to 55 per cent of production, (b) the price of levy sugar in PDS has been raised by 15 paise a kg (from Rs. 5.10 a kg to Rs. 5.25 a kg) c) the minimum price for sugarcane from the 1988-89 sugar has been increased by Rs. 1 to Rs. 19.50 a quintal linked to a recovery rate of 8.5 per cent. The result will be increase in production in response to the higher price (the state advised prices will be even higher) and sugar production will increase estimate by higher free sale quota. But it is important that gur supplies should also be increased and its price increase countered. The Union Food Department is reported to be requesting cabinet approval to lower the minimum plant capacity from 2500 tonnes per day to 1500 — 1200 tonnes which will be a backward step because what is needed is to use fully existing capacity and modernisation of mills, and not starting new ones.

Oil seeds and Fertilisers

At long last, policy on edible oils and oil seeds seems to be moving in the right direction. The government announced in Parliament that edible oil imports will be cut this year against the import of 4.5 billion tonnes in 1987-88. This is due to the good oil seeds production which is 85 lakh tonnes for kharif and an expected 71 lakh tonnes for rabi which is also its target. There is the problem faced by the growers of the resulting fall in prices which the government is preventing by keeping edible oil prices within a band of Rs. 20,000 to Rs. 25,000 a tonne. To ensure that the growers get the benefit of this price plus an incentive, it should intervene in the market itself. The crushing industry must also modernise their machinery and use improved technologies to match the improved farming practices and post harvest technologies of the farmers. On the fertilisers front, the gap between demand and production is being met by imports. In 1988-89 consumption is expected to be 12.3 million tonnes and production 8.6 million tonnes, in 1989-90 consumption will be 12.3 to 12.5 million tonnes and production 7.13 million tonnes. There is thus urgent need to increase the production of fertilisers. A further reason is that if in 2000, 225 million tonnes of foodgrains are needed to feed the population, the demand for fertilisers will then be 20 million tonnes. At present consumption is 9 million tonnes and the next 12 years will have to increase by 1 million tonne a year, involving the creation of new capacity, improved capacity use (at present capacity is 20 million tonnes actual production 7 million tonnes) and modernisation of fertiliser plants which suffer from technological obsolescence.

Agricultural Production

While with the very good south west monsoon assuring a very good kharif crop and adequate winter rains benefiting the rabi crops, most of the farmer's news this month is on the negative side. Foodgrains stocks have fallen to 7.7 million tonnes at November 1, 1988, comprising 2.2 million tonnes of rice and 5.5 million tonnes of wheat. The use of this for PDS, NREP, RLEGPI and flour mills will involve use 7.5 lakh tonnes of rice and 7.15 lakh tonnes of wheat per month and this will empty the buffer and force import of foodgrains over and above the 2 million tonnes of wheat and 650,000 tonnes of rice being imported. Further, though paddy production in Haryana and Punjab is higher this year than last year, at 25 lakh tonnes this year against 18.1 lakh tonnes for Haryana and 87 lakh tonne against last year's 83 lakh tonne for Punjab, and though mandi arrivals are higher, rice procurement is lower than the target because of increased hoarding and out of book transactions. Another disturbing development is that the agricultural ministry's demand for Rs. 100 crore for the special foodgrains production programme being implemented in 169 districts in 14 states having been refused, kharif output next year will suffer. Out of the Rs. 100 crores, Rs. 42 crores was for irrigation, Rs. 13 crores for pesticides and Rs. 14 crores for weedicides for the farmers, Rs. 25 crores for quality seeds for small and medium farmers, Rs. 3 crores for distribution of pulse seeds. For the current year, the rabi target will be met of 76 million tonnes, wheat 52.2 million tonnes, rice 6.85 million tonnes, coarse grains 7.98 million tonnes and pulses 9.6 million tonnes. But next year kharif is in real jeopardy. The Planning Commission says that of 140 million hectares now under farming, production should be increased over 110 million hectares and the remaining 30 million hectares which are marginal or degraded land should be returned to fallow as one means of maintaining the country's ecological and environmental balance. One positive development is the government announcement that farmers in 16 selected districts of 14 states can now take bank loans upto 80 per cent value of their foodgrains stock. This should be extended to other states.

Foreign Trade

The data on foreign trade for the first 7 months April-October, 1988-89 is extremely disturbing. On the one hand, while exports performed well, increased by 22 per cent at Rs. 10,642.62 crores during the 7 months, imports increased even faster by 27.6 per cent at Rs. 15,56507 crores, leaving an increased trade gap of Rs. 4936.45 crores, having shot up by Rs. 1452.47 crores in October alone. There are many factors at work. The disturbing spurt in imports, apart from some effect of the Rupees depreciation, is due to in part to the rise in price of minerals, petro-chemicals and the imports of foodgrains and edible oil, to misuse of the advance import licensing scheme for export production; to the evidence from the IDBI assisted companies which show that the ratio of their imported raw materials and components is rising both horizontally and vertically, to the tariffs structure which does not give adequate protection to the indigenous industry and to the basic gap between savings and investments, particularly the falling public savings involving increased inflation and deficit financing. All this means that there is no short cut remedy on the trade deficit situation which will cover the balance of VII and all of the VIII Plan. The large houses are performing poorly on exports and it is good that the government has set up a committee to investigate this. In this connection the failure of 560 export and trading houses to fill performance reports will make this study a difficult one and the sanction to deregister them is merited. Foreign exchange reserves have declined by Rs. 1,928 crores during April-August 1988 against the decline of Rs. 1189 crores in that period in the previous year. On individual items, as noted earlier, the fall in international crude prices by 11 per cent will afford some relief to this deficit situation. The exports of engineering goods are picking up, with 76 per cent of the engineering firms expecting a rather sharp rise in exports. Exports in the chemical area recorded a rise of 75 per cent in April-October 1988 over the exports in that period in 1987. There is considerable scope to expand counter trade to meet part of the trade deficit. In this area, a strategy is needed for and MMTC to approve. The government has announced 2 schemes on air freighting and sample subsidies to increased garment government exports. The Soviet's have agreed to overall trade balancing and not to insist on unit to unit balancing.

Aid and Loans

IBRD is considering granting a loan of $ 250 million to boost exports of engineering goods. Australia has agreed on a loan for Karnataka's power plant at Tarangal. Netherland is granting a loan/aid of Rs. 149 crores for the development of rural banking, non formal education, water supply and renewable energy resources. The UN World Food programme is granting a 2 year food assistance of $46 million to supplement the diets of 2.12 million women and children in five states. The Export Credit Guarantee Department of UK is granting a loan of $6 million to Air India to cover part of the cost of the visual system for its Boeing 743 and Airbus A-310. The government also approved a $250 million Japanese loan for the purchase of 19 Airbus—A-310 by Indian Airlines.

International

World Economy

IMF estimates growth in the 7 major industrialised countries at 4.25 per cent for 1988. This good record could be used by them to dismantle their trade business without which growth will be limited. Inflation is 3.2 per cent. A world environmental survey refers to 1988 as the year of warning after decades of human abuse of the environment. In Brazil 6 20,000 sq km of rain forest has been destroyed in the 80s, in Bangladesh floods killed 1400 people and covered three quarter of the country with disease bearing water exacerbated by the deforestation of upriver mountain slopes of Nepal and the deforestation estimated at 71 hectares a minute provided income for the desparately poor that caused water

to run off the denuded slopes, in the US Atlantic, coast the beaches were polluted with medical wast s, the green house effect is building up and caused fertile forest fires in the US destroying a record 2.4 million hectares of trees, in Africa 15,000 tonnes of toxic ash was dumped on its shores, in countries there was renewed concern for the environment. Thus the ecological problem is slowly developing into an increaseable crisis.

Third World debt

The latest World Bank estimates that the Total Third world debt is $ 1200 billion and will be Rs. 1.3 billion by 1988 end, which is 50 per cent of its combined GNP. The Bank admits that the solution to this crisis is elusive. It has put forward a 6 point strategy to deal with the crisis involving increasing the level of investment in the debtor country, linking trade policy with efforts to resolve the crisis and greater regulatory flexibility on the part of the creditor countries. In the end there has to be a writing off of the debt.

GATT and World Aid

The mid year review of the Uruguay round of GATT at the December Montreal meeting was a deadlocked affair, so that the meeting was saved by its being adjourned. As of now the final success of the round which ends in 1990 is bleak. US and EEC are at opposite ends on agricultural subsidy. Some progress was achieved in 11 out of 15 areas under negotiation including the negotiation on liberalisation of trade in services, in tropical products, trade policy surveillance and dispute settlement. For India there were some gains in the area of services and intellectual property. OECD's Development Assistance committee reports on World Aid for 1987 is that official Development Assistance (ODA) amounted to $ 41.5 billion, out of a gross $ 50 billion aid, ODA played a critical role, representing 54 per cent of total net financial flows to developing countries. Export credits are depressed and private flows are only beginning to recover. Though ODA increased by 13 per cent from $36.7 billion to $41.5 billion in 1987, it dropped by 1 per cent in real terms.

World Food

The International Wheat Council estimates that world wheat production could total a record of 350 million tonnes in 1989-90, rising from this year's drought hit 300 million tonnes. This is based on the assumption favourable weather through the growing season. Crop forecasts for Australia, Hungary and Turkey were reduced slightly but this was compensated by increases for Morocco, Saudi Arabia and South Africa.

ILO Surveys on Employment and Privatisation

The ILO survey on world employment states that 40 years after the UN human rights declaration was adopted, 100 million persons are without work. 30 million are unemployed in the industrial countries of OECD where unemployment rose from 6.2 per cent in 1979 to 10.9 per cent in 1983 and 11 per cent in 1985-86. In the developing countries the jobless are 70 million, 500 million are underemployed and 900 million live in extreme poverty. Due to continuing economic recession, there is no progress in solving unemployment and poverty. In another survey ILO points out that financial difficulties and privatisation will not affect the growth of employment in the public sector in most of Asia, though the expansion will be less than in the past. By 1983 the public sector became the largest employer in Bangladesh at 67 per cent of all wage employment, in 1981 it employed 43 per cent of professionals, 26 per cent of administrators and 23 per cent of clerks ; in India, it increased 4 fold between 1957 to 1985 ; in Malaysia it increased more rapidly than total employment between 1963 and 1983 as in the Phillippines. At the same time there was a rising trend of women in public service employment in Asia, to 33 per cent in Thailand, 29 per cent in Malaysia, 45 per cent in Philippines and 11 per cent in India. The survey also found that in terms of average earnings of all employees, public services are a high wage industry compared with manufacturing, construction and agriculture. Wages of unskilled workers are generally higher in the public sector than in the private enterprises, but professionals earn more in the private sector than as public servants.

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

The major event concerning the farmers engaged in raising samba paddy is the water needed for the crop of the order of 30-35 tmc feet of water, as noted earlier. The brief rains in December has benefited the crop and enthused the farmers. The paddy crop in the Cauvery rivers — old delta area is water starved in several areas and the crop in some pockets in the Grand Anicut canal river systems in the new delta area is causing the farmers a deal of anxiety. Farmers in the tailend areas saw their paddy over 70,000 acres sinking in November rains but the water soon drained leaving the crop unaffected. The farmers raised kuruvai paddy only in adout 85,000 acres this year against the normal 4.23 lakh acres because the mettur water was released only from August 7 (see Vol. XVIII p. 471). Following late release of Mettur water, farmers have been advised to raise early a single crop (7.5 lakh acre, samba and 3.5 lakh acres kuruvai). The farmers as a community lost Rs. 150 crores worth of paddy by foregoing the kuruvai. But some — the farmers in Tiruthuraipoondi, Mannargudi, Pattukottai and Orathanadu raised the crop by direct sowing in view of their good experience with direct sowing in 1987. Farmers use mostly Ponni paddy variety followed by ADT 36 as a single paddy crop. Some of them have began harvesting and the peak harvest is currently under way at December end. Now the farmers are looking forward to water till the end of January and to the government procurement of the harvested paddy. The other crops, cotton in Coimbatore, groundnut in South Arcot, pulses in North Arcot and other districts and coarse grains are doing well.

Research results

Research reports in February all from Annamalai University Department of Agronomy on use of urea coating to

ncrease rice yield, from West Godavari agricultural research centre on means of eradicating weeds in maize, from AP Agricultural University on the control of the moth pest in sesamum, and the means of countering the bark eating caterpillar in ber, from TNAU on fighting the American ballworm in cotton, from the technological research station in Anantapur on the various uses of sunflower seed and sunflower oil, from the Bhavanisagar on the results of its work on the weed control in turmeric, from the Kerala Agricultural University demonstration of growing green manure in standing water and its successful demonstration on chlorine as a major nutrient to coconut, from AP agricultural university, Tirupathi on how termites ravage field and how they can be controlled, from TNAU's Kovilpatti work on seed treatment to boost pulse yields, from the Indian Institute of Sugarcane Research, Lucknow on developing manure from farm waste, from TNAU's work on choosing the right sowing time to obtain higher maize yield and its results in countering banana diseases as well as means of improving the yield of passion fruit, from the SV. agricultural college Tirupati as means of countering the leaf gall threat to mangoe, from the UAS Bangalore on the results of developing a promising new mango hybrid, from the Annamalai University on its work on mutant lemon with a fine flavour, from the college of veterinary sciences, Hyderabad on the causes and cure of cattle poisoning, and from the Madurai Kamaraj University which has developed mono sex, sterile and transgenic form of fish.

Tea

The tea scene faces a number of problems. First, there is the problem of production and export. On the production side, UPASI estimates that the output from calendar 1988 is heading for a record 691 million kgs against 674 million kgs in 1987. The 1988 export are estimated at 220 million kgs compared to the previous year's 209 million kgs. During April-August 1988 exports were 67.58 million kg fetching Rs. 216.70 crores. An official report states that with the steady increase of domestic consumption, increased export earnings will have to be from export of value added. Accordingly the Tea Board is to organise production of high quality blends for marketing abroad and explore new markets. The target for the current year is Rs. 750 crores. A second problem is the struggle between the Union Commerce Ministry and Tea Board to decentralize its functioning and the Tea Board which wants to hold on to its powers. A third issue is the fierce competition between Sri Lanka tea which at lower wages and taxes and better quality sells abroad more than South Indian Tea. A fourth issue is the target of 1100 million kgs of tea output for 2000 by the government and the consequences of increase in area under cultivation and production per hectare that are involved.

Coffee, Rubber and Cardamon

The major issue in the coffee scene has been the increase in the Minimum Release Price (MRP) for coffee established by the government and reported in the last issue. This has been resisted by the traders who went so far as to boycott the auctions as a result of which there was some reduction of MRP and the issue was settled. But the question of the producer selling their coffee directly to the consumers, of the Coffee Board establishing coffee shops all over the country and so bypassing the trader has risen. The growers have asked that they be allowed a certain percentage of their product for sale by them and not for all of it to be deposited with the Board. Similarly rubber planters are demanding the right to set up their own tyre factories and so countering the strength of the Rubber Users Association. Cardamom growers are also urging the parties of the cardamom marketing community to organise themselves into cooperative enterprises and market the spice to their advantage. Thus the producers involvement in marketing is gathering momentum and is now being converted into a programme of action for plantation crops.

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III. Industrial Development in Tamil Nadu

Pioneering of industrial units

The pioneering industry concept introduced by the State government to attract heavy investment can widely disperse industries in backward areas. An official committee is finalising the list of taluks which can attract pioneering units. A tentative study shows that more than 80 out of the total 166 taluks in the state can have the benefit of the special subsidy. The governor while detailing the second package of incentives in October (see Vol. XVIII pp 573 – 574) indicated that 34 taluks will qualify for the locating of pioneering units with special subsidy. The scheme which has been a great success is Maharashtra and Gujarat, comprising (a) new units with a fixed capital investment exceeding Rs. 5 crores being set up or the first unit in taluks declared eligible for state or Union subsidy and b) new units with fixed capital investment exceeding Rs. 25 crores being set up of which is now after October 1, 1988 which will be eligible for a higher capital subsidy of Rs. 25 lakhs.

SIPCOT and Electronic Investment

SIPCOT which is implementing the state subsidy scheme for medium and large scale industries set up in backward area has so far disbursed Rs. 1.15 crores out of its budget provision of Rs. 3 crores for 1988-89. It provides interest free sales tax loans for Rs. 4 crores out of Rs. 8 crores each marked for this year. The State government offers area specific subsidy of 15 per cent of fixed capital, a Rs. 15 lakh for industries set up in 34 taluks coming under the state declared backward areas, besides the industrial complex coming up at Tuticorin and Cuddalore. The State government has sought increased investment by the Union in the electronics sector during the VIII Plan upto Rs. 100 crores. It has invited the Union Electronics Department to locate its testing laboratory in the state and for BEL to join with the Avadi Heavy vehicles to expand its investment.

MEPZ and TANFAC

MEPZ reports that 100 per cent export oriented handloom government unit is coming up in the zone. It will increase handloom exports to Japan on the basis of regular information on Japanese fashion needs and designs from its Japanese collaborators. The Tamil Nadu Flourine and Alcohol chemicals Ltd (TANFAC) is setting up another project costing Rs. 8.32 crores for manufacturing of anhydrous hydroflouric acid. It is a joint project of Hindalco and Gynasin with TIDCO to be set up at Cuddalore.

TAMIN and Graphite India

TAMIN has had so far a monopoly access to graphite mining in the state. There are allegations of corruption and underinvoicing of graphite exports against the company which the government is investigating. The government announced in December that it is liberalising the leasing pattern for export oriented granite mining in the private sector. Government lands are to be thrown open to the private sector units for granite mining lease. Private sector unit with facilities for granite polishing can apply for mining leases in areas, outside private pattalands. Graphite India announced in December a large Rs. 14 crores expansion of its factory. This will expand the manufacturing capacity of graphite electrodes, anodes, and miscellaneous carbon/graphite products from its present 5400 tonnes per annum to 10,000 tonnes. It will raise Rs. 250 lakhs internally and the balance from foreign and rupee loans.

Magnesite Plant and MRF

A Rs. 65 crore plant is being set up by the Tamil Nadu Magnesium Corporation at Salem for chemical beneficiation of magnesite host rock. It will recover 99 per cent of magnesite ore from the host rock and thus help to conserve the mineral resource. The project which will go onstream in early 1990 and the technology and equipment are being imported. It will upgrade the quality of the ore by reducing its silica content. MRF announces the setting up of Rs. 25 crore project in Tada, Nellore district for the manufacture of automotive tyres and tubes. The plant will have a capacity of 1.5 million tyres per annum. 50 per cent of the resources are to be from internal funds of the company and 50 per cent is to be raised through debentures.

Cauvery crude and leather

The Union government has asked MRL to prepare a detailed feasibility report for setting up primary facilities for processing the crude available from the Cauvery basin. The project is estimated at Rs. 94 crores. This task of MRL is in addition to the detailed project report for its aromatic plant in partnership with SPIC, as reported in the last issue. On the leather front, two developments should be noted. SIPCOT announces that a leather industrial estate is to be established at its Gummidipoondi area. The location assures the industry of the water it needs. The issue is that tannery effluents are being mixed with sub soil water at Kaveripakkam and is polluting the irrigation tank, leading to farmers agitation there. The farmers have been asked not to drink the water and allow their cattle to drink it. This is part of the problem of water and land pollution being faced by North Arcot as a result of the leather tannery units.

Private sector report

Kothari Industrial Corporation in its annual report for 1987-88 states that it is planning to diversify taking advantage of the disinvestment of the chemical units. It reports on the expansion of the chemical units. It reports on the expansion of its fertilisers division and the Rs. 346 lakhs modernisation programme of its textile division.

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IV. Education, Science and Health

Educational reforms

The National Educational Policy including Operation Blackboard, is facing a serious problem from the lack of resources. The question about the unreality of the NEP targets, about the extent to which the quantitative targets on Operation Blackboard (which is covering only 20 per cent instead of 30 per cent of the community development blocks), and the literacy mission (which is being slowed down), and the qualitative goals on reducing the urban-rural educational differences can be realised with these resources, the cut back in the Navodya Vidyalaya programme which was planned at 449 in 1989-90 but which is likely to be only 256 — these various questions are being raised now about the practicability and the realisability of the NEP and its various components. One distorting factor has been the effect on Operation Blackboard of the steep rise in land prices from Rs. 8 lakhs per acre to Rs. 28.50 lakhs which has affected this programme seriously. In the state, the chancellor and the vice chancellor of the universities have been meeting on the worrisome problem and falling academic levels seen in (a) poor performance of students from the state in all India competitive exams (IAS, IPS, IFS etc) and UGC, CSIR fellowships tests, (b) the small numbers of research papers published by the growing number of state universities and professors, and (c) the high percentage of failure especially among men in undergraduates exams — (the percentage of passes of men in BAs and BSc courses being 27 and 25 per cent and that of women 56 and 57. The need to improve this situation by improved teacher recruitment and raising level of learning and research in the universities is stressed. Another problem in the university area is the growing conflict between the Governors as Chancellors and State governments (chief ministers) all over the country in the appontment of Vice Chancellors. To resolve this, where the UGC feel that the views of State government should prevail as they pay the major part of the university expenses, a committee has been appointed to work out the guidelines for making such appointments.

Technical education

The Union government states that it is providing Rs. 11.50 crores to the State governments to improve the quality of equipment in the Industrial Training Institutes as well as to replace old and outdated equipment. The Central Board of Secondary Education and LIC are cooperating in introducing a vocational course in life insurance at the Plus two level from the 1989-90 session. The course is to be introduced in

selected schools all over the country and a high level monitoring committee has been set up to overview its implementation. The 16th convention of the Indian Agricultural Universities has recommended the establishment of a rural development study centre in each agricultural university to function as a resource centre for the study of perspective planning in collaboration with departments dealing with rural health, communication, transport, electricity etc. These centres will take up studies in rural development programmes and get feedback to improve the ongoing programmes. This would also be a means of involving agricultural universities in rural development. It is important that this programme should be dovetailed with that of UGC on rural universities. The State government has decided that the entrance exams to professional courses in the state will be held in mid — June, with no delays.

Satellite

With INSAT IC becoming operational on October 15, 1988, Ministry of Communication states that 336 circuits working on INTELSAT have been transferred to it to expand satellite network of the country. A computer controlled Message Transmission System (MTS) at the Madras station has been commissioned to facilitate automatic transmission and reception of telegrams for the southern region.

