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MADRAS DEVELOPMENT
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October 1992

Towards a Re-Appraisal of the
Dravidian/Non-Brahmin Movement

Health in India During a Period of
Economic Adjustment

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

on coal for the thermal plants, the state is very interested in the import of thermal grade low ash content coal from Australia for power generation, due to the high cost of transporting coal from the northern and eastern regions of the country. Australia is already a major supplier of coking coal to the country's steel plants and the import of coal can be financed by the increased export earnings. Further, Australia has expressed interest in joint production of coal from the mines when the private and foreign participation is approved.

Climate and Prices

The first half of August which this editorial covers witnessed the usual monsoon weather in the state - with heavy rains which also covered the catchment areas. During this period, the rains also spread to the north of state, as Madras and Dr. M.G.R. - Chengai district experienced good showers of help to the farmers engaged in kuruva cultivation and preparation for samba, as well as drinking water for the parched areas and drying up wells. On prices, there is no further issue of CSO's monthly abstract after the March 1992 issue which has been reported in the last issue.

Power

The power situation in the state was normal, with no power cut in the first half of August. Given the tight situation

The power situation in the country in the first half of August was a mixed one - with Karnataka, AP, Bombay and West Bengal taking advantage of the heavy rains to step up hydel production. In Kerala, however, the heavy monsoon has passed by the catchment areas. Delhi and Rajasthan continues to have power cuts and Orissa has imposed 60 to 50 per cent power cuts on industries and announces that these cuts which were announced

in early August will continue till August 1, 1993. On the other hand, fresh power generation capacity of 710 MW is to be located in the Eastern region - with 210 MW of Kolaghat thermal and 500 MW of the first unit of Farakka Super thermal. Moreover West Bengal will be helped as the first unit of Santaldeh reserves are greater in Bengal. The Board on the private sector is setting up a task force which has reviewed the proposal of the Modi group for supplying power to Delhi. There are 3 proposals of foreign companies which have submitted MOUs for 7 projects located in 6 states and one MOU for 1000 MW as coal based thermal plant costing Rs. 2500 crores. The power sector as a whole is not only resource starved, it faces cost over runs in the cost of 31 projects of near 80 per cent (Rs. 14,000 crores) and time over runs in the case of 33 out of 39 project, ranging from 1 month to 128 months. The result is that in 1991-92 there was a 50 per cent project slippage (908 MW against the target of 1990 MW) and a similar problem faces this year's target of 2890 MW. A further problem is the large Rs. 1383 crores that the state electricity boards owe the central utilities - NTPC, NPTC, NHPC, DVC, NEEPL, REC and PFC plus Rs. 1383 crores as dues pending from 1990. So the government decided to recover Rs. 1676 crores due to the state board from the plan assistance to the states. The recovery is to be in 4 equal instalments per year during the next 4 years, starting with cutting Rs. 1107 crores from the Plan fund to the states. This will affect the state plans and their development growth. The government reports to parliament that 27 power projects including 5 projects in the central sector face cost over runs and due to inadequacy of finances will be delayed.

Transport

The government reports that the fuel conservation cells of the transport corporations in the state have helped achieve 40 per cent fuel savings. This was due to the effective training programme for drivers and weekly monitoring of performances. On driving 10 per cent fuel costing over Rs. 1000 crores (17 lakh tonnes) is saved and efficient fuel management association like eliminating wastages, cutting down mileage, report norms for changing engines. Overloading increases petrol consumption. Of the 80 per cent fuel consumed by the transport sector in the state, 60 per cent was by the private and unorganised sector. Gas and oil consumption which was 18.6 per cent in 1961 has shot up to 38 per cent in 1991, of which Rs. 120 crores can be saved by the recommendations of the fuel efficiency team.

Urban Development

The state's food department has launched a scheme to eliminate bogus billing and under weighment in fair price shops in the urban areas. To start, 3600 fair price stalls in corporations and municipalities have been chosen and in 3 months the two serious problems will be eliminated by October 15. Under sample checking, 25 houses are checked in each area every day in Madras and junior inspectors have been appointed, who see that foodgrains and other commodities are weighed properly and reach the retail outlets from the civil supplies godown to avoid the shortages of 2-3 kgs found in each

bag.

The south west monsoon is in full

play in the southern district. As far as Madras city is concerned, the rains have not raised the levels in the Red Hills, Sholavaram and Poondi reservoirs, but their combined storage of 2000 mcft is enough to meet the requirement of the 35 lakhs residents at a daily 55 million gallons till November/December. If there is continuous rains for 3/4 days in the latter half of August, the levels will rise.

State government loans

The second tranche of 21 state government loans aggregated to Rs. 12000 crores during 1992-93. The loans vary from Rs. 215 crores for the UP government (the highest) to Rs. 1.51 crores for Meghalaya (the lowest). Tamil Nadu's loan is Rs. 85 crores.

National

Plan

The state governments have been asked to devolve more authority and financial resources and freedom to frame district plan. Maharashtra, Gujarat, UP, Karnataka and J&K have taken steps to implement scheme of preparation of district plan. MP, Kerala, AP, HP are reported to be making changes in that direction. To enable the states to prepare district plan, Union Planning Commission assistance is being provided as block loans and grants under the scheme of strengthening of planning machinery at the state and district levels. The Planning Commission had model plans for 5 districts prepared as a model by the National Institute of Rural Development. On this basis, guidelines for the preparation of district Plans have been prepared and sent to the states. The

VIII Plan emphasises the importance of district plans and has incorporated in it the scheme and strengthening the planning machinery at the state and district levels to this end during the VIII Plan.

Prices

Inflation during July registered a rise of 1 per cent on a point to point basis, the wholesale price index standing at 224.9 as at July 25 compared to 222.8 on June 27. For the year, the index fell sharply from 11.34 per cent at 22 June to 9.3 per cent on July 25. Thus the ministry forecast of inflation being reduced to a single digit figure has occurred. The index for the major group of pricing article rose for wheat, maize, gram, agar, moong, monsoon relief with the prices of non food articles, soya bean and fodder, raw coal and raw cotton. The dramatic decline of the annual rate of inflation to one digit figure is due to the unusual rise in prices in the same period in 1991 due to the double impact of currency devaluation and the 1991 budgetary imposts. Hence the small increase in prices for July, the rates of inflation is dropping and will be further dropping at the end of August as it reached a peak rate of 16.7 per cent in August 1991. The fall in prices are due to the stricter fiscal and monetary policies beginning to bite and deflating demand inflation. There are some cautions to be sounded on this decline. First, the figures on which the declines is based are provided and in the final figures there may be a percentage point rise. Second, it needs to be remembered that the wholesale prices are less relevant to the ordinary man than the consumer price index which for industrial workers are 2 points above the wholesale index. There are other cautions to be borne in mind - such

as the coming cut in fertiliser subsidy which will be compensated by rise in its prices, the full convertibility of the rupee will lead to rising petroleum prices and their multiple effect on the economy, and finally the issue price of wheat and rice are to be raised - all this will lead to increase in the rate of inflation and move the terms of trade against the farmers, who has not been a beneficiary in terms of trade vis a vis manufactures.

Stock Exchange

From August 15, the stock exchange called "over the counter Exchange of India (OTCEI)" became operational, with the commencement of the OTCEI computerised dealer network in Bombay. As an electronic screen based stock exchange, it makes trading in stocks and shares easy. It has a nation wide reach, enabling widely disbursed trading in Delhi, Calcutta, Madras, Cochin and Baroda. This system makes the stock exchange more accessible to the investigator and will bring the stock exchange to the street corner. The question facing OTCEI is its viability, because the investment needed to create its infrastructure is large and the task of creating a network of computers and deal is a large one. Only time can tell whether OTCEI will meet all these problems while increasing the liquidity of the investor. On the existing exchange, despite the strict information disclosure norms introduced by SEBI last year, for companies issuing shares to the public, company promoters and merchant bankers are flouting these requirements. The only way to deal with these violations is to provide for the imposition of heavy penalties by SEBI on the companies violating the guidelines. Shares of 31 public sector undertakings, from which the govern-

ment has disinvested part of the equity holdings have been listed in the stock exchange and active trading in these has started. The Security scam which is being investigated by SBI, is now taken up by 30 member Joint Parliamentary Committee with Dr. R. N. Mirdha as chairman and will bring to light many issues and persons involved in it, without fear or favour. The institutional membership on the stock exchanges are now playing a critical role in channelising large portfolio funds of overseas investors. They are permitted to enter the Indian Capital banks through local branches and institutional investors who will work as brokers for overseas investors. SEBI has decided and reviewed its decision on participation of mutual funds and venture capital in equity of companies on the basis of firm allotment.

Nadkarni Committee Report

The committee on trading for public sector bonds and units of mutual funds submitted its report in early August to RBI recommending the continuance of the RPO transactions provided they are only limited to banks, mutual funds and financial institutions. The report highlights are: 1) Repurchase Operation in bonds (Repos) should continue only with Banks; 2) Money market broking to be suggested from stock broking; 3) there should be phased Electronic Clearance and Depository System (ECDS); 4) BRs should continue till the completion of Phase I of ECDS; 5) Terms of issue of PSU bonds should be market based; and 6) Secondary market in units should be contracted. The committee concedes that the secondary market of UTI has performed a useful purpose, but has asked UTI to review whether it should have both the

corporate and individual investors in the same scheme, since the needs of the 2 are different. It has also recommended that issue of task force bonds should be reviewed so that the distortions they produce may be avoided. The Nadkarni report which is a continuation of the Repo report is now under examination of RBI.

Economy

NCAER in its January-March review states that the growth rate for 1991-92 is likely to be between 1.5 to 2 per cent, its lowest since 1980-81. This is much lower than its earlier projection of 3 to 4 per cent less than of the shortfall in both the major production section of agriculture (when the growth is likely to be 1 per cent) and negative in the case of industry. On projects for 1992-93, if there is a near normal rainfall and good export proposals, the growth rate could be between 3.5 to 4 per cent of GDP. The average rate of growth in foodgrain production was 2.4 per cent per annum in 1936-87 to 1991-92, the level of foodgrain at March end 1992 was 12.10 million tonnes against 17.27 million tonnes at March end 1991 and in 1992 procurement was about 19 million tonnes and offtake remains at 22 million tonnes, there will have to be import of foodgrains. The wheat stock at March end 1992, was about 3 million tonnes and if 7 million tonnes are added through procurement, the 10 million tonnes will be adequate to carry us through to the next rabi season. Industrial growth in 1991-92 was -2.34 per cent in the first quarter April-June, 10.5 per cent in the second quarter. Negative growth of -1.38 per cent in the third quarter and +1.53 per cent in the last quarter. Monetary expansion in 1991-92 was 18.8 per cent far in excess of the

target of 13 per cent. Budgetary support provided by external finance was high at Rs. 5067 crores in 1991-92 against Rs. 3182 in 1990-91. The share of external resources in financing the gross fiscal deficit increased from 7.1 per cent in 1990-91 to 13.4 per cent in 1991-92. The government announced in August that for its modernisation and expansion programme it was deinvesting Rs. 31 crores out of its total share holding of Rs. crores to Rashtra Chemicals and Fertilisers. The shares have been disinvested in mutual funds. The primary capital market witnessed a record capital mobilising exercise during July 1991-June 1992, when 546 public and private sector companies issued an highest ever amount of Rs. 19,931 crores, being 15.5 per cent of total gross domestic savings. The average issue was an all time high of Rs. 36.4 crores. The 527 private sector companies issued Rs. 9346 crores through shares and other instruments. - 14 public sector units Rs. 5722 crores through bond issues by 29 per cent of total capital issues in 1991-92. The government informed Parliament that the banks needed an infusion of an additional Rs. 8000-10,000 crores to cover their bad debts, not quantified so by the Narasimhan Committee (see Vol XXII p65), which however recommended an Assets Reconstruction Fund be established. The government has prescribed capital adequacy norms under which Banks and FIs should have a 4 per cent capital adequacy ratio in relation to risk attached assets by March 1993, going on to the BIS standard of 8 per cent by March 1996. This is part privatisation as the capital assets are to be offered to the general public as well as Mutual Funds, PSUs and employees. This latter is ofcourse not privatisation. Now this addition of Rs. 8000 to

Rs. 10,000 crores is to be provided by government or raised by the banks from the market. This would be a definite step to the privatisation of banks.

Industry

The quick estimate of industrial production of IIP released by CSO shows an industry growth rate of 4.1 per cent in April 1992 against the modest 1.3 per cent in March 1992. This first sign of industrial recovery is heartening also because manufactures registered an 4.7 per cent growth in April compared to 0.3 per cent in March. Electricity grew at 6.9 per cent in August compared to 6.3 per cent in March. Only mining recorded 3.1 per cent in March. The Small Industrial Development Bank of India (SIDBI), reports that during 1991-92 its aggregate sanctions recorded a growth of 22 per cent at Rs. 3459 crores and disbursement 15 per cent at Rs. 2588 crores. The tiny sector is receiving special attention with Rs. 1053 crores sanctioned to 85000 tiny projects. Similarly marketing support and machinery parts purchased have been a meagre point of assistance for the small industries.

National Production Front

Steel

In the first fortnight of August there was both good and bad news on the steel front. On August 1, the Visakapatnam steel plant went into production and is targeted to produce 1.8 million tonnes in 1992-93. The gestation period of the projects was 20 years leading to heavy cost escalation from the Rs. 1000 crores initially estimated to Rs. 7000 crores and over. This means the full utilisation of the total capacity should be

used and its plans to expand its capacity to 4.2 million tonnes, as the demand for steel is projected at 31 million tonnes during the decade, when production has been only 14.55 million tonnes in 1991-92 leading to the import of 1.46 million tonnes at a cost of Rs. 1500 crores. It is reported that at the end of 1990 about Rs. 534 crores of Soviet credit was lying unused. Now negotiations with Russia and the CIS should explore the possibility of using this credit for the purchase of Russian equipment. This is urgent because the second piece of bad news is the information given to parliament was because of the resource crunch, the Planning Commission has made a cut of Rs. 10,177.19 crores in the proposed outlay of Rs. 24,756.19 crores to the steel sector.

Crude

In the first half of April, government announced in parliament that natural gas had been discovered at 2 new wells in the Krishna - Godavari basin. The well of Nandigama had a gas flow of 2.43 lakh cubic metres per day and condensate at the rate of 50 barrels per day. The other well at Mumidivenam had a gas flow of 0.81 lakh cubic metres per day. The government also reports that the output oil wells in Bombay High which had reached an all time low in 1991-92, due to short term corrective measures taken is resulting in gradually increased production. Finally the government reports that the measures taken on the advice of the Petroleum Conservation Research Association (PLRA), Rs. 500 crores in energy conservancy had been effected in the VII Plan. Research efforts to increase production and economise consumption should be intensified in the VIII Plan and often to avoid the growing import bill that the country faces.

Coal

Coal India reports several positive developments - a profit of Rs. 100 crores in 1991-92, the take off of its 6.05 million tonnes of coal liberalised scheme during first quarter of 1992-93, when 2.01 million tonnes were actually sold and the offer of new sources under which any customer can approach any of its officers and come under its first come first served scheme. Also coal production has been increasing steadily from 212 million tonnes in 1990-91, to 229 million tonnes in 1991-92 and its target of 238.2 million tonnes in 1992-93. But its problems are even more overwhelming. It has a cumulative loss of Rs. 2500 crores due mainly in project execution and completion for want of funds, along with labour and the litigation processes. A fifth of its total staff (6,70,000) are redundant, non receipt of dues to the extent of Rs. 2000 crores from thermal power stations and the piling up of Rs. 900 crores (40 million tonnes) of coal at pitheads and the failures of the cash and carry scheme. More immediately, if the tripartite dearness allowance committees recommendation for DA from January 1, 1987 is followed, CIL will have to pay Rs. 400 crores in 1992-93 to its 7 lakhs employees, which will wipe out any profit it may have been contemplating. The DA recommendation needs to be postponed and the dues from the thermal station to CIL should be settled along lines referred to at the start to enable this essential service to continue functioning.

Non Ferrous

The aluminium industry is doing well and plans large scale expansion. With the abolition of licensing the companies have prepared plans for 260,000 tonnes

expansion. HINDALCO doubling its capacity to 200,000 tonnes, BALCO to 200,000 tonnes, NALCO to 330,300 tonnes - increasing the total capacity of the industry to 972,000 tonnes by the end of this decade. Further the grant of automatic approval to 51 per cent foreign equity participation has freed the technical collaboration in 34 industries. Due to the difficulty of getting aluminium at reasonable rates and non availability of electricity at cheap rates, the large firms are going for down stream facilities instead of expansion of primary metal production. But this will be giving away the advantage to the other developing countries producing aluminium - Brazil, Venezuela, Egypt. So the question of expanding the Indian aluminium industry needs to be faced by the government and the private companies so that a judicious need can be developed. Hence the perennial power shortage of the country needs urgent attention.