Science

The National Informatics Centre (NIC) of the Planning Commission plans to set up one computer and one earth station by March 1989 in all its 441 districts under the Nationwide computerised division support Information System (NICNET). Already 300 districts have been provided with an earth station each with a four level, nation wide data base and random access communication and of these 150 have begun operation. A crash programme is being launched by NIC to set up 55 such stations for NICNET in January 1989. What is the reason for this great hurry and what is its priority for the country's development vis-a-vis its poverty seems to have received no attention. The Taskforce on Science and Technology based employment recommends that DST should promote entrepreneurship as one of the main employment generation avenues in the small sector and expand its effort to reach rural segments, which the banks and FIs should also turn around and support. The Department of Non conventional Energy Sources states that it is introducing solar powered refrigerating packs as part of National Immunisation Mission. A start is being made in one AP village, which will also demonstrate that solar technology is cost competitive. An official task force on electronics for health care calls for immediate establishment of a well coordinated technology mission with a few centre of excellence in electronics for health care. A centre for animal health studies of TNAU was inaugurated in late December at the Madras Veterinary College, which pools the resource of 10 animal health departments. The Centre will promote research work with heads of departments identified as lead scientists to provide guidance and act as links between field scientists and the various corporations associated with animal health. The Jawaharlal Nehru Aluminium Development and Design centre has developed with UN aid to solve the industry's probleml Similarly, the Ceramic Research Institute of BHEL is to help the ceramic industry to modernise its technology. Super - conductivity research in which industrial countries are not willing to assist the developing countries is to be the subject of special concentration in order to make up for the gap. The government has agreed to the setting up a Rs. 20.72 crores national research and development centre for tyres. Its mode of financing from government and concerned companies is being worked out. IIT Madras reports that it is building the first Rs. 1.1 crore 150 KW prototype wave energy power station at Trivandrum, it converts energy in sea waves into electricity through air driven turbine and will go on stream in April 1985 and feed the the Kerala State Electricity grid. An action plan to improve environmental condition of the Cauvery has been developed as part of the state's VIII Plan. In 2 months the report of Pollution Control Board and the Department of Municipal Administration and Industries will be ready showing the extent of industrial and domestic wastes that are discharged into the river all along the Cooum. The cleaning up of Cauvery should start in stopping this.

Health

The State government states that the states birth rate has declined from 30.7 per 1000 in 1976 to 28 per 1000 in 1981 and to 23.7 per 1000 in 1985 compared to all India average of 32 per 1000. On this basis the state's population is projected at 66 million in 2000. The questions of the extent of infant mortality which contributed to the lower birth rate and the ineffectiveness of the family planning programme are raised and are relevant. UNICEF aid immunisation programme is to be extended to 4 more districts in the state which will make it an all state programme. It is claimed that as a result infant mortality has declined from 95 per 1000 in 1984 to 82 per thousand in 1987. UNICEF reports that the world will enter 1989 poorer by half a million children who died during 1988 because of social and economic neglect, the debt crisis and the 1987 drought. Despite Asia's economic progress, it is the home to more than half the poor children of the world, with family incomes falling by 10 —25 per cent, resulting in cutting down on basic necessities for children.

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V. Employment and Labour Relations

An ILO survey reports that millions of unemployed in the UK and W. Europe find it more profitable not to work which means that unemployment and social security schemes which were developed as insurance against joblessness, are acting as a hurdle against ensuring unemployment. Many unemployed are afraid of taking up part time work for fear of losing unemployment benefits which bring them higher incomes. ILO data shows an expanding trend of part time worker in Denmark (24.3 per cent of total labour force), Netherlands (22.2 per cent), Sweden (23.5 per cent, UK (2.11 per cent), with

women constituting the majority of part time workers. This ranges from 89.8 per cent in FRG to 64.5 per cent in Italy. The Ministry of Labour (in India) reports that during the first 8 months of 1988 (January-August) 17.99 million mandays were lost through strikes and lockouts. In all of 1987, 35.36 million mandays were so lost. Of the 17.99 million mandays lost this year, 8.34 million mandays were lost because of strikes and 9.65 million mandays because of lockouts. The largest number of strikes were in AP (155), Followed by Tamil Nadu (130). The Union public sector accounts for the largest number of strikes.

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VI. Other Items

IIEP

The International Institute for Educational Planning, Paris, celebrated its 25th anniversary. The highlights of the Silver Jubilee celebration was a well attended public meeting under the patronage of President Leopold Sedar Senghor and which was attended by all past Presidents and Directors. At the meeting the Director, the President, the Director General and the French Minister of Education spoke highlighting origins of the Institute, its main accomplishments and its future perspectives. The following week witnessed the annual meeting of the Institute's Governing Board at which its work for 1988 was reviewed and approved. Also the programme and budget for 1989 was discussed and established.

Kaiga

There was a 2 day national conference at Bangalore at which the proposal to establish a nuclear power plant at Kaiga, North Karnataka was very fully debated. It was the first time that nuclear scientists, particularly those from the Atomic Energy Commission and the opponents comprising of scientists, engineers, social scientists and other environmentalists met and had a very fine exchange of opinion and views.

Readers Digest

There was the special meeting of the Board of Directors of the Reader's Digest followed by the Annual General Assembly. The work of the Digest for 1988 was reviewed and approved. The audited accounts for 1987 were also tabled and approved. The retiring directors were reelected.

SCST & SID

The Annual meeting of the Tamil Nadu State Council of Science and Technology was held at the end of December. It reviewed the ongoing research projects and made a number of suggestions for their speedy execution and improvement. It approved the audited accounts for 1986-87 and approved the budget for 1989-90. It also approved the establishment within the council and its building of the Centre for Information on Technology and authorised the President to appoint staff for the purpose. There was also a meeting of the Madras Chapter of the Society of International Development. Its president gave an account of the proceedings of the international conference in Karachi on womens' role in development. Here India seems to be forging ahead of other countries.

CSD & IIC

The Annual meeting of the Council of Social Development was held at the end of December. It reviewed the Annual Report of the Council presented by the executive chairman. It also received with appreciation the first draft of the consolidated report of the results of research projects since 1977 and made suggestions for its further elaboration and improvement. It passed in review the audited accounts for 1987 and approved them. It also approved the revised budget for 1988 and recommended and approved the programme and budget for 1989. It suggested that some part of the core fund should be used to develop a programme in accordance with CSD policies and priorities. The Board of trustees of the India International Centre met and reviewed a number of pending matters. It also prepared for the Annual General Meeting which followed. At the meeting, it was noted that in accordance with the Income Tax Act, the Centre's financial year is to be changed from the calendar year to April-March. Accordingly it approved a budget for January-March 1989 and decided to meet again in March to review the Director's report. It approved the audited accounts for 1987 and took note of the draft budget for 1989-90 drawn up by the Board of Trustees which will be formally established and noted at its March 1989 meeting.

January Development Seminar

The paper for the January Seminar "Mid year Review of the Economy 1987-88 "by Dr. Malcolm S. Adiseshiah together with the summary of the discussion of the paper at the seminar appears as the first article.

Second Article

A note on the "Indian Economy in the 1980s and on to the 1990s" — Part II by C. T. Kurien appears as the second article.

MIDS News

Dr. C. T. Kurien gave a seminar on 'How *Indian* is the Economy ?', second in the series based on his on-going research on "Understanding the Economy" at 2.30 p.m. on Monday, 30th January, 1989.

Dr. Kurien delivered the first Prof. N. G. Ranga Endowment Lecture of the Andhra University on Tuesday, 31st January. The topic of the lecture was "The Future of Village Industries".

Dr. Kurien also gave a lecture on Wednesday, 1st February, 1989 to the faculty and students of the University's School of Economics.

* * * * *

Prof. Jan Breman of the University of Amsterdam visited Madras from 7th to 10th February, 1989. He gave two lectures in the premises of the Institute on the 8th and 9th February on the following subjects :

1. The Shattered Image : Construction and Deconstruction of the Village Community in Colonial Asia ; and
2. After Ten Years : Migrant workers and cooperative capitalism in South Gujarat.

* * * * *

Dr. Padmini Swaminathan attended an international seminar on the status of women & their role in development organised by the Committee on Studies for Cooperation in development in South Asia at Marga Institute, Colombo from 23rd January to 27th January. She presented a paper on "Legislation for the improvement of socio-economic conditions of women".

* * * * *

Both Dr. C. T. Kurien and A. Vaidyanathan attended a National Conference on the Indian Planning Experience organised by the Planning Commission from 11th to 12th February.

January Development Seminar

Some Notes on Tamil Nadu Economy 1987-88

by

Malcolm S. Adiseshiah

Prolegomena

Following the review of Tamil Nadu Economy 1986-87 presented to the 1987 January seminar, it was suggested that the next review on the State Economy for 1987-88 be presented in July 1989 when the State government's publication Tamil Nadu — an Economic Appraisal 1988-89 would have been released by the State government, so that the data for the year under review 1987-88 would be based on actuals and not on projections and guesestimates. The document Tamil Nadu — an Economic Appraisal gives firm data for the anterior to the year set forth in its title. That is, the document for 1987-88 gives fairly complete data for 1986-87 on the basis of reports by Departments and surveys carried out by agencies and makes certain guesses for the year advertised, 1987-88. Hence the suggestion to wait for reviewing the year's economic performance till the 1988-89 Appraisal document is published for then the data on 1987-88 would be firm. But the exigencies of the Institute's programme and schedule have once more forced this exercise to be undertaken in January 1989. The result is that the data base for the review is not firm, and there is continuous reference to the record of performance in 1986-87.

Not only does the principal document for this exercise provide an inadequate basis, the supporting documents are even more ante - dated than the Appraisal document. The latest Statistical Handbook for Tamil Nadu is for 1986. Similarly, the most recent annual Statistical Abstract of Tamil Nadu goes back a further year to 1984-85. Thus the review is handicapped by lack of authentic data for 1987-88.

There is another disturbing element in undertaking the review. The Insitute

has after 4 years of study and research by its staff published the result : Tamil Nadu Economy : Performance and Issues. There is an uneasy contrast between the main sombre dimension of the economy traced by the Institute's publication and the rather optimistic profile of the economy set forth by the Appraisal document.

The Institute's publication analyses the growth rate of the State Domestic Product for two periods 1960-61 to 1969-70 which was based on 1960-61 prices and 1970-71 to 1982-83 based on 1970-71 prices and concludes : "the first (observation) is that, the growth has been very poor, hardly any during the decade of the 1960s (at 1.78 per cent per annum) and only marginal in the second period (2.8 per cent). Secondly, Tamil Nadu which was ahead of the country in 1960-61 lost that position by the end of the decade and has continued to be below the national average since then".[1]

The Appraisal document presents a somewhat different conclusion : "the trend growth rate in state income for Tamil Nadu has been worked out for different periods and presented below :

TABLE I

Period of Growth	Trend rate of growth (per cent)*
1970-71 to 1980-81	2.10
1970-71 to 1981-82	3.40
1970-71 to 1982-83	3.03
1970-71 to 1983-84	2.99
1970-71 to 1984-85	3.75
1970-71 to 1985-86	4.24
1970-71 to 1986-87	4.28

*Based on Revised Estimates for the years upto 1985-86

Source : Tamil Nadu — an Economic Appraisal 1987-88

"The trend growth rates indicates that the Tamil Nadu Economy has been gradually moving forward from a lower to a higher plane of growth. Analysing the trend growth for the entire period 1970-71 to 1986-87, it is found to be 4.28 per cent per annum".[2]

The analysis of the Economy for 1987-88 will only partly help reconcile these conflicting conclusions, as both the Institute's publication and the Appraisal document deal with trend rates for one or two decades of the state Economy.

Poverty and Inequality

Instead of starting with what the Institute document describes as "the economist's short hand indicator of development", namely the rate of growth of state income, on this occasion a start may be made with analysing what the effect of the state's development has been on the poverty of the people and inequality as between them.

Poverty

It is also appropriate to begin the appraisal of the Tamil Nadu Economy with its end purpose — its effect on the standard of living of the people of the state. The Appraisal document is silent on this issue, not even providing the kind of information on one facet of the inequality problem provided in the 1986-87 Appraisal document — the progress of land reforms in the state, comprising the distribution of surplus land from the ceiling among the landless, or reform of land tenure through the Tamil Nadu Cultivators and Tenants Payment for Fair Rent Act, the Tamil Nadu Agricultura

Land (record of tenancy) Act and the Ganapathy Pillai committee report follow up.

Referring to the study on the profile of poverty in the state made in the Institute's publication and included as chapter IV of its publication, Tamil Nadu Economy : Performance and Issues and presented more succinctly as a paper for the 1988 July development seminar[3], a study of the 11 rounds of NSS data of the state between 1961-62 and 1983 throws up the following somewhat disturbing conclusions :

a) The average real per capita consumer expenditures are low in both urban and rural areas and the over 2 decades covered by the study shows no trend towards an increase of this low level :

b) Those in the state living in poverty are spending about 30 per cent below the minimum set forth for their poverty line expenditures :

(These averages hide the varying levels of poverty among the people which is recognised officially in identifying "the destitute group" among the poor as those with a per capita expenditure below Rs. 1226.50 and "the very very poor group" with per capita expenditure of Rs. 2250 — Rs. 3500) :

c) The percentage of people living in poverty in the state is 47.15 per cent for rural Tamil Nadu, 49.89 per cent in urban Tamil Nadu and 47.98 per cent for the whole state. The surveys show a decline in the percentage of those living in poverty over time : the effect of the 1987-88 drought on the poverty status of the people has not been computed. Going on the basis of the effects of past droughts, the percentage of people living in poverty must have for that year increased by 10 to 15 per cent :

d) The findings on nutritional deprivatisation is disquieting. Using ICMR criteria and NSS data, over 80 per cent of the population is in a state of nutritional inadequacy in 1972-73 and over 5 per cent of the population in a state of several calorific depreciation. The National Nutrition Monitoring Bureau[4] reports that for the period 1976-80, against the recommended 2400 calorie consumption, 8 districts — Chingleput, North Arcot, Thanjavur, Salem, Nilgiris, Madurai, Tirunelveli and Kanyakumari — recorded a lower consumption. In regard to protein, against the recommended 55 grams, the consumption was less in 3 districts — North Arcot, Tirunelveli and Kanyakumari. The calorie — protein intake was inadequate in the case of 30-40 per cent of the population, the average calorie intake being 2249 in 1976, 2447 in 1977, 2411 in 1978, 2537 in 1979 and 2196 in 1980. This is confirmed by a recent study of the Agricultural College, Madurai[5] whose finding is that calorie intake was less than the 2400 recommended in all the 7 Madurai blocks surveyed except one and the intake of protein varied from 47 to 72 grammes. As against the intake of 563.4 grams of cereals and 59.1 grams of pulses in 1979, it reports that cereal consumption declined to 482-564 grams and pulses to 46 grams in 1985-86. There is the declining trend of foodgrains production at 100 in 1970-71, 107 in 1975-76, 84 in 1980-81 and 114 in 1985-86 and the increasing population trend of 100, 110, 118 and 128 for these 4 years on which the unequal income distribution is superimposed.[6] V. K. R. V. Rao in his study on the inter-related problems of food, nutrition and poverty calls attention to the fact that Tamil Nadu is one of the few

states which suffers from "a higher percentage of the bottom group and a lower percentage of the top group" compared to the all India averages based on "below 1500 calories" and above "4000 calories"[7].

Inequality

Inequality levels are high in the distribution of assets in the state. Firm data is available for the distribution of rural assets through the section referring to Tamil Nadu in the Reserve Bank of India's All India Debt and Investment Surveys, of which the data for 1961-62 and 1971-72 are now available, while the data for the latest survey 1981-82 is yet to be processed. These surveys are concentrated on the asset distribution in rural Tamil Nadu. Assets here cover all items having money value such as land, building, live stock, agricultural implements, and machinery, non farm and transport equipment, durable household assets, dues received on loans advanced in cash and kind, besides all forms of financial assets. C. T. Kurien[8] has summarised the findings of the two Reserve Bank of India's surveys in table II reproduced below :

Subramanian's comment on the table is enlightening : "The degree of inequality in the distribution of assets across households (set forth in the above table) can be captured in summary form by the Gini Ratio. The Gini ratios for the two reference years 1960-61 and 1971-72 are, respectively. .7056 and .7148 : the absolute magnitude for both years are very large and inequality has worsened in 1971-72 vis-a-vis 1961-62. A (perhaps) more graphic picture of the extent of inequality can be captured by noting that in 1961-62, the poorest (in terms of asset ownership) 29.5 per cent of

TABLE II

Asset groups (in Rupees)	All Rural Households Percentage share in Households		Assets	
	1961-62	1971-72	1961-62	1971-72
Less than 500	29.5	25.54	1.2	.86
500 — 1000	11.8	12.59	1.6	1.30
1000 — 2500	17.8	16.61	5.6	3.89
2500 — 5000	15.0	13.59	10.4	7.22
5000 — 10,000	13.1	13.72	17.7	14.40
10,000 — 20,000	7.5	10.40	20.2	11.86
20,000 and above	5.3	8.15	43.3	60.47
All asset groups	100.00	100.00	100.00	100.00

Source : Economics of Rural Transformation

TABLE II (Revised)

Percentage share in

Asset Groups (in Rs.)		Rural 1961-62	Rural 1971-72	Rural 1981-82	Urban 1961-62	Urban 1971-72	Urban 1981-82	All India 1981-82
Upto 1000	households	41.3	41.18	13.7	—	—	17.4	7.8
	Assets	2.8	2.16	0.3	—	—	0.2	0.1
1000 to 500	households	32.8	30.10	26.7	—	—	21.1	18.0
	Assets	16.0	11.11	3.8	—	—	1.7	1.4
5000 to 10000	households	31.1	13.72	17.3	—	—	13.0	14.2
	Assets	17.7	14.40	6.3	—	—	2.8	2.8
10000 to 20000	households	7.5	10.40	16.9	—	—	15.0	17.9
	Assets	20.2	11.86	12.3	—	—	6.4	7.0
20000 & above	households	5.3	8.15	25.4	—	—	33.5	42.1
	Assets	43.3	60.47	77.3	—	—	88.9	88.7

Percentage share of assets owned by the Lowest and Highest household groups

Percentage of estimated households to total households in Tamil Nadu	Percentage share of assets	Average value of assets per household (Rs.)	Percentage share of assets owned by Lowest 10 per-cent	Lowest 25 per-cent	50 per-cent	Top 25 per-cent	Top 10 per-cent	Co-efficient of concentration
Tamil Nadu (Rural Areas — All households) 7.5	4.1	19,520	0.3	1.9	7.7	76.6	52.7	0.6660
Tamil Nadu (Urban Areas — All households) 12	9.9	33,594	0.1	0.8	4.4	80.6	58.4	0.7285

Source : All India Debt and Investment Survey 1981-82, R.B.I. Tables 1.12 and 1.14.

population own just 1.2 per cent of total value of assets, while the richest 25.9 per cent of the population own as much as 81.2 per cent of the total value of the assets. In 1971-72, the poorest 25.54 per cent of the population own less than 1 per cent of the total value of the assets whiles the richest 37.37 per cent own a little less than 87 per cent of all assets".

The Reserve Bank of India, All India Debt & Investment Survey 1981-82 has just been received and on that basis Table II is revised. There are 2 problems in using the 1981-1982 survey. First, the classification of Asset Groups for the year is different from 1961-62 and 1971-72. Second and more important, the 1981-82 data in the RBI Survey has not been deflated for this 10 year period's inflation, 1971-72 to 1981-82, which the RBI estimates at little less than 4% per annum : that is, it states that the real rate of growth in total assets is 4% per annum, while the nominal growth rate is 15% per annum.

The 1981-82 survey shows some further regression in asset distribution. The inequality in asset holdings is more in respect of urban households than rural households. The Gini co-efficient of concentration (CR) in respect of urban households is 0.7040 which is higher than that for rural households at 0.6354. The top docile group of households (10%) in the urban sector held a larger share of total assets (57%) when compared to that of rural households (50 per cent) as the table III below shows :

Thus, one can approve the double conclusions of the RBI survey :

a. It would appear from table III that there is no conclusive evidence indicating reduction in inequality of asset holdings over the decade. In both the benchmark years, the top 25 per cent of the households accounted for 70 per cent to 75 per cent of value of total assets while the lowest 25 per cent of the households held only 1 per cent to 2 per cent of the value of total assets.

TABLE III

Household category	Percentage share in value of total assets 1971	1981
1. Lowest 10 percent of households	0.0	0.4
2. Lowest 25 percent of households	1.3	1.7
3. Top 25 percent of households	74.8	72.3
4. Top 10 percent of households	50.7	49.5

b. Tamil Nadu belongs to (the lowest) category 3 states as classified by RBI which are states with total assets for households less than the All India Average. Among the four states in this group, Tamil Nadu's average value of total assets (in Rupees terms) was the lowest of all states with the exception of Orissa. Tamilnadu's CR values for rural households at 0.70 is the highest of all states in India. So is its CR value for urban households at 0.75.

As land is the major and most valued of rural assets, the status of land reforms *in the state can be briefly referred to.* As of December 31, 1986 only 23,423 acres of the taken over 'surplus' land have been asigned to 96,950 landless persons, including 42,918 scheduled caste persons and 77 scheduled tribes landless. In view of the fact that the 26th round of the National Sample Survey[9] shows that at the all India level 57.81 million acres are holdings above 30 acres while the area officially declared surplus is 4.4 million acres and the recently retired secretary of the Department of Rural Development states that the real surplus available is 8-9 million hectares[10], the surplus land in Tamil Nadu under the 1967 Act which sets forth the 15 acres ceiling per family must be atleast 6 to 8 times the officially declared surplus. In this connection, it is not without significance that the 1980 legislation which amended the 1967 land ceiling act to unearth benami lands has not yet received the President's assent because of the congress landlord lobby sucessfully blocking it at Delhi.

For the first time in 1987-88, a target of 10,000 acres has been set for distribution of surplus land. It remains to be seen how far this will be achieved.