Agricultural Production

It is still too early to decide whether the monsoon will make up for its delayed start and urban areas like the north west not receiving rains till recently. What will be the effect on the kharif crop? As of now the government faces a depleting wheat stock and so has signed a contract with the Canadian wheat board for import of 10.05 lakhs tonnes of wheat for shipment during mid July to mid October. The greater offtake of wheat from the PDS and the consequent lessening of the wheat stock is due to the fall in production of coarse grains by 4 million tonnes during 1991-92 kharif. As a consequent the Rs. 2500 crores food subsidy provided in the budget and the later provision of Rs. 250 crores for the revamped PDS are inadequate. The budget did not take into account i) the additional subsidy needed

by imported wheat which will be finalised after the entire consignment has arrived; ii) the central bonus of Rs. 25 per quintal in addition to the procurement price of Rs. 250 per quintal, iii) the increased railway freight, iv) the central subsidy given to states for purchase of items for the distribution of PDS foodgrain, v) the additional foodgrain allocated to certain identified areas and vi) the subsidy for any additional wheat and rice imports that may be needed in light of the total kharif foodgrain production in 1992-93. This means that the food ministry budget will have to be increased sizeably to meet these 4 demands - most of which are unknown and so unquantifiable. The ministry of agriculture has initiated a scheme for procurement of fruits and vegetables not at government determined support prices but at market prices. The scheme is being supplemented through state co-operative marketing agencies and NAFED. Procurements will be made at market prices till a certain ceiling for each perishable commodity is reached, the ceiling price to be determined on a case by case basis which will be 10 per cent above average of the last 5 year's farmgate price. If the price falls, procurements will resume till the market price reaches the ceiling level. The scheme has risks and will be watched before being extended further.

Foreign Trade

A large trade deficit of \$1583 million for the first quarter, April-June, of the financial year contrasts with the much smaller deficit of 733.91 crores in the first quarter of last year 1991-93. The reason for this rise in the trade deficit is the lifting of import restrictions in the current financial year compared to the tight import controls introduced last year. Further for one item, petrol,

imports have almost doubled from last year's first quarter of 4.4 million tonnes to this year's first quarter of 7.58 million tonnes. On this alone the import bill will rise from last year's Rs. 1200 crores to Rs. 2800 crores this year. One positive element is that the measures to promote exports are yielding a 8.4 per cent increase in exports to the general currency areas in the first quarter. The export promotion measures include the department of revenues announcement, that as a limited duty drawback finally will continue for exporters who have availed of the duty exemption scheme and the quarterly Based Advance License Scheme in the future. Exports in April-June 1992 rose by 0.4 per cent from \$3988.73 million last year to \$4013.06 million and in rupee terms by 40 per cent from Rs. 8181.41 crores to Rs. 11500.11 crores. (In June exports rose by 9.9 per cent in dollar terms at \$1342 million). During the first quarter, exports to GCA rose by 8.42 per cent (from \$3523.99 million to \$3820.63 million but declined by 59.47 per cent in the Rupee Payment Area from \$474.24 million to \$192.43 million. Imports during April-June 1992 in dollar terms were \$5576.73 million as against last year's \$4732.69 million, being a 17.84 per cent increase. In Rupee terms at Rs. 15981.08 crores against last year's Rs. 9682.99 crores representing a 65 per cent increase. The 1992-93 export target is \$20132 millions being a 12.8 per cent increase, which is somewhat steep but attainable and for this reason the government is giving priority to all measures needed to promote exports, parliament was informed. Here the key is the Rupee payment exports which should be pushed in negotiation with Russia and other CIS states. The government analysis of the 1990-91 trade, reports that non trade houses formed

more than 50 per cent of the country's exports-engineering goods (24 per cent), ready made garments (24 per cent), leather and leather products (15 per cent), basic chemicals and pharmaceuticals (15 per cent) and marine products (6 per cent). While the country's exports have grown at an impressive 16.5 per cent during the 20 years 1970-71 to 1990-91, its share of world exports is both small (0.5 per cent) and declining from 0.6 per cent to 0.5 per cent. Within this context engineering exports at the global level fell from 0.3 per cent in 1970-71 to 1.0 per cent in 1990-91. Further, engineering exports are not keeping up with the engineering production-in 1980-81, 4.3 per cent of domestic engineering production was exported, in 1987-88 it fell to 2.8 per cent. Penetration into the European market is impressive, rising from 19.2 per cent to 38.8 per cent, while it fell in Asia and Africa, with US it has been stable. The USSR's share was 21.5 per cent and is now a question mark. On individual items, the commerce ministry's committee states that India has the capacity to increase its market share of the world dyestuff exports from the 1.2 per cent to 10 per cent in five years and sets forth the steps to do so. Cashew exports are expected to cross the Rs. 75 crores mark. India has secured an increase in export quota of \$2 million to Canada and Australia. Petron International is investing in India to commercialise technologies developed by India by NCL. Silk exports in 1991-92 rose by 53 per cent to Rs. 676 crores. Marine target is set to achieve the target of Rs. 1765 crores for the year, as the export in the first 4 months of the financial year was 45,900 tonnes valued at Rs. 428.7 crores. The Apparel Export Promotion Council is sure about reaching the export target of \$2.7 billion for 1992. The government

has liberalised the import of 30 items of profession grade audio and video studio equipment which can be imported freely into the country without a license. The government has also relaxed capital goods imports second hand, without a license in textiles, and textile processing, electronic components and dyestuff and food prices.

Loans and Aid

In the first half of August, 6 loans are recorded. British and German Banks have offered to lend \$700 million for the Rs. 5000 crores joint sector lignite project in Jayamkondam. BHEL has entered into a 10 year agreement with German's Siemens for power generating equipment. The UK government has made credit of Rs. 15.53 lakhs in grants to 5 organisations dealing with disasters. The World Bank loan of SDR 373.3 million referred to earlier (See Vol. XXII p132, 256) is to upgrade and modernise polytechnics in the state. As of July end SDR 35.44 million have been utilised, the government reports to parliament. ADB has granted a loan of \$99,000 million for the National Renewal Fund.

International

OECD

An economist of OECD reports that privatisation in the developed countries of the West is on the wane though the pressure continues in both political and economic areas. Among OECD's 19 member states, the bulk of the privatisation this decade will take place in countries bordering the Mediterranean, because in these countries the central government continues to retain significant shares of industry, transport, communication, bank-

ing and utilities. The countries which led the wave in the 80s - UK, Japan and New Zealand - have completed a scheduled sale of assets so that the stock of publicly owned companies are no longer the locomotive pulling the privatisation train. But in Greece, Italy, Spain and Turkey which have large public sector deficits, there would be relief when some of the public sector stocks are passed to the private sector. This will also reduce the magnitude of their budget deficit and so motivate them towards partial or full privatisation of public enterprises. Italy under the weight of a public deficit equivalent to 10.5 per cent of its GDP plans to raise \$14 billion through assets sales. So is Portugal which has been privatising and in 1991 alone raised 2.5 per cent of GDP through such sales. Turkey plans to raise \$400 million through such sales in the next 2 years. It was in the 80s, with an increasingly competitive environment that government began this movement by reducing the parameters of state intervention in the economy. In 90s the same forces are promoting the evolution of global marketing and plunged many state enterprises into international competition. Regional

economic integration in Europe and North America, the prospects of its dissemination in Pacific and recent events in Eastern Europe all point to the emergence of larger markets in which TNCs are active.

ASEAN

The meeting of ASEAN foreign ministers in Manila was significant for many reasons. Many countries had connections with ASEAN. Canada, US, Japan, EC, South Korea, Australia, New Zealand, Russia, Vietnam and China engaged the ASEAN members in a dialogue for economic cooperation. Many ASEAN leaders have spoken of India's potential role in the region, which involves India getting involved with countries of the region. ASEAN with Japan is emerging as the third large protectionist economic grouping of the North America - US, Canada and Mexico and EC. India is probably too large to become a member more than China, but like China it is true that India spent some time on its role in the Asia grouping which is its neighbour.

II. Agricultural Development in Tamil Nadu

Paddy and other crops

As the storage in Mettur improved (reported also in the last issue in mid August it recorded a steep rise from 11,400 cusecs to 55,076 cusecs) as well as in Parambikulam - Aliyar, - lower Bhavani, and Periyar and Vaigai systems, farm activity was in full swing. The farmers in

both Thanjavur and Nagapattinam, Quade-E-Milleth districts have transplanted kuruvai paddy over 3 lakh acres and are going onto 4 lakh acres for which the standing nurseries were quickly transplanted. The revival of the turn system in the Grand Anicut has been postponed till completion of transplantation which was initially delayed because the district

farmers wanted to have a clear picture of water availability in the Mettur reservoirs for lab periods. Further farm labour is not available. The delta farmers have also begun preparations for the main samba crop from mid August, when the turn system will be reintroduced in the Grand Anicut. Mettur levels on August 3 was 104.25 feet, the storage being 70,460 million cubic feet. So the outflow has been increased to 27,000 cusecs to help farmers in their hectic transplantation in the delta districts. So for the kuruvai, the farmers expect a record crop. The Agricultural department reckons that as the normal average yield is 4 tonnes per hectare, kuruvai paddy crop will be around 15 lakh tonnes for the first time in the past decade. The samba season is approaching and the farmers hope that with a good North East monsoon, they will exceed last year's coverage of 5 lakh hectares in Thanjavur and Quade-E-Milleth district. The department concurs with this estimate. Report on the cotton, sugarcane, groundnuts and coarse cereals crops are similarly satisfactory and the farmers borrowing on these crops are optimistic about the yield this season. Farmers report that a dangerous disease is affecting the paddy crops at an early stage in Tiruvannamalai and North Arcot - Ambedkar districts and parts of the South Arcot districts. The need for both the state resources through the Tamil Nadu Agricultural University and the Indian Council of Agricultural Research to deploy their forces to combat the disease and prevent it from spreading is emphasised by the farmers and the Department.

Research results

Of the 18 research reports recorded at the end of July and upto mid August, 4 groups on paddy, other cereals, fruits and animal husbandry deserves special

attention and can be used by the farmers in the state immediately. First on paddy, SSRC Tiruchy working on the polluted waters of Uyyakondan canal which reduced paddy yield by 30-40 per cent in its 64 villages along the bank was the subject of its experiment with 8 varieties. On the basis of which it recommends to the farmers to concentrate on Ponmani which yielded 6482 kg per hectare and 8086 kg of straw in 155 days, and ADT 30 which yielded 5703 kg and 7397 respectively, replacing the ruling strain of IR20. The Assam Agricultural University, Jorhat on the basis of its work on detecting rice tungro requires that it can be desiccated by the stunting of the plant and various colours of range and yellow in the straw and proposes as control measures - uprooting a suspected tungro normal hill replanting in a pot filled with normal rice, and control the destruction of green leaf hoppers which spreads the virus. On other cereals and crops, TNAU, Srivilliputhur reports that the continuous growth of gingelly varieties TMV-3 and TMV-4 in this region and which shows decline in yield and its exposure to diseases like phyllody can be replaced by SVPRI, a white seeded high yielding sesamum which is of 70-80 days duration, high yielding in 700-800kg/ha yields high quality seed and oil extraction. The Kumaraperumal centre, Tiruchy reports that it has demonstrated that the hybrid castor GCH4 yields 27.7 per cent more than TMV-5. Tirupura region trials demonstrate that true potato seed (TPS) is an effective and cheap substitute to the conventional potato grown in the Nilgiris and Kodaikanal. It is based on the hybrid TPS production technology developed at the International Potato Centre, Peru. TNAU reports that its work shows that the pest psyllids in subabul can be controlled by growing resistant species, and snipping the terminal shoot

and burying it. It also recommends the biological control agent that it has developed for this pest. AP agricultural university calls attention to subabul, a legume shrub gaining popularity as a produce of high quality protein, timber, charcoal and as a soil envilla. On fruits and vegetables, TNAU centre at Vellore demonstrates the growing of sugarcane with limited water, using coir wastage as basal application and that its physical parameter were more influenced by amendments than irrigation. The sugarcane variety CO-8382 which has an average production of 124 33 tonnes/ha and its ratoon yields on the average 122 24 tonnes/ha and is recommended for the state's sugar cane farmers. UAS, Bidar report that its experiment show that instead of picking buds for planting Ber the dryland crop, insitu budding in ber varieties increases plant value by 90 per cent and height to 2.8 feet in 92 days. Similarly Agro Vet of Hoechst India, reports developing a robust Okra hybrid, Mystique, for kharif and rabi under the conditions which yields 300 quintal/ha. The MARP banana research centre, Srirangam reports on the nutrient management needed for wetland banana cultivation, the time of fertiliser application, the levels required and the fertiliser schedule to produce optimum results. Tamil Nadu Rice Research Institute, Aduthurai reports that its work shows that Neem spray preserves plaited coconut leaves. It involves spraying coconut leaves on both sides with copper sulphate, follow neem oil or neem seed extract. The coconut research station reports that its structure shows that coconut bud rot can be controlled by periodical observation of palms, removal and using of dead palms, detection in early stages and application of Bordeaux pest on the injected portion, and prophylatic spraying with 1 per cent bordeaux

mixture. Finally for animal husbandry farmers, the National Dairy - Research Institute, Karnal reports that the artificial process through which a barren cow/heita is brought to milk producing condition by passing pregnancy and delivery of a calf is called inducing lactation which reduces economic loss and proposes a schedule for inducing lactation in dry and healthy animals ranging from 1-3 days to the 24, 25 and 27th day when milking can be commenced. The Madras Veterinary College of TANUVAL on the basis of its work advises that to protect sheep and goats from the many bacterial and viral diseases, it recommends 7 types of vaccinations as well as sheep pox vaccine, foot and mouth diseases vaccine, and anti rabie vaccine - all manufactured by the government institute and the private sector and are easily available. The Veterinary College, Udgir reports on its work on the Ketosis disease in buffaloes which is signalled by reduced milk yield and appetite, false chewing movements and salivation and can be treated by giving glucose (25 per cent at 0.5 kg) in 3 intravenous infusions. The AP agricultural university, Hyderabad states that its experiments on mushy chick disease - yolk sac infection naval infection, umphleitis - seen in inflated abdomen, a wet naval and an offensive - can be treated by increasing the warmth in the brooden house and medicating the drinking water with a broad spectrum of drinking water for 3 days. The Madras Veterinary college reports on the management of infection in rabbits. In body, canker can be treated by scrapping and for ear canker, placing 1 to 2 ML of vegetable oil into the ear for 10 days proves to be effective.

Plantation crops

Tea Production, as forecast in the last issue, facing adverse weather conditions, is

down by 26.2 million kg in the first half of 1992 compared to the same period in 1991. The total tea production in the first 6 months of 1992 was 237.1 million kg compared to last year's 263.4 million kg. The loss in production was in both the South and North, the South suffering the major reduction of 18.1 million kg and in North 81 million kg. It is doubtful whether the second half of the year's production will make up this large loss. In rubber production, in 1991 world rubber supply was larger at 53.8 lakh tonnes than in 1990 at 52.2 lakh tonnes as demand was smaller so that world prices of rubber began to face the attention of all rubber producing countries - Malaysia, Indonesia, Manila, Sri Lanka which concentrated on not increasing production and pushing up prices. India continued to remain in the farm production in world rubber products at 3.602 lakh tonnes in 1991 against 3.23 lakh tonnes in 1990. In 1992, the major interest is to arrest the falling prices and not to augment production in the rubber producing world. For India, the target is 4.07 lakh tonnes, which is also the consumption projection target. While production will equal the anticipated demand,

there are carry over stocks and imports under the export incentive scheme that the rubber market faces. The World Bank's loan of \$92 million for rubber production is to be used in helping in part 30,000 hectares of new plantations and 40,000 hectares for replanting as well as to develop R&D, processing and marketing. The export of rubber (14,000 tonnes) for the first time in 1991 may be continued in 1992. In the non transmission area of the North East, 50,000 hectares have been earmarked for raising rubber. On this, the Rubber Board has recommended 19,000 hectares in Assam, 18,500 hectares in Tripura, 4350 hectares in Meghalaya, 4300 hectares in Nagaland, 2500 hectares in Manipur, 8000 hectares in Mizoram during the VIII Plan. Tripura has an ambitious plan to become the second largest rubber grower with 34,000 hectares during the VIII Plan. With 15,000 hectares, it is the third largest rubber producer after Kerala and Tamil Nadu. A number of private growers from other states have purchased land in Tripura to raise rubber plantation, which transforms the economy of the small state.

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III. Industrial Development in Tamil Nadu

In the first half of August, the state recorded both positive and negative features in its industrial development.