This is the kind of information which the state's Economic Appraisal ought to provide to show what the effect of the economy and its development is on the people's well being. The 1987-88 Appraisal document is silent on these issues. A review of the implementation of other land reforms in the state shows similar distortions. The Tamil Nadu Cultivators and Tenants Payment of Fair Rent Act requires the owners to receive not more than 25 per cent of the gross produce and the cultivating tenant to have 75 per cent, with the owner paying the land revenue and other dues and the tenants meeting the costs of cultivation. This is not being implemented, particularly in Temple owned lands. Again under the Tamil Nadu Agricultural Land (record of Tenancy) Act 1969, the names of cultivating tenants should be registered. So far only 4.9 lakh cultivating tenants have been registered cultivating 6.36 lakh acres. The government (Ganapathy Pillai) committee in 1969 *has reported on bogus tenancies* in Thanjavur district but no action has been taken on it. Similarly the Minimum Wages Act for farm labour provides a quadrennial revision of minimum wages. Since April 2, 1983 when the last revision was made, there has been no revision in the state.

Economy's overall performance

The state's economy and its development has resulted in the kind of situation on poverty and inequality sketched above. There is little which needs to *be added about the maldevelopment* of the state's economy over the years ending in 1987-88. Certainly, the Appraisal document is using a different yardstick from that of the well being or ill being of its people as outlined in the earlier section on poverty and

inequality in the state when it refers to in page 1 "to the fairly good overall performance of the state economy during 1987-88, the main contribution had come from the industrial and service sectors", and again on page 2 "indication are that the overall performance of the economy during 1987-88 was satisfactory and the pace of growth in state income is expected to be the same as in 1986-87 when a 5 per cent growth is estimated to have been achieved". This judgement of the Appraisal document that the economy's performance was "satisfactory", not only in the year under review 1987-88 but also during the first 3 years of the Seventh Plan (1985-86 to 1987-88) is based on looking at the economy's performance in terms of its annual growth, when "it appears that the targeted growth rate of 5 per cent (at 1970-71 prices) for the Plan period is well within reach". Nowhere *in the document* is there an attempt to examine the relation of this "satisfactory" growth rate to the levels of living of the people.

Even the rather sparse information on the employment situation of the economy for 1987-88 and the previous years provided later in the document is not related to the growth performance of the economy. Infact year after, the employment section of the Appraisal document provides the same useless dated information. It begins by giving the census information and as it uses the National Industrial Classification, the data excludes the major part of the workforce — cultivators and agricultural labourers. This gives the data which reports that "the major division manufacturing and repair had contributed to nearly 52 per cent of the additional employment generated" a highly unreal flavour. The data is also dated going back to 1981. There is also a detailed analyses of employment in the organised sector, broken up into the public sector and private sector, along with industry wise classification and inter - district employment which serves no useful purpose. The brief reference to employment exchanges data throws some light on educated job seekers which is the only useful piece of information. This could be added to the section on industry, or the education statistics in table 11 so that the whole employment section which gives no upto date information on employment in the state can be omitted in future appraisal documents.

There is some information on the structural changes taking place in the state economy. Table IV reports that at constant 1970-71 prices the shares of the 3 sectors in the State Income is as recorded below :

TABLE IV

(Rs. lakhs)

	1970-71	1980-81	1985-86	1986-87
Primary	94,513 *(40)	81,342 (28)	96,983 (23)	91,286 (20)
Secondary	61,935 (26)	91,944 (32)	1,26,891 (30)	1,34,674 (30)
Tertiary	80,662 (34)	1,07,911 (40)	1,94,614 (47)	2,13,108 (50)

Source : Tamil Nadu — An Economic Appraisal 1987-88

* The percentages have been rounded off to the nearest digit.

Table IV shows that the share of primary sector in the net state product has declined from 40 per cent in 1970-71 to 20 per cent in 1986-87, while that of the tertiary sector has spurted from 34 per cent to 50 per cent between the 2 years.

The growth in state income at constant prices by sectors is given in the Table V below :

TABLE V

	Rs. lakhs (percentage change over previous years) 1985-86	1986-87
Primary	96,983 (7.14)	91,286 (—5.87)
Secondary	1,26,891 (7.93)	1,34,674 (6.13)
Tertiary	1,94,614 (11.04)	2,13,208 (9.58)

Source : Tamil Nadu — An Economic Appraisal 1987-88.

The growth rates of the sectors also show that the primary sector is lagging relative to the other 2 sectors. This is serious because, while on the one hand it reports that the share of the primary sector in overall growth has fallen from 40 per cent in 1970-71 to 20 per cent in 1986-87, the decennial census show almost no change in the large percentage of workers depending on that sector : the 1971 census shows 64.5 per cent of the state's work force as engaged in the primary sector : the 1981 census shows that percentage at 63.5.

Agriculture

The document admits that the primary sector, agriculture and allied activities, did not do well in 1987-88. It estimates that the area under foodgrains increased in that year by a marginal 0.7 lakh hectares and incremental foodgrain production by 2.6 per cent in 1987-88 over the low 1.3 per cent increase base of the previous year.

As stated earlier, the Appraisal document states that "for the second consecutive year, 1987-88, the agricultural sector had to face seasonal short comings of a serious nature", which result in its poor performance and also that of the economy. On this there is a convergence between the conclusion of the Appraisal document and the Institue's publication which states (pp. 340 and 341) that "the main reason for Tamil Nadu's poor record (in the State Domestic Product SDP), is the performance of its agriculture", its shares in SDP declining "from around 40 per cent in the early seventies to the neighbourhood of 25 per cent (later to 20 per cent) in the early eighties".

The poor performance of agriculture in 1987-88 is traced to the inadequate rains brought by the South West monsoon. The shortfall in the south west monsoon led to the sharp reduction in the growing of the kuruvai crop from the normal 4.16 lakh hectares to 85,000 hectares and in its yield. Infact there seems to be a trend decline in the kuruvai yield of paddy from 6.65 lakh tonnes in 1985-86, to 4.85 lakh tonnes in 1986-87 and to a very low 2.65 lakh tonnes in 1987-88.

The North West monsoon on the other was more than satisfactory, its precipitation being 524.5 mm against the normal 447.3 mm (an increase of 17.3 per cent.)

Paddy production for the samba season in 1987-88 was 45.03 lakh tonnes. But the summer crops has had to be reduced and is expected to produce 2.6 lakh tonnes.

The question of the cropping strategy that should be followed for the short (kuruvai) season and even more for the samba season arises. It has now become the regular procedure for the samba crop languishing half way through and for desperate appeals being made to Karnataka to release waters to save the crop. With the development of Cauvery irrigation in Karnataka, the rationale for the farmers in this State in the delta area continuing with the water intensive crop like paddy needs review. Here the government policy is not of use — all the political parties vie with one another in demanding "Tamil Nadu's share" of Cauvery waters : this is now a lost cause. There is need to adapt water saving techniques such as the use of drip irrigation and the lining of the canals to reduce evaporation. Farmers also began devising ways of meeting the water shortage by adopting direct sowing of the samba paddy, and adopting short duration varieties (IR 20, Ponni, ADT 36). There is also the need for the farmers to be encouraged to grow over a part of their land less water intensive crops.

The shortage of water has also led the farmer to adopt farming practices which are leading to increase in the productivity of the paddy crop at 2722 kg per hectare, which is second only to the productivity achievement of the Punjab farmer. The water shortage has also brought about some improvement in both the hectarage sown and the crop grown in the state. The Table VI shows that in terms of area sown, millets, oil seeds and cotton have registered increases in 1987-88, while in

TABLE VI

Crop	Area (in lakh hectares) 1986-87	1987-88 Target	1987-88 Anticipated Realisation	Production (in lakh tonnes) 1986-87	1987-88 Target	1987-88 Anticipated Realisation
Paddy	19.2	26.5	19.8	53.3	66.0	54.8
Millets	15.8	18.0	16.5	15.7	26.3	15.5
Pulses	9.8	12.0	9.5	4.7	4.8	4.6
Foodgrains	44.8	56.5	45.8	73.7	97.1	74.9
Oilseeds	11.9	15.4	12.4	11.4	17.2	13.3
Cotton	1.9	2.8	2.3	3.4*	5.0*	5.0*
Sugarcane	2.1	2.5	2.1	(gur) 23.2	26.0	21.3

Source : Tamil Nadu — An Economic Appraisal 1987-88
* Lakh bales of 170 kg unit each

output, paddy, oil seeds and cotton have recorded increases during the year.

In the agricultural scene note should be taken of the effect of the 1987-88 drought on tea production at an estimated loss of Rs. 11 crores, on coffee of Rs. 48 crores (mainly in the Karnataka coffee estates), on rubber at Rs. 9 crores and cardamom Rs. 11 crores (both mainly in Kerala). The drought affected cardamom the most among the plantation crops with a loss of 1000 tonnes.

On the irrigation input in agriculture, the appraisal document provides good information on (a) the sources (b) the potential created and (c) the relation between irrigation intensity and cropping intensity. But, there is no information on the vital issue of the use of the irrigation potential created : the irrigation intensity data indicates a rather low use of the capacity created. Further among the sources, well irrigation is expanding fast while that of tanks and canals are declining. Again it would be useful if the growth of well irrigation is related to the ground water level data in the state.

The forest area in the state is the data provided by the Department of Forests. At least it makes no exaggerated claims of increase which is placed at 0.05 per cent. There are two problems here. First, the area of reserved forests shown as 18.36 lakh hectares and Reserve land at 3.39 lakh hectares need to be examined in light of the data on the state forests thrown up by the National Remoting Sensing Agency. Second, plantation schemes being developed by the forest department need to be reviewed in light of the overall ecological considerations.

The primary sector should be helped to take further full advantage of the fact that the state has 10th largest geographical area among 22 states but has a stagnant record of operational holdings area at 77 lakh hectares. It has the 6th highest population but has recorded a 25 per cent decline in the average size, and a sharp increase on its marginal holdings on the one hand and inadequate links with the secondary sector, on the other, which imports most of its raw materials from outside the state.

Secondary sector

The Appraisal document computes that in the first 6 months of 1987 industry grew at 8.1 per cent, compared to almost nil growth in its first 6 months of 1986. The good performers were electricity (16.2 per cent increase), electrical machinery and parts (21.4 per cent), basic metals and alloys (7.8 per cent) and transport equipment and parts (7.4 per cent), while the poor performers were food products, chemicals and chemical products and machinery and machine tools. In terms of value added in 1982-83, the major industries in the state are[11] : transport equipment Rs. 23,079 lakhs, chemical and chemical products Rs. 22,695 lakhs, cotton textiles Rs. 21,423 lakhs, non electrical machinery Rs. 18,650 lakhs, food products Rs. 12,999 lakhs, rubber, plastic, petroleum and coal products Rs. 10,074 lakhs, non metallic products Rs. 10,165 lakhs, electrical machinery Rs. 6088 lakhs, basic metals and alloys Rs. 5809 lakhs, leather and fur products Rs. 3393 lakhs and metal products Rs. 3661 lakhs. The time that it takes for the Annual Survey of Industries to publish its data explains the year for which the above information is available. It also reports that there are 4997 large

units and 688,467 small units in the state with growing sickness — 50 large units owing Rs. 189 crores to the banks and 15,171 small units owing Rs. 107.71 crores.

A review of industrialisation points out that during the last 10 years, Rs. 150 crores of capital has migrated to other states, with TVS establishing a Wheels India plant in UP, Sundaram Clayton a Rs. 30 crores electronic project in Karnataka, SCL a Rs. 31 crore unit in Pondicherry, and TVS Suzuki, Amalgamations, Rane Motors and Kothari Foods, WS Industries, Murugappa Electronics, TTK Pharms, Leyland, Indochem electronics following similar migratory paths. The reasons for this migration of industries from the state are : a) the absence of direction and perspectives for industrial policy in the state, along with the heavy emphasis on welfare measures (Rs. 400-500 crores per annum). But in this connection, the Institute's publication after pointing out that welfare measures have a legitimate place in development, if the latter is not confused with growth, concludes that "in the situation prevailing in Tamil Nadu, therefore, welfare measures must continue and increase". What is lacking is what it calls an appropriate mix between infrastructural development and welfare measures : b) ineffectiveness of the incentives given to industry, such as SIPCOT centres, growth centres and industrial estates : c) the neglect of the power sector. The National Industrial Development Corporation in its survey of the Tamil Nadu industrial scene lays down directions for the future as : i) depoliticization of industry, ii) framing long term policies, iii) modifying the sales tax structure, iv) maintaining better liaison with the Union government, and v) constant monitoring of industrial approvals. The correction of negative factors should include, following Maharastra's example where SICOM helps potential industrialists to get their licenses from the Director of Industry, unlike Tamil Nadu where the Minister of Industry and even the Chief Minister are involved in clearing licenses, the growth centres being planned for all districts not being suited to backward areas and far off places because of the high cost of infrastructural development there, the need to develop fertiliser plants (after MRL and SPIC there has been a blank in this regard) and sugar based alcohol industries, the further full exploitation of spinning mills, putting into effect single window concepts which are not in effect because of shuffling of files, setting up data centres to monitor industries and a nodal agency for industrial planning, need to give priority to entrepreneurship development programmes which should be institutionalised, changing the period of mining leases from one year to long periods to help them develop long term plans, the subsidising of captive power plants for industries, and the need for regular dialogue between the government and representatives of industries.

On this basis, the government has formulated a package of measures to help the state regain its industrial momentum. The package covered a) reduction or exemption of sales/consumption tax on 21 items, b) deferral of the tax for the first 3 years and extension of capital subsidy to new units set up by existing enterprises, c) a special programme to rehabilitate viable sick units including 7 of the 18 closed textile mills, d) establishing pioneer industrial units in backward areas, e) the development of technology development centres in electronics, f) district industrial centres acting as single window clearance agencies, g) the identification of 5 production areas as thrust areas and h) the setting up of technology transfer centres. The results of this innovative package on the industrial development of the state will become apparent only in the next (Eighth) plan period. Some rehabilitation of small sick units is already underway — covering 5 sick textile mills using the government provided incentives for their revival, 6 NTC units being assisted by IDBI and IFCI.

The problems facing industrialisation in the state relate to a) the power bottlenecks — 1987-88 saw the continuation of the 40 per cent power cut on HT users; b) the slow pace at which the sun rise industries like electronics and automobiles and ancillaries are developing and the continued dominance of the obsolescent traditional sectors like textiles and sugars, and c) the growing number of closures, low capacity and financial constraints of the small and village industries sector which are mixed up and treated uniformly and the future of the handloom industry with its 5.56 lakh looms which not only has to face the competition from the power looms (with 1 lakh authorised and another 1 lakh unauthorised in the state) and the mill sector and is dependent heavily on state protection, preference and subsidy.

Budget and Prices

The 1987-88 budget with its estimated revenue of Rs. 3437.11 crores and estimated expenditure of Rs. 3654.95 crores has the usual plus and minus features. On the plus side, the Rs. 1341 crores Annual Plan outlay continued its major priority for the power sector, the agriculture outlay was increased by 15 per cent, the increase (12 per cent) in provision for providing drinking water to the problem villages, the Rs. 20 crores provided for equity support to the Building Materials Co-operative Societies to redeem the rather unreal promise to build 3 lakh houses in 3 years and the Rs. 90 crores gross and Rs. 75 crores net of additional resource mobilisation. On the negative side, the budget continues past populist schemes (the Rs. 20 crores free footwear, free toothpowder etc schemes) without ensuring that these facilities will reach the school boys and girls for whom they are intended; non plan expenditure has risen in the budget to the point where the first revenue deficit in years occurs : and the increased regressive nature of the fiscal system under which indirect taxes are further increased in the budget and no effort made to get back to the system of the late 60s and early 70s when taxation of large agricultural incomes was an important and (for the country as a whole) a pioneering factor.

On prices in 1987-88, the Appraisal document reports a continuing inflationary pressure on the economy. In fact the wholesale price index recorded a 9.6 per cent increase for the state, in contrast to the lower 5.8 per cent rise in the index for all India. The disturbing part of this inflationary pressure was that the major contributing cause was the 10.8 per cent rise in the price of primary articles, within which food articles prices rose by 7.8 per cent — rice by 6.6 per cent, edible oil 24.2 to 53.5 per cent, pulses 44 per cent, and textiles 5 per cent. This price behaviour is anti-poor in the sense that several lakhs of families living at or just above the poverty line in the state must have gone under, as they would have been unable to purchase the goods and other essential articles for living. Consumer

prices in the state for the year recorded even higher increases in some centres like Cuddalore at 13.5 per cent, Tiruchirapalli 10.3 per cent, Madurai 9.9 per cent, Madras 9.9 per cent. For the state as a whole the average rise was 9.4 per cent, showing the short time lag for consumer prices to catch up with wholesale prices at 0.2 per cent. In terms of the rural-urban terms of trade, the Appraisal document continuing its estimation of index parity, which compares the prices received by the farmer for his products with the prices paid by him for his inputs and other goods. It reports that prices received by the farmer had increased during the year by 8.3 per cent, while prices paid by him increased by 0.4 per cent — in relation to 1986-87. So the index of parity records a small improvement of 1.8 per cent for the year.

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Summary of Discussion

Before presenting the highlights of the paper the author underlined the limitations of the data that he used for the year 1987-88. He explained that his comments did not cover the year 1987-88 in full, as the latest Appraisal document could not cover the year fully.

First, the author discussed the aspect of poverty in Tamilnadu. Poverty defined in terms of average real per capita consumer expenditure for both the urban and rural areas was very low. He mentioned that the state of nutritional deprivation was very disquieting. He expressed his unhappiness on the nutritional standards of Tamilnadu which were lower compared to the national averages.

Reviewing the inequality levels in the distribution of assets the author pointed out that there was no hard evidence indicating any reduction in inequalities. The gravity of inequality has not been reduced. Next, the author went on to discuss the State economy's overall performance. He pointed out the structural changes taking place in the State by noting the falling shares of primary and secondary sectors and the increasing share of tertiary sector during the period 1970-71 to 1986-87. The author expressed concern over the rising non-plan expenditure and the increased regressive nature of the fiscal system and stressed the need for taxing the large agricultural incomes. The inflationary pressure in the state was seen to be higher than the all-India level which resulted from the rising prices of primary articles. He noted that the terms of trade parity index was in favour of the farmers during 1987-88.

The stimulating presentation was followed by a lively discussion. A participant pointed out the difference in the period of coverage in the author's comparison of the sources of data. He also explained that the increase in the growth rate of the State Domestic Product (SDP) is not real as it resulted from government employment expenditures. It was also pointed out that a mere increase in the growth rate was only a necessary condition but not a sufficient condition for the poverty alleviation. The author responded that an increase in the growth of wage goods could eradicate the problem of poverty to a considerable extent. Another participant argued that the production of elite-oriented goods would also benefit the poor through the "trickledown effect".

The author, however, said that they would never trickle down to the poor in the way we would wish them.

Another participant opined that the comparison of growth rates by taking the terminal years would lead to certain problems in the analysis. He also emphasised that the official figures should not be compared by taking a short period like a few years. Another issue raised by a participant was that the important programmes like IRDP, NREP and some bank-programmes were started around 1980 and, therefore, their trickle down effect could be assessed only if we take a year in the later 1980's. The author while admitting the point said that the latest data available on the aspect related to 1981-82.

Another participant stated that the levels of poverty in the state were often influenced by the fluctuations in agriculture. The very low living conditions of the poor, especially in terms of nutrition, housing, health etc. came up for considerable discussion. The other points which came up for discussion were the sales tax rates in Tamilnadu and the employment reduction efforts in some industries. By keeping a higher sales tax rate, it was pointed out, the State govt. continued to lose a large amount of revenue. The automation devices of some industries like the Electronics and the Automobiles sharply reduced the employment opportunities in the State. The author responded that over the years he has lost his faith in growth rates solving a number of problems. He emphasised the need for increasing the non-plan productive expenditure rather than the non-plan non-productive expenditure. Finally, the author underlined the importance of developing a strategy which increases the employment alongwith the technology upgradation in both agriculture and industries.

The seminar was chaired by Prof. S. Ambirajan.

T. Prabhakar Reddy

Indian Economy in the 1980s and on to the 1990s

by

C. T. Kurien

PART II

The July 1980 Industrial Policy Statement, as noted already, had postulated a close connection between industrial growth and export performance. It was expected that if industrial growth were to pick up it would lead to an increase in exports and that a more open economy would stimulate industrial growth as well. For this purpose the regime of liberalisation that was launched within the economy to augment industrial production was extended to the external sphere also in terms of more liberalised import policies, more concessions for exports and more favourable conditions for foreign collaboration. Hence a review of these aspects will be useful both to assess the performance of the economy in the 1980s as also to consider the impact of the new policy measures.

There are, of course, some very visible results of policy initiatives. For instance, foreign collaborations approved which were as low as 271 in 1975 and 267 in 1979 shot up to 526 in 1980, and although there was a fall to 389 in 1981 picked up again in 1982 and kept on rising.[20] They showed a peak figure of 1024 in 1985, but again came down to 957 in 1986 and 853 in 1987.[21] Foreign investment approvals more than doubled in a short period of two years from Rs. 61.8 crores in 1983 to Rs. 126.0 in 1995 after which they too have come down somewhat, to Rs. 106.9 crores in 1986 and Rs. 107.7 crores in 1987. Here again, perhaps it is too early to say what may be expected of these changes.