On the positive side, *First*, against the mess that the state's granite policy is involved as referred to in the last issue, a number of top *business houses* including the Tatas, the DCM Group, Usha Rectifiers, Lakshmi Machine Ltd, have submitted major proposals to the

state government for setting up joint projects for the *export of granite*. The proposals involve investments ranging from Rs. 30 crore to Rs. 100 crores. The 18 proposals received by the state governments are now to be submitted as projects with all the necessary details by the firms concerned. There is here an important lesson for the state's industrial policy. This area is one of the few attracting large houses from outside

the state and so policy on it should be appropriately grafted. *Second, the Thiagarajan group* which is doing very well in export of textiles, with the Kapplur Milk having 78 per cent of its sales in the export market and the Virudhu-Nagar, mill selling 90 per cent of its yarn and grey fabric in exports is now giving its attention to the domestic market, particularly as there is a bull in its demand for textiles world wide. *Third*, a Singapore NRI, *D. Balsara* has submitted to the government proposals for an investment of Rs. 11 crores in mineral water, hotels and tourism. There are in addition to this Rs. 200 crores projects approved recently by the Foreign Investment Board. *Fourth, the house of Kothari* is setting up a bar manufacturing brewery in Karnataka with a capacity of 50,000 litres. It is to be run with German collaboration. *Fifth*, the area of alcohol and molasses is once more in the news. While molasses outturn is reaching record levels, in addition Tamil Nadu's 8.61 lakh tonnes reported in the last issue, Maharashtra (which is a major sugar cane grower and sugar producer after UP has an yield of 17.5 lakh tonnes of molasses in 1991-92. Alcohol production has not kept pace because of the innumerable rules and controls. This situation of molasses glut can be corrected by giving the units concerned to produce more alcohol and remove the 10 per cent. But the situation will become even more serious in the future when molasses yield will reach 3,300 lakh tonnes by 1995-96 as more sugar factories and distilleries which are being licensed will go into operation. The government has assured an additional 3000 lakh tonnes to new units. The sugar units in Tamil Nadu are at the end of their teether on the molasses issue, and in opposition to the India Sugar and General Import-Export

Corporation (ISIEC) which has refused to share with the mills the high profits for earning from molasses export, the industry in the state is considering routing exports through a new agency. This will also solve in part the problem of accumulating molasses, in addition to sharing the Rs. 6-7 crore project at present cornered by ISIEC. Under orders of the Madras High Court the state government has been directed to supply forthwith the required quantity of industrial alcohol to King Chemicals which had been prior to it by the former (DMK) government. *Sixth, McDowell & Co.* has drawn up a mega investment plan for Rs. 150 crores for restructuring the polyme division (Rs. 32 crores) and its spirits division (Rs. 25 crores). *Seventh, the Madurai Hosiery Industries Association* is emerging as a model for industrial development in the state and country. It has attracted the attention of the Overseas Economic Cooperation Fund (OECF) which is considering financing Madurai Hosiery, a company floated by the Association. OECF has committed itself to assisting SIDCO in the development of hitech industrial estate. *Eighth*, the state government has come to the rescue of B & C mills in early August with an order of Rs. 16 crores for uniforms to supply to school children. This is a departure from the procedure to place these orders with handloom cooperatives and khadi units. The transfer of the order to B & C helps it to meet in part payments on its accumulated loss of Rs. 60 crores. This order transfer is better than state government, is on its financial agency lending funds to B & C which cannot be recovered. Whether this item should be on the positive or negative side of industrial development balance sheet is open to question. *Ninth*, two companies, *Sundaram Fasteners* and *Alacrity Housing* report a good profitable

1991-92 year. *Sundaram Fasteners* turnover rose by 27 per cent to Rs. 137.05 crores and despite inflation and interest rates rising paid a dividend of 27 per cent. *Alacrity Housing* reports that in 1991-92 it has 25 per cent of housing in Madras, business worth Rs. 72 crores. It has been able to control the prices of steel and cement by long term contracts. Its equity capital on March 31, 1992 was Rs. 8 crores. On the negative side, *first* and most serious, the country's leading Financial Institutions have stated that they will not finance projects in Tamil Nadu in the future "because of the inconsistent policies in the industrial front, and the numerous blocks put in the path of entrepreneurs by the government. Particular instance have been cited by the FIs of the delays of clearances indefinitely and changing policies to suit individual industrialists, instead of industry in general. It is urgent that the minister of industry who is the chief minister meet with financial institutions and discuss in detail their criticisms which go against all that the minister has stated and establish a more normal and understanding industrial climate. *Second*, the underutilised and loss characterised *Richardson & Cruddas* is closing down its establishment in Madras. Its structural fabrication units reports a loss of Rs. 251 lakhs as at February 29, 1992. Wages for the months of June and July have not been paid, for which the management says it has no funds. This is an impossible situation which should be referred to BIFR. *Third, Madras based exporters* including the important group of leather goods exporters, complain the difficulties they face in obtaining bank guarantees under the current formal, delays in reimbursement of premiums on exim scrips and the neglect of registered partnership firms compared to corporate units. These problems should be examined by

the Indian Bank's Association and SBI in order to solve and remove them. *Fourth*, the industrial development of Ambur, it is stated, has been hampered by bad publicity over environmental issues of pollution and labour strikes and poor industrial relations. One effect is that the number of leather units has stagnated at 74 (61 small scale and 13 in DGTD sector) since 1988, while parallel areas like Vaniyambadi and Ranipet are expanding annually. Here the remedy is in the hands of the local tanners Association who should with the help of the central government set up pollution control measures, see to the low land water being freed from untreated tannery effects. *Fifth*, the Rs. 5000 crore lignite project at Jayamkondam jointly promoted by the TIDCO and Calcutta based McNally Bharat is running into rough weather because the private sector company of McNally-Bharath has, against the rules and understandings invited a German equipment manage them to contribute its share of the equity of the project. If this is not corrected, the state government, which has set up the Jayamkondam Lignite Power Corporation will be looking for another partner for the project. *Sixth, the Southern Small Scale Cosmetic and Toiletries Association* has filed a case against Hindustan Lever for slashing shampoo prices and dumping them on the domestic market. This unfair trade practice by Hindustan Lever which has a 40 per cent of the shampoo market show its services and the MRTPC enquiry should be awaited. *Seventh, the Hindustan Photo Films*, according to the Comptroller and Auditor General has after over 20 years of functioning has reached self sufficiency in the manufacture of photographic productivity. Despite the increasing consumer preference for colour production, nearly 63 per cent of its production is one of important jumbo film roles. This heavy release in imports can and should be corrected.

For the first fortnight of August; the negative features of industrialisation in the state seem to be dominant. The

most worrisome is the negative comment of the Financial Institution which should be corrected immediately.

IV. Education, Science and Health

Educational reforms

The World Bank's study on education in Asia state that for Asia as a whole, the social returns on educational investment are 27 per cent for primary education, 15 per cent for secondary and 13 per cent for higher education. For India the returns are 29.3 per cent, 13.7 per cent, and 10.8 per cent as per 1978 estimates. This shows once more the greater importance of primary education both in maximising returns and ensuring greater equity for India. As against 61 per cent average literacy in Asia, in India it was 43 per cent which has risen to 5.2 per cent in 1991 according to the government. In India only 37 per cent of children entering primary school completed it, while 61 per cent of Asian children finished that cycle. In Indian primary schools the teacher pupil ratio is 1 : 58 whereas the Asian average is 1 : 33, 10 per cent of the best educated Indians reached 61 per cent of total resources. Despite this data, India's outlay on higher education in terms of per capita cost as a percentage of per capita GNP was 231, 1.35 times higher than the regional average, while the cost of primary education was only 0.61 of the regional average. The poor quality of primary education has resulted in poor cohort survival rates at 37 per cent. Most of the dropouts occurred within this education cycles, as most of merit based attrition occurs at the point of entry to next higher level of education

(inter cycle selection), high rates of intra cycle selection are taken as an index of voluntary discontinuation, which is not true. Social factors like attainment of puberty is one of the important reasons for drop out of formal studies. Harsh economic conditions at home also cause children to leave school to augment family income. Though these factors are important, the study states that the major reason for poor cohort survival in India is due to the poor quality of education. The study argues for greater private financing of higher education which will improve both the efficiency of education and equity across this system. Private institutions promote competition and also free resources to be invested in primary education. The sharp bias towards higher education in India coupled with the poor cost recovery has led to inefficient use of resources as well restrained the quality and access to lower levels of education. The Gini coefficient for India (on a scale of 0 to 100 representing a progressive inequity) is 66 against a regional average of 43. Only Bangladesh does worse. The study shows the very different outcomes result from comparable levels of investment and that policy choices make a considerable difference to the efficacy of investment and ensuring a more equitable distribution of benefits. So the major policy implication for India include greater investment in the primary education to improve cohort survival and female literacy, cost recovery from higher educa-

tion and expose of the low cost distance education system. Against this background the supreme court decision banning capitation fees which are at high levels for engineering and medical education is not only difficult to enforce (on the sums can be collected under other heads) but if used for educational development - building and equipment, can reduce the higher and untirable government subsidies to higher education and could and should lead to higher fees in all higher education institutes as a means of cost recovery. The supreme court judgement marks all fees above the tuition fees charged by the government in private colleges capitation fees, which should force government tuition fees to the recovery bill. To improve the efficacy and equity of the investment in primary education, its transfer to the panchayat councils recommended by many bodies and represented at a recent Seminar at Centre of Policy Research should be accepted even as the condition is being amended to make Panchayats councils election and resources part of the constituents requirement. A more immediate problem is the resolution adopted in UP and being considered by the union government for all India legislation to treat examination malpractice cognizable and non bailable offence. This along with examination reforms and modernisation of the secondary and higher secondary education and modernisation of textbooks are the most urgently made reform. A UGC team in Tamil Nadu reviewed the working of autonomous colleges under 3 heads - administrative, academic and finance. Given the positive approval to autonomous colleges by the Revised Policy on Education, and the present GC leadership, the review should lead to the strengthening and expansion of the autonomous colleges. Literacy in Tamil Nadu in the first fortnight of August, two districts Pudukottai and Pasumpon Muthuramalingam have been declared

100 per cent literate. There the people organised themselves under the Arivoli lyakkam campaign and in 6 months made all the adult literates learn the 3R's. The collector of the district has headed the movement and given it full official support. Now 6 more districts will be completing similar literacy programmes this year.

Technical education

The Industrial credit and Investment Corporation of India (ICICI) reports that it plans to set up a school to train talented youth from rural areas in various disciplines. The course began in August 3 in thirteen subjects and would have 3 semesters. 25 students have been admitted for the first course. Under the earlier loans given by the World Bank to assist the modernisation of the curricula and equipment of polytechnics in 16 states have been referred to. The programme is well underway. The Supreme Court judgement against capitation fees has held up the implementation of the self financed 12 medical and 8 dental colleges permitted by the government of Andhra Pradesh. With this banning of capitation fees, these college promoters are having second thoughts. The Department Of Electronics (DOE) of the union government has set up Software Technology Parks (STPs). The Park is a 100 per cent export oriented scheme for development and export of software using data communication lines. The objectives are to provide infrastructure, core computers and built up space for software units for exports. As small software vendors could not afford to invest in communication lines, DOE decided in 1984-85 to set up a resource centre with such facilities for sharing by these vendor. In 1990 three STPs were set up in Pune, Bangalore and Bhubaneswar,

Rs. 4 crores was earmarked for each, with the condition that they will become self sustaining in the third year of operation. Later STPs were also set up in Hyderabad, Thiruvananthapuram, Nivide and Gandhinagar. Each STP had a separate managing society which have now been merged to form an autonomous society-the Software Technology Tank of India. Now state government's are urged to set up their own STPs without funds from DOE. Bangalore has 13 fully operational Tanks, Pune 5, Thiruvananthapuram two and Hyderabad six. The question arises whether DOE is pushing STPs too fast. The Bhubaneswar STP has failed to attract response because the companies which were to set up units in Bhubaneswar have moved to Calcutta. This infrastructure is essential for the setting up and functioning of a STP. The first application of INSAT-2A is being used for the first time in the country for training block level and village level extension workers and farmers in various districts. ISRO has launched a study in 150 districts to identify the natural resources. Initially 16 districts have been selected for carrying out the action plan for integrated and sustainable development. It will be a part of country under classrooms where the students and the taught will be able to talk to each other. The participants will be able to see and hear on their TV sets the resource persons-the experts from various universities and departments ask questions to the resource persons via the satellite on the audio channel. At present the signal is being received at class rooms at Bhiwani, Loharu, and Toshan.

Science

The first application of the INSAT-20 is a nationwide direct Satellite TV broadcasting to communicate TV receivers-in rural and remote areas. ISRO plans to form a corporate front for finding a commercial outlet for its products and technology. It will be industry based and be an autonomous body. It will also form a consortium with foreign firms in the business like Matra and CSF Thomson.

Health

The horror of the existence of female infanticide in South India, particularly in Salem district where a staggering 51 per cent of the families are killing baby girls within a week of their birth, so they do not have to spend Rs. 40,000 to Rs. 50,000 on dowry is revealed by study sponsored by the Department of Women and Child conducted in 5 blocks in Salem district. In one village, Thokkivadi, it reports that even male infanticide is practiced after having one child of each sex. It says that poverty and ignorance about family planning have aggravated the problem. The female child is seen as a mill stone round the neck of the family both in the money spent on her at various functions and the responsibility of keeping her chaste till marriage. The study covered Hindu, Christian and Muslim families but found the practices only among Hindus.

V. Employment and Labour Relations

The government informed parliament that the backlog of unemployment as at March 31, 1992 was 17 million by working status. Under the strategy of the VIII Plan, unemployment will be reduced to 10 million by the end of the Plan and to 3 million by the turn of the century. In another statement in the parliament government sets forth a programme to create 13 crore jobs by 2000 AD at the rate of 1 crore jobs each year, if funds are available. This intervention was made in the Rajya Sabha on a private member bill seeking to provide a house, essential commodities and a job to atleast one member of the family. On the approval from the government on this basis the private member withdrew the bill. This is related to the work of the sub committee of National Development Council on employment which is to submit the report to NDC by September. The committee is using poverty as the criterion for evolving employment generation programmes. The Tamil Nadu government Corporation with the cooperation of the Indian Bank is helping educated women earn decent incomes from their homes through software development. Qualified women are being used in software production for both the domestic and export markets. A pilot scheme has been launched in Madras to finance 50 educated women using Rs.25 lakh as credit. The scheme is assisted by the Indian Bank and Elcot. In the Madras Metropolitan area above 2500 educated women have completed the course in software training. Hence the potential of the project is vast. At last,

one aspect of the exit policy, the golden handshake scheme for redundant employees is to go into operation. The cabinet has cleared a Rs. 1.50 crores package to be used in helping the National Textile Corporation and the British India Corporation shed some of their fat to regain their heat. Rs. 700 crore is being used for the retirement of those 75,000 workers and 6100 officers who choose the handshake. There are issues like whether the devolutions from NRI are over and above the starting benefits, but those will be clarified now. The scheme requested the finance ministry agree to writing off the Rs. 1600 crores accumulated loss. On conditions of labour, it is reported that UP is the only state where revision of minimum wages has been completed in all 62 categories of employment covered by the Minimum Wages Act 1948. As a result the wages of unskilled, semi skilled labours have been raised from Rs. 34 to Rs. 86.3 per month. The one day conference of the state labour ministers in August decided to recommend to the union government that there be a central legislation covering all aspects of social security for the unorganised labour, specially in agriculture. Here the workers are prone to constant mobility and other practical difficulties making their problems more complex. On the new industrial policy they were of the view that the centre must ensure that the policy did not lead to either closure of sick public sector undertakings, retrenchment of the workers - which are impossible conditions to meet if industry is to be modernised and become viable.

VI. Other Items

AIR

Two Air recordings in the first half of August where first 6 sessions of the autobiography recordings over 4 sittings, was held as referred to in the last issue. The second was recording of the World Literacy Day message to be broadcast on September 8 - the International Literacy Day.

Gold Medal Presentation

The SR Ranganathan Gold Medal for outstanding librarianship was presented to the librarian, Mr. Mohanarangan of the University of Madras. On the occasion the central place of the library in the university and college, the pioneering work of Mr. Ranganathan for devoted and contributions to Madras university library developed by Mr. Mohanarangan were recalled.

TNSCS & T

A special general body meeting of Tamil Nadu State Council for Science and Technology was held in early August to pass and decide an amendment to its charter. The amendment added popularisation of science to the objectives - the popularisation to be executed through training programmes, awareness development, seminars, exhibitions and lectures. After a brief discussion of the amendment it was adopted and is to be presented to another meeting of the General Body after a month.

CDS

The Annual General body meeting of the Centre for Development studies met on August 10 in Trivandrum. The Council on the retirement of the President (who has completed 2 terms) elected Mr. K. N. Raj as the new Chairman. The main business of the General Body was to review the Annual Report and the 5 year Plan of work of the Centre. General satisfaction was expressed

at the good research work being turned out by the members of the Centre. After having grouped the research under 5 broad heads, the time, it was felt, was not ripe to bring the five areas together and exchange results with other research centres, under which were represented on the council - MIDS, the Institute of Social and Economic change, Bangalore and the Centre for Economic and Social Studies Hyderabad. The revised budget for 1992-93 proposed by the committee of Direction was adopted as was the auditors Report for 1990-91. The Centre's work with NFPA - the Section on demographic studies was reviewed and the progress noted with satisfaction, on the surplus being generated for the centre from this source under which contributions are made in dollars.

World Literacy Jury

The Unesco World Literacy Jury met in the second half of August. It had received 35 candidatures from governments and non governmental organisations. This year the prizes were reduced from 5 to 3 - as the Soviet Union's prize ceased and Iraq withdraw its prize. So the Jury examined the candidatures and selected 3 of the outstanding candidatures for award of the prizes - the International Reading Association Award, the Noma Prize and the King Sojo prize along with several remarkable mentions.

September Development Seminar

The paper "Towards a re-appraisal of the Dravidian Non-Brahmin movement by Ms. V. Geetha and Mr. S.V. Rajadurai for the September seminar together with a summary of the discussion on the paper at the seminar appears as the first article.

Second Article

Health in India during a period of economic adjustment, appears as the second article.

Book Review

The review by Prof. C. T. Kurien of the book 'Planning in India: the challenges for the nineties' appears in the book review section.

MIDS News

Dr. A. Valdyanathan completed the work of the Committee on Irrigation Pricing and the report was presented to the Planning Commission on 14th September, 1992.

He gave a series of three lectures on Indian Agriculture to the UGC teachers Refresher Course held by the Gokhale Institute of Economics and Politics, Pune, September 3-5, 1992.

He attended a workshop on active programme relating to harvesting and use of water held under the auspices of All India People's Science Forum, Aurangabad, September 23-25, 1992.

Dr. Paul Appasamy presented a paper on "The Economic Aspects of River Basin Planning" at a Seminar on Integrated River Basin Planning organised by Centre for Water Resources Development and Management at Thiruvananthapuram on September 16, 1992.

He also attended an Expose on Solid Waste Management organised by Exnora International in Madras on September 19, 1992 and served as rapporteur for a group discussion on the role of agencies in solid waste management.

Dr. Nirmal Sengupta delivered a seminar on "Jharkhand Movement" on 17th September, 1992.

Dr. S. Neelakantan delivered the Presidential Address for the workshop "Sustainable Settlement Planning and Development" held on 10th October, 1992 at MMDA Complex, Madras.