But on the more basic aspects such as exports, the performance has been more modest, and indeed not upto expectations. I shall concentrate on exports. Table VII brings together information on principal exports which shows that in value term, exports increased from Rs. 6710 crores in 1980-81 to Rs. 12566 crores In 1986-87. The growth of exports in value terms will not be a good indicator of export performance. The Reserve Bank of India's analysis of exports during the Sixth Plan period says that "the annual average compound rate of growth in volume of exports ..works out to 2.6 per cent, less than one third of

the targeted annual growth during the Plan period.[22] And the *Seventh Five Year Plan Mid Term Appraisal* says: "Exports fared poorly until 1986-87 recording an average real growth of only 2 4 per cent". And so it may be safe to state that the growth of goods exported in the 1980s has been rather poor and not at all in tune with the expectations of the Plans. The usefulness of the value figures given in Table VII, therefore is to understand the *composition* of exports. In the Table, exports have been divided into five major groups, Agriculture and Allied Products, Ores and Minerals, Manufactured Goods, Minerals & fuels and Lubricants and Others. In the context of this paper the main concern is with manufactured goods. At the beginning of the decade they constituted about 56 per cent of our exports; by 1986-87 there was a marginal decline to 55 per cent. What is more important is the relative share of items within the group indicated as (a) to (i) in the Table. Textiles accounted for about 25 per cent of manufactured goods exported in 1980-81, but moved up to about 28 per cent at the end of the period. Leather and Leather goods showed a small increase from 10 to 11 per cent. A big increase came in the share of gems and jewellery, from 16 per cent to 30 per cent.[22a] The combination of chemical and metal manufactures (item (g) and (h)) accounted for 28 per cent in 1980-81 but came down sharply to 11 per cent in 1986-87. These products from the modern manufacturing sector, it may be noted, now account for only a little more than half the contribution that handicrafts (items (e) and (f)) make to our export earnings. Surely we are very far from a process of industrialisation linked to export promotion not to speak of an export-led-industrialisation. The latest *Economic Survey's* comment on the "improved performance" of exports in 1986-87 may be recalled: "The principal commodities which contributed to this increase in exports include gems and jewellery, leather and leather manufactures, ready-made garments, oil-cakes, cashews kernels, marine products, tobacco, raw cotton and coffee. There was a decline in the exports of tea, engineering goods, chemicals and allied products, ores and minerals, rice and sugar"[23]. The directional change that was heralded has not materialised at all.

A further aspect regarding our exports is worth noting. The value of exports in Table VII is in rupee terms. One of the main purposes of export is, obviously, to earn foreign exchange. The rupee is linked to a basket of foreign currencies and the contents of the basket is kept a secret by the Reserve Bank of India. However, since 1982-83 there has been a sharp decline in the value of the rupee in terms of *all* major convertible currencies. The US dollar exchanged for Rs. 9.7 in 1982-83 and Rs. 13.1 in January 1988; the pound sterling Rs. 16.1 and 23.6; Deutsche mark Rs. 3.9 and Rs. 7.9; Yen Rs. 0. 04 and Rs. 0. 1 and SDR Rs. 10.6 and 18.0[24]. Thus there has been an effective devaluation of the rupee which may account for much of the increase in the value of exports in rupee terms; there may not have been *any significant* increase in the value of our exports in foreign exchange.

There is a related aspect. In 1980-81 our exports to the USSR and the East European countries were around 22 per cent of the total. These are rupee payment transactions. During the Sixth Plan period exports to rupee payment countries increased by 222 per cent,[25]

TABLE VII

Composition of Exports 1980-81 to 1986-87

(Rs. crores)

	1980-81	81-82	82-83	83-84	84-85	85-86	86-87
I. Agricultural and Allied Products	2056.7	2221.1	2450.0	2621.7	2996.5	3018.3	2912.8*
II. Ores & Minerals	413.6	458.8	490.8	506.2	637.6	784.7	674.7
III. Manufactured Goods of which	3746.8	4369.6	4551.1	4969.1	6210.1	6374.2	6892.2*
a. Textiles	932.6	1047.1	1556.1	1481.3	1717.5	1795.1	1899.7
b. Coir	17.3	27.9	26.3	24.9	27.9	33.7	32.2
c. Jute	330.0	258.0	206.3	170.9	341.3	261.8	265.0
d. Leather goods	389.7	424.8	414.6	492.5	724.1	769.9	787.2
e. Gems & Jewellery	618.4	811.5	1014.8	1294.1	1237.1	1502.7	2069.3
f. Other handicrafts	333.5	439.3	425.6	305.2	513.7	378.7	431.8
g. Chemicals & Allied	224.8	364.1	348.3	327.6	482.9	497.5	474.5
h. Machinery & Metal manufacture	815.0	938.9	807.1	758.7	880.3	897.9	875.0
i. Iron & Steel	11.7	6.8	60.8	48.5	75.8	56.2	56.9
IV. Mineral Fuels & lubricants	27.9	224.9	1240.4	1590.0	1822.9	654.9	416.2
V. Others	465.8	531.5	70.2	83.4	76.6	2.5	1670.7*
Total	6710.7	7805.9 (16.3)	8803.4 (12.8)	9770.7 (11.0)	11743.7 (20.2)	10894.6 (-7.2)	12566.6 (15.3)

Source : Based on Economic Survey 1987-88, Statistical Table 6.8

* For 1986-87 the Table does not provide total figures for Agricultural and Allied products, and Manufactured Goods, but only of individual items listed under these main heads. I have taken the sum of these individual items to stand for the group totals, and hence the group totals shown here may be a little less than the actuals. For the same reason the residual 'Others' category may be more than its actuals.

although as a share of total export values it has come down a little. Imports too have been increasing, but not as fast as exports and so we have an export surplus with these groups of countries which, however cannot be used to cover the growing import surplus we have with western countries and Japan. In the context of the discussion of the relationship between industrial growth and export promotion, it must be noted too that if exports to the USSR and other socialist countries are increasing, it is mainly through political processes and hence in no way an indication of the increasing competitiveness of Indian industries in the international markets.

To make an overall assessment of the relationship between the new industrial policy and our international economic position it is necessary to examine what has been happening to our imports also, especially in the light of the more liberalised import policies. I am not entering into that area, but shall continue with some more aspects of exports which cannot be captured from the kind of aggregate data that plan documents and Economic Surveys make available. For these issues, I rely on a study conducted by the Corporate Studies Group, Indian Institute of Public Administration.[26] Part Two of the Study is an analysis of the export performance of the large private corporate sector in response to the export promotion policy measures. It may be recalled that some of these measures such as relaxation of the restrictions on expansion of industrial capacities, modification of the anti-monopoly legislations etc., were meant specifically to enable and encourage the large private concerns to produce more and to enter the international markets on a more competitive basis. Hence the export performance of these concerns is of special significance.

The study examines 405 companies in the private corporate sector during the period 1975-76 to 1983-84. The exports of these companies constituted 12 per cent of national exports in 1975-76 came down to a little less than 9 per cent in 1983-84, but still substantial. Their share in the export of manufactured goods during these two years were 23 per cent and 17 per cent respectively. Compared to the national exports, the exports of these concerns were, not surprisingly, more of engineering and chemical industries and their related products. The companies represented both manufacturing and non-manufacturing concerns (the latter being mainly trading, hotels etc.,) and the ratio of these two broad categories in export remained about 4:1 throughout the period.

These concerns not only contribute to exports, but they claim a share in the country's imports as well. One of the major findings of the study is that although in the early part of the period their total foreign exchange earnings (primarily through exports, but also through commissions, royalties etc.,) exceeded foreign exchange expenditures (import of raw materials, components, spares and capital goods as also expenditure on royalties, technical fees, travel abroad etc.) from 1978-79 onwards expenditures have been in excess of earnings. The earnings / expenditures ratio which was 1.22 in 1975-76 and moved upto 1.52 in 1976-77 turned out to be 0.91 in 1978-79 and gradually came down to 0.68 in 1983-84. A second finding is that exports as a proportion of the total sales of these concerns have not increased at all during this period ; on the contrary the exports / sales ratio has shown a fairly steady decline throughout the period. One reason for this was the decline of companies reporting export earnings. Out of the 405 companies 297 reported export earnings in 1975-76. The number peaked to 315 in 1977-78, but from then on there was a steady decline to 271 in 1983-84. On the other hand the number of companies reporting imports ranged only between 379 and 387 during the whole period. These figures show the growing dependence on the domestic markets. A third finding is that in the context of specific companies and products it emerges that exports are directed not infrequently to the Soviet Union, East European and African countries rather than to countries where Indian products are *sure to face stiff competition.* Fourthly, these companies have sub-contracting arrangements with other producers and such traded items account for a fairly high share of what figures as *their* exports. Fifthly, in the case of a company which claims to be one of the largest exporters of automative tyres, in one year marine products accounted for as high as 58 per cent of its total exports. While this share may have been some-what on the high side, the phenomenon was not confined to that one company. And sixthly, even TNCs appear to be more interested in the domestic market than making India a base for farming out a part of their production processes.

Admittedly one cannot jump to general conclusions on the basis of this study. For one thing the period covered is from the mid seventies to the early eighties and things may have changed since then. And some of the problems may be specific to the companies concerned. And yet the study brings out a set of problems in examining the relationship between industrial growth and export promotion which needs to be researched further as specifically as possible and which may have a crucial bearing on the overall pattern of development of the economy during the rest of the eighties and well into the nineties.

V

In this concluding section, I shall pool together some of the main findings of the earlier parts and speculate what bearing they may have on the Indian economy as it moves into the 1990s. I begin with the pattern of industrialisation that has been emerging.

In official pronouncements the attempt has been to show that what is significant about the industrial growth of the eighties is a new quantitative thrust especially during the Seventh Plan period. The *Mid Term Appraisal* of the Seventh Plan, for instance, says : "Industrial approvals (comprising grants of letters of intent and registrations for setting up of fresh capacity) by the Secretariat of Industrial Approvals (SIA) increased from 2,624 in 1985 to 3,570 in 1986. Conversion of letters of intent to industrial licences increased from 432 in 1985 to 566 in 1986. Consents given by the Controller of Capital Issues increased from 910 numbers (Rs. 2579 crores) in 1985 to 1171 numbers (Rs. 6168 crores) in 1986".[27] These numbers are certainly impressive although it is too early to say what they mean in terms of actual performance. *Economic Survey 1987-88*, records that the number of small scale units increased by 7.7 per cent from 1985-86 to 1986-87, but notes also that from December 1985 to December 1986 the number of sick small scale units increased by 23 per cent. The sick units at the end of 1986 constituted 10 per cent of the total. The increase in the numbers of large units that became sick during the same period was 12 per cent.

But there is a *qualitative* difference in the industrial growth of the eighties which has not escaped the attention of even some official sources. The Reserve Bank of India's Annual Report for 1986-87 notes : "Among the consumer goods industries, the consumer durables industry has shown a significant degree of dynamism since 1984-85 following the liberalisation of licensing policies. The group recorded a higher growth rate of 22.3 per cent during April-October 1986 as against 18.5 per cent during the corresponding period of the previous year".[28] Economic Survey 1987-88 shows that the output of consumer durables increased by 10.9 per cent in 1981-82, 9.1 per cent in 1982-83, 16.1 per cent in 1983-84, 21.6 per cent in 1984-85, 18.7 per cent in 1985-86 and 19.5 per cent in 1986-87. The industrial goods whose production was "far in excess of projected level" during the Sixth Plan period have already been noted. They have continued to flourish since then also[29]. Consumer durables do not account for a very high share in the industrial output of the country, and yet a "directional change" that is quite visible in recent years in the emergence of these items as the trend setter in industrial production. The qualitative difference is that this is indicative of demand-led industrialisation, the demand in this case emanating from a rather small segment of the population in the country in the top income groups. This is contrary to the strategy of industrial development that was being propounded upto and including the Fifth Five Year Plan according to which priorities of industrialisation were to be based on what were considered to be socially necessary, and not on the basis of private profitability and demand. Infact during the preparatory stages of the Fifth Plan it was postulated that the strategy of growth would be to *curb* the consumption of the top three deciles in income distribution to raise the levels of income of the bottom three deciles[30].

Whether this strategy was meant to be taken seriously or not, one of the arguments put forward to support it is worth recalling. It was shown that the consumption of the top groups was import intensive and hence curbing their consumption would considerably ease the pressure on foreign exchange. A process of industrialisation responding to the demand of these groups, therefore, is at best a new import substitution strategy. The liberalisation of the import of capital goods and industrial raw materials on the one hand, and the failure of exports, especially exports of manufactured goods to increase are both compatible with this pattern. The Report of the (Abid Hussain) Committee on Trade Policies had recognised that "the income elasticity of demand for most of our exports is quite high in the domestic mraket". And the *Mid Term Appraisal* identifies engineering goods and chemicals as major examples of products where domestic demand has been a persistent obstacle to rapid development of the export market. Thus, there appears to be an inherent incompatibility between the *kind* of industrial growth we have accepted and the sort of export promotion we desire. Not surprisingly, therefore, our exports will continue to be dominated by handicrafts, marine products and our traditional agricultural goods, and *not* manufactured industrial goods. But imports of capital goods are unavoidable for the industrial growth pattern we are pursuing. One of the problems to be anticipated in the coming years, therefore, is a growing adverse balance of trade. The net invisible earnings have not been increasing much and hence the balance of payments situation is likely to deteriorate. The need to meet the balance of payments deficits and the repayment of loans may result in growing commercial borrowings which have already increased from 6.5 per cent of the total in 1975 to 27 per cent last year. Correspondingly, the debt service burden will also increase which already claims close to a quarter of the export earnings.

The emerging pattern of industrialisation also will have domestic implications. Since the goods concerned have high income elasticity and low price elasticity, cost effectiveness need not be a major concern for the producers. Thus the expectation of the Abid Hussain Committee that the new phase of import substitution should have an emphasis on efficiency is not likely to be realised. Even the claim that import liberalisation would make Indian industries more competitive, is yet to be established. In fact a study that examined this issue in the context of one of the leading concerns producing automobile ancillaries and components has come to the conclusion that "liberalisation policies of the government have facilitated automatic growth in capacity and enables the group companies to seek re-endorsement of enhanced capacities thus expanding their hold over the market" and that collaboration with leading world manufacturers coupled with the group's concentration in the automotive ancillary and component sector has enabled the group to maintain its monopolistic lead in this sector.[31] A further possibility is that the new incentives may strengthen the larger concerns and give them better bargaining power over the smaller ones especially in the small scale sector, in terms of subcontracting and marketing both within the country and in the international markets.

There are certain wider ramifications of the growth pattern that is being pursued which must also be taken note of. The import substitution and export promotion activities themselves contribute to the growth of the group of people who demand the kind of goods that are being produced as also to a substantial increase in their incomes. This island of affluence within the economy is being augmented and strengthened through other operations within the system. One of these is the growth of the service sector already referred to in Part II. While the share of national income originating from (and accruing to) the service sector has been rapidly increasing, the sector's share in the total labour force has not been showing a corresponding increase. Hence per capita earnings in this sector must be going up; the higher brackets at least of this sector must add to the island of affluence. In this context the higher growth rate of the public administration and defence component within the service sector's income is of special significance because that component, again, contributes to the demand for the kind of goods whose production is now receiving special stimulus. Fiscal policy in recent years, especially since the Budget of 1985-86 has made several concessions to the constituency that is being catered to by the newly dynamic segment of Indian industry. In sum, there is a desperate effort to create and encourage within the system an upper crust of the affluent whose economic activities can support and sustain growth for a while.[32] It may, indeed, succeed *for a while*, but in what manner and for how long? In response, to demand there is a

tendency to increase output and expand capacity. For a while the going may be good, but soon the market reaches a saturation point. The Reserve Bank of India's analysis of industrial production during the Fifth and Sixth Five Year Plans referred to in Part III points out that electric fans registered a very high growth rate during the Fifth Plan and a very low rate during the Sixth. And now two-wheelers which showed sudden expansion till recently are showing recessionary tendencies. Are capacity created in response to demand adequately utilised when the demand recedes? Can *broad-banding handle this problem?* Or does it lead to unutilised capacities in different industries from time to time? There is also a larger problem. One of the internal inconsistencies of the strategy will begin to be felt fairly soon. The group that must sustain the expansion of the growing industries through their spending is the same that accounts for the bulk of the savings of the economy also.[33] Sooner or later one of these will come to dominate to the detriment of the other and the apparent smooth sailing may turn out to be a turbulent affair. This will be one of the issues emerging in the 1990s.

Stimulus to industry will certainly have some secondary effects through forward and backward linkages. Ancillary activities will be generated; employment opportunities will emerge. And through these a wider circle or people will be drawn into the process of growth and income generation. But in our country where close to 70 per cent of the population is still dependent on agriculture for work, earnings and living, what can be achieved through industrial growth alone is very very limited. For growth to touch the lives of the majority of the population, agriculture must change, not only in some selected parts of this vast country[34] but in as wide a manner as possible. From this point of view the record of the 1980s has been very disappointing so far, as seen in Part II, the worst year within the decade having been 1987-88. The indication so far has been that 1988-89 will turn out to be a good year, but essentially one of recovery from the calamity of 1987-88. As our experience of the past shows, such recoveries may spread over a couple of of years and so the decade as a whole may end up on a more cheerful note. But that can turn out to be a deceptive beginning for the 1990s. For, as already *noted in Part II*, there are deep rooted problems as far as the agricultural sector is concerned, some of which have already been touched upon. Apart from the technical problems of seed, water and fertilizer, there are the major institutional problems in agriculture essentially of ownership and control over land and the consequent pattern of control over all operations — production, marketing and distribution.[35] During the period prior to and immediately following independence these problems were recognised as the crucial ones for the agrarian economy. From the mid sixties the emphasis shifted and the problems of agriculture were seen to be essentially those calling for technological solutions. In the late sixties and the seventies the technological approach did prop up agricultural production. The message of the eighties is that technological solutions can only be short term measures for temporary relief. The need for institutional changes for the restructuring of the agrarian economy will once again become a live issue in the nineties. If in the fifties the institutional aspect was related to absentee landlordism and large ownership, in the nineties it will be kept alive through the proliferation of tiny holdings on the one hand and the question of remunerative prices on the other.

Dealing with them will be much more difficult than the "land reform" measures attempted in the fifties and the sixties. But there can be no doubt that in new forms the institutional factors will reemerge as the crucial issues in agriculture in the next decade.

The review of the economy in the 1980s thus shows that the widely published policy measures frequently referred to as "the new economic policy" may not be achieving their objectives even in their limited spheres while they show a very inadequate appreciation of the real nature of our problems at this stage. It is with such a double burden that the Indian economy moves on to the 1990s.

* * *

Notes

1. V.K.R.V. Rao, *India's National Income 1950-1980 — An Analysis of Economic Growth and Change* (New Delhi, Sage Publications, 1983)
2. R.M. Sundrum, *Growth and Income Distribution of India — Policy and Performance since Independence* (New Delhi, Sage Publications, 1987)
3. Central Statistical Organisation, *New Series on National Accounts Statistics with 1980-81 as Base Year, 1980-81 to 1985-86* (February 1988)
4. See Uma Datta Roy Choudhury, "New Series on National Accounts Statistics : Some Comments" *Economic and Political Weekly*, July 23, 1988 for a critical exposition of the New Series.
5. Centre for Monitoring Indian Economy has brought out a publication *National Income, Consumption Expenditures, Saving and Capital Formation, Quick Estimates* : 1986-87 (February 1988) putting together the CSO's Quick Estimates for 1986-87 as also the New Series from 1980-81 to 1985-86 to provide a set of comparable figures for the seven years from 1980-81 to 1986-87. I have made use of this publication as well as the CSO's original material.
6. Planning Commission, *Seventh Five Year Plan 1985-90 — Mid-Term Appraisal.*
7. For estimates of earlier periods see Rao, *op.cit* p. 39 and Sundrum, *op.cit.*, p. 104.
8. CSO, *op.cit.*, para 2.17
9. *Ibid*, para 2.15
10. Rao, *op.cit.*, p. 33

11. Sundrum, *op.cit.*, Table 5.5 p. 108

12. In terms of NDP, the figures are, Agriculture 12.0 per cent ; Industry, 39.5 per cent and Services 48.5 per cent.

12a. For a comprehensive account of these wide-ranging measures see Centre for Monitoring Indian Economy, *The Liberalisation Process*, July 1986.

13. Planning Commission, *Sixth Five Year Plan 1980-85* p. 262

14. "Trends in Industrial Production during Sixth Five Year Plan : A Review" *Reserve Bank of India Bulletin*, May 1986

15. Loc. cit., p. 372

16. The Reserve Bank's analysis goes on to say : "A noteworthy feature of the industrial situation in India is that the growth rate in output has been steadily decelerating over the decades : thus the growth rate in industrial production as reflected in the general index with 1970-71 as base declined from 7.6 per cent in the fifties to 6.3 per cent in the sixties and further to 5.2 in the seventies". A foot note adds : "Admittedly, the present index does not adequately reflect the real growth in industry as some of the new and fast moving industries like electronics, petro-chemicals and new drugs are not covered by it. Nevertheless, there is recognition of the fact that the industrial performance has been unsatisfactory and large number of industries are facing chronic structural problems".

17. *Economic Survey*, 1987-88 p. 31

18. Seventh Five Year Plan *Mid-Term Appraisal* commenting on the good performance of industry says : "A variety of factors have contributed to the acceleration in industrial growth. The easing of some infrastructural constraints and stimulus provided by a large investment programme reinforced the impact of policy measures which loosened some constraints on more effective utilisation of capacity and improved the attractiveness of investment in critical areas". para 5.5

19. The *Mid-Term Appraisal* gives details of the industrial growth rates 1985-87 at the two digit level (Annexure 5.1) and of output variations in physical terms of a large number of items (Annexure 5.2). In terms of growth rates it is shown that as against the Seventh Plan Target of 8 per cent per annum for manufacturing industry, the actual growth rate in 1984-85 to 1985-86 was 9.7 per cent and in 1985-86 to 1986-37, 9.0 per cent. On capacity utilisation the document says : "In the private sector, the main disappointments have been the lack of progress in the three fertilizer plants allotted to the private sector along the HBJ pipeline; the slow progress in the modernisation of the textile industry despite the existence of the Rs. 750 crore

Textile Modernisation Fund; and the industrial and professional electronics in the electronics sector. Another industry that may slowdown in the future could be Cement industry: further expansion could run into demand constrains". (para 5.13)

Even granting that the performance of the manufacturing sector has been impressive during the Seventh Plan period, there is still no explanation as to how the performance of the sector showed marked difference during the Sixth Plan period as a result of the revision in the index of industrial production. It is understood that a Committee has been set up to examine this aspect. But it is not known whether the Committee has submitted its report.

20. Reserve Bank of India, *Foreign Collaboration in Indian Industry, Fourth Survey Report*, 1985.

21. *Economic Survey, 1987-88* p. 35

22. "India's Balance of Payments during the Sixth Five Year Plan *Reserve Bank of India Bulletin*, June 1987, p. 503. According to the Report of the (Abid Hussain) Committee on Trade Policies, during the period from 1971-72 to 1983-84 exports in terms of volume increased at 6.3 per cent per annum. p 9.