Dr. Padmini Swaminathan attended a seminar on "Women's Studies in India" held at the Indian Institute of Advanced Study, Shimla, from September 21-26, 1992 and presented a paper entitled "Patriarchy and Class: An Approach to a Study of Women's Education in the Madras Presidency".

Dr. R. Hema delivered two lectures on "Electricity Pricing" and "Issues relating to Electricity Regulation" at the Dept. of Economics, Annamalai University on October 1, 1992.

Mr. A. Venkataraman, Senior Project Officer & Mr. Deepak Ahluwalia Economist, Resident Mission of the World Bank in India, New Delhi visited the Institute for a meeting to discuss some issues relating to the agricultural economy of Tamil Nadu on 22nd September, 1992.

Prof. Jan Lundqvist, Department of Water & Environmental Studies, Linkoping University, Sweden visited the Institute and discussed about a proposed study of a IBRD supported water diversion project from the Bhavani river on 23rd September, 1992.

September Development Seminar

Towards a Re-Appraisal of the Dravidian/Non-Brahmin Movement

by
Ms. V. Geetha
and

Mr. S. V. Rajadurai

When the Non Brahmin manifesto was released for public debate and scrutiny in Dec. 1916, Annie Besant, editor of *New India* and the patron saint of the Home Rule Movement, lost no time in denouncing the contents and underlying political message of the Manifesto. She characterised it as one inspired by "short sighted and narrow minded people" and termed it "mischievous and unpatriotic" (NI, Dec. 20). She was convinced that the "Non Brahmin Movement", which promised to emerge in the wake of the Manifesto, would strengthen the British Civilians in their obduracy and resistance to Home Rule and serve their purposes of 'divide and rule'. She found allegations of Brahmin monopoly in the services, Non Brahmin helplessness in the face of Brahmin jobocracy, and the positing of a Brahmin-Non Brahmin divide mere "froth, which no sane man will take seriously". (NI, Dec. 21, 1915). She observed, somewhat indignantly, that the Manifesto

sought to bring about "disharmony and disunion" and asserted that "as long as India gains Home Rule it is but of secondary importance whether Brahmanas or Non Brahmana Hindus or Muslims gain prominence. We are children of one Mother and our interests, as those of our country, in the first instance is to our sense of unity" (Ibid). Annie Besant's ire was such that she announced the columns of her newspaper would, henceforth, be closed for discussion on the subject at hand!

However a protracted debate was fought out through the columns of *New India* for well over a year, following the publication of the Manifesto, with Brahmin and Home Rule spokesman as well as "prominent" Non-Brahmins denouncing the fledgling movement and Non Brahmin adherents, sympathisers and intellectuals defining its rationale, its relevance and import for the "Non-Brahmin" communi-

ties. The detractors of the movement (with whom we are chiefly concerned at least, for now) were puzzled and bewildered by what seemed to them incomprehensible, erroneous notions of Brahmin autocracy and Non Brahmin ineptitude. The *Tribune of Lahore* stated, "To our knowledge there is no such community as Non Brahman or non Buddhist or non-Hindus or non-Jews and nothing can be more ludicrous than to form a new community on the basis of excluding a small community the one small but important caste of Brahmins..." Quoted in *New India*, (Dec. 30, 1916). The *Times of India* endorsed the *Tribune's* views and rejected the possibility of a non Brahmin community functioning as a "single homogenous group, capable of common or united action" (Quoted in *New India*, Jan 2, 1917). A prominent Vokkaliga of the day, General Secretary of the Vokkaliga Sanga proclaimed it "self destructive to call oneself a non Brahmana". He, further, noted, "After all, aren't we all Hindus and has not a great Congress leader who is a Brahmana remarked: 'Let anybody even Pariahs get what we are fighting for...'...Why should we envy the Brahmanas? They have reached where they are by their industry...It is also the case that non Brahmana officers are scarcely more helpful to Non Brahmanas", (*New India*, Jan. 9, 1917). There were other arguments, rebukes, aimed at those non Brahmins who sought to better their lot by what *The Ceylonese* termed 'Girding at the Brahmanas'. *The Ceylonese* urged Non Brahmanas to the path of "organised self-help" and suggested the movement be "entirely defensive" in its methods and aims (From *New India*, Jan. 19, 1917). *The Ceylonese* was not alone in criticising the "anti-Brahmana" tenor of the Non Brahmin Manifesto. Kesava Pillai, prominent Home Ruler warned that caste feeling was not confined to

Brahmins alone and pointed out that the 'caste spirit' affected non-Brahmanas as well. (*New India*, March 19, 1917). Numerous letters to the editor of *New India* also expressed their dismay at the rancour against a "small community" which seemed to pervade all Non Brahmin protestations. Such expressions of righteous dismay were mirrored faithfully in the editorials and columns of *New India*, as Annie Besant and her team of talented journalists (who were also devout Home Rulers) gave form and coherence to Brahmin (and Non Brahmin) responses to the new philosophy of dissent.

It was suggested that the Non Brahmin Manifesto was the handiwork of Civilians who needed to work out a new politics of divide-and-rule, now that the Muslims and Hindus had come together, in the aftermath of the Congress-League pact. Annie Besant was so convinced that the new movement was but a "crusade of hate" that she did not stop to enquire into the phenomenon of an over-Represented Brahmin bureaucracy. Obsessed as she was by the image of the penurious Brahmin priest and lowly paid (but highly educated) Brahmin clerk, she turned the non Brahmana arguments around and noted that if the non Brahmins were endowed with "fewer clerkships" it was because they had wilfully desisted appointments in the services. The non Brahmanas, she argued were known to prefer "trade and commerce" to the pursuit of learning and besides they counted among their ranks, zamindars and rajas, both of whom had no use for jobs in the services. (see *New India*, April 18, 1917, April 28, 1917). Annie Besant was particularly annoyed by the movement's strident and most vocal representative, Dr. T.M. Nair. She assembled a political biography of the man with the clear and avowed intention of

laying bare his political "inconsistencies", his "opportunism", and "unabashed" advocacy of a political and social cause merely on the basis of a felt personal wrong. Dr. Nair, she insisted, was a mere "intellectual acrobat" who could not have the genuine interests of the non Brahmanas in mind, for he was chiefly concerned with unleashing a "spurious and superficial campaign of hatred". (*New India*, June 26, 1917). Annie Besant's arguments proved forceful in that her readers soon joined her in seeing the Non Brahmin movement as being composed of those "who were swayed by selfish desires and were infuriated by failures" and who sought to "transform their private injuries into public wrongs". (see N. C. Ramasamy Naidu, *New India*, July 10, 1917).

New India's arguments, hypotheses and political philosophy were all geared towards the singular objective of demonstrating, simultaneously, the necessity of Home Rule and the undesirability of, what it termed, "commercial politics". The paper and its editor served to universalise and render consensual (as we shall indicate in the sections to come) what were clearly particular (Brahmin) perceptions of political liberty. The idea of Home Rule was problematised by non Brahmin ideologues, chief among whom was Dr. Nair. While the idea of a unitary Hindu-(Indian) community was felt to be untenable by a host of non Brahmin intellectuals. The non Brahmin Manifesto thus, sought to interrogate the complacent, seemingly self-evident terms of political discourse as constructed by the Home Rule Movement. It is not surprising therefore, that an imperious, dominant and hegemonic community whose political ideology suddenly seemed internally inconsistent should turn against the arguments and observations of the Non Brahmin Manifesto. The sustained

and self-congratulatory hegemony of many decades had to now look to its defenses and it did so in a series of moves that were calculated to disarm and eventually blame the victims (the nature and status of this "victimisation" will be argued in the sections to come).

Our concern, at this stage in our argument, however is not so much with this historical polemicising as with its reflections in the critical discourses that have grown around the non Brahmin movement. Interestingly enough these discourses, share the assumptions of New India publicists and arrive at astonishingly similar conclusions regarding the nature and aims of the non Brahmin movement. It must be noted here that critical scholarship and analysis of the non-Brahmin - movement have been chiefly pioneered by Anglo-American scholars. These scholars, their "empiricism" notwithstanding, have been prone to substitute "ideology" for "hard facts", such as when they present, "facts" always already constituted as judgements and evaluations. David Washbrook, and to a lesser extent, Christopher Baker both of whom have attempted to situate the politics of non Brahminism in a matrix of structural changes in the economy and transformations in the administrative complex of the Raj, insist that the Non Brahmin movement was civilian-inspired was but an instance of "elite" competition for scarce goods.

In other words Non Brahmin dissent is seen as a product of a fortuitous conjuncture of historical events rather than as a counter hegemonic response that emerged out of a particular historical conjuncture. Baker and Washbrook reduce history to happenings and seem reluctant to inquire into its logic, its pattern of movement and change. Christopher Baker notes that the

"polemic" of the movement had an "obvious" appeal for those educated non Brahmanas who looked on the services and the literate professions as their "traditional careers". Besides non Brahmins were beginning to feel "the brunt of the stronger administrative machine, staffed at the subordinate levels largely by Brahmins", many of whom displayed a certain caste arrogance when they insisted Brahmins were better equipped for appointments and posts in the services. Baker further argues that this competitive anger and resentment "fitted well over certain latent social and cultural divisions in different parts of the province". Thus scrambles for higher ritual status among Brahmin and non Brahmin "literate aristocracy" in Tirunelveli, tensions between Brahmin Mirasdars and non Brahmin tenants in Tanjore, between agriculturalist sat sudras and sacralist Brahmin pundits in the Krishna Delta were now played out in a politico-public sphere. But, observes Baker, these instances of local competition had no necessary material basis at the provincial level. Non Brahmin elites might have particular problems with Brahmin elites but, on the whole Brahmins were, except when they were rich and powerful, "employed in occupations that were necessarily menial — as cooks, scribes and religious functionaries — and could be purchased by the wealth of other castes...". These other castes, were not, in the least, anti Brahmin and in fact accepted the Brahminical codes and recognised the superior ritual claims of the Brahmins in their everyday lives. Non-Brahminism in this context was but a convenient myth that served to dissolve, at least temporarily, the contradictions which lay at the heart of its politics.

Washbrook, like Baker and in a tone and manner curiously reminiscent of New

India debates, notes that the non-Brahmin movement was necessarily anti Brahminical. The non-Brahmin professional-publicist, now in the vanguard of a movement that had clear material interests at stake, had to be "anti-Brahmin, or at least anti-Vedic, if he were to make the constituency his own". Washbrook also observes that all talk of a "non Brahmin community" must be seen for the ideological fiction that is. For, communal solidarities in the Madras Presidency were often undercut by cross communal patronage networks that implicated Non Brahmin patrons and Brahmin clients as well as Brahmin patrons and Non Brahmin clients in mutual material transactions of great pertinence. Moreover, argues Washbrook, communal organisations could rarely develop into long lasting political organisations of import and relevance beyond their immediate locales. If at all communal organisations solidified into a "permanent" form this was because they sought to transform a particular grievance into a generalised one; in other words such organisations "shifted the discipline in which the Associations worked from the historical, in which it explained why it had come together to the Sociological in which it described the social facts which underlay its unity... its rhetoric (now) was based on the existence of a congruence between categories of political action and categories of common socio-economic or cultural position. That these categories rarely were congruent and that most members of the Association behaved as though they rarely were, were matters to be ignored...". Communal solidarities, then, were nurtured by publicists who never really created effective constituencies of their own, in spite of the much vaunted myth of Non Brahminism. The movement remained caught in a vortex of material interests which no ideology could disguise or explain away.

Washbrook's surmise, then, is, the Non Brahmin movement acquired the political resonance it did because it rallied itself against the Home Rule Movement and, hence, served the British Civilian well. Not only did Non Brahmin ideologues draw their fire from governmental notions and ideas of Brahmin tyranny but the Madras government proceeded to cite the Non Brahmin quotations of the process of self government through Home Rule. Thus, concludes Washbrook, "the pattern of governmental initiative and subjects response had become so complete that a closed circle of argument, quite apart from outside reality had been formed."

Washbrook sees no merit in the "social premises" and justifications that may be said to constitute basis for Non Brahminism. He concurs with new India's Brahmin readers in their opinion that if Non Brahmins are not represented in an adequate measure, commensurate to their numbers, in the services, it is because they have rarely sought such posts in the past, being immersed in agriculture and commerce. Their present disaffection was thus wholly a political response, orchestrated by publicists and moulded by interested patrons and "magnates" and "rural bosses" who discovered in the emerging ideology new modes of constructing old networks of patronage. For Washbrook, these old networks necessarily required newer forms of articulation since the impending reforms of 1919 and the effects of the earlier Minto-Morley reforms had brought about certain shifts in power at the local level which had to be, therefore, accommodated at the provincial level. Henceforth, power was, to be exercised less directly on the basis of landed power, commercial wealth and ritual basis and more on the basis of these interests being represented effecti-

vely in local and provincial administration. Thus patronage-publicist networks had to be articulated on a more durable basis and an ideology which promised to bind and cement ties on the basis of "primordial sentiments" was but reassuring.

By identifying Non Brahminism and the Non Brahmin movement with its chief protagonists and their immediate material interests and by positing a simple cause-and-effect relationship between private interests and public acts, Baker and Washbrook display a curious inability to relate ideology and material interest except in the most obvious manner. Annie Besant and her readers were equally quick to conflate interest and ideology but at least they were engaged in defending achieved positions of hegemony and, hence, for them, "truth" was an instance of partisanship. Washbrook not only refuses to consider the autonomy of ideology and its ripple effects but even considers the play and function of ideology as marginal to those material interests ostensibly justified and theorised by ideology. It is significant, though, that he has to "account" for his problematic silence on this issue. In a revealing paragraph he confesses, in a somewhat embarrassed fashion, that in spite of the persistence of patron-client networks and the continued primacy of material interest there existed conditions in which *cultural sentiment* became an independent mechanism of control". However he does not specify what these conditions were that excited ideological consensus. It is evident that he has come up against his own theoretical limits here; and while he tries to resolve this theoretical and, in a sense, political impasse in his narrative half heartedly, the gaps and slashes in his argument seem apparent. Baker is a little more sensitive to the

significance of ideology but he too wishes to see it as determined, in the last instance, by self interest. Besides, argues Baker, non Brahminism could not really sustain itself as a viable ideology because its cultural interpretations were often varied and because it retained a "fundamental ambivalence in any social or cultural opposition to the Brahman". Thus, asks Baker "were those opposed to the Brahmins asserting that the position occupied by the Brahmins was irrelevant and thus worthy only of criticism or neglect, or were they arguing that they, rather than the Brahmins, should take over the position of social and ritual pre-eminence?". Having posed a crucial question Baker does not spend much time on the terms and conditions that structure and direct ideology in general or on the particular modes of construction of Non Brahmin ideologies.

These crucial silences in the political narratives of Baker and Washbrook derive from an uncritical use of sources and from the lack of a theory of power and its changing forms and modes in the second half of the nineteenth century. Government records, private papers of eminent personalities, contemporary newspapers — A variety of sources have been put to good use by Baker and Washbrook in their attempt to re-construct the polity of late colonial South India. Newspapers have been scoured for information on political events, activities and opinion. Washbrook and Baker have especially worked the *Hindu* archives to their advantage but they have not considered it important to interrogate the politics and cultural-social premises of *The Hindu's* journalism. This seems a serious methodological lapse, considering that newspapers and journals of those times actively constituted opinions, intervened in public debates, often in a partisan spirit and proved to be important weapons in polemical wars. Further Baker and Washbrook deploy what seems,

at first, a variety of empirical instances to underscore a theoretical point but on closer examination these instances reveal themselves to be isolated ones that barely explain the complex social and political formations of the day. For instance several examples of "cross-communal" patron-client networks are furnished to "prove" the ubiquity of this phenomenon and to indicate that the Brahmin-Non-Brahmin divide was largely fictitious. Likewise, instances of "self-interest" are given to point at the materiality that shaped and structured ideological intent. But the fact that a "pariah" won a municipal election, contesting from a predominantly Brahmin ward or the fact that prominent justicites "stood to gain" by undermining Brahmin hegemony in the services do not really demonstrate particular articulations of interest and ideology. Neither do they help us grasp at the relationship between social, political and economic spheres in a caste-bound polity where events that are played out in any one of these spheres need not produce identical effects in the other spheres. A "pariah" (or a Nadar), may be tolerated in the Municipal Council but the community of "pariahs", will still be denied access to public streets and wells. Non Brahmin elites might seek to challenge particular and entrenched Brahmin interests but the conflicts are mediated less by competitive utilitarian notions of gain that they are by perceptions of dominance and subalternity. What proves Washbrook and Baker's theoretical undoing is their inability to theorise these perceptions of dominance and subalternity. They do not provide a means through which we may grasp at the logic of Brahminism as an ideology and its relationship to socio-economic structures as those obtained in colonial-caste society. Besides they rarely take cognizance of what non Brahmins

say about themselves or about the nature of Brahmin power.

It is our intention here to "recuperate" these strategic silences, though not with the aim of "perfecting" the extant critical work. Instead we intend constructing an alternative narrative of the emergence and significance of Non Brahminism. It seems important that we record and analyse what non Brahmins at the turn of the last century and in the early decades of this century were saying about themselves, their relationship to Brahmins and the so-called depressed classes; such self-perceptions, we have learnt, constitute an important body of "knowledge" in a caste society where the power of the word and the prerogatives of speech and hearing have been determined by and remained the privilege of Brahmin and upper caste literate. Rosalind O' Hanolan in her remarkably perceptive work on the Non Brahmin Movement in Maharashtra has observed that an initial breach in the ranks of a caste was made when protestant missionary debates drew the religious and the orthodox to the streets and desacralised and demystified the words and content of the scriptures. Non Brahmin self-perceptions were made possible, argues O' Hanolan, by the emergence of a public sphere of debate in Mahratti society and these self-perceptions in turn served to deconstruct Brahmin myths of superiority.

It seems important to "make the Non Brahmin speak". Critical debates about Non Brahminism in Tamil Nadu have not succeeded in crossing the historiographical threshold marked out by Baker and Washbrook. The work of Eugene Irshchick may be considered somewhat exceptional in this respect but his impressive array of facts are not matched by theoretical rigour or sophistication and as much do not help in "producing" a theory of Non Brahminism. The ghost of Annie Besant still presides over contemporary popular

debates regarding the significance of the Non Brahmin movement as Brahmin apologists continue to thunder against the Justice party's elitism, political opportunism etc. The significance or otherwise of the Non Brahmin movement is also being presently concluded by those who protest that it failed to accommodate dalit aspirations. While the so-called depressed classes constituted an important flank of the movement in its early days, contradictions between non Brahmin "clean" castes and the depressed classes began to surface almost soon after. The legacy of Non Brahminism in Tamil Nadu has not always and consistently favoured dalits. Tamil Nadu's political history of the past twenty five years has seen the consolidation of generalised Non Brahmin hegemony, but contradictions between upper caste Non Brahmins and dalits have not been considered pertinent to the ultimate forms, aims and direction of this hegemonic process. The marginalisation of dalits has, thus, resulted in a devaluation of the Non Brahmin legacy and further complicated the question of the movement's significance.

To raise the ghost of Non Brahminism as it existed nearly a hundred years ago, to return its silences to history and to delineate the contours of that history, to uncover the contradictions it could not resolve, to consider, in short, its ideological viability — these constitute the basis of our study. Non Brahminism survived the political demise of the Justice party and the opportunism of some of its leaders, and proved catalytic in the non-Brahminisation of Congress. The emergence of the Self-Respect movement and the Dravida Kazhagam signified its ideological vibrancy and, in a sense, its coming of age. We intend considering these by and by, but our initial efforts will be towards reconstructing the historical conjuncture that saw the birth of what seems to us, in retrospect, an undoubtedly ruptural event of immense significance.

Summary of Discussion

The Chairman, Mr. S. Guhan, before presentation of the paper observed that the theme of the paper on the Dravidian Movement was not to be viewed solely from the point of view of its political dimension but also must be seen as a movement for social reforms and preservation of cultural identity.

The author while presenting the paper mentioned that enough literature was available on the Dravidian movement (DM), a term which was used synonymously with the Non Brahmin Movement (NBM). However, critical and scholarly analysis of the NBM was lacking from the Indian social scientists and even the existing studies were circumscribed by the framework of the Anglo-American scholars. The basic lacunae of the NBM was its lack of identity, failure to take cognizance of women's issues and aspirations of dalits as part of its discourse. The NBM was also seen as a strategy worked out towards a new politics of divide and rule by the British after the Congress-League pact united both the Muslims and Hindus together.

The Anglo-American scholars considered the politics of NBM within a matrix of structural change as envisaged in the economy and transformation in the admini-

nistrative set up of the British Raj. The NBM was chiefly pioneered by civilians at the instance of elites. The author also felt that the NBM was a product of a fortuitous conjuncture of historical events rather than a counter-hegemonic response that emerged out of a particular historical matrix.

Christopher Baker's contention of NBM was anti-Brahminical and anti-vedic and as such they could not sustain itself as a viable ideology because its cultural interpretations were often varied and retained a fundamental ambivalence in any social or cultural opposition to the Brahmin. Washbrook held that NBM was based on their premise of not being represented in adequate measure in the services due to their preoccupation and employment within Agriculture and Commerce.

The author having evaluated the Anglo-American tradition concluded their inability to theorise perceptions of dominance and subalternity as they do not provide a means to grasp at the logic of Brahminism as an ideology, and its relationship to socio-economic structures as in the case of colonial caste society.

The Chairperson, carrying the critical remarks of the author about the Anglo-

American scholarship on the Dravidian Movement to the present times, remarked that the Indian social scientists opposing the Mandal commission too spoke the same language of the Anglo-American scholarship.

During the discussions that followed the presentation, on the relevance of the Doctrine of *Varnashram* it was pointed out that the NBM's notion on the issue was ambiguous though its ideology was basically anti-Brahmin and anti-Sanskrit (vedic) and confined to Tamil Nadu. In reinforcing the author's argument on the question of Dalits winning elections, it was pointed out that these were only exceptions and could not be generalised.

Another participant observed that after the times of Periyar, there has been a considerable dilution of focus on the social evils of caste system. Periyar considered the elimination of the caste system and of Brahmin domination as part of a movement of social

reform. But his followers like C. N. Annadurai and others shifted the focus from social reforms to power politics and elections.

On the question of the future of the NBM it was mentioned that though they lacked an identity of their own, the movement spearheaded particularly by Periyar focussed on social power and evils of the caste system and laid emphasis on social reforms. The recent growth of the PMK itself was seen by a section of audience as a manifestation of the NBM's resurgence.

The author while responding to the queries mentioned that the alliance of the Brahmins with the colonial state had produced a modern power structure which crystallised traditions in different forms. The impetus to these traditions was expedited with the use of mass media and printing in various forms.

V. Jacob John

Health in India During a Period of Economic Adjustment*

I am greatly honoured at being invited to deliver the fifth Fr. James S. Tong Memorial Oration. Fr. Tong practised the presence of God in a spirit of active humanism. Throughout his life, he continually enlarged and diversified the sphere of his activities. Most notably, his contribution to the creation of the Voluntary Health Association of India reflected his belief that health cannot stop short of being a social concern. It is as a humble homage to this conviction that I would likely to discuss the issues involved in the subject of this lecture.

In the terminology of plans and budgets, health is classified as one of the social services provided by the state and as one among basic minimum needs. Health is, in fact, the primary social welfare service and the most basic need, for in any society, it is the health status of the people, affecting as it does morbidity and mortality, that determines the quality and longevity of life itself. Health is, thus, not merely a need; it is an ingredient of the most fundamental of all rights, namely, the right to life. It is in this context that the Universal

Declaration of Human Rights, adopted by the United Nations, states that everyone has the 'right to a standard of living adequate for the health and well being of his family including medical care' and the World Health Assembly of the WHO has resolved that 'the right to health is a fundamental right'.

Fundamental rights recognised in various Constitutions, including our own, are meant to protect citizens against their violation by the executive actions of the state or by laws enacted by legislatures. It is usual in the literature on law to refer to them as negative rights in the sense that what is guaranteed is freedom from the state's interference, without due process, in the citizen's rights to such matters as life, personal liberty, equality of opportunity, free speech and association, religious worship, and so on. In contrast, the right to health care, like the right to work, is a positive right which can acquire an operational content only to the extent that the state is willing and able to ensure its realization. In the Indian Constitution, this obligation is placed

* Father James S. Tong Memorial Oration delivered by Mr. S. Guhan at the annual conference of the Voluntary Health Association of India, New Delhi, 4 September, 1992.

on the state in a number of Articles which deal with 'Directive Principles of State Policy'. Art 47 stipulates that 'The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its *primary* duties. Art 39 calls on the state to protect the health and strength of workers, men and women, and to prevent the abuse of the 'tender age of children'. Articles 41 and 42 call upon the state to make effective provision for public assistance in case of old age, sickness and disablement, and for maternity relief. These obligations are not, however, enforceable by legal means. Their realisation depends on the degree to which, on one hand, the state actually accepts these obligations and, on the other, the extent to which public action is successful in prevailing upon it to do so.

Constitutional obligations apart, there are good reasons why it is necessary for the state to play a primary role in the field of health. In the language of economists these are related to the fact that, in large part, health is both a public good and a merit good. Public health, sanitation, and the eradication of communicable diseases have to be provided on a collective basis, i.e. as items of social consumption, since they cannot be feasibly supplied, or consumed, or paid for at an individual level. They will not be provided at all if left to the market mechanism. Secondly, primary health care being so basic to the well-being and productivity of society, access to it needs to be universal. It can not be constrained by affordability and cannot, therefore, be left to the market. This is the sense in which primary health care, like primary education, qualifies as a merit good for the provision of which the state has to bear a special responsibility.

It is in this background that I would like to approach the subject of this

evening which is 'Health in India During a Period of Economic Adjustment'. I propose to deal with it in terms of three main topics. I shall begin by reviewing the current health status of India or, in other words, the extent to which the state has been able so far to meet its obligation to make health services available and accessible to our people. I shall then discuss the likely impact of the adjustment process on health. Finally, I propose to place some thoughts before you on what needs to be done to protect and promote the long term objectives of the health sector during and beyond the adjustment process.

II

There has indeed been significant progress in India's health status since Independence whether we look at it in terms of inputs into the health system or in terms of various indicators relating to its output. Life expectancy which was barely 32 years of age at the end of colonial rule has increased to 59 at the end of the 1980s. In the same period, the crude death rate has fallen from 27 to 11 and the infant mortality rate has been brought down from about 130 per 1000 live births to a little over 90. The maternal mortality rate has come down from 2000 per 100,000 live births to 500. The total fertility rate which was close to 7 has declined to 4. There has been a great deal of progress in the control of communicable diseases. In the mid forties, malaria, accounted for 100 million cases of which one million were fatal; notified cases of cholera were 87,000 in 1951 of which nearly half died, in the same year, 2.5 lakh persons were afflicted by small pox of whom nearly one lakh died. Small pox was eradicated by the mid seventies and the incidence of malaria and cholera has been drastically reduced. Beginning from 1952, India has been able to establish a country-wide network for primary health care in the form of PHCs and sub

centres providing through them basic preventive and curative services, maternal and child health services, family planning, and immunization. Over the last three decades, the government has demonstrated a strong commitment to population control and has devoted large and steadily increasing manpower and financial inputs for the purpose. The ICDS is a major programme for nutrition and for maternal and child health services. In absolute amounts, budgetary allocations for health and for the allied sector of water supply and sanitation have shown significant increase. In the matter of curative services, the proportions of population to doctors and nurses have been brought down to 2500 and 1700 by the mid eighties from levels of 6000 and 4300 that prevailed at the time of Independence.

These facts sufficiently indicate the striking progress that has been registered in India's health status compared to the very poor levels that the country inherited at the end of British rule. The legitimate satisfaction that one feels from these comparisons, however, gets diluted when we compare achievements in the health sector in India to that of some other developing countries or when achievements are compared to targets adopted within India itself. Comparisons apart, the objective facts relating to India's health scene can only be characterized at deeply disturbing.

Life expectancy in India in 1990 of 59 years was about 10 years lower than in China or Sri Lanka and about 3 years less than for all low-income developing countries. In terms of the right to life, women and children are the most disadvantaged in our country. The infant mortality rate in India in 1990 (92 per 1000 live births) was about three times as much as in China (29) and only a little less than five

times the IMR in Sri Lanka (19). The age specific death rate for female children under age 5 (40.5) was about 25 per cent higher than for male children (31.9). The other vulnerable period for female mortality is the peak reproduction period. In this phase, the maternal mortality rate is an important indicator: India's MMR of 500 per 100,000 live births is many times that of 44 in China and 90 in Sri Lanka. Given also India's high fertility rates, Meera Chatterjee has pointed out that the life time mortality risk to the average Indian woman during reproduction is 300 times greater than that in many high income countries. Higher female mortality at childhood and among young mothers largely explains the adverse sex ratio for women which in 1991 was 929 for 1000 males in the population. As Prof. Amartya Sen has graphically put it, what the adverse sex ratio means is that about 37 million women are 'missing' in India's population.

Maternal and child health are closely related. The proportion of low birth weight babies in India (1980-88) is 30 per cent, sizably higher than 18 per cent in all developing countries, and about 40 to 50 per cent of children are severely or moderately malnourished. Added to this is discrimination against girls in access to food and medical care which starts from infancy. Girls fail to reach their full growth potential, get married early, run considerable risk of obstetric complications, and give birth to low weight babies perpetuating the vicious circle.

Despite progress made since Independence, the situation in regard to public sanitation, preventive health care, control of communicable diseases, and health education are all far from satisfactory. Public sanitation is woefully inadequate where it is needed most, namely, in the poorer sections of large towns and in the

smaller urban areas. Meanwhile, growing urbanization has considerably exacerbated the problem. As Prof. Sumit Guha has pointed out "The florid and lethal diseases — cholera and small pox — have been controlled or eradicated, but the protean and familiar dysenteries seem unaffected... perhaps because contaminated soil, hands, and flies still provide them with adequate means of propagation." Equally disappointing is the continued prevalence of malaria: the original target was to eradicate it by the mid sixties but during the whole of the last two decades about 2 to 3 lakh cases of malaria have been recorded every year. Episodes of cholera continue to recur and the incidence of leprosy, kalaazar and filariasis are not insignificant. In the allocation of resources, preventive health get only a share of one-fourth to one-third.

Very little data is available on levels, trends, and on regional and case-wise patterns of morbidity in India. Official data on morbidity is seriously inadequate because it is confined to public facilities which are estimated to be used only for one-fourth of acute illnesses. The National Sample Survey (NSS) in 1974 reported a prevalence rate of about 2303 per 100,000 of population but this may be an underestimate considering that other surveys in India have estimated rates three to four times as much. We may get a firmer estimate when the results of the NSS 1987 survey are published. The interesting fact is that morbidity, as reported, in Kerala, is relatively high despite low level of mortality. This is, no doubt, due in part to higher literacy and better availability and access to health services in Kerala. But it could also mean that high morbidity can co-exist with low mortality and even get accentuated by it because of longer life expectancy and diseases of

old age. In other words life expectancy and death rates, which are the most commonly used indicators of health status, do not convey the full picture and morbidity surveys, which have been relatively neglected in India, are of high priority.

Related to the subject of morbidity, we need to take note of the fact that India may be passing through an epidemiological transition. In addition to the diseases of poverty and under nutrition, those related to urbanization and affluence, such as cardio-vascular ailments and cancer, are becoming important. To these must be added environmental health hazards stemming from industrialization and transportation, behavioural health hazards related to smoking, alcoholism, and drug addiction, internationally high rates of road accidents, geriatric health problems, and the looming spectre of AIDS. This is not a transition that uniformly affects all sections of the population all over the country at the same time. Differing epidemiological patterns between the rich and poor and between town and country coexist and continue to widen. In such a situation of polarisation, the danger is that resources for diagnostic and curative services are likely to be shifted towards the needs of the urban and affluent, further worsening the already low level of preventive and curative services available to the rural and urban poor. We can all see evidence of this, particularly in the case of the commercialized medical market and increasingly in public hospitals as well.

Turning to curative services, India's ratio of population for doctors (2500) compares favourably with those for all low income countries (5500) although it is less than half as good as the ratio in China (1000). There are, however,

serious imbalances in respect of hospital beds and doctors between rural and urban areas, from State to State, and between the public and private sectors. In 1936, the rural share in hospital beds was less than 13 per cent compared to India's rural population share of more than 70 per cent. No all-India or systematic State-wise distribution of the rural-urban distribution of doctors is available but many studies have brought out the serious imbalance. Inter-State differentials in this respect also continue to be very wide with the best-served State which is Maharashtra having a ratio 3 to 4 times as favourable as those for Uttar Pradesh, Rajasthan, Bihar or Madhya Pradesh. The public sector's share in doctors has steadily declined from about 40 per cent in the mid sixties to about 25 per cent in the late eighties. While 75 per cent of hospital beds are in the public sector, about 75 per cent of doctors are in the private sector. Consequently, the bed-to-doctor ratio in public facilities in the mid eighties was about 9 times that in the private sector.

Of equal concern is the quality of medical care to which the rural poor, and illiterate patient in India has access. The private sector in medical care includes not only qualified practitioners, but also large numbers and a wide variety of semi-qualified and unqualified persons such as midwives, compounders and para-medical personnel, drug shop attendants, and so on who practise any and all forms of treatment. One study (Viswanathan and Rhode, 1990) found that among the practitioners surveyed who were commonly described in rural areas as 'doctors', only 3 per cent had a MBBS degree and only 38 per cent had any type of medical qualification at all. Studies of private medical practice also indicate the wide prevalence of dubious clinical methods. Ravi Duggal and Sucheta Amin in their

study of Jalgaon in Maharashtra found that 70 per cent of all illnesses were treated with injections. Duggal and Amar Jessani have drawn attention to a number of facts to substantiate rampant commercialization and technical incompetence in the medical profession such as the reckless and irrational prescription of drugs and diagnostic procedures; the close nexus between doctors and drug stores, pathology laboratories, and diagnostic centres; and a variety of other unethical and commercial practices. Although it is impossible to precisely quantify the extent to which they prevail, we should not blind our eyes to the common knowledge that — apart from its adequacy, affordability, and spread — the quality of medical care available to the common man or woman in India is such as to cause serious concern. Nor are, by any means, unethical practices confined to the private sector. In fact, in as much as private practice is allowed to government doctors, the distinction between the public and private sectors in medical care is so blurred as to become notional. Many government doctors are also, in large measure, private doctors: if anything, they are worse because they utilise their public position to capture lucrative clientele for their private practice and devote the best part of their time and attention to such patients.