22.a The increase in the share of gems and jewellery is partly a reflection of the increase in the price of these items. But it may be noted too that the increase in the export of gems and jewellery has been mainly because of the increase in the *import* of precious stones. Thus import of precious and semi-precious stones has increased from Rs. 416.8 crores in 1980-81 to Rs. 1495.5 crores in 1986-87 and the exports of gems and jewellery increased from Rs. 618.4 crores to Rs. 2069.3 crores during the same period.

23. *Economic Survey 1987-88* p. 88. *Mid-Term Appraisal* also admits that "the major export sectors of garments and gems and jewellery are not covered in the industrial production index". p. 101.

24. *Economic Survey 1987-88*: Statistical Table 6.5 Rupee values corrected to the first decimal.

25. "India's Balance of Payments during the Sixth Five Year Plan" *Reserve Bank of India Bulletin*, June 1987.

26. K. S. Chalapati Rao, "India's Export Policies and Performance: An Evaluation", (Corporate Study Group, Indian Institute of Public Administration, cyclostyled, year of publication not indicated).

27. *Seventh Five Year Plan 1985-90: Mid-Term Appraisal* p. 103.

28. Reserve Bank of India, *Annual Report 1986-87*, p. 9.

29. The RBI Annual Report referred to above mentions passenger cars and scooters among the rapidly growing industries, but also includes bicycles and clocks.

30. Planning Commission, "A Technical Note on the Approach to the Fifth Five Year Plan of India (1974-75 to 1978-79)".

31. Padmini Swaminathan, "Liberalisation, Market Concentration and Prospects for Growth: A Study of TVS Group of Companies" *Economic and Political Weekly* May 14, 1988.

32. Elsewhere I have dealt with the manner in which the new thrust in industrialisation and the fiscal strategies are intermeshed in the New Economic Policy. See C. T. Kurien, "1987-88 Budget and the New Fiscal Strategy', *Economic and Political Weekly* April 11, 1987.

33. The share of the household sector in gross domestic savings is around 78 per cent in 1985-86 both according to the Old and New National Income Series. (Because of the new manner in which capital depreciation is taken into account, especially in the public sector in the New Series, there is a big difference in the relative share of the major sectors in *net* domestic savings. According to the New Series in 1985-86 the share of the public sector in net domestic savings is — 10.29 per cent and of the household sector 106.11 per cent, the rest, i.e., 4.18 per cent being the contribution of the private corporate sector). Within the household sector the bulk of the savings is accounted for by the top ten per cent.

34. According to the Seventh Five Year Plan document, less than 15 per cent of the area under foodgrains accounted for 50 per cent of the increase in foodgrains production in the post-green revolution period.

35. For a very reasoned argument about the continuing centrality of the institutional aspects of agricultural development see P. C. Joshi, *Institutional Aspects of Agricultural Development* (New Delhi, Allied Publishers, 1987).

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Vol. XIX No. 3 March 1989

Industrial Growth in Tamil Nadu
The Threat of a New Thrust

Pre Budget Survey 1989-90

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

1988-89 Plan

The State Plan is facing a rather severe resource shortage. Against the approved outlay of Rs. 1457 crores (a record 17 per cent increase), at the present rate of expenditures and implementation in the past 9 months, the Plan is likely to end the year with Rs. 1000 crores. The resource shortage is in part due to the state not being able to raise the expected Rs. 1300 crores because of a) the Rs. 150 crores expenditure on interim relief to government staff (see Vol XVIII p 469), b) purchase of rice in the open market, c) tax relief [illegible]dustry and trade and the special gr[illegible] the Madras Corporation for its tricentenary : d) the tax reduction not yielding increas[illegible] revenue because of buoyancy (see Vol XVIII p 469) : e) the State government request for Rs. 150 crores from the Union to meet unanticipated expenditure (see Vol. XVIII p 527) has not been met. The approved Seventh Plan is Rs. 5750 crores and in the first 3 years Rs. 3363 crores have been spent. If it had spent Rs. 1487 crores in the 4th year, there would have been a balance of only Rs. 930 crores which would have to be augmented. Under these conditions, the size of the 1989-90 Plan and that of the Eighth Plan is now in question. While it is desirable to have an increasing plan size, the aura which has come to be attributed to the figure of the Plan size—both national and state wise—is somewhat unjustified. What we want to be assured of is, that the non Plan assets will be properly maintained which means adequate non-plan development expenditure provisions, and Plan provisions which can be optimally developed for the future years. The overall financial position of the state is bad — with Rs. 54 crores due to the Union loan repayments —, recommendation expected from the Pay Commission on parity with Union scales which w[illegible]st the state Rs. 550 crores a year and t[illegible]ponement of Rs. 100 crores expenditure to the next Plan.

The new government will have to face the difficult financial situation.

Weather and Prices

The weather in January continued cool and dry. There were no rains and as will be noted later, paddy farmers were main sufferers. Dry crops which depend for moisture on the early morning dew profited by the cool weather and the nights coolness and moisture left by the early morning dew. On prices, skipping the CSO's October issue, the November issue reports that the index number of consumer prices for industrial workers rose by 11 points to 799 in June and 3 points to 812 in July, mainly due to the sharp 9 point rise in food prices in June. The index number of consumer prices for agricultural labourers rose by a mere 4 points in July but by 7 points to 668 due again to the sharp rise in food prices. The consumer price index for non manual employees shows almost no rise — being for Coimbatore a 1 point rise to 135 in August, while July shows no movement at 134, Salem show a rise of 3 points to 134 in July but a fall by 1 point in August, Tiruchirapalli shows a rise of 4 points to 136 in July but no movement in August, Madras shows a rise of 1 point to 139 in July and 139 again in August and Madurai recording 139 for all 3 months June, July and August. This record is rather puzzling because the housewife reports sharply rising consumer prices in July and August in various cities.

Power

The power situation in the state in January was normal. There was some disturbances for a few hours on January 9 due to the tripping caused by the 400 KV Cuddappa — Nagarjunasagar feeder in AP but it was set right within a few hours. The Tamil Nadu Electricity Board reports a massive renovation and modernisation scheme in the Ennore Thermal plant under which sophisticated electro-static precipitation have been installed to collect fly ash from boilers of the electricity producing units. The result is that there is virtually no pollution around the plant. Due to the resource shortage of the government, the Rs. 100-200 crores to be spent on the North Madras thermal plant (see Vol XVIII pp294 & 245) has been postponed though the reason given is the delay in land acquisition for the plant.

The power situation in the country in January was normal except for Karnataka and the short breakdown of the Northern power system which affected Delhi, UP, Rajasthan. On the one hand NTPC states that by the turn of the century, its power generating capacity will increase to 28,000 MW involving an investment of Rs. 30,000 crores from the present level of 14370 MW. On the other hand its outstanding dues from the State Electricity Boards are Rs. 569 crores, which is limiting its implementing projects with the assistance of the World Bank. The Union Energy Ministry has warned that in future, electricity and coal will not be supplied to State Electricity Boards if they fail to settle these dues. This supplements the threats to cut Plan grants to the states in settlement of these dues. (see Vol XIX p 4 and last issue). It also warns of a collapse of the whole power system in the country, if the State governments did not take on the responsibility of financing subsidies involved in low tariff sectors like agriculture. The power capacity addition

programme for 1989-90 relies heavily on external assistance to create an estimated power capacity of 6029 MW because of the internal pressure on resources faced by the government. Something like Rs. 2300 crores is estimated to be mobilised through external assistance against Rs. 1600 crores in 1988-90 — which is over 50 per cent of the total funds required for the power projects. Infact the reliance on external funds for power development in the 8th plan is massive. The Union government is posing 7 power projects — four hydel, 2 gas based and one transmission line — for assistance of Rs. 1000 crores from the Overseas Economic Cooperation Fund of Japan in 1989-90. Further, the Union government states that it is working out a scheme to allow states to use foreign suppliers, credit or foreign loans for setting up power station, on condition that the Power Finance Corporation clears the viability of all such projects and the foreign funds are routed through the Corporation. The World Bank states that it will double its assistance for power projects in 1989-90 and will continue through the VIII Plan at Rs. 1000 crores per year. Whether capacity addition should not be slowed down so that the massive reliance on foreign funds with its heavy repayment obligation needs thought. Meanwhile BHEL reports that it is starved for orders for power equipment which is one result of the heavy reliance on foreign funds which have to be used to purchase the equipment of the lending country. It reports that of the 12,116 MW orders for thermal and hydel projects equipment in the VIII Plan, equipment for 840 MW has been suspended by the SEBs and the Union ministry who gave the orders because of the lack of funds. The 2 day conference of state power ministers meeting at January end has recommended a) capacity addition of 38,000 MW during the VIII Plan, b) greater emphasis on gas based projects which have a shorter gestation period and if enough gas is not available to import the balance, and c) setting up an expert group to examine restructuring of SEBs and the modalities of uniform power tariff, norms for fixation of tariff plan and 2 part tariff.

Water

Water is badly needed by the farmers in the delta area of Thanjavur district and frantic appeals are made again and again to the government of Karnataka to release atleast 15 tmc of additional water. This water is needed for the last wettings of the standing crops. From January 4, a 3 dayturn supply has been introduced to use the 5 tmc of water release by Karnataka as reported, in the last issue. Karnataka announced on January 27 a second release of water to Tamil Nadu and welcomed the new government's assurance to settle the Cauvery issue on the basis of negotiations between the 2 governments. The new government also announced that a task force will be set up to work on the water issue in Tamil Nadu.

Urban Development and PDS

MMDA is to liberate development control rules and rectify anomalies to promote building activity. A uniform floor space index is being introduced for the whole metropolis, limiting the total floor area of the building to one and a half times the extent of the land. The Index for multi — storeyed building will continue at 2.75. The new government states that it will not raise the issue price of rice distributed through the fair price shops, which means that the 5 paise rise per kg will have to be borne by the government (Rs. 40 crores a year).

Transport

The 11.27 km second metre gauge line between Tambaram and Gooduvancheri has been certified by the Railway Safety Commission and opened for traffic. This is the first step of the doubling of the Tambaram-Chingleput line—work is in progress on the Gooduvancheri-Chingleput section which it is hoped to complete and open to traffic in 1990-91. The Madras port which has emerged as a modern container port is creating sophisticated facilities for repair of ships. The dry dock project now getting underway with the allotment on lease of 43,600 sq metres of water and 8097 sq metres of land area for 29 years for the project to a Delhi firm. The firm is setting up a ship repair complex with 2 floating dry docks and other related facilities in collaboration with a Singapore firm. This will be the first composite ship repair yard in the private sector in India where the dock and repair facilities will be contiguous. It is a Rs. 62 crores project.

National

Plan

Discussions in January around the Union and State plans for 1989-90 are dominated by the financial crunch, which is seen in the possibility that the budget deficit may be higher than the budgeted Rs. 7484 crores, the revenue deficit shooting upto Rs. 10,000 crores (compared to Rs. 294 crores in 1981-82), leading to increases in administered prices to be referred to later and rise in market borrowing. This is also seen in the finalisation of the state Plans for 1989-90, where the shortfall in resources is estimated at Rs. 2000 crores. For the Union Plan for 1989-90, the Ministry of Finance states that it cannot exceed a 10 per cent increase (Rs. 31,600 crores) (budgetary support Rs. 16500 crores compared to Rs. 16,000 crores in 1988-89(, without a large tax mobilisation effort, while the Planning Commission wants a 17 per cent increase (Rs. 33,700 crores). One way out for both the ministry and Planning Commission is to resort to extra budgetary resources to the extent of Rs. 3000 to Rs. 4000 crores. The public sector enterprises will also go in for higher market borrowings. In all this, the Union is trying to maintain the tempo of plan investment at about 15-16 per cent higher than in 1988-89. The same preoccupation on the financial facet is seen in the VIII Plan strategy. Having decided on a 6 per cent growth rate, the rate of savings to attain these rates is now being set at around 27 per cent of GDP from the present 22 per cent. Others feel that the savings rate need not be stepped so much, as foreign capital and borrowings can help. The problem of savings is not so simple of extra/or — as for example while in the 80s the gross savings rate declined from the 70s but the growth rate rose at that time. In the first 2 decades of Planning, savings rate and growth rate both rose. Again there was no one to one relation between savings rate and GDP growth in 1977 to 1979 seen in the fact that surpluses in foreign exchange and savings failed to give a push to growth. But all savings should be productively and optimally utilised which is as important as the level of the savings rate. Further, the Approach Paper for the VIII Plan is

now overdue, and the delays caused by the frequent absence of the Prime Minister who is chairman of the Planning Commission and those related to work on other aspects of Plan resulting from the 6 per cent growth rate should now be made up. The Approach Paper should be finalised by the end of January and presented to the National Development Council in early February. The concentration should be on policies, priorities and programmes and not simply on the financial magnitudes or savings rate. In this connection the Planning Commission's preference in the eighth Plan to create a separate fund to finance ecological disturbance should be welcomed mainly because it will reduce delays in clearance and implementation of projects. This should be presented to the National Development Council and its advise obtained on ensuring that the ecology is maintained without too much disturbances. A preview of the VIII Plan approach shows that it is highlighting a) a higher employment growth rate, b) a reduced population growth rate to around 1.9 per cent, c) ensuring minimum needs in better health facilities, potable water, immunisation of children, d) removal of regional disparities through setting up growth centres, e) bringing some industries to the level of international competitiveness, f) pushing district level planning, with panchayats as focal point, g) basing agricultural growth on agro-climatic zoens, and h) rural development.

Prices

Inflation in December as measured by the wholesale price index showed a decline of 3.3 points at 433.4 at December 31 compared to 436.7 on November 26. While prices of food articles — milk, ghee, tea, wheat, maize, fish-rose, other food prices (of rice, gram, fruits), vegetables, eggs, jowar, bajra, arhar, urad condiments, spices and coffee fell during the month. Prices of cotton yarn, jute manufactures, chemicals and intermediates also rose but those of non food agricultural articles declined. The continuing decline in wholesale prices over the last quarter is attributed to the timely monsoons with its abundant rains to make up the previous year's drought. But the annual rate of inflation based on the consumer price index for industrial workers shows a rise of 9.7 per cent in October compared to 8.2 per cent in September. The value of the rupee has fallen to 12.15 paise since 1960, with greater depreciation in towns like Banglore and Guntur, Delhi and Bombay. During the first 9 months of 1988-89, the increase in broad money (M_3) has been Rs. 24,179 crores (compared to Rs. 21,207 crores in the first 9 months of 1987-88 due to a strong increase in bank credit to government, of the RBI credit increase to government in the period April-December, by Rs. 7232 crores compared to Rs. 6460 crores in that period 1987-88. This shows the extent of deficit financing and that the budgeted deficit of Rs. 7484 crores will be exceeded, as net bank credit (not that of RBI alone) rose by Rs. 12,720 crores. Inflation is also being fed by the usual prebudget price hikes. Steel prices for all categories of steel and pig iron have been raised by 8 per cent, the Engineering Goods Export Assistance Fund being raised to Rs. 200 crores. The issue price of rice has been raised. In the last issue, the raising of the price of coal was reported. In addition the price of milk and sugar have been increased and postal rates for surface mail and parcels. In December-March 1988, the changes in prices for coal, steel and motor spirit and the new levies by the railways and postal and telegraph departments netted over Rs 2000 crores. Against this inflationary surge, the government has ruled out any further budgeting support to the ministries and their projects and the fiscal year and the departments have been instructed to keep down their expenditure within the budget level. But the increased deficit — in the budget and deficit financing and the administered price rise are strong inflationary forces which are also fed by the increase in money stock, as earlier noted.

Stock Exchange, Finance Commission and Union loans

1988 was a good year for the stock and capital market. The drought led to subdued activity till March 1987 but there has been no sharp fall of share values. The stock markets were buoyant in the third quarter and the capital market also witnessed boom conditions. The market price and turnover trends in the capital market restored the earlier set back. Institutional investors increased in significance and strength. The recommendation made at the meeting of the standing committee of presidents of exchanges are important and should be acted upon. Investor confidence will be strengthened if the recommended national securities market is established. This will provide uniformity in the system of operation and a greater mobility of funds from one market, especially badla finance, to another. The market will require strong infrastructure, through modernisation of the stock exchanges, computerisation of operation, institutional membership and admission of corporate bodies as members. The launching of a national stock exchange index by the Bombay Stock Exchange covering 100 major shares in 5 stock markets is a welcome move. The Bombay Stock Exchange has started a broker's training institute which also is a move in the right direction. Similarly the call of the Finance Minister at the inauguration of the Discount and Finance House of India is for public sector undertakings to set an example in developing the commercial bill culture as means of the money market growing in strength. In a further development RBI has asked foreign banks in India to give the priority sector 15 per cent of their total lendings, to complete the 40 per cent provided by Indian Banks. With regard to Finance Commission, it reports the problems it is facing in reconciling the normative approach to reconciling expenditure of the Union and State governments with the demands of the VIII Plan. Its interim report (See Vol. XVIII p. 531) did not face this issue for 1989-90 because it did not adopt the normative approach. Now it is facing the issue, it states the report will be submitted in August, which is important for the VIII Plan Approach. It points out that the revenue deficit of the Union will be Rs. 50,000 crores and that of the states Rs. 12,000 crores by March 1995, unless the revenue accounts deficit are brought to zero by then. Otherwise it rightly predicts a fiscal collapse. The Union government announced 3 loans for Rs. 12,000 crores and on January 9 received Rs. 1320 crores as per the usual custom.

Economy

CSO's estimates for 1987-88 just released shows India's GDP rising by 3.6 per cent and GNP by 3.4 per cent. GDP at factor cost in 1980-81 price is estimated at Rs. 1,70,363 crores against Rs. 1,64,441 crores in 1986-87. The growth rate for GNP, National income or Net National Income or Net National Product is lower than GDP because of the higher consumption of fixed capital. The per capita income is estimated at Rs. 1918 for 1987-88 against Rs. 1892 in 1986-87 — an annual increase of 1.4 per cent. The per capita expenditure for the year is Rs. 1700 against the previous year's 1677. There is some question whether these estimates based on 1980-81 prices and methodology used over-estimate all the quantities. Foodgrains production fell by 3.5 per cent, from 143.4 million tonnes in 1986-87 to 138.4 million tonnes in 1987-88, due to the 6.8 per cent decline in rice production, 20.1 per cent fall in gram production, 1.6 per cent fall in arhar, 27.3 per cent bajra, 25.9 per cent in maize, 14.2 per cent in ragi and 4.6 per cent in barley. Gross domestic savings during the year was Rs. 66,650 crores against Rs. 63,426 crores in 1986-87 being 20.2 per cent of GDP (at market prices) against the previous year's 21.6 per cent. (Meanwhile it should be noted that RBI estimates that savings fell from 13.1 per cent in 1986-87 to 11.8 per cent in 1987-88. The savings of the household sector increased by 8.5 per cent from Rs. 50,484 crores to Rs. 54,777 crores, the private corporate sector by 15.4 per cent from Rs. 4924 crores to Rs. 5684 crores, while that of the public sector fell by 22.8 per cent from Rs. 8018 crores in 1986-87 to Rs. 6193 crores in 1987-88. This CSO data raises questions about the 1987-88 drought. National income rose by 3.4 per cent and not the 1-2 per cent as forecast by the Economic survey, foodgrains declined only to 138.4 million tonnes and not to 135 million tonnes as forecast. Does this mean that the drought was not so severe? Then why did the Union and State governments spend over Rs. 5000 crores on drought relief and why was so much foreign aid received? A disturbing development is that the non commodity (services) sector has increased its share of contribution to GDP from 37 per cent in 1980-81 to 40 per cent in 1986-87. The share of non commodity sector has increased to 42 per cent, while agriculture and industry have increased by only 27 per cent. There is a reference later to this problem. RBI's report on Currency and Finance 1987-88 states the growth in real national income in 1988-89, will be atleast 9 per cent, which makes the average growth rate of the first 4 years of the VII Plan 5 per cent, so that the Plan target could be met. Agricultural growth will be 20 per cent and industrial growth 9 per cent. Reviewing the previous year 1987-88, it says that growth in that year will be 3 per cent and not 2.5 per cent as it forecast earlier (See Vol. XVIII p. 74), because the decline in agricultural output was less than forecast and industry showed reasonable growth. In 1988-89 the favourable weather ensures attaining the kharif target of 92.5 million tonnes and with sub soil moisture and good irrigation rabi output will attain the target of 76.7 million tonnes. Groundnuts are doing well in Gujarat at 8 million tonnes and for the year could be 15—16 million tonnes. CAB estimates cotton at 102 lakh bales and the estimate of jute is 6.7 million bales. Taking both foodgrain and commercial crops, agriculture will show a 20 per cent growth. During the first 6 months April-September, 1988-89 industrial output grew by 9.4 per cent due to lower rates in manufacturing and electricity at 10.6 per cent and 6.0 per cent compared to the 1987-88 12.2 and 9.3 per cent. As agriculture production increased, rural incomes will increase, leading to an increase in the demand for consumer goods, so that for 1988-89 the industrial growth could exceed 9.9

per cent. In the fiscal sphere, with fast growing revenue expenditure compared to revenue receipts, the revenue deficits is estimated to increase to Rs. 9842 crores for 1988-89 compared to Rs. 8497 crores in 1987-88. The report expects a surplus in capital account to keep the deficit at the budgeted Rs. 7484 crores. The fiscal deterioration is due to the sharp rise in non plan expenditure, interest, defence, subsidies. The trade deficit during April-October 1988-89 has widened to Rs. 4936 crores from the previous year's Rs. 3484 crores due to the 28 per cent increase in imports. The balance of payments will face greater pressure in absolute terms and in relation to GDP which is well above the 16 per cent postulated for the first 4 years of the Plan. Foreign exchange resources in April - December 1988 declined by Rs. 1052 crores against the previous year's Rs. 528 crores. CPI has risen 10 per cent upto November compared to the 4.2 per cent rise in WPI. Stock exchanges are booming because of the good monsoon, equity prices rising by 6.7 per cent in April-November 1988 compared to the previous year's decline of 9.8 per cent. Also investment is increasing sharply as seen in the 77.7 per cent rise in the financial assistance of all India term lending institutions between April-September 1988. The United Nations in its world economy report states that India's growth in 1987 was 2.2 per cent and 8 per cent in 1988. The government states that growth in 1988-89 will be around 9 per cent and even higher. This is confirmed by CMIE, which also forecasts growth of 10 per cent of the economy in 1989-90, due to the 20 per cent increase in agricultural production and 9.07 per cent in industry. (10.1 in manufacturing, 10 per cent in power, 8 per cent in coal and 6 per cent in crude). Prices will increase by 7.5 per cent. Agricultural growth in the 4 years of VIII Plan will be 3.3 per cent against the target of 4 per cent. Procurement of rice is low so that foodgrain stock will be only 10.5 million tonnes in March 31, forcing the government to import more foodgrains. While crude oil production will Increase by 6 per cent, crude demand will increase by 7 per cent, involving higher imports. The trade deficit during the year will widen further. Though Gross capital formation has increased at an average 6.2 per cent in the last 4 years against 4.3 per cent in the previous plan, there will be a 25 percent gap in gross capital formation in 1989-90. On poverty, it is pointed that if it takes into account a person's income as well as the ability to be adequately nourished, to be reasonably free of preventible morbidity and premature mortality, to be acceptably clothed and housed, then the people deprived of these facilities is well above the official percentage shown by interpreting NSS estimates. It is pointed out that some countries like Sri Lanka, China and Costa Rica with low GNP have reached high living standards, whereas those with higher GNP like Brazil, Mexico, South Africa and Omman have wide spread poverty. The difference has been brought about by public action. In India, Kerala is an example of the state with low per capita SDP, but its life expectancy comparable to industrialised countries, good delivery of education include females, widespread distribution of medical services and a good network of subsidised distribution. It is concluded that the box of reduced living and diminished lives in which a large part of our people live has to be broken. The Union government has announced a package of bank programmes to speed up rural development, including not insisting on security for agricultural loans upto Rs. 5000 and for the non formal sector upto Rs. 25,000, the viability of the scheme being the basis for the loan. A high power government committee which examined the role of voluntary organisations in implementing the poverty alleviation programme is so impressed with their record, that it has called for providing "a constitutional basis" for voluntary work. This seems somewhat contradictory — as there can be no constitutional volunteerism. A study by the Trivandrum Institute of Management Studies shows that at present rate 50 per cent of the world's poor and illiterate will be in India in 2000 AD.