In regard to both preventive and curative health services, the outreach to rural areas is meant to be provided through the net work of PHCs and sub-centres linked by referral to a net work of taluk and district hospitals equipped with adequate facilities for diagnosis, treatment, nursing, and specialist facilities. Successive plans have repeated coverage targets of one sub-centre for 5000 population and a PHC for 30,000 population. By the mid eighties, actual coverage was a sub-centre for about 10,000 of population and a PHC for about 70,000 of

population. In other words, as of now, we are only about half way towards the achievement of the modest target's reiterated from time to time. This picture of inadequate coverage is vastly compounded by several shortcomings in the functioning of the primary health care net work which have been documented in a number of micro-level studies as well as in the more wide-ranging evaluations of the ICMR and the Operations Research Group (ORG), Baroda, both of which were published as recently as 1989. The position at the end of the eighties was that the full complement of staff had been posted only in 70 to 80 per cent of PHCs and sub-centres. About 15 to 20 per cent of the posts to which persons had been appointed were vacant at any given time. Transfers were frequent with doctors not remaining in any one PHC for more than about 2 years. Drugs, especially antibiotics, were almost always in short supply. In a majority of facilities, labour rooms and operation theatres were absent or inadequately equipped. Coverage of ante-natal care was low and attendance of trained health workers at deliveries was rare. Many ANMs were resident in nearby towns and only occasionally appeared at their places of duty. Their technical knowledge in regard to post-natal care was described as 'very poor'. To get the picture in all its dismal fullness, one must add corruption, private practice, and misuse of drugs and transport.

The critical importance of population control does not need much argument in the Indian context. In the demographic transition from high birth and death rates to low levels of both, India has covered only about half the distance. India's mortality decline has been underway for nearly six decades but fertility has begun to decline only in the last two decades or so. Between 1970 and 1987, India's

total fertility rate is estimated to have declined from 6 to 4.1 and will need to reduce by another two percent points to reach the replacement level of 2.1. Sterilisation still remains the main method of contraception accounting for about three-fourths of all forms but is beginning to yield diminishing returns because it has been mainly targeted at high parity couples not interested in, or capable of, having any more children. Future reductions in fertility will have to involve not only the greater use of spacing methods but also a wide front of non-contraceptive measures, principally female literacy and reductions in the IMR through wider and better provision of maternity and child health services. Population control itself will also need to be closely targeted at the high fertility States of Uttar Pradesh, Bihar, Madhya Pradesh, and Rajasthan. Together these four States constitute 40 per cent of India's population and their fertility rates are around 5, about 25% more than the national average and twice or more the levels in Kerala (2.2) and Tamil Nadu (2.6).

There are immense problems in estimating the expenditure on health in the economy as a whole including government, local body, private, and household expenditures. We have to rely on the very broad magnitudes which emerge from various studies. Private expenditures on health care are probably of the order of 60 to 70 per cent of total expenditures. Budgetary figures for 1991-92 indicate that excluding family welfare, the combined expenditure of the Central and State governments on medical care, medical education, and public health was about Rs. 5000 crores or 2.5 per cent of total expenditures of the Centre and the States. About 25 to 35 per cent was for preventive health and about 40 to 50 per cent

was allocated to rural areas. There are considerable inter-state differences in per capita government expenditure on health with backward health status States as Bihar, UP, Madhya Pradesh, and Rajasthan having levels distinctly lower than the national average. Including family welfare, health expenditure in the public sector came to about one per cent of GDP and to about 4 per cent of government expenditure. These magnitudes are far below the WHO norm of 5 per cent of GDP and the targets of 3 per cent of GDP and 15 per cent of government expenditures recommended by the Bhore Committee, as far back as 1946. In fact, the Bhore Committee went so far as to recommend that it should be a statutory obligation on Governments to spend a minimum of 15 per cent of their revenues on health activities.

I had begun this lecture by pointing out that health being of foundational value to individuals and society, it qualifies as a fundamental right. Our broad survey of India's current health status would amply show that the state in India, despite progress since Independence, has a long way to go in making the right to health a reality for its citizens. Resources of finance and manpower devoted to preventive health and for MCH have been neither adequate nor efficiently used. The state has chosen to remain a minor partner in the provision of curative services which are both inadequate and of poor quality for the bulk of the population. There are serious inequalities in respect of both input and output indicators between States, between rural and urban areas, between male and female, and between children and adults. These inequalities are super imposed one upon another so that there is a yawning gap between the effective access to health of a poor woman or child, especially if Scheduled

caste or tribal, in the rural areas of a backward State like Orissa and that of an affluent person in a metropolitan city like New Delhi or Bombay. In these circumstances, 'Health for All' remains a distant dream.

III

This has to be the background to our discussion of the economic adjustment process into which India has entered, its likely consequences for health, and how these consequences need to be responded to. The Finance Minister has succinctly summarized why adjustment has become necessary by saying that both the country and the government had been living beyond their means and can not continue to do so any longer. The country had been living beyond its means in the sense that balance of payments deficits had become unsustainable at the beginning of the 1990s. The government had been living beyond its means since its large and growing fiscal deficits had become equally intolerable because of their implications for inflation, debt accumulation, and the external payments gap. It is in these circumstances that adjustment has become inevitable and urgent.

Adjustment implies a process of moving to an equilibrium in our external and budgetary accounts through improving supplies and reducing demand in the economy and by increasing revenues and curtailing expenditure in the exchequer. Such an equilibrium can be attained at different levels and following different paths. At two ends of the range, adjustment can be accompanied by growth, equity, and price stability or it can involve stagnation, inequity, and inflation. The real issue, therefore, is not whether adjustment is necessary

but how it can be put through in a manner that reinforces, instead of undermining, our long term objective of growth with social justice.

Various studies are now available on the impact of adjustment on social services generally and specifically on health, nutrition, and child services in Latin American, African, and Asian countries which have had to go through the adjustment process in the early eighties following the second oil shock, global recession, and the debt crisis. In almost all cases, the impact of adjustment has been initially quite severe. Country responses to adjustment have, however, varied a great deal. While in some countries, government policies have not been able to overcome the impact or have even worsened it, a number of countries—notably Jamaica, Cuba, Costa Rica, Chile, Botswana, China, Sri Lanka, and S. Korea—have been able to cope successfully with the crisis maintaining and in some cases even improving, their health performance. This should give us confidence that adjustment can provide the challenge and opportunity not only to safeguard health in the medium-term but to promote longer term objectives on a sustained basis.

Since India has embarked on adjustment only recently, the first task will be to anticipate the likely consequences of the adjustment process on the health sector. They will be direct and indirect, short term and long term, and will stem from budgetary constraints as well as more general policy perspectives. On the budgetary front, the sharp fiscal contraction that is being put through in the form of reductions to the fiscal deficit from 8.5 to 5 per cent of GDP in three years can have serious consequences for allocations available for health services which, for a variety of reasons,

may be curtailed by much more than a pro-rata reduction. Given large requirements for capital outlays on sectors such as energy, transport, and irrigation, social services as a whole may be faced with a more than proportionate cut. Within broad health related activities, there will be strong pressures favouring the claims of water supply and of family planning *visa-vis* resources for health services and particularly for preventive and rural health services. Within the health sector itself, increases to the costs of salaries and drugs and the prior claims of non-plan maintenance expenditure will squeeze out resources available for incremental plan expenditures. Fiscal contraction, thus, will not only reduce aggregate levels of expenditure but can also be expected to result in sharp changes to previous patterns and purposes of public outlays. In this process, the devil will take the hindmost. Health is likely to be most affected since its visibility is low and its political constituency is weak compared, for instance, to the demands of defence, energy, salary increases to government employees, or subsidies to farmers.

In addition to reduced budgetary inputs for the health system, the possible indirect effects of the adjustment process on health status will be relevant. In the short to medium term, adjustment in many countries has been accompanied by low growth, inflation, and higher levels of unemployment. In such a context, reductions in real terms in welfare subsidies, as part of fiscal contraction, especially in food subsidies can considerably lower the standard of living of the poor with serious consequences to their health status. Such changes will work themselves over time and it will be possible to measure and analyse them only after several years. What is important, however, is

to be aware that as far as health is concerned, adjustment has a scissors effect. On one hand, the resources available to the sector are reduced; concurrently, on the other, there is an increase in the needs to be met.

The third main consequence of adjustment is more intangible but nonetheless significant. Because adjustment causes governments to contract on their spending, it carries with it a tendency, if not a temptation, to argue for, or accept, a lesser role for public spending. Ideologically, the state begins to accept a posture of retreat and looks for all possible ways, appropriate or inappropriate, to leave things to the market. The concepts of liberalisation and privatization—however valid they might be in certain spheres of governmental activity—take on the character of slogans. As applied to the health sector in a country like India this can prove to be utterly retrograde. According to the paradigm, the competitive market is characterized by numerous producers and consumers for homogenous products, there are no barriers to information and demand and supply are balanced at efficient levels of costs and prices. Without going into a detailed discussion of the market for medical care in India, it will be clear that this model is far from applicable to it either on the demand or the supply side. The ordinary person in need of medical care needs it soon and close to where he lives; he has no time, or money, or knowledge to explore the market or to assure himself of the quality of the product or to test out the market in a series of repeat transactions. In these circumstances, the seller is in a position to charge what the market will bear and is also under no compulsion to meet norms of quality. In medical care, as in other spheres, the market is highly

dualistic. While the affluent are able to afford high quality and adequate services, medical care for the poor is inadequate, sub-standard, and expensive. This fundamental distortion can be corrected only if the state intervenes to provide adequate, effective, and affordable medical care to the rural and urban poor.

IV

We have discussed symptoms and aetiology and it is time to share some thoughts on how India might respond to the impact of course, that the response will be positive and not one of passive drift. A minimal response would be to protect allocations to the health sector with such incremental outlays and improvements as are feasible in annual and five year plans. A stronger response would be to use the opportunity of the present crisis to take a good hard look at policies, programmes, and implementation in a longer-term perspective—during and beyond adjustment—in order to achieve lasting improvements. If the impact of adjustment on the health sector can be likened to a bout of illness affecting an already malnourished patient, it is necessary not only to cure him but also to improve his general condition and stamina. My own proposals in this regard can be stated quite briefly; after all, when doctors start to write prescriptions they are swift even if they are not always sure!

To start with, the state must accept that it has to play the prime role in the health sector. The state alone can play a role in preventive health, in maternal and child services; and in family welfare. It has also to play a much larger role in curative health if existing gross injustices and inequalities are to be reduced instead of being aggravated.

Budgetary resources for the health sector should be increased to reach, within a period of about 10 years, the norm of 15 percent of total governmental expenditures. As a developing country, India urges industrialized nations to conform to targets for development assistance. It is equally, if not all the more, necessary for the government to accept an internal target for fulfilling obligations to its own people. Reaching this target in a decade will involve no more than a 15 per cent annual increase in real budgetary allocations from a low base. This should be entirely feasible. Additional resources for the health sector can be found in many ways such as reallocation of priorities, eliminating waste and leakage in government expenditure, and most importantly through better collection of taxes. Current efforts to reduce the fiscal deficit fall very heavily on expenditure reduction and quite lightly on revenue mobilisation. There is no reason why this should be so in a country where black money is rampant and nearly 75 per cent of taxable incomes go unreported.

Within the health sector itself, there is scope for cost recovery and for much more cost-effectiveness. Better cost recovery in curative services from those who can afford to pay, which is being strongly urged by agencies like the World Bank, is unexceptionable in principle but for a variety of reasons too much should not be expected in practice from this avenue. In India, public hospital facilities are used mostly by the poor; the poor already have to incur considerable indirect costs for obtaining medical care on travel, waiting time, foregone earnings, and bribery; and income screening is generally a game that is not worth the candle under our conditions.

The brunt of the emphasis will, therefore, have to be on cost-effectiveness which should be understood as not cost reduction *per se* but maximising value for unit of expenditure through improvements in the total factor productivity of all human, material, and financial inputs. Specifically, this will involve much better motivation, management, supervision and discipline at all levels of the health administration. Private practice among government doctors will have to be effectively banned; moon-lighting of paramedical personnel must be curbed; and corruption, waste, and leakage at all levels and in all forms put down with an iron hand.

There has been a rapid increase in drug prices even in the last few months. India must firmly oppose changes in patent laws which might result in alarming increases to drug prices. Financial allocations for the free supply of drugs in PHCs must be increased so as to adequately meet demand. The use of only essential drugs should be enforced in public facilities and promoted in the private sector as well. The share of the public sector in their production must be increased. The subsidisation of high cost essential drugs may also become necessary.

Medical education in India is much sought after and is highly subsidized. There is need and scope for the state to impose societal obligations on medical graduates by requiring them to undergo a minimum period of public service in rural and semi-urban areas. The output of MBBS graduates has remained stagnant for many years despite increases in population and incomes, a good proportion of our doctors migrate; and the population-doctor ratio needs to be brought down. There is, therefore, a strong case for increasing output; also, a clear case for higher cost recovery in medical education

The private sector in medical care and diagnostic services has mushroomed in large cities giving rise to rank commercialization, unethical practices, and negligence. However difficult it might be, it is necessary to formulate policies and procedures to regulate and monitor the private sector. They could include effective mechanisms for self-regulation, in consultation with responsible sections of the profession.

Given the episodic nature and lumpy cost of illness, insurance has a logical role to play in the financing of medical care. Government can promote poor-oriented medical insurance in three ways learning from Latin American and Chinese experience. Compulsory social insurance can be promoted for occupational groups in the organised and unorganised sectors. Secondly, special incentives can be given to voluntary agencies who provide health care in their own institutions or through participating doctors on the basis of insurance. Thirdly, insurance can be linked to decentralised health services provided through local bodies.

Decentralisation is of crucial importance for promoting accountability, for raising local resources for the health sector, and for giving content to the objective of participatory health care. The village health guides scheme introduced by the Janata government in 1977 still covers only half the country. Learning from the experience of the last 15 years, a new momentum can be given to this scheme in terms of both coverage and effectiveness. Panchayat raj institutions must be given a clear mandate for monitoring primary health care, maternal, child and family welfare services, health education, and water supply and sanitation.

Finally, I come to the voluntary sector. Voluntary agencies are the most encour-

aging aspect of the health scene in India. They have grown in numbers and have shown a deep commitment to health care. They still, however, add up to a relatively small proportion of total facilities and there are considerable variations among them in the magnitude and quality of coverage, financial viability, and sustainability of leadership. There is much scope for voluntary agencies to work together, under the leadership of the VHAI and otherwise, on two main fronts. One would be for sharing experience, promoting replication, for the larger and established agencies to help upgrade the smaller and newer ones, and for organizing common services such as training, action research documentation, and fund raising which can help the entire community of voluntary agencies. The second will be to create a common platform for lobbying and advocacy. Despite much rhetoric, the government's attitude to the voluntary sector remains one of benign neglect at its higher levels and often of indifference or hostility at the field level. Voluntary agencies have to work together to bring about an attitudinal change. Specifically, they must collectively demand a reform of the archaic grant-in-aid system. Net-deficit grants should be replaced by fair and flexible proportionate grants; grants must be concurrent with expenditures; and audits and inspection should not be inquisitorial.

V

The agenda I have outlined would naturally and logically follow from any review of the health situation in India. There is nothing that is startlingly novel about it and few are likely to dissent from it on a conceptual plane. Even so, as I see it, its acceptance will not be easy because of two main reasons. The first is that health does not enjoy what might be called a natural political constituency. It is difficult to mobilise

opinion for the better provision of a collective good such as preventive health or sanitation because being everybody's business such things tend to be viewed as nobody's particular concern. When it comes to curative services, its clientele resort to them infrequently and episodically, they are not like the regular clientele of fair price shops or metropolitan transport services. On the other hand, the suppliers of medical services can be expected to resist any reform that is likely to affect their entrenched vested interests. They are mostly urban, well organised, and articulate and have considerable political access and clout unlike the users who are mostly rural, poor, illiterate, and unorganized.

In these circumstances, generating the needed political and administrative will for reforming the health sector will not be easy. It will demand persistent and energetic advocacy, against the current and at different levels: with parliament and legislatures, through pamphleteering and the use of media, and most importantly at the local level in the form of exposing, and seeking redress for, corruption, maladministration, and commercialization. In recent years, environmentalists in India have shown the way along these lines. The voluntary sector in health has reached

a size and standing where it can also provide a similar leadership in building a broad based alliance for health. We must, however, recognize that it will not be possible for any such alliance to desist from politics and, when it becomes necessary, from confrontation.

Let me recall the words of Dr. B. C. Roy in his Presidential address to the All India Medical Conference in Lahore in 1929. He said: "I have very definite views on whether this Association should take up matters which, in common parlance, are dubbed political. In India we have never regarded the various affairs of life as being in watertight compartments: politics, technically so called, is intermixed with economic, social, and medical problems. If politics means the science of organization for the purpose of securing the greatest good for the largest number, I declare, we members of the profession *dare* not keep away from politics."

If the politics of health in India today favours those who stand in the way of reform, by the same token, change cannot be brought about except through political activism. In the body politic, as in the human body, natural immunological factors have to be provoked into a course of conflictual correction.

Book Review

Arun Ghosh, *Planning in India : the challenge for the nineties*
(New Delhi, Sage Publications, 1992 pp 287 - Rs. 240)

In early 1991, Arun Ghosh, who was a member of the Planning Commission appointed by the National Front Government under V. P. Singh published a series of articles in the *Economic and Political Weekly* indicating the main features of what would have been the Eighth Five Year Plan 1990-95 had the V. P. Singh government continued in office. The intention of these articles was "to explain to the people of the country at least the substantive part of the philosophic approach that informed the thinking of the Planning Commission of December 1989-November 1990 vintage". The book under review is an edited version of those articles.

The 'Approach to the Eighth Five Year Plan' discussed and approved by the National Development Council in October 1990 had laid out the basic philosophy of the new plan: its main thrust was to ensure that the mass of people in the country had access to a livelihood by participation in productive economic activity. In this sense it was to be a departure from earlier plans, especially the Sixth and Seventh plans of the 1980s

which had accepted the pursuit of aggregate growth as the primary objective. By the beginning of the new decade, it had become clear that what was considered to be the new growth path of the economy in the 1980s was accompanied by an alarming shrinking of the growth of employment in all sectors of the economy, including agriculture. Also, the high growth of that decade, especially during the second half under the new economic strategy of the Seventh Plan was made possible by heavy borrowing within the country and outside with consequent budget deficits and balance of payment problems which had made themselves conspicuous by the end of the decade.

The task that the new government faced was to correct these imbalances and to bring about a directional change. It was this change in direction that the new Planning Commission was asked to spell out.

The basic ingredients of the correction process were quite clear. If the participation of the masses in productive activity was the prime objective, employment

generation, especially in the rural areas, was to be the first task. This necessitated specific designing of economic activities in different parts of the country depending on geophysical factors and specific needs—a task that could not be achieved through plans for centralised investment decisions alone. Thus decentralised planning emerged as the chief operating principle. Consequently planning had to be substantially de-bureaucratised and decentralisation had to be effectively democratised. A reversal had to be made of the heavily import-intensive and energy-intensive process of industrial growth which was the main component of the high growth strategy of the 1980s.

Based on the work that he and his colleagues in the Planning Commission did, Arun Ghosh works out, in 15 chapters in the book, some details of such a plan. Employment, agriculture and the management of water resource, education and health, balance of payments, energy and ecology, pattern of industrial growth and the financial implications of the plan are the main issues dealt with.

It is impossible to touch upon all these aspects in this review. I shall take up a few major concerns. The first has to be the employment question. It may be recalled that the Right to Work was one of the election promises of the National Front in 1989. What it meant operationally had not been fully worked out. If it meant something similar to the Maharashtra Employment Guarantee Scheme, the annual implication of it would be something like Rs. 13,000 crores, it was estimated. With a GDP in 1989-90 of Rs. 4,43,000 crores why would that be considered not feasible, asks Ghosh. He also reminds that the initial impact of the Fourth Pay Commission's recommendations in favour of the small minority of salaried people in government and related

areas was Rs. 9,000 crores. But the right to work did not necessarily imply the government assuming responsibility to provide salaried jobs to all who desired it, but only to ensure gainful opportunities of work to all citizens, says Ghosh, and that depends on how the economy functions, and made to function through decentralised planning, whereby people in each locality would accept responsibility to design economic activity in their own areas. Concrete examples of how this would happen through local initiative are cited on pp 228-29. The need for area planning and to stimulate rural industries is also dealt with. It is recognised too that as against a 1.55 per cent per annum rate of growth of employment in recent years, it would have to become 3 to 4 per cent per annum if all are to be gainfully employed by 2000 A.D., and that this would require some drastic change in the Plan strategy. However, the recognition of magnitude is not matched by specific indications of how it is to be achieved. Perhaps, if a Five Year Plan were to be fully worked out along the lines suggested, more could have been expected.

In the people oriented planning agricultural development and for that management of water resources play crucial roles. Similarly village and small-scale industries too would need to be encouraged. Ghosh points out that for the latter a major issue is to make credit available adequately and easily and argues that the traditional and small units do not require any special consideration in this regard, but only something similar to what the modern and large units get as a matter of course from the financial institutions. This is not to say that the modern sector is to be neglected. In a programme of planned development modern industries have a significant role: steel, engineering industries, electronic

industry, petrochemicals and fertiliser are specifically examined.

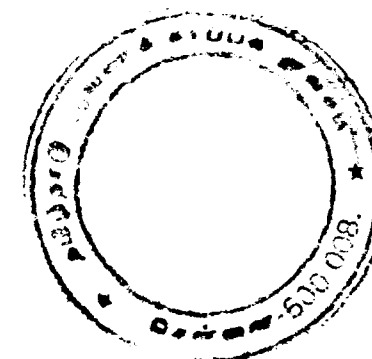
The chapter on balance of payments documents the fact that what appeared as a crisis in 1991 was not the result of the happenings of the preceding year, particularly the Gulf War, but the deficits on merchandise and current account payments which shot up enormously from 1984-85 to 1989-90 during which current payment deficit as a percentage of GDP had jumped from 1.2 to 2.6. This had happened during a period of a satisfactory growth rate of exports and hence it was clear that import surpluses and increasing interest payments on growing borrowings were the main causes of the crisis. Hence both the short-term and long-term solution to the problem called for a critical re-examination of imports and foreign collaborations. Ghosh's conclusion is "First, we should seek foreign investment in all areas other than consumer goods manufacture... Where a reduction in costs of production is an important objective. Second, we should deliberately seek and welcome foreign investment where technological upgradation is an urgent need... The basic issue is selectivity". (pp 188, 189).

That shows that the directional change that was suggested was not a plea to cut the Indian economy from the world economy. Neither was it against "liberalisation", whether internal or external. In

order to capture the essence of the change postulated: a comparison may be made between it and the directional change that is being currently attempted. Both call for major adjustments necessitating a period of adjustments of three to five years (as is being frequently suggested now) during which the results may appear to be negative. Both call for debureaucratisation and liberalisation. Both welcome closer links with the global economy including a more positive role for foreign capital. Both call for a reduction in budgetary deficits. It is important to emphasise these aspects that the two have in common. But then, what is the difference? In the changes now being attempted the basic consideration is the profitability of capital, the kind of alternative that Arun Ghosh outlines in this book, the central issue is the involvement of the mass of people in efforts to ensure their livelihood. From this perspective, the two are fundamentally different.

The alternative policy package that Ghosh indicates in this book deserves careful and critical study. It is a pity indeed that before it could be nationally debated something quite different has begun to be implemented. But who knows, the situation may change again.

C. T. Kurien



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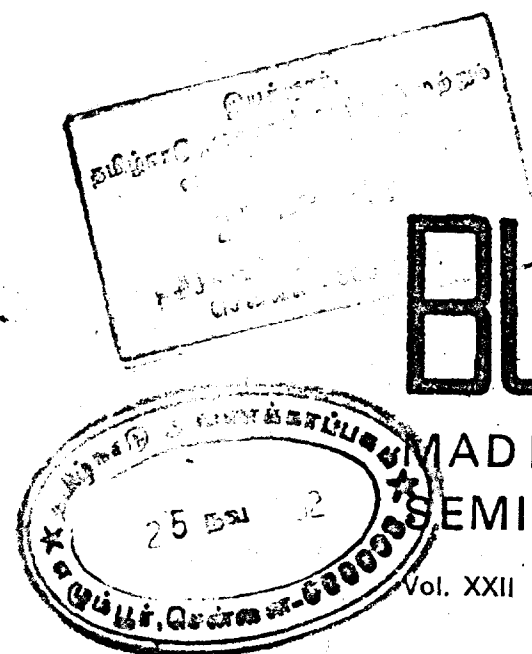
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Is Transportation A Hard Nut ?

Gandhiji and the Indian Economy

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Climate and Water

September witnessed a hot and dry period particularly during the last fortnight-with two consequences. First, the state faces the perennial problem of the two to four million acres facing water scarcity this season as in past seasons. This is part of the problem that out of the state's 13 million hectares, only 4 million hectares are under cultivation and even within this limited area only 2.4 million hectares are irrigated through rivers, reservoirs and irrigation tanks and various kinds of wells. It is this situation which gives rise to the proposal for linking the peninsular rivers to solve, in a permanent and continuing fashion, the problems of this water starved state. This involves the surplus available in the Mahanadi (600 tmc) and Godavari (1500 tmc) being let into the Krishna, Pennar and Cauvery in the South. These are long pending proposals which have

not been favourably considered because the lack of cooperation between the states-who allow the water to flow into the Bay of Bengal as the surplus water from the west flowing rivers are waste-fully discharged in the Arabian sea. Second, though this state has faced a dry fortnight, there have been plentiful rains in Karnataka so that the surplus waters of the Kabini and Krishna Rajasagar have been let into Tamil Nadu. The Mettur dam reached its full level of 124 feet on September 17, its capacity of 93,500 mcft having been reached, calling for advance action floods in the low lying areas along the Cauvery in Salem, Erode, Tiruchi, Thanjavur, Pudukkottai and South Arcot. Here the problem faced by Tamil Nadu is that in some years (both last year and this year) the rains in Coorg (Karnataka) are so heavy that the waters are let into Tamil Nadu. But in most years there is not enough of the monsoon rains, so that Tamil Nadu has to plead with Karnataka to release some 6-12 tmc of Cauvery water, which does not get a response.

Here in the absence of the long term solution of linking the peninsular rivers and in view of the continuing dispute with Karnataka over the sharing of the cauvery waters, Tamil Nadu farmers must be helped to revise their cropping system and replace water intensive crops like paddy and sugarcane by less water demanding crops like millets (cumbu, cholam, varagu, kavooru), coconut, banana. This calls for incentives through the system of support prices and the restructuring of the Public distribution system. These are within our competence and will help farmers to earn a steady income and avoid the kind of wide fluctuations which they now face. Other matters that need to be avoided on the waste of water involved in loading the crops with more water than what is necessary, more use of drip irrigation and the kind of oil slick which was caused by spillage of kerosene during transshipment and which called for salvage and recovery operation by the coast guard and possible call for help from the Maharashtra Pollution Control Board and the UK Seven Trust Water Authority.

Urban Development

Tamil Nadu is the second most urbanised state in the country. There is need to plan this growing urbanisation in order to prevent urban decay of the core areas of Madras, Coimbatore and Madurai etc. and arrest the further proliferation of slums. One important way forward is to build satellite townships around the main metropolitan cities of Tiruchi, Madurai, Coimbatore and Madras. In addition the fast developing townships of Tiruppur, the major textile and hosiery exporting centre, Vellore which has many archaeological landmarks, and Cuddalore fast developing as a fishing and sea side centre need infrastructural facilities to

accommodate their expanding population and the rural inflows that they are receiving. For this purpose it is essential that the business houses join with government to develop in the state the type of infrastructure, Leasing and Financial Services, that Bombay has and which for the present can be used by the state to develop these centres. Part of the infrastructure needed is roadways — main roads, bylanes, highways and ring roads around the five major metropolis referred to earlier, so that traffic moves smoothly with the minimum of stoppage and blocks. Apart from Madras, Madurai is developing a 27 km ring road with the financial aid of the World Bank and a similar facility is now urgently needed in Coimbatore.

State Budget

In the short (1 week) session of the Assembly meeting at September end, the problem of the state finances stand out as a cause for some worry. The finance minister computes that the state will end the year with a deficit of over Rs. 800 crores. This means that there has to be some belt tightening of which there are no signs. The government's populist spending spree continues unchecked with the announcement that by October 15 there is to be distribution of 2.3 lakh dhoties and 1.30 lakh sarees under the free dhoties — saree scheme of last year (see Vol. XXII p. 231). Similarly the government has announced a Rs. 6 crore scheme of nodal villages in all districts, which will quicken the pace of inflation. Another problem area is the revenue dues to government which in 1990-91 amounted to Rs. 508.99 crores of which Rs. 390.11 crores represented uncollected sales tax. In this connection there is no evidence of the tightening up of government tax collection procedures. The

Comptroller and Auditor General in his report calls attention to several lapses in tax collection: c) As on June 1, 1991, 200 inspection reports issued in audit containing 7011 objections involving Rs. 61.36 crores are pending settlement: b) of the above 1312 reports with tax dues totalling Rs. 24.52 crores have been pending for 5 years and more: c) despite recommendations by 4 government committees against grant of exemptions in sales tax, the number of notifications issued for exemption or concession has increased from 61 in April 1959 to 600 in March 1992. In one case the delay in timely renewal of concession intended to boost sales and revenue resulted in tax losses of Rs. 66.12 lakhs. In one public sector company, the state government by issuing an executive order in 1984 waived with retrospective effect, sales tax amounting to Rs. 25.5 crores payable for the period 1-4-80 to 21-1-86. This kind of leaky tax administration and loose budget management needs correction in face of the large deficit facing the government this year: d) of Rs. 7597.86 crores authorised by the Assembly for expenditure in 1989-90, Rs. 366.46 crores were surrendered of the consolidated fund as unspent: and e) supplementary grants obtained during the last 5 years ranged from 15 to 41 per cent of the original budget provisions, provisions surrendered ranged from 14 to 65 per cent of supplementary grants voted, and the actual expenditure resulted in a saving from 15 to 67 per cent of the supplementary provisions showing that supplementary demands are poorly budgeted and tend to be grossly overestimated.

Power

CEA's announcement of the deficit of 11,167 MW in Power and the 19.5 per

cent in energy during the current year is not surprising as it is part of the perennial power shortage facing the country leading to the hiking of the power pricing in Karnataka resulted in INDAL closing down its aluminium smelter plant in Belgaum to avoid paying an additional Rs. 24 crore (according to its report), as well as the delay in the entry of the foreign companies which are ready to enter and operate in the power sector (in addition the companies object to supplying the power they generate to SEBs which are to collect the dues from the consumers and pay the companies). This power deficit situation calls for a series of ameliorative actions by government including: a) allowing coal to be imported with the total waiver of customs duty recommended by the Southern Regional Electricity Board to overcome the shortage of supplies to thermal stations: b) exploit to the maximum the record storage in the southern and in particular Tamil Nadu reservoirs, the Tamil Nadu storage is 2272.5 million units against a total capacity of 2393MW and the plentiful hydel reservoirs which has led to withdrawal of all load shedding, c) follow up promptly and vigorously the Rs. 210 crores loan from the World Bank for leasing and sites to prospective private or public sector companies for setting up mini hydel plants at canal falls and irrigation dams; d) push up the plant load factor from the current 68.1 per cent to 72.38 per cent as envisaged by the end of the X Plan, which along with improvement in investment use in electricity generation and distributing the improvement in systems and peak load factors and 92 per cent reduction in energy demand by them and various moves for conservation of energy, all of which could bring more supply in line with demand.

National

Inflation

The state of inflation in August was a 0.1 per cent; the wholesale price index standing at 226.7 on August 29. As forecast in the last issue, the annual rate of inflation however fell to 9.12 per cent during the week ended August 1 (in the last issue its decline to 9.3 per cent on July 25 was noted). As on September 5, the rate further fell to 7.6 per cent and at this rate the governments' prediction of single digit inflation and its IMF commitment to bring the rate down to 90 per cent in 91-92 (which in effect was 13.3 per cent), and 8 to 6 per cent in 1992-93 seems now to be coming true. And the government states that the price rise of essential commodities is not the primary cause of the

inflation as has taken place and puts computation that 29 of those essential commodities with a weight of 23 per cent in the index contributed only 3.20 per cent out of the total inflation rate of 10.90 per cent as of mid July 1992. But the inflation situation is more serious than the above data indicates on several counts: a) the consumer price index for industrial workers has risen by 3 per cent to 247 in July: this rather than the WPI shows the real face of inflation which affects the common man: the table below graphically illustrates the difference between the rates based on WPI and CPI; the high rates of inflation of CPI compared to WPI and the oppressive rise for agricultural workers may be noted; b) the single digit inflation rate which is declining to 7.6 per cent on the basis of the latest data is on top of the double digit inflation rate which peaked at 15 per cent last year:

I	Month	WPI	i) Industrial	CPI	ii) Industrial	iii) Agricultura
Feb.	92	12.9 per cent	13.4 per cent	13.0 per cent	20.8 per cent	
March	92	13.6 per cent	13.9 per cent	13.6 per cent	21.9 per cent	
April	92	13.8 per cent	14.4 per cent	13.5 per cent	32.6 per cent	
May	92	13.9 per cent	14.7 per cent	14.0 per cent	23.9 per cent	
June	92	13.0 per cent	12.9 per cent	13.2 per cent	21.9 per cent	
July	92	10.7 per cent	13.1 per cent			
August	92	8.3 per cent				

c) the 18 per cent rise in petroleum product prices (addition of Re 1 per litre for petrol and diesel and Rs. 15 a cylinder for LPG) and the follow up rise which will follow railway rates as well as the increase in procurement support prices for different crops which are being announced in September have

not yet had their impact on prices. The government hopefully states that the steep hike in petroleum product prices which will fetch Rs. 6000 crores in a full financial year, reduced to Rs. 4000 crores because of some concessions and will bring Rs. 1900 crores this year, will cause only a 2 to 2.5 per cent rise in

prices. This is an under valuation and is not based on the alleged "widening deficit of that industry", nor is its justification that "the current prices do not recover the full costs of operation" factually accurate: e) it will be instructive to see if the government forecast that even with all these price increases the inflation rate will be a single digit one at 9 per cent at the end of the financial year.