Industry

CSO reports that industrial production for April-October 1987-88 has risen by 9.5 per cent, rising from 6.3 per cent for July-September. The Finance Ministry is critical of business men who are misusing import licenses and importing luxury items. The report of the Comptroller and Auditor General on Khadi and Village Industries Commission makes sad reading. The Commission comprises State Boards, 1148 registered institutions and 30,000 co-operative societies shows a record of misuse of funds in states boards and aided institutions. In 8 states Rs. 466.80 lakhs have been misused or diverted, in 9 states a large Rs. 1295.63 lakhs have been blocked in units not yet set up, sundry debtors under khadi are Rs. 2026.72 lakhs and village industries Rs. 286.76 lakhs. As this programme is meant to help the poor and weaker sections, these and other glaring defects including those on marketing (56 per cent of its polyester khadi is unsold) need attention. The Commission should be restructured and its working reorganised. The government's decision to import LPG to support gas based industries and power generation using gas as feed stock should be welcomed as it will help us shift from the current heavy reliance on hydro carbon. The government committee reports finalising the import output norms for certain naptha based intermediaries which should help the supply of various intermediate products at international prices for export production. Following the recommendations of the Science Advisory Council, the Union government announced the setting up of a Telecommunications Commission with autonomy and flexibility to handle all matters relating to that sector. The Economic Times annual survey of the 236 private sector units, of which 54 were large show that their profitability in 1987-88 were lower, with the decline in gross return on sales as also was their net return on net work.

Public Sector

In an optimistic summary of public sector performance the government reports that in 1987-88, 191 companies earned an overall net profit of Rs. 1748.83 crores compared to Rs. 1831.89 crores in the previous year. It refers to a number of reforms made to enhance their operations such as giving 5 year terms to chief executives to developing hold companies, more MDUs and speeding up approval of investment proposals. The Department of Public Sector Undertakings under the Ministry of Industry reports achieving a 30 per cent higher production in December 1988 over that of the previous month. The good performers were BHEL (101 per cent), Bharat Heavy Vessels (122 per cent), Braithwaite (101 per cent), Burn Standard (104 per cent), Lagan Jute (153 per cent), Maruti (139 per cent), Tungabadra Steel (125 per cent), Tyre

Corporation (136 per cent). It is estimated that in 1988-89 the 33 enterprises will achieve a 17 per cent growth at Rs. 6527 crores. All this is contradicted by CSO's report that in 1987-88 there was a 71 per cent dissaving by the public sector. The Union government states that it will sign more MOUs with the units beyond the 11 signed in 1988.

National Production Front

Steel

SAIL reports that in 1988-89 turnover will be a high Rs. 6000 crores, will be above the Rs. 5000 crores in 1987-88. For calender 1988, it reports a production of 8 million tonnes of crude steel, 1 million tonnes above 1987. It also reports that it has finalised the proposal to take over Visvesvaraya Iron and Steel with the help of financial institutions and banks. Similarly the modernisation of IISCO with a Japanese loan of Rs. 654 crores has been finalised following the agreement on it reached during the Prime Minister's visit to Japan.

Crude

Crude production in 1988-89 will be 40 million tonnes (31.61 million tonnes oil and 8.61 million tonnes of oil equivalent), and by the end of the VIII Plan will be 48 million tonnes. It is importing 16 million tonnes in 1988-89, according to the government. It also reports that oil and gas have been struck at Nada in Broach and Mansa in Mahasana district in Gujarat. The Nada will have an oil flow of 2000 tonnes a day and gas of 1.25 lakh cubic metres a day. ONGC reports that the offshore programme is going well, with 42 established and new oil field services being identified for the VIII Plan. The oil companies are expected to charter 135 offshore drilling rigs at a cost of Rs. 870 corres during the VIII Plan.

Coal

In the coal area, the 13.7 per cent hike in coal price reported in the last issue is the major focus of government in January 1988. It is feared that the price increase will unleash price hikes by all bulk users of coal such as steel, power plants, cement, paper units and railways. Further, it is pointed that the price hike will not solve its crucial problem of mounting losses now amounting to Rs. 2000 crores. There are 2 reasons for this, one is unremunerative operations in the underground mines and the second is inadequate prices. Year after year, only the second is dealt with, leaving unresolved the huge loss incurred in its underground mines. There are problems of gross over manning in the CIL, under used machinery, politicised wages, when the Union's are demanding Rs. 458 crores. Against this the price hike will fetch only Rs. 500 crores in a full year.

Non Ferrous

Imports of non-ferrous metals have practically stopped, with MMTC having exhausted its stocks and the government unable to release foreign exchange because of its shortage. The spurt in world price for non-ferrous metals and a continuing depreciation of the rupee have added to the problems of several users including producers of cables, automobile components and galvanised products. Under these conditions it is difficult to justify the increased customs duties on the metals. A new policy on non-ferrous metals is needed, including setting up integrated smelters or those based on imported concentrates whenever feasible. Hindustan Zinc reports that it will soon start production of tin and tungsten and more than double its lead and zinc

production when the new integrated lead-zinc mining and smelting project are commissioned in 1991. For April-December 1988-89 it reports 6 per cent increase in sales turnover and raising its gross margin to Rs. 48.13 crores.

Oil seeds and Cotton

The government announced in early January a new integrated policy on oil seeds comprising creation of an oil seeds buffer, review of prices of edible oils supplied through the fair price shops, and setting up of a high power committee to monitor production, import, distribution and pricing of oil seeds. This is timely because there is likely to be a record harvest of 15 million tonnes of oil seeds which provides the necessary back up for long term policy. For one thing, India is a high cost producter of oil seeds, so that what is needed is a technical breakthrough in producing HYV oil seeds or farming practices to make oil seeds yield an economic return. The price band can be enforced, as and when the price goes beyond the maximum band of Rs. 25,000 a tonne, foreign exchange will be needed to import the quantities to contain the price rise : in this regard the proposed 5 lakh tonne buffer will be inadequate. The policy was announced to complement the efforts of the oil seeds technology mission, whose leader claims that while there were good rains, systems were in place to use the rains, better systems give better yield in oil seeds. The proposed price band implies a rise in the prices of oil sold through PDS and it remains to be seen whether in this election year it can be done. The decision to entrust the task of procurement and distribution to the National Dairy Development Board is sound as it will also afford a choice to examine substituting dairy products for edible oils as a cooking medium. On the cotton front, in mid January cotton crop estimates were reduced from AP, Gujarat and MP due to pest damage and in Maharastra because of unseasonal rains. CAB therefore reduced its November 1988 estimate from 108 lakh bales to 102 lakh bales at its December meeting. Cotton marketing is in full swing and the reduced estimate has stopped the down trend in prices. CAB estimates that for the cotton year, September 1988 to August 1989 the total supply will be 123.00 bales and demand including 21 lakh bales and carry over 123 bales.

Paper and Drugs and Fertilisers

The paper industry, especially the medium and large units face excessive installed capacity along with stagnant demand, shortage of raw materials and high taxes. Out of the 90 units, accounting for 50 per cent of total paper producers 20 have closed down. Out of the remaining 40 units, 50 per cent are just managing to keep their head above the water. There is need for the industry and the government to work together to stem the rot facing the industry. On drugs, the Kelkar Committee has recommended the exclusion of 13 drugs from price control and shifting 4 category I drugs to category 11 under the Drug Prices Control Order (1981) (DPCO). Acting on this recommendation, the government has taken 14 drugs from the Price Control Order (DPCO) and has transferred 4 categories of drugs from schedule I to schedule.II So the price control in drug industry has come down to 150 drugs and is in line with government policy to reduce the span of price control in the drug industry. On the fertiliser front, production of nitrogen and phosphate fertilisers registered an increase of 26.2 per cent and 64.3 per cent from April to December 1988 over the corresponding period in 1987. It is expected that nitrogen production will during 1988-89 exceed the target of 64 lakh tonnes and phosphatic production exceed the target of 22 lakh tonnes. The capacity use was good at 84.1 per cent of nitrogen and 90 per cent for phosphates.

Agricultural Production

Kharif foodgrain production is estimated at 95 million tonnes (rice exceeding 60 million tonnes). With good winter rains grain production is expected to be 75 million tonnes (rabi rice at 6.3 million tonnes and rabi wheat at 52 million tonnes). The government therefore expects foodgrains production in 1988-89 to be 170 million tonnes. Rapeseed/mustard production is estimated at 46 lakh tonnes, sugar cane at 210 million tonnes. Despite this encouraging production prospect, the stock position is not comfortable, being 11.9 million tonnes at the end of June 1988 and 8.6 million tonnes by December beginning, despite the rice procurement of 3.8 million tonnes during October & November, going upto 5 million tonnes in January. Rice procurement will go up to 7 million tonnes this year. The problem is procurement for the year, will be 15 to 20 million tonnes and the outgo will be 15 to 18 million tonnes through fair price shops, so that no more than 5 million tonnes can be added to the stock. The buffer has to be maintained at 10 million tonnes in addition to 6.5 million tonnes to 11.5 million tonnes of operational stock. The government cannot reach 21.5 million tonnes by June 1989, for this will mean an excess procurement over public districtution of 10 million tonnes during the agricultural year July 1988 to June 1989. Hence the import of 4 million tonnes of wheat/rice already sanctioned (see Vol. XVIII pp. 371 and 483) should be completed and procurement intensified to avoid further imports. The government calls attention to the fact that last year which was a drought year, was also a year of high foodgrain productivity. Though production in absolute terms declined to 138.4 million tonnes (a fall of 3.5 per cent) there was a jump in productivity of 3.4 per cent. Taking into account the 6.7 per cent reduction in cropped area, leading to reduction in area of all food grain crops from 6.9 per cent for rice, 8.9 per cent for cereals and 6.9 per cent for pulses, the productivity increases were highest for cereals (5.6 per cent), followed by wheat (4.1 per cent) and pulses (1.2 per cent). The new seed import policy replacing the Plant, Fruit, and Seeds (Regulation of Import into India) Order 1984, raises some problem according to the agricultural scientists, in which they were not consulted. The problems relate to the possibility of entering of crop diseases by these seeds imports and the hampering of the domestic effort to develop our own HYVs. Putting all imports under OGL will strain our limited quarantine and fumigation facilities. The government's motivation seems to arise from impatience with the slow pace of breakthroughs in oil seeds, pulses and vegetables. In the case of pulses the per capita availability has fallen from 70 grammes to 40 grammes and in the case of oil seeds there is a heavy foreign exchange drain. The problems raised by the scientific community should be fully and carefully examined and the government should be prepared to modify its stance as a result.

Foreign Trade

The foreign trade scene in January 1989 was both positive and negative. On the positive side textile exports for 1988-89 are expected to cross the Rs. 4300 crores mark. The export of garments is expected to hit the target of Rs. 2150 crores for the year. Non traditional sectors such as chemicals, and chemical products, engineering goods, leather and leather products, gems and jewellery, man-made textiles have emerged as major export areas during the current year, 1988-89. On the negative side India is fast losing the spices market to Brazil, Malaysia, Indonesia and Gautemela, following the indefinite strike by Kerala traders. The latest level of foreign currency assets at Rs. 5844.2 crores on January 13 is less by Rs. 832.6 crores (12.5 per cent) than that a year ago. Another worrisome element is that the firms importing raw materials and other items under OGL and those subject to phased manufacturing programme (PMP) are not filing their returns, so that the trade level cannot be accurately assessed. These defaulters are to be punished under the import control regulations. Imports under PMP in the electronics and automobile sector are to be cut to meet the balance of payments crisis.

The government states that it is worried by the 10.2 per cent increase in approval for capital goods imports during the calender 1983 because most of the rise of Rs. 100 crores is due to depreciation in the value of the rupee. But this is only part of the story. Capital goods imports are excessive and should be reduced. The government reports that it has made available an export credit of Rs. 18 crores to Guyana for setting up export oriented projects in that country.

Aid and loans

The Rs. 65 crore Japanese loan agreement for IISCO was earlier referred to Similarly West Germany has agreed to provide a Rs. 600 crore loan for funding the Rs. 2800 crores modernisation of Rourkela. The World Bank has offered loan assistance to set up integrated agro processing industries based on the seven basic studies of the Food Processing Industries Ministry for which it has sanctioned Rs. 40 crores. This needs to be carefully negotiated in light of the fact that the use of $345 million World Bank loan for the telecom sector is running into difficulties. As most of the equipment is now made in India, the country wants to renegotiate the loan but faces various hurdles set up by the Bank. The USSR has offered Rs. 100 crores credit to IDBI to finance import of capital goods. Netherlands is providing a Rs. 65 crore loan to the Dredging Corporation.

International

World Economy

The UN annual report states that the world economy did better in 1988 than forecast by the World Bank. It points out that growth in most developing countries continued to be determined by long term factors and their ability to adjust to the shocks of the 1980s. Instead of slowing down as predicted by most forecasts, it noted that the world economy grew faster than at any time since 1984. There was also significant increase in international trade which grew at twice the average rate of the 80s. But the prosperity of the 1980s was highly uneven, a large number of developing countries recording falling income growth, barely keeping pace with the population. Three quarters of the world population live in countries whose per capita real income rose in 1988, but one quarter live in countries where it declined. The large fiscal deficit of the US and imbalance in trade among major industrial economies continues to threaten stability of the world economy. Exchange rates of major currencies remain highly volatile and no answers to the debt problem which is acute in Latin America and Africa is in right. World output grew by 3.2 per cent in 1987 and 4 per cent in 1988 and world trade increased by 5 per cent in 1987 and 7 per cent in 1988. The growth of world output came mostly from industrial countries where the growth rate rose from 2.2 per cent to 4 per cent in 1988. The growth of GDP in South and East Asia increased by 5.5 per cent in 1987 and 7.4 per cent in 1988.

ESCAP

ESCAP's annual report states that developing Asian Pacific countries achieved good economic growth averaging 8 per cent in 1988. Top growth performers were South Korea, Singapore' and Thailand at 10-11 per cent. But 11 of the region's least developed countries suffered another bad year of slow growth or stagnation, as did many of the small Pacific island economy. For 1989 it forecasts a continuing dynamic growth of 6.5 per cent, with Malaysia, Korea, Singapore and Thailand recording a more sustainable long term growth. China's growth was 8.5 per cent, Bangladesh recorded a decline in its growth to 2.5 per cent in 1987-88 and I per cent in 1988-89 due to disastrous floods. India's growth was limited to 3.8 per cent due to falling oil prices. In the food growing countries, agriculture recovering from the adverse weather in 1987 along with strong industrial and export growth, leading to increased consumer spending and fast growing investments.

World Food

The World Watch Institute warns that a food emergency situation could arise in the developing world including India, Pakistan, Bangladesh and China if global efforts are not made to avert drought, environmental destruction and other human induced climate changes. With the world now facing human induced and unpredictable climatic changes, the time has come to rethink of an international grain reserve policy, it states. World grain stocks have fallen from 101 days of consumption in 1987 to 54 days in 1988. As a result, world grain prices are up by 50 per cent, imposing a heavy further burden on debt ridden importing countries and the world's poor.

Aid for privatisation

British journals report a secret US - UK plan to supply aid for privatisation of industries to developing countries. The privatisation of railways, telecommunications and airlines among others will receive Britain's ODA. British missions in developing countries have been instructed in 1988 to locate possible candidate for privatisation. The US has sent similar instructions to its overseas USAID missions.

II. Agricultural Development in Tamil Nadu

Paddy and other crops

Farmers in all districts are engaged in harvesting their samba paddy crop or are in the last stage of helping the crops come to harvest. The farmers in the delta region of the Thanjavur district face a serious problem. As at the middle of January, their paddy crops need 3 wettings to result in a satisfactory harvest. With the first 5 tmc water from Karnataka, the Mettur authorities are releasing water every 3 days on a turn system which can satisfy one wetting. With the second 5 tmc of water promised by the Karnataka government at the time of the accession of the new government in the state, a second wetting is available. Now farmers are looking for means of meeting the need of the third wetting. As pointed out in earlier issues, it is important that the new government find a long term and permanent settlement of this problem which will involve economical use of the available water and the farmers in the district and delta being persuaded to go in for less water intensive crops than paddy. Farmers in North and South Arcot, Coimbatore and Madurai are satisfied with their crops of millets — varagu, kavaru, cumbu, ragi and cholam, which have had adequate rains, as well as with the groundnuts, cotton and sugarcane crop. The sugar cane is also a water intensive crop and raises for the farmers problems similar to that of paddy. The reliance of the cane crop on well irrigation is also somewhat tenuous, as it raises questions related to the falling water table in the districts where sugarcane is grown. Here too farmers need help and guidance and the state should not continue its present programme of opening more and more public sector and cooperative sugar factories which demand an increase in this water intensive sugar cane crop. The trials of growing sugar cane as a dry crop referred to in the next section are relevant here.

Research results

Research reports in January relate to the work on nitrogen and phosphorus fertiliser sources management for paddy fields by PSG college of arts and science, Coimbatore, the result of research into the thrips menace in rice at the Rice Institute, Aduthurai, the means of controlling the brown plant hopper menace in rice developed by UAS, Dharwad, the report from Deccan Sugars, Samalkot on cultivating cane as a rainfed crop with 2 varieties COR 7219 and COT 8201, their spacing and fertiliser application and the successful results (which are of particular interest to this state), the work on using cane trash to get higher cane yields successfully tried out at the Sugar cane Research Institute, Lucknow, the work on controlling the fungal diseases on station millet reported by APAU, Hyderabad, the developing of the high yielding sweet potato by the Tuber Crops Research Institute, Trivandrum, the development of a short duration pigeon pea by the RAK college of Agriculture, Sohore, the adaptation of the new commerical crops, Toyoba, developed by Jodhpur's Arid Zone Institute to conditions in the South by Anantpur's Oil Technological Research Institute, the means of raising the productivity of the seasamum crop by the Krishsl Vigyan Kendra, Vridachalam, the techniques of cashew management during drought developed by the Agricultura

Research Institute, Hyderabad, the improved cultural practices to obtain a higher yield from betelvine developed by the Agricultural Research Station, Cuddappa, the development of high yielding soya bean — UGR 30 and UGM 33 at the agricultural college, Madurai, the successful work on developing sapota for dry lands at the Mallur village farm, Salem, the successful research to develop mango stein at TNAU, the simple trapping methods of plant protection developed by TNAU, the new tool, dimlin, for insect pest management successfully tried out at UAS, Dharwad, the demonstration of hardy green leaf manure as a means of preserving natural soil conditions tried out at Chepauk, Madras the means of controlling Escherichia Coli, a lethal disease of poultry demonstrated by the Animal Health centres, Hyderabad, the technique of controlling the blue tongue disease in sheep developed by TNAU, and the impressive demostration on the development of a prawn hatchery in coastal village undertaken at Neelangarai, Madras.

TANWA

The Tamil Nadu Women in Agriculture project (TANWA) launched by the government aims to help women engaged in the many areas of farming — transplantation of seedings, raising seedlings in small farms, weeding managing the farms, in the upto date knowledge of modern agricultural technology. It provides them with skills through practical training. The programme is being implemented in 6 districts — Chingleput, Pudukottai, Ramanathapuram, South Arcot, Tirunelveli and Thanjavur through well equipped training centres which run 6 days institutional training courses and 5 days village camps. Priority is given to skill training and practical demonstration which ensures that even illiterate women participate in the programme. But one of the fall outs of the programme should be to make women functionally literate so that their skills can be further self-developed and self improved.

Animal Husbandry

The Rs. 24.5 crores project for cambating animal diseases in the state in the districts of Periyar, Salem and Coimbatore in the first phase and extending it to Madurai, Anna, Tiruchi, Pudukottai and Thanjavur, Ramanathapuram and Tirunelveli districts is well under way. So far 306 lakh heads of cattle had been, under the programme vaccinated against the foot and mouth diseases.

Sericulture

A Rs. 644 crore project to develop sericulture with World Bank aid over 5 years is to cover 5 states — Tamil Nadu, Karnataka, AP, WB, & J & K. For Tamil Nadu, the project with a total outlay of Rs. 38.3 crores covers the development of 12,000 hectares of additional mulberry plantations. This will result in an increased production of 7,937 mt of cocoons and 839 mt of raw silk per annum. It is important that the project should not only increase the quantity of yield per hectare but also improve the average per hectare productivity of raw silk.

Tea

Tea production in 1988 is estimated by the Tea Board at a record 706 million Kg which was an increase of 32 million kg over 1987-88. During the year, North India tea output rose by 6 million kgs, while South India tea production increased by 26 million kg to reach a

d 172 million kg. Exports are estid at 222 million kg (for 1988-89 at million kgs) valued at Rs. 674 crores nst Rs. 638 crores in 1987. In this text, South Indian tea export which from 66 million kg in 1984 to 34 lion kgs in 1987 (See vol XVII pp319, 4 & 544) increased its exports in 1987 52 million kg. The increased exports e due to, in the main part, export omotion measures and the buyer-seller neet. As for value added items, an estimated 33 million kgs valued at Rs. 110 crores was exported in these items.

Coffee

Coffee production in 1988-89 is estimated at 2,05,000 tonnes against the 1.20 lakh tonnes in 1987-88 and could have meant a serious problem, almost a calamity for the industry but for the following fortuitous development : a) the lower carry over stocks from 1987-88 because of the production of 1.2 lakh tonnes that year : b) the country's share in the global export quota was fixed by ICO at a higher 51,596 tonnes against the previous year's 45,782 tonnes : c) higher shipments to non quota countries — USSR has made enquiries for 50,000 tonnes so that export to non quota and quota countries could amount to 1.15 lakh tonnes sending up export earnings by 30 per cent (Rs. 345 crores) : and d) domestic consumption seems to a breaking its 55,000 tonnes barrier and reaching 60,000 tonnes. This last is the permanent solution to the coffee situation for the future. The domestic demand for coffee is still not in line with the growth in population or growth in per capita income of the well to do classes. There is need for supporting the kind of institutional structure recommended sometime ago for a coffee trading corporation to engage in aggressive promotion coffee habit as a complement to the Coffee Board.

Rubber

Rubber production in 1988-89 will be a record 2,55,000 tonnes. But consumption is also expected to rise to a record 3,05,000 tonnes leaving a gap of 50,000 tonnes which will have to be imported. STC is contracting for the import of 40,000 tonnes. Already by mid January, rubber prices have gone up by Rs. 2,500 per tonne, from Rs. 17,500 to Rs. 21,000 and the quarrel between the producers and users has begun again this year.

Cardamom

In 1988-89 the cardamom has staged a recovery (after the previous year,s drought). Production is estimated at 4000 tonnes against 2875 tonnes in 1987-88. Export prices has increased from Rs. 126 a kg to Rs. 144 a kg. This should result in an increased foreign exchange earning, against the 1987-88 Rs. 3 40 crores.

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III. Agricultural Development in Tamil Nadu

Tamil Nadu Industrialisation

Earlier issues — Vol XVIII pp320 — 321 and pp.573 - 574 set forth the various tax rebates, reliefs and concessions offered by the State government to promote industrial development in the state. One part of these concessions are within the power of the state government to execute and it has done it. The other part — comprising 5 items, namely a) the abolition of 2 sales tax on goods sent to other states, b) the optional flat rate sales tax of 2 and 6 per cent for certain work contracts, c) the deferral of the surcharge and additional surcharge, d) the extension of time limit for condonation of delays in appeals, tax cases and revisions, and e) the removal of difficulties faced by a dealer in payment of sales tax shift from a single point to a multi-point structure — these 5 proposals had to be acted upon by the Union government because it involved statutory changes through Presidential Acts. This has not been done — one possibly unfair insinuation, is that the Union ministers were waiting for the results of the election when they thought that the congress would emerge victorious, and it could then give these concessions as its first gift. The nullification of the proposed incentives is not only a danger to the state's industrial renovation, it also makes impossible the State government's strategy to compensate for the loss of revenue involved in the 2 groups of concession through tax buoyancy. With an empty treasury, the new government is in a fiscal quandary.

Neyveli and MRF

NLC reports that its briquetting and carbonisation plant produced a record 2.33 lakh tonnes in 1988 and is expected to produce 2.5 lakh tonnes in 1989. This was till recently a loss making unit and regarded as a sick child. MRF reports that with a collaboration from Australia, it is setting up a plant in Cuddalore at a cost of Rs. 6 crores for the manufacture of speciality surface coatings. MRTP clearance has been granted to MRF for this plant with a capacity of 10,000 tonnes per annum. There are 2 conditions laid down by the Union government, first that the cost should be met entirely from internal resources of the company and second an export obligation of 25 per cent for 10 years. Its coatings will lead to energy conservation, help the glass industry to reinforce the strength of its products and provide special effects for wide spectrum of colours.

Aromatic Project

The Rs. 840 crores aromatic project to be jointly set up by MRL and SPIC, reported in Vol XIX pp23 & 24 was formally signed in an agreement between the two parties in mid January. Each partner will contribute 26 per cent and the balance will be raised as equity, with the debt equity ratio not rising above 4 : 1. The project which will provide direct and indirect employment to 20,000 people both in the plant and through its downstream and ancillary industries. This is a project in which the Government of India, the Government of Tamil Nadu, private sector and public sector are cooperating. The State government states that it is setting up a committee to monitor the infrastructural development of the Manali area where the project will be located.

MEPZ

The MEPZ Development Commissioner states that the board has cleared 119 applications (of which 103 are NRI) with a total investment of Rs. 151.73 crores, an annual average export of Rs. 386 crores and employing 5000 persons, mostly women. He also states, that the zone is now moving to the second phase for which a total of 223.47 acres have been acquired, and where it plans to attract big units in view of the size of investment proposals flowing, and the demand from entrepreneurs for alloting more space. One of these is the Amalgamations group

which will join with ELCOT to establish a Rs. 10 crore joint venture to export professional grade printed circuit boards in collaboration with a US firm.

MALCO and Handlooms

The Madras Aluminium Company (MALCO) is being revived following the State government's decision to provide the power that this 25,000 tonnes capacity plant needs. BIFR had earlier issued a notice to wind up the company because the State government had been unable to give it power. Now with the State government's decision to supply power, the company's board is going ahead and putting into operation the rehabilitation package, that the BIFR had earlier drawn up. Under the package, the financial institutions will fund interest on term loans, revise the payment schedule of their loans over 8 years starting 1990-91 and defer redemption of preference shares. The promoters are to forego interest on their Rs. 1 crore loan. As the plant and equipment are in good condition, the plant can share operations shortly. The state handlooms industry — weavers and exporters are facing serious problems due to non availability of bank yarn, rising yarn prices, and the 2 per cent sales tax on the yarn. They want yarn prices to be rolled back to the November/December level. A number of weaving operation's have closed in Madurai, Chingleput and Nagercoil.

Kothari, Carborandum Universal, Bottling Plant and Southern Hydro Carbons

Kothari Sugars and Chemicals announces that it is setting up a petro chemicals plant at a cost of Rs. 8.45 Crores for the manufacture of 5000 tonnes per annum of poly-butane and a 10,000 tonnes maleic anhydride using butane rich C4 stream from MRL. This latter project will cost Rs. 30 crores and has a US collaboration. It reports that for the year 1988 upto November, it has doubled its sales to Rs. 100 lakhs and improved its gross profits to Rs. 162 lakhs. It is on this sound financial basis that it is entering the petro chemical field. Carborandum Universal reports that it is upgrading its technology for turning out different products and improving its profitability. Its bonded abrasives division is functioning well, concentrating on conservation of raw materials. Its in house technology has helped develop marble polishing stones now being marketed Its output of refractories is continuously increasing as is its high strength low cement monolithics refractories and electrocast refractories. This last is being technically upgraded and a Rs. 1.5 crore project for producing ultra fine powder of silicon carbide launched. Its working results for the year ended August 31, 1988, shows a rise in paid up capital to Rs. 5.92 crores and reserves at Rs. 26.28 crores. This is despite the prolonged labour dispute in its units in Kerala. The backward Pudukottai district recorded a sound development with the registration of the Rs. 1.36 crore project at Mandaiyur of the Lina Polymer Bottles Pvt. Ltd., with an annual production capacity producing 6 million bottles. The project is being helped by SIPCOT with a loan of Rs. 70 lakhs. In the same district at Mandaiyur, the Southern Hydro Carbons which has been sick for 6 years has been revived and production has started from February 1988. The Plant has been revived by a committee of leading industrialists who have established its reconstruction schedule.

Leather

The tripartite study group set up by the Union government to study the problems of the leather workers has finalised its report and recommends the setting up of a welfare fund for the workers. The Fund to be financed by levying a small cess on exports and additional excise, with the State governments making matching contributions will benefit the families of 8 lakh employees belonging to the unorganised sector. Another important development is that 62 tanneries have come together to put up a common effluent plant at Pernambut in North Arcot. The plant will be based on the krofta advanced flotation technology and costing Rs. 1.2 crores will treat 37.90 lakh litres of effluents daily. The Council for Leather exports announced that the target for export of leather and leather products during the VIII Plan will be Rs. 3500 crores per annum and by 2000 will be Rs. 6000 crores. This is 8 per cent of the $38 billion world leather imports in 1994-95 and 10 per cent of the $60 billion in 2000. This requires strengthening the product range of the industry, standardisation of components and other inputs and technology design, quality consistency and marketing, starting with modernisation today.

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IV. Education, Science and Health

Educational reforms

The Union ministry reports that financial constraints are blocking the National Educational Policy operation. Operation Black Board will cover only 20 per cent of the target group instead of the projected 30 per cent in 1988-89, as against the needed Rs. 219.19 crores, only Rs. 180 crores have been provided. On the other hand, the ministry's annual report presents an optimistic picture : in it, Operation Black Board is progressing well in 24 states and 3 union territories. Against proposals for Rs. 110.61 crores to cover 1.13 lakh schools, a little over Rs. 13 crores have been released to 5 states and others are being processed. Under the scheme for reorientation of teachers, 14 lakh teachers were given orientation courses. Rs. 32.47 crores were sanctioned in 1987-88 to set up 101 district institutes of education. In Tamil Nadu Institutes have set up at Therur, Mayanoor, Namakkal, Vadalur, Tirumoorthy Nagar, Tirur and Kallapattu. It reports on the implementation of the scheme of free education for girls upto class 12 and for this it says "massive central assistance" was provided to the state. New vocational courses are being introduced and for this Rs. 3.2 crores have been released to 4 states and are under process for 4 states for Rs. 6.17 crores. The report says that 34,227 children have been selected for admission to the 256 Navodya Vidyalaya, with no reference to the other 200 Vidyalayas which are not being operated because of lack of finance. It may be that the report's statement is a case of stating that the glass is half full, leaving aside the fact that it is half empty.

The report states that 95 colleges have been granted autonomy and new courses started at the Indira Gandhi National Open Universities. UGC reports that it will allocate Rs. 9 crores in 1988-89 to introduce innovative science courses in selected university departments and that so far 93 departments have introduced the courses in physics, chemistry, life sciences, bio sciences, mathematics, earth sciences and engineering. It is helping select departments to modernise their curriculum, promote laboratory work and give an interdisciplinary thrust to their courses. UGC following the recommendation of COSIST is also encoraging research at the post graduate level The State governments are to face with the urgency of implementing the UGC scale of pay for university and college teachers.

Adult literacy

The Ministry's annual report also gives an optimistic picture on the adult education and literacy programmes. It states that Rs. 6 lakhs were sanctioned to 2 voluntary organisations during 1988-89 for conducting non formal education programmes. 1025 lakh literacy kits were distributed to new adult learners and 25,709 adult education centres were sanctioned in 92 universities and 2136 colleges in the National, Literacy Programme. During the year, 272 projects of 198 voluntary agencies involving 12615 centres were approved. Under the post literacy programmes, the existing schemes have been replaced by a new scheme of Jana Shiksan Nilayam, of which 12,000 were sanctioned in 1988. These Nilayams are centres of learning and sharing of knowledge and information in different fields and act as means of increasing peoples awareness of overall development, using radio & TV. The problem with this report is it does not tell us a) how many of approved or sanctioned projects have been or are being executed, b) what is the result of the lakhs of literacy kits that have been financed and c) how many illiterates have become literate and later how the JSN are functioning.

Technical education

The ministry's report states that steps were taken in technical education for creation of infrastructure for education, research and training in selected technological institutions in 74 identified areas of emerging technology to develop modern laboratories and research and develop new activity. Rs. 43 crores are provided in 1988-89 for the promotion of technical education. Here again the report does not tell us what is the result, what is happening. In education it is not possible to report results every year, because education is a long term process but there should be a system of monitoring which can report on what is happening on those very good ideas and plans. The IITs state that they have decided not to approve the Union's decision to introduce regional languages in the Joint Entrance Examinations, as that will make it difficult to have a uniform system and test, not language but skills. There is also the problem of finding qualified examiners in the various languages. The Department of Computer Science, IIT, Madras reports that it has developed a computer system which facilitates programming in Indian languages. The current implementation enables the user to programme the system in Tamil or Telugu and the system can be extended to other languages. IIT, Madras is to have a "chair" for industry to help in forgoing an effective institution industry link, to check the problem of the brain drain, and to help IIT to concentrate its effort on select industrial areas. ILO is to provide technical assistance under the World Bank's $279 million loan for advanced training through the 22 on-going projects.

Science

The Annual Science Congress (76th session) held in Madurai Kamaraj University from 7-10 January this year was lack lustre. The Prime Minister's inaugural address was too general and did not pin-point the purpose and end results of the technology missions. The top scientists were there when the Prime Minister was there but were absent for the other sessions. Particularly the technology mission scientists were not there when the subject was discussed. On the theme Science & Peace none of the senior scientists to speak turned up. The Congress needs rethinking and restructuring Kamini, the first research reactor of its kind in the world to use uranium 233 as a fuel in its core, is expected to be commissioned this year in Kalpakkam. The question of CSIR's relevance to industrial modernisation and upgradation in the country is repeatedly coming up. After turning down the Abid Hussain Committee recommendation to attach some of the laboratories to user ministries (See Vol. XVII p. 16 and XVIII p. 214), no progress has been made by CSIR to become relevant to industry and earn a part of its expenditure. ONGC announces that it is setting up an R&D institute for biotechnology and geoelectronics at Jorhat. There is need to help and support ONGC in its increasing production of crude. The National Technology Mission on drinking water has identified 121 places in the country to locate desalination plants, including 40 in Tamil Nadu, mostly in rural areas.

Health

The State government announces that the concept of an integrated and coordinated approach in the implementation of safe motherhood project is to be experimented in Kattankolathur block in the Chingleput district. The project will maximise anti-natal registration, ensuring deliveries by trained attendants and providing specialised care for high risk programmes. This will involve close cooperation and controlled effort of the Directorate of Public Health, Family Welfare, medical education, primary health centres, continuing education and social welfare, with the Director of Public Health being the coordinator.

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V. Employment and Labour Relations

The government reports that the VII Plan targets in rural employment will be achieved this year, one year ahead of schedule. NREP and RLEGP generated an average of 635 million mandays per year during the first 3 years of the Plan against the annual target of 490 million mandays and from April to November of 1988-89 have achieved 254 million mandays against the year's

target of 627 million mandays. The AICC schemes of one job per family of those living in poverty is to be given a start in the 1989-90 Plan with a provision of part of the Rs. 500 crores made both for the employment and integrated child development scheme. The government also reports that the Union scheme for the development of women and children in rural areas (DWCR) has assisted 39,000 rural women living in Poverty to take income generating employment activities so that the total number of women benefiting from the programme since its start in 1982 is 3,18,000. At the end of January, the government issued orders banning the employment of children in plants making crackers and fireworks. An ILO survey reports that the health status of plantation workers is poor, neglected and in some cases in a sub human state. Some chemicals banned in industrial countries, are used indiscriminately in the plantations. In our plantations where 52 per cent of workers are women, the chemicals are used with no regard to safety norms. In many places, plantation workers who have to use these chemicals are not provided with masks, gloves or washing machines resulting in asthma and other respiratory ailments. It also affects animals and pisiculture. Their use in hill plantation are dangerous as they flow down and spoil grassy lands below, arable lands, ponds and lakes. The labour bureau reports that during January-August 1988 the engineering industry accounted for the loss of the highest number of mandays — 5.12 million, followed by jute, mesta and hemp industry —3.17 million and cotton textile 3.1 million. In a study on the service sector, it is pointed out that the services sector which, using 1970-71 price series grew at 7.4 per cent and was 37.1 per cent of GDP, and in the revised 1980-81 price series grew at only 5.7 per cent in 1980-81 to 1984-85 and 9.5 per cent in 1980-81 to 1985-86. Also it is pointed out that internationally, India at 37.1 per cent is one of the countries with the lowest share of services in GDP. All this is statistically satisfying, but the growth of employment in defence services and public administration in a poor country like India with lagging commodity producing sectors is a negative factor.

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VI. Other Items

Institute of Magneto biology

The Institute of Magneto biology held its tenth annual conference in early January. The problems of magnetic attraction and disturbance in regard to biology were discussed. The highlight of the conference was the two orations — delivered by Dr. Ramamurthi on the brain and its functioning, and Dr. Sam Moses on the place of diabetology in the various systems of medicine.

Doordarshan and Prebudget surveys

Doordarshan, Madras had a second meeting of its advisory group on Health and Family welfare. The programmes braodcast in the last quarter were reviewed. It was suggested that they should organise some feedback from the viewers on the programme. The fact that there is no reference to this programme in Ethiroli, is disturbing. For the next quarter the possibility of developing audio visual aids for the 10 year perspective plan for women was suggested. As this is the prebudget season, PTI, Indian Express and other economic journals have been canvassing the views of the Institute staff on the state of the economy, the major tasks of the budget and the means of tackling the major problem — the revenue deficit.

IIC

There was in mid January a meeting of the standing Finance Commission of IIC at which the budget for the centre for 1989-90 was discussed and finalised for presentation to the Executive committee, the Board of Trustees and the Annual General meeting. The monthly panel presentation on the VIII Plan perspective in relation to infrastructure III that is transport — railways, roads and shipping was discussed There was general agreement that the Eighth Plan should give a higher priority to this essential sector, including adequate non plan funding.

SRC & TNBCE

At the monthly meeting of the Governing Board of SRC, the main discussion centred around the massive outflow of Union government funds for the Mass Functional Literacy Programme, Literacy Kits. This year nearly 70,000 kits have been printed and distributed and in 3 years over 2 lakh kits have been distributed. No one knows what is cropping to these kits, what use is being made of them and how many persons are being made literate through them. It was therefore decided that for 1989-90, instead of trying to cover the whole state, one district and possibly the NYK group should be taken up and what happens to the kits and its effect on litaracy controlled and studied. It was decided to notify the Union government of this. At the executive committee of the TNBCE, the disruption to the programme being caused by the sudden change from supervisors to Preraks whose salaries are less than half that of the supervisors was noted and here again the Union government's attention to this problem was invited.

February Development Seminar

The paper for the February seminar, Industrial Growth — "The Threat of a new Thrust" by S. Viswanathan together with a summary of the discussion on the seminar appears as the first article.

Second Article

Extracts from a report giving a preview of the Budget appears as the second article.

Book Review

A review of Economics of Agriculture by R. E. Benjamin, S. V. Hariharan, & M. Karunagaran appears in the Book Review Section.

MIDS News

Dr. George Rosen, University of Chicago gave a seminar on "Contrasting Reform Styles in China and India since 1980" on 28th February 1989.

Dr. Soudatque Osmani of the World Institute of Development Research, Dacca gave a seminar on "Some Controversies in Nutrition" between 20 and 22nd February 1989.

Dr. Koushik Basu of Delhi School of Economics visited the Institute on 28th February 1989.

February Development Seminar

Industrial Growth in Tamil Nadu - The Threat of a New Thrust

by

S. Viswanathan
Editor, Industrial Economist

Despite claims on aiming fuller employment continuously over seven Five Year Plans, the dent on unemployment has been extremely poor. With the increasing stress on productivity the organised industrial sector has been devising methods to progressively reduce employment.

In Tamil Nadu the problem is more acute. With stagnation in agriculture and with the lack of mineral resources, there is a greater pressure for employment on the manufacturing and service sector.

Over the last two decades there has not been much growth in the industrial sector. And small industries, which once grew spectacularly, today suffer widespread sickness.

The recent promise on locating a few mega projects in the State, combined with the spurt noticed in the consumer segment of industry, promise new vistas for employment.

** A decade ago, a medium-sized plantation, in the Nilgiris, of about 500 acre, used to employ 525 persons. Today this has dropped to around 350. The adoption of modern agricultural practices has enabled the estate improve productivity and earnings. This trend of reduction in employment is continuing.

** A leading manufacturer of engines in Tamil Nadu used to employ in one of the plants, around 3000 for an average monthly production of 800 engines. Today the plant employs around 2000 and produces over 2000 engines per month.

** A small scale printing and publishing unit operating a letter press, used to employ 15 persons for a turnover of around Rs. 3 lakh. Today, switching over to modern computerised facilities, the unit employs just eight and has improved sales to nearly Rs. 10 lakh.

These are a few instances of a distinct decline in employment across the board — in agriculture, in the organised and the small scale sectors, taking place in a period of booming production and sales. Over a five year span, 1982-1986 employment in the private sector has shown a distinct decline from 7.55 million to 7.36 million. There has been some modest increase in employment in the public sector industry during this period. From June 1986-June 1987 the growth in employment in the organised sector was a mere 1.7 per cent, with the public sector contributing to 3 per cent, pulled down by a decline of 1.3 per cent in the organised private sector. Related to the annual addition of job seekers, the increase in the number of jobs is meagre.

Tamil Nadu experiences this pressure much more due to its stagnant agriculture which makes it one of the few States unaffected by Green Revolution which began in the mid Sixties. The State also lacks mineral resources. There is, therefore, increasing pressure of employment on the manufacturing and service sectors.

Table—1 provides variations in employment in some of the major industrial units in and around Madras over a five year span. It shows, with a few exceptions, a distinct decline in employment in a period when the units have been registering substantial expansion in their activities. Look at the few dramatic instances :

** During 1984-85 Ashok Leyland employed 9922 persons. Its sales during that year was Rs. 334 crore from 14,425 vehicles. In 1988 employment stood at 9918. The number of vehicles sold increased to 18,027 valued at Rs. 528 crores.

** Cement units witnessed impressive growth in the Eighties. The decontrol of distribution and pricing released the units from years of stagnation and helped them embark on modernisation and rationalisation of labour, for example there was a 20 per cent drop in employment in Chettinad Cements.

** Sugar mills which also boomed over the last four years reported substantial decline in employment. EID-Parry won its court battle on rationalisation of the work force at its Nellikuppam mills. The effect of this is seen across the board. Thiru Aroran Sugars, for example, reported a drop of nearly a third in its employment from 984 to 621 in this period.

This trend is of course inevitable due to several factors :

** Until the early Seventies which marked the initial phase of industrialisation, wages were relatively low and employment of additional hands did not affect viability. Even in a large newspaper, wages were in the region of around Rs. 300 at the entry point. Today this has escalated almost five fold.

** Competition was relatively unknown in the initial years of import substitution. This has undergone dramatic change in the Eighties when the regime of liberalisation and delicensing lead to competition at the market place. This in turn puts tremendous pressure on prices. Producers have to look at areas of cost reduction. Wages being one major component of cost, naturally increasing care is bestowed on reducing this. While nothing much could be done on the existing scales, efforts are concentrated on getting more mileage out of the existing work force and over time wastages due to retirement and deaths are not made good.

** The plethora of labour laws also contribute its mite. In an employment-starved economy, understandably, there is great concern over protecting employment. Over time, labour laws became more and more complex. These laws have led to undesirable and unanticipated consequences — of industry becoming mortally afraid of expanding labour force and vigorously pursuing methods to save on labour. The paradox of a capital scarce and labour surplus economy going in for capital-intensive and labour-saving practices followed. In their over-anxiety to protect the interest of the privileged few in the organised sector, labour laws seem to have ended up in shutting out employment opportunities for large numbers.

This tendency is witnessed across the board. Large public sector corporations like the Oil and Natural Gas Commission, Steel Authority of India and Coal India are today deeply worried over the burden of employment they carry. ONGC, for instance, embarked on a massive programme of off-loading many of its activities on private agencies. These include transport, supplies to offshore platforms, exploration and even drilling.

For Tamil Nadu there are other peculiar factors such as the over concentration of the engineering industry and the slow entry of sunrise industries like electronics and petro-chemicals, which offer better potential for growth. The more mature engineering industry has been through a stagnant phase. If we take the automobilie industry which has a strong presence in Tamil Nadu, excepting for 1988, the heavy commercial sector had been stagnant for some five years. And in this period Standard Motor Products of India turned sick and came to a grinding halt. In the two-wheeler segment, Enfield India, after nearly three decades of fairly smooth ride, has turned sick, unable to meet the intense competition.

The impact of these down the line has been pretty severe. Tamil Nadu has a rich crop of units that produce automobile components. These suffer a tremendous squeeze on the price of their supplies as original equipment to be fitted into vehicles. In fact, heavily dependent on volume producers like TELCO, Maruti and Ashok Leyland for marketing bulk of their production, many of the units supply at very low margins. This is sought to be made good by sales in the replacement market leading to a tremendous distortion in pricing. A difference of even 1 : 4 between the price supplied as original equipment and as replacement part is not uncommon. The lucrative margins in the market is attracting new entrepreneurs, often with NRI investments and set up in collaboration with newly industrialised countries like Taiwan or South Korea. These are able to make an immediate dent on the replacement market. These are located nearer the

vehicle manufacturing units in the North. There is considerable concern among the well established component manufacturers in Tamil Nadu over the threat posed by these. With the unwillingness of these manufacturers to look to new growth opportunities in petrochemicals. electronics or other sunrise industries, there is the danger of these units in Madras overtaken by the type of deluge suffered by the textile industry of Coimbatore.

Vehicle manufacturers and the organised ancillary industries used to pass on a good portion of the load down the line to small scale industrial units. These have not been covered effectively by minimum wage regulations, and thus are able to submit themselves to the terrible squeeze on prices. But obviously these can hold out only so long as they are able to escape the obligation on minimum wages.

The small industrial units which surfaced in the Fifties and Sixties promoted by first generation entrepreneurs thrived for a while. But the lack of attention to modernisation has rendered many of these sick. Tamil Nadu Governor P. C. Alexander has expressed his sense of amazement and shock over the state of sickness prevalent : "the small scale sector in Tamil Nadu is not merely sick but most of the units are in their death bed. The tragic part of it was that many of the units did not even realise this, "he said. He pointed to two other factors of considerable concern :

** The output per unit of input in Tamil Nadu is the lowest for the southern states.

** Labour productivity is again the lowest in Tamil Nadu among the southern States.

These factors have their impact on employment and wage compensation. The Guindy Industrial Estate, the vibrant pioneer, served as a model for the spread of the concept of Industrial Estates in other parts of the country and even in several developing countries. Because of the negligence to modernise it appears today a ghost industrial estate with more than half the units having a precarious existence.

The cumulative result of lack of growth opportunities in the agricultural and industrial sectors have understandably increased the pressure of employment on the government. Successive governments have relented to this pressure and have merrily been adding on to the list on the State's pay roll. An estimated 11 lakh employed by the State is the largest for a State, related to the size of the population. The total wage bill is in the region of Rs. 1,300 crore eating away more than 40 per cent of the State's annual revenues. With the Pay Commission's recommendations due, with its inevitable adjustments for the cost of living and for reducing the gap with the Central pay scales, one may anticipate an additional burden of Rs. 300 crore per annum on this score which will take the total payout on wages to almost half of the total of State's revenues. Is it any wonder that in several crucial sectors like education the lion's share of the allocation goes towards meeting salaries, leaving little for essential buildings, laboratories or other infrastructure? Understandably, the State cannot take on additional load of employment, that is on economic considerations.

The task of providing employment to the newly emerging additional hands has further accentuated by those rendered surplus through productivity improvement measures, is indeed formidable. There is thus the imperative of embarking on a massive programme of industrialisation which would trigger employment opportunities, both directly and downstream through the service sector.

It is here that I feel excited over the prospects of Tamil Nadu getting three mega projects :

** *The first of these is the National* Aromatics and Petrochemicals Corporation jointly promoted by Madras Refineries and SPIC for the production of PTA, an essential raw material for polyester staple fibre/filament yarn and benzene, another essential chemical. NAPCO may ultimately involve an outlay of Rs. 1000 crore. More importantly, this can trigger investments downstream, of another couple of thousand rupees, with their potential for generating employment for around 20,000.

** The second mega project is the Koodangulam atomic power plant proposed to be set up with Soviet assistance. At present sights the 2000MW power plant is estimated to involve an investment of around Rs. 6000 crore, over the next eight years. An investment of this size would mean a lot of employment opportunities, especially in the construction phase.

** The third mega project relates to the offer of Linde of West Germany to set up a 100 per cent export oriented project for the production of ethylene and propylene. This again involves an outlay of around Rs. 850 crore. The production of 650,000 tonnes of petrochemicals will be supported by the import of a million tonne of naphtha. With the provision that an 100 per cent EOU can seek the option to sell upto 25 per cent of output for domestic consumption, this project can make available over 150,000 tonnes of precious ethylene and propylene which can trigger growth downstream for the production of HDPE, LDPE etc. The construction and the subsequent downstream opportunities can help expand employment.

Of course, much depends on Delhi to get these projects off the ground. There are doubts on the earlier enthusiasm on these witnessed prior to the elections being sustained. Nonetheless the economic viability of these have been fully assured and most of the clearances have already been given. It is now upto the State government to play its cards carefully to win over these projects. Tamil Nadu has not witnessed this size of investment, amounting to Rs. 10,000 crore plus, over the next eight to ten years.

There also emerges a new breed of entrepreneurs who endeavour to benefit out of the consumer boom. It may be pointed out that production of most of the consumer products used to be concentrated in Bombay and Calcutta. The south, particularly Tamil Nadu, has for long been shying away from enterprises that demanded marketing skills over the national arena. TTK with its' Prestige pressure cookers, TI Cycles and Ponds' are the few exceptions.

Happily, in the last couple of years new stars are rising in this horizon. The television boom has catapulted a

few of these like Dynavision and *Solidaire*, which are growing into companies with a turnover of Rs. 100 crore. Butterfly, with its success in producing a variety of domestic appliances and utensils, has the promise of evolving into a Rs. 100 crore company within the next five years. The surfacing of more such enterprises is a good augury for expanding employment both directly and indirectly.

That is why despite the rather gloomy record of the recent decades there is the threat of a new thrust of industrial development which has the promise of taking Tamil Nadu to the vanguard of industrially developed States like Gujarat and Maharashtra.

TABLE I

Decline in employment at select companies

	1984 Employment	1988 Employment
Ashok Leyland	9922	9918
Best & Crompton	2245	2866
Carborandum Universal	1354	1227
Chettinad Cements	1248	996
Dunlop (Madras unit)	2671	2403
English Electricals	3317	3239
EID Parry	6400	2799
India Pistons	2538	2497
Madras Fertilisers	1343	842
MRF	2258	2542
Rane (Madras)	1006	1011
Shaw Wallace (Madras unit)	715	641
Simpson	2525	1812
Standard Motor Products	2813	3270
Sundaram Abex	577	368
Sundaram Fasteners	1195	898
Tube Investments	2635	3089
Wheels India	1239	1128

Summary of Discussion

Mr. S. Viswanathan pointed out the following issues in his presentation.

Firstly, he discussed about the output per unit of input in Tamil Nadu state which is lowest when compared with southern states. Secondly, labour productivity is again the lowest in the state. Thirdly, he discussed about the declining rate of employment in the state, particularly with reference to the large scale industries.

Later, the presentation was followed by discussion.

One of the participants pointed out that the census data and data over a period of time would have given a different picture about the share of employment in the manufacturing sector. Further, he explained the concept of de-industrialisation which is taking place and also added that the lack of active support for industries and power-cuts in Tamilnadu had an impact on the overall industrialisation.

Another participant responded that given the Investment in large scale industry, employment can be increased with an appropriate technology. In response to this the author explained employment situation in organised and unorganised sector.

One of the participants pointed out the census data does not shown the shrinking of employment in industry. On the other hand it explained this macro picture of the employment situation.

Another participant added few points to the above issue saying that the threat of industrial development is depended on imports and second is the matching managerial inputs to increase the labour productivity. Further, he added that state is not clear about the potential of the industries in Tamilnadu. He also explained that threat is not only to the large scale industry but also to the small scale industry. There is no reason why Tamilnadu could not improve its industry. The author has agreed with the points raised by the participants.

Mr. T. S. Kannan chaired the seminar.

P. Anbazhagan

Pre Budget Survey 1989-90*

1. The economy on the eve of the budget

Thanks to the countrywide and plentiful south west monsoon, (the adequate north east monsoon in the southern states), and the good winter rains, the primary sector of the economy is in good shape. In addition to the kharif foodgrain yield of 96 million tonnes, compared to 74 million tonnes in 1987-88 and the previous record of 89.2 million tonnes, the rabi crop is estimated at 74 million tonnes, compared to the 1987-88 64 million tonnes and previous record of 65.2 million tonnes. This estimated 170 million tonnes foodgrain production for 1988-89 lays a sound basis for attaining the revised target of 178-183 million tonnes for 1989-90, the terminal year of the Plan, it should obviate further food grains imports, and so contribute to easing the pressure on our balance of payments. There are however two problems. The record harvest has not brought the price of foodgrains down, which may be partly due to the usual time lag, but even more because farmers and traders are not releasing their holdings, hoping for higher prices. This may be the time to review the procurement prices to bring them nearer the market prices, which will lead to dehoarding of stocks. Commercial crops jute, cotton, oil seeds and sugarcane are also doing well. The power situation is also good with some 8 per cent increase in the first 8 months of the financial year, mainly due to the hydel reservoirs being full. In industry, there has been a lag with CSO's industrial growth rate for July being a low 2.9 per cent due to the 1987-88 drought, but picking upto 9.8 per cent in August, recording a 9.5 per cent growth for April-October. The pressure points in the economy are the resource crunch faced by the government and the Plan, the consumer price rise at 9.7 per cent in the first 7 months of the financial year, and the high level of the deficit in foreign trade at Rs. 4936 crores.

2. Government deficit

The year's budget deficit set at Rs. 7884 crores will be exceeded, because of (a) the spill over of part of the Rs. 10,700 crores expenditure involved for the Union and State governments on the 1987-88 drought, (though the latest CSO quick index for the drought

* A note by Dr. Malcolm S. Adiseshiah for the Press Trust of India, New Delhi, February 6, 1989.

year which shows a 3.4 per cent increase in National Income and not the 1-2 per cent anticipated by the Economic Survey for 1987-88 and a small fall of only 5 million tonnes in foodgrains production — that is, it fell by 3.5 per cent and not by the 7-10 per cent forecast in the Economic Survey, raises the question as to where all this huge drought expenditure plus heavy foreign aid went), (b) the decline in government revenue income and the rise in revenue expenditure which results in deficit financing (that is bank credit) of Rs. 15,000 crores. It may be wise not to talk too much about this, and let the government come out with the real budget deficit and deficit financing at the time of the budget presentation in order to avoid (a) further increases in administered prices, and (b) its showing the real deficit at a lower level, through manipulating the income-expenditure totals.

3. Administered Prices

First, I should state my position that raising administered prices before the budget session preempts Parliament's power over the country's fiscal matters. The rise in coal prices will increase the input cost of thermal stations and in time its industrial tariff. This applies also to cement plants, railways etc. The rise in steel prices will have an immediate impact on all items, from utensils to automobiles, using steel. But the most worrisome aspect of this is that the rise in administered prices will have multiple cascading effect on WPI and CPI.

3. Income tax

There is need to make the income tax and the corporation tax more progressive to compensate for our reliance to the extent of 90 per cent for government tax revenue on indirect taxes — excise and customs. There is no case for raising the income tax exemption limit. Those who pay the tax can afford the present limit. There is need for the various exemptions and incentives in the income tax and corporation tax to be reviewed as a means of the tax raising more revenue and of avoiding tax evasion. The Direct Tax (Amendment) Bill makes a small start in this respect, by not excluding CCA and other allowances from the tax net.

4. Market Borrowing

Market borrowing is at the limit of what should be borrowed by government. First, market borrowings should stop financing the current revenue deficit and should be used only for capital investment. Second, it diverts savings from channels which are optimal. Third, it builds up a serious payment burden for the future. Market borrowing is not the means of mopping up the liquidity of the economy. To do that, the amount of reserve money being created by deficit financing (bank credit to government) should be cut down to nil.

5. The AICC economic resolution

It calls for a minimum Rs. 500 crores per annum. It is part of the needed welfare measures which our poor are badly in need of — employment for one member per poor family, midday meals, clothing etc. It should be financed by cutting back on a) non plan non development expenditure (particularly public administration) and b) budget support to some industries which are perennially

loss making and which are non necessaries.

6. Subsidies

At present rates, the subsidy perspectives are grim. The Planning Commission computes that the 3.4 per cent of GDP (Rs. 9000 crores) of subsidies in 1986-87 will shoot up to Rs. 17,200 crores (3.2 per cent) by 1989-90. Subsidies must be reviewed. Some can be completely cut like export subsidies, some can be drastically reduced like the fertiliser subsidy by operating a dual pricing system which makes available the benefit of the subsidy only to the small and marginal farmers ; the budget support to non viable public sector units including NTC mills should be reduced or cut : subsidies on food and other essentials through the public distribution system should be available only to the people living in poverty. If this were done Rs. 5000 crores can be saved in the 1989-90 budget on subsidies.

7. The tax ratio

The tax ratio now is well below 20 per cent of GDP. I do not know where and how the Finance Commission got that figure of 20 per cent. The Planning Commission estimates that the tax ratio will be 17.4 per cent in 1989-90 and recommends that it be raised to 20 per cent in 1994-95 — rising from Rs. 72,000 crores to Rs. 1,11,600 crores if the eighth Plan aims at a 6 per cent growth. The implied buoyancy estimated is 1.52 per cent (Rs. 22,406 crores), so that the additional tax revenue effort will be only Rs. 14,390 crores, which is quite feasible and reasonable.

8. Revenue Deficit

To eliminate the revenue deficit in the 1989-90 budget, four decisions and actions are necessary.

a) First, defence expenditure should be reduced by 10-15 per cent — Rs. 1500 crores to Rs. 2000 crores — through (i) cost effective review of every expenditure item and ii) some reduction in the forces to reflect our improved relations with China and Pakistan.

b) Subsidies should be reduced as indicated earlier so that Rs. 5,000 crores can be saved.

c) Public administration — could be pruned to the extent of Rs. 8000-10,000 crores by not creating new posts and not filling all the vacancies that will arise during 1989-90.

d) Tax revenues must be increased as well as non tax revenues, particularly the savings from the public sector enterprises. (Rs. 2000-3000 crores)

9. Capital Market

The recent institutional changes that have been introduced — the Discount and Finance House of India, the Securities and Exchange Board of India — should be given time to work out their results. The market's base should be broadened. There is need to cut the power of stock brokers and middlemen. Above all, if the corporate sector does well, the confidence of investors will increase and in the end that is the way to strengthen the capital market.

10. Balance of Payments

The most urgent and effective means of restoring sound balance of payments is through a selective pruning of imports, which the Finance Minister himself has advocated. The imports which can be cut are foodgrains, edible oils, sugar, machinery and components, certain steel items, certain non ferrous metal items and some technology imports. Imports should be so regulated that they can be paid for by our exports after the servicing payments for our foreign debts, including the IMF loan repayment, which is increasing every year in nominal terms with the falling value of the Rupee.

11: Public Sector bonds

The public sector has to raise money from bonds in the capital market to keep a minimum rate of expansion and its technological modernisation going. Both the public and private sector are not doing enough to generate internal resources through increasing provision for depreciation and retained profits. If that were done, there will be no problem of competition between the two sectors in the matter of raising funds from the capital market.

Book Review

Economics of Agriculture : A. R. E. Benjamin, S. V. Hariharan, and M. Karunagaran. S. Chand & Company Ltd., New Delhi : 1989, Pages 225, Price Rs. 22/-

The study of agricultural economics as an independent discipline in the country is of recent origin unlike in the United States where the establishment of Land Grant Colleges at the turn of the century gave a fillip to the study of and research in agricultural economics. Although agricultural economics has been taught in the Indian Universities under the title of rural economics, it was but one among many subjects taught at graduate and post graduate levels. It was only with the establishment of Agricultural Universities (on the model of Land Grant Colleges in USA) — in the fifties that the study of agricultural economics came to be recognized as a separate discipline.

Agro-economic research in the country is also a recent development. It was promoted by the Central Ministry of Agriculture from the fifties by the establishment of Agro-Economic Research Centres in Universities/Research Institutes. Similarly, the Research Programme Committee of the Planning Commission encouraged research in agricultural economics by parcelling out a number of studies relating to the agricultural economy to the Universities in the fifties. Quantitative analysis of the farm economy gained momentum with the initiation of Farm Management Studies in the fifties by the Central Ministry of Agriculture in different regions of the country. The publication of the Indian Journal of Agricultural Economics by the Indian Society of Agricultural Economics nearly four decades ago has provided a forum for dissemination of studies and research in agricultural economics.

It has now been recognized that as in respect of general economics, a grounding in Mathematical analysis and Statistics is absolutely essential for keeping track of recent advances in agricultural economics. As the Authors have pointed out, "agricultural economics does not have a separate body of theory and methods ; it involves the application of economic theory and other quantitative methods to problems arising in the agricultural sector". A text book incorporating recent concepts and techniques is virtually non-existent in the country. It is to fill this vacuum that the efforts of the Authors are directed.

The Authors concentrate mainly on the four major divisions of the study of agricultural economics, namely, Supply and Demand studies, Production economics, Government policies and Agriculture and Economic development. The explanation of the concepts of elasticity of supply and supply response would have been more illuminating if illustrations from studies conducted in the country (of which there are many) were given. The same applies to the explanation of the concept of elasticity of demand. Mention could have been made of the consumer expenditure surveys conducted by the NSS and the use of the survey data for calculation of demand elasticity. The general theory of production economics has been treated fairly exhaustively; the most commonly used Cobb-Douglas Production function and its use in the determination of factor shares in total income have received rigorous treatment. The Authors recognize that the "understanding of production function requires a knowledge of mathematics at a higher level and it is not of any use to the farmers directly in his farm activities".

The descriptive chapters relate to marketing of agricultural products and agricultural Finance. Here we are treading on familiar ground. In the Chapter on State Intervention in Agriculture, more attention could have been paid to the analysis of agricultural policies, such as producer and consumer price policies ; policies in respect of changes in the agrarian structure ; and poverty alleviation policies, than what has been attempted. Under Problems in Agriculture (chapter 15), no mention has been made of the problem of environmental degration which is currently receiving great attention on the part of agricultural scientists and planners. Sustainable growth in agriculture depends in no small measure on measures for conservation of the environment.

The salient features of agricultural development under the successive five year plans have been mentioned and the Authors come to the conclusion that "one of the important causes for the failure of agricultural Planning in India is the inability to raise productivity to a considerable extent". The principal reason for this has been ascribed to decline in capital productivity manifested in rising incremental capital-output ratio (ICOR). According to Sukhamoy Chakravarty[1] the incremental capital-output ratio in agriculture while rising from 2.18 in 1951/52 to 1959/60 to 4.22 in 1970/71 to 1979/80 has shown a decline of late, the ratio falling to 3.17 in 1980/81 to 1983/84. The fact remains, however, that the agricultural sector in India can no longer be regarded as a "bargain sector".

As a supplement to the text, three useful appendices have been added viz. crop insurance in India, farm management budgeting and linear programming, and farm size and efficiency in Indian agriculture.

The book should prove helpful in imparting a knowledge of recent tools and concepts in the study of agricultural economics.

(R.N. PODUVAL)

December 12, 1988

1. Development Planning: The Indian Experience: Sukhamoy Chakravarty: 1987.

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I, Dr. A. Vaidyanathan hereby declare that the particulars given above are true to the best of my knowledge and belief.

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e) *Tamil Nadu Economy : Performance and Issues* by MIDS (1988) & Published for MIDS by Oxford and IBH Publishing Co. Pvt. Ltd. Delhi, Rs. 60/-

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