Budget and Stock Exchange

There is much to be said to prepone the presentation of the Annual Budget to Parliament by a fortnight as is proposed by the government. This will give the parliament a little more time to study, reflect over and debate the budget. But there are two issues which need to be faced and which the additional fortnight that will become available to parliament will not really help. The first is the need to review and discuss in depth each major demand. This cannot be done by the whole parliament, as there are too many members (over 560) to provide a meaningful debate and the appointment of speakers by party is really not very relevant to the subject matter being reviewed. Hence there is need for parliament (Lok Sabha) to set up a number of standing committee (around fifteen) to really go into each demand carefully and not allow the government party majority to vote the demand routinely. A small step in this direction has been taken in setting up some parliamentary committee but there need to make them standing committees and their subjects and terms of references decided and approved by parliament. The second issue is the issue of secrecy of the budget. This really amounts to springing a surprise on parliament and the constituencies that the members represent as well as labour and manage-

ment groups with regard to the budget and its various parts - taxes, exemptions, market borrowing, plan and non plan funds etc. There is no need for this secrecy which is a colonial legacy and can be done away with. On the otherhand the full and free discussion of the budget in the standing committees of parliament will give it really much fuller support by the people, close some of the loopholes for tax evasion and getting round some of the other provisions and make for fuller budget implementation. The other budget issue raised this month is the decision of the government to revise the additional DA and bonus totalling Rs. 1500 crores. This decision is both untimely and expensive. It is untimely because the Patnaik Committee of the National Development Council has submitted its report on various programmes of austerity to meet the financial crisis faced by the country and the government. And one important recommendation was that all DA should be frozen this year and any bonus or other payments paid to the employee's Provident Fund. This important report was to be debated by NDC at the end of this month, but that meeting was postponed indefinitely in order to make these payments. The decision is expensive in that the government does not have the resources to meet the Rs. 1500 obligation and will be reneging on one of its other obligation, probably a Plan activity which is the usual sacrificial goat to meet the non plan revenue expenditure. If the austerity recommended by committee is not implemented, the VIII plan will have to be cut and the states will have to mobilise as additional Rs. 40,000 crores (Rs. 8000 per annum) which is near impossible. The stock exchange continues its wide fluctuation. In August, the BSE equity index which was 2523 on August 6, shot up to 2788 on August 11, fell to 2750 the next day and went up 93 points to 2889.08 on

August 17, in September it shot up by 120 point to 3420 on the 10th and fell by 109 points to 3274 on the 21st. These are the results of insider trading, market manipulations, price rigging and other frauds, full support should be given to SEBI's effort to get stock exchanges, banks and the secondary market to evolve an internal code of conduct setting forth procedures, checks and balances in these institutions to counter these mal practices.

Economy

One of the results of the proposed parliamentary reform (through standing committees) would be that we and the ministry of finance would not be caught by surprise in mid year by the fact that external receipts in the form of loan were inadequate to meet the country's servicing obligation during the first quarter of 1992-93 leading to the draw of Rs.11 crores from the capital stock to finance the interest payment burden of Rs. 768 crores. This practice is in vogue for servicing of interest on internal debt and the resulting RBI study warns that by 1992-93 incremental borrowing will be needed to cover interest liabilities. This is known as the debt trap. Since 1990-91 on commercial borrowing there has been a revenue flow as the 1991-92 Economic Survey reported, now the addition to the foreign debt stock (the loans and aid) does not cover interest payments. In this situation there is only one way out: to reduce our external borrowing and increase exports so that they can service our debt. The functioning of the economy, on which the export performance depends is not satisfactory. The RBI annual report estimates that the 1991-92 GDP growth will be less than 2 per cent and on it, on this low base the Planning Commission estimates that the current year (1992-93) growth rate will be

around 4.5 per cent. It is hoped that the end of the Plan will record 5.6 per cent, based on the improvements in the export and industrial fronts. This is needed to avoid the debt trap in regard to our foreign obligation. The external evaluation of the economy (by the World Bank and IMF) is a mixed bag, with the IMF stating at its Annual General meeting that India has concerted the unprecedented crisis with an exciting opportunity, while the Bank pleading for the closure of the bankrupt state run industries and the means of pushing forward urgently needed agricultural development for which an agricultural policy should be formulated and executed. There are also serious lacks on the financial sectors, only 7 million persons of 850 million pay any form of tax and where banks are not spearheading industrial and agricultural development. On the other hand, the Bank, like UNCTAD, is frank in stating that its loans of a record of \$2.53 billion will help the country's market friendly reform and structural adjustment will bear heavily on the poor who are vulnerable and will be hit by rising basic food prices and growing unemployment. In fact there is a warning that atleast in the short run there will be an erosion of the small gains made in the 80s in poverty reduction. The UNCTAD study points to the adjustment policies in the III world leading to poor performance of the economies. As of now the official policies do not reflect these concerns and atleast the 1993-94 budget now under preparation should take these warning into account. For this the base is weak as the third interim report of the Janikaraman committee shows how the portfolio management schemes were used by the banks to escape the interest rate discipline imposed by RBI, how brokers made money at the cost of the bank through the device of the off the books obligation. The report, however, does not set forth the offences which are punishable, nor

does it deal with the question of where the missing thousands of crores have gone resulting from the abuse of the portfolio management schemes by bankers and public sector units, will the JPC fill in these gaps left by committee and the police or will it be a hindrance to the Janikaraman committee and police completing their enquiry and identifying not only the guilty ones but where the missing monies have gone. This will also help in implementing the Chelliah committee report, the final instalment of which was given to the government at the end of August, and its proposals for comprehensive tax reform. There is a good case for taxing agriculture, starting with the earnings of non farmers. Agriculture income above Rs. 25,000 p.a. are to be clubbed with non agricultural incomes and taxed. In line with the new policy of inviting foreign investment, a lower tax differential between domestic and foreign companies is recommended along with avoiding double taxation on fees and persons serving in India beyond a certain number of days. Further, a generous value added tax is launched. Somewhat unnecessarily the rate of corporate tax for domestic companies is to be reduced to 45 per cent in 1993-94 and to 40 per cent. In 1994-95, abolishing the surcharge. The general depreciation on plant and machinery is retained at 25 per cent, interest tax abolished and the continuance of the gift tax with an enhanced exemption limits. A very valuable recommendation is for the government to give up the practice of introducing changes and conditions in each year's budget, limiting itself only to structural reform as per a given agenda. To reduce the over action to credit, it recommends that the action of the concerned officer should be final for the assessee and a restructuring of the

systems of identifying tax payers and continuance of the summary assessment scheme correcting its errors and inadmissible claims and levy of additional tax. It recommends postponing the scheme for the single direct tax code till the current legislation and its recommendations have been operated and stabilised. It wants a comprehensive information system to supplement the system of searches and seizures and wants the VAT systems to be based on invoice values. Its suggestions for dealing with corruption in the revenue service are normative and so privatisation and sound training really are the key to it. The report has covered the ground rather thoroughly and most should find a place in the 1993-94 budget. It is not only thorough but a workable system. Accepting the ground realities the committee has made solid improvements to tax reform. Despite the care and realism with which the recommendations have been made, there will be powerful lobby mounted on some matters like the agricultural tax which the agricultural ministry is heading. Some suggestions like the abolition of the post of revenue secretary, and modifications proposal in the appeals system may call for opposition from the revenue officials. But this should be firmly met. The report schedule should be implemented, despite the gaps and lacks in its suggestion such as suggestions for checking tax evasion and the fast growing black money, the means of improving the elasticity of tax revenues and the identification of new areas of taxation which it was required to suggest. Another useful pointer relating to financial companies is the A. C. Shah working group report set up when the securities scam was at its peak. It has recommended a status for financial companies equal to that of the banks and a sound regulatory frame for non banking financial companies along lines suggested by the Narasimhan

committee, with stress on prudent norms and not more regulation. The suggestion that only those companies with net owned funds of Rs. 50 lakhs and over need to be given regulatory authority to raise deposit is sound. Only the cut off limit of Rs. 50 lakhs is too low given our rate of inflation. Also the nature of the business of companies has been overtaxed, particularly as now factoring, venture capital financing and foreign exchange brokering and how they can be accounted. The two and half years allowed to the finance companies to achieve capital adequacy is rather liberal. But the suggestions made to help them attain the norms are good and useful and are in line with the Nadkarni recommendations. RBI in its annual report recommends against lowering bank lending rates till inflation is under control, and a cautious approach to full convertibility and a relief on government borrowing. Against this, the three tranches of borrowing is now complete, with Rs. 3469.16 crores for 24 state governments (14 states have earlier raised Rs. 1069.16 crores) and the union Rs. 5500 crores.

Industry

The guidelines for foreign investments in Indian markets and effecting an initial registration with SEBI, with the right to invest in all securities traded in the primary and secondary markets along with attractive tax concessions, raise questions of whether these will really attract foreign investments. There is one limit of the total investment by all foreign institutions investors being limited to 24 per cent of the issued share capital and so fears expressed by some that these guidelines open the flood gates for foreign investments is without substance. NRI investment policy has also been

further relaxed, exempting their share transfers from NRI. SEBIs forecast that \$2 billion will flow in by November 1993 is a little optimistic but its promise to give authorisation within 10 days will certainly encourage foreign investors who, since the new government set forth the new industrial policy, have invested Rs. 1953.64 crores (with that in 18 months). There are other measures being taken to stimulate industrial growth which according to CSO rose by 3.6 per cent during the first quarter of the year such as the decontrol of phosphatic and potassim fertiliser prices and supply. This has led to 60 to 100 per cent increase in phosphatic and potassium fertiliser prices but also a 10 per cent cut in urea prices. In the same category is the bill which enhances the effectiveness of the Board of Industrial and Financial Reconstruction and the removal of some ambiguity is the Sick Industrial Companies Act. This will not only deal effectively with industrial sickness but also help to evolve revival packages for sick units within a time limit of 5 years. For this the Board needs adequate budgetary provision. All these and other provisions have enabled industry to record a 4.1 per cent growth with a good possibility that this may be sustained during 1992-93. There are some problems. One is that foreign investments is still only a trickle, which is not due to faulty policy which is constantly being revised as noted, but due rather to governments inability to identify and cater to forces that demand foreign investments as seen in the transaction costs theory as so well practiced by China. Another problem area is that at a time when industry is looked up to promote the much needed exports, the ministry of commerce is taking action against 250 big firms including some large business houses, for having failed to meet their export obligations. In many

cases, the large companies like Air India, Handicrafts Export House, Hindustan Exports, Textiles Ltd., KV Archana Ltd. Modern Syntax, Universals came to the Controller of Imports and Exports and asked for exemption or extension. What is needed is for the rule that defaulting companies be referred to the enforcement to the cum adjudication branch of the CCI&E for the award of fiscal and criminal penalties. With our exports in the perilous state that it is, there can be no condoning in regard to large companies not meeting normal export obligation. One other problem is that the new industrial policy has not helped the percolation of industries to the backward areas as most industrial approvals have gone to the highly advance sectors in the country. The new policy's primary objective was to give a boost to the integrated development of under developed regions. All the plans and pep talks on incentives to set up units in backward areas has not produced results as the analysis of approvals shows that 95 per cent of the 5762 approvals given till June 1992 have gone to the pockets in each state which have already reached an optimum level of industrialisation. What is equally troubling is that the union ministry says it has no idea of how to correct this situation. Further, with the practical withdrawal of all union aid for development activities, the union has no real role now in this matter. Finally a question may be raised as to the desirability and correctness of the RBI changing its procedure on the utilisation of profits in 1991-92 with a view to transferring a large surplus to the union exchequer for increasing its non tax revenue. Now this procedure has increased transfer from Rs. 380 crores in 1990-91 to Rs. 1500 crores for 1992-93. This is highly questionable.

Public Sector enterprises

The major issue now is the disinvestment of the public sector equity. There should be general agreement in parliament that the disinvestment will not be undertaken to meet budget deficits and needs. This will enable a well thought strategy both for the sales and use of the proceeds to build new capital assets or scale down domestic and foreign public debt, possibly a mixture of both. In this connection, it has been proposed to set up a Disinvestment Corporation to monitor PSU equity sales which will restore public confidence which has been seriously affected by revelation of the Janakiraman committee on the scam. The Corporation assisted by a panel of experts to evaluate the shares offered will fix the price of the shares on the basis of advice from a consortium recognised financial institution. This will ensure that commercial judgement rather than bureaucrat dictal is used in this commercial deal. Finally, in order to ensure disclosure and transparency, the PSU equity sale will be made through a public issue in accordance with SE norms. This will make PSU shares sales open and fair, like UTI shares and will ensure broad based ownership of disinvested equity, while the reservation of the 15 per cent of share for them will give public sector employees a stake in PSU. The crucial problem will be control of the proposed Disinvestment Corporation. The Corporation should avoid the errors to the deregulation of Air India and Indian Airlines by making disinvestment precede deregulation. The Government's alternative proposal to offer shares at a preset price or to a select clientele seems to be moving in the second direction with the invitation to SEBI to identify about 100 clients who will participate in the auction to be held early October. A certain per cent of shares will be reserved

for workers. In this proposal the dangers of cartelisation and favouritism will need to be faced frankly and dealt with.

National Production Front

Steel

The steel scene in September raises the question of whether the piling up of inventories - both mild steel at Rs. 1300 crores and special steel at Rs. 700 crores - calls for corrective action before other production and distribution issues, as this is a major factor in the Rs. 20 crore loss reported in the 4 months, April-July 1992. The special steel poses a particular problem as the cost at the Salem plant is much higher than those of the private sector plants, so that Salem steel can study and adopt some of the techniques and economies of the private sector. Even on steel pricing, there is some question whether the decontrol should have been followed so soon and so fast by the price rise which has reduced demand and led to piling up of stocks. Similarly the spectacular growth of the sponge iron sector from nil in 1980 to 4.5 lakh tonnes capacity of coal based public sector plants, plus 2 lakh tonnes of coal based private sector plants and 20 lakh tonnes of gas based plants under operation or installation also call for some careful thought, regarding government policy on import duty on steel melting scrap which went from 35 to 10 per cent rather suddenly when international prices of scrap were falling leading to the landed cost of imported steel scrap becoming much less and the domestic producers facing falling demand and building up of inventories. In fact this imported industrial input is depended on international prices which need to be taken into account in fixing domestic official policy. One other comment on

the steel scene. At long last SAIL is setting up joint sector power generating companies to feed Bokaro and Bhilai and other consumers in the region. This was long over due as their absence placed steel plants in a very unfavourable position due to shortage or cut off of power generating companies to feed Bokaro and Bhilai and other consumers in the region. This was long over due as their absence placed steel plants in a very unfavourable position due to shortage or cut of power from external services like DVC, SEB vis a vis steel production in other countries. Now with the setting up of the joint sector captive power companies, SAIL's dependence on external power utilities will be decreased resulting in both economy and steady expanding production.

Crude

The rise in petroleum prices already referred to has effects on the economy, particularly the oil using sectors, and on the rate of inflation which will become clear in a few months. Given these facets and the fact that domestic crude production is just a little above the half way mark, 28 million tonnes against the needed 54 million tonnes, the most urgent need in this area is to expand crude production. Government has offered 43 oil and gas fields, of which 31 are small sized, to foreign companies and will be closing the bids on December 31. Foreign oil majors which are flooding the crude production market in China and Vietnam are not queing up to take up the Indian bid. This is also true of the Indian private companies. This demands attention now, not only to make our conditions as attractive as those of China, but most important to cut through the cumbersome bureaucratic procedures which ONGCs tendering system repre-

sents. To cut through this red tape and keep the bureaucracy under control, should there be a national petroleum policy or Code for crude production approved by parliament. All ways to boost supplies need to be explored, particularly to follow up the long awaited attention to break the ONGC-OIL monopoly of purchasing oil abroad, which should be followed up with giving the private sector companies not only the power to purchase crude but also enter into counter deals to purchase the oil with products produced by the sector and demanded by the oil producers. Russia is a major potential counter trade supplier and wants immediate payment which the counter trade can meet. Also why should not the new refineries being set up in the private sector be allowed to import the crude they need from the foreign market, which will not only enable use of counter trade but also at a lower cost.

Coal

With the decision to lower the import duty on coal from 85 per cent to 30 per cent in order to help the power plants, particularly in the south, the logan of the duty acting as a block for the import of Australian Coal which has much lower ash content than Indian Coal has been broken. But this is only the first step. With the huge coal mines and coal reserves, the only reason for the duty is relative inefficiency of the capital and labour used in the mines. These need improvement and the plea from the south that the duty be reduced to 5 per cent so that it is revenue earning and not a protective factor should be given careful consideration. Also the large investments are being made in CIL mines by the power multinationals in order to ensure high quality coal to their power plants; the same ends will be met by the coal ware-

house that the multinationals are setting up. For all this the multinationals are permitted to open coal mines which they are doing but they should not accept the ministry's suggestion to vast management control in CIL and ownership rights with the power companies. That will continue the present inefficiencies and serve the interest neither of India nor of the multinationals.

Agriculture

With the good monsoon predicted and realised, (by the start of September the rainfall received was 92 per cent and 29 out of 35 meteorological subdivisions have received normal or excess rainfall), three questions arise. The import of 10.05 lakh tonnes of wheat of which the first consignment of 35,000 tonnes arrived at the Madras port in early September is really a precautionary action: the 1992-93 rabi target of 29.75 million tonnes which is 4 million tonnes higher than last year is likely to be realised because of the wide spread rainfall in the wheat growing states. There is no need for further import of wheat. The second question relates to jowar, an inferior cereal whose price for the first time rose higher than that of the superior cereal, wheat, points to the need for a revision of the jowar and coarse grains price. With the good rains and the prospects of substantially larger jowar harvest, inflationary expectation are dampened. But the need for a new policy is still there. First, the concentration on rice and wheat ensures that the price of coarse cereals will always be low because consumers are supposed to prefer wheat to jowar, if given a choice. But the rise in jowar prices showed that this year's minimum demand for jowar must be met. The market meets this demand through higher prices encouraging the cultivation of a larger area but this corrective hits the

poor and the food policy. Second and on top with PDS neglecting jowar and coarse cereals, the poor are deprived of their share of food subsidy. Third and again, therefore are effective food management system calls for non price incentives to increase production of coarse cereals. Given the fact that only 5 per cent of jowar and bajra lands are irrigated, a rapid rise in their output calls for better R&D in dryland farming and increase in the availability and distribution of quality seeds. Fourth, all this means that we should grow more coarse grains because it costs less, requires a lower food subsidy and are needed for poultry whose products of egg and chicken are not only in strong export demand but also are source of protein for the non rich. The third issue relates to the sharp rise in the procurement prices of all kharif crops—rice, jowar, bajra, ragi, maize, pulses, groundnut and cotton. The hike is some 15 to 26 per cent above last year but also particularly in the case of rice well above the price recommended by the committee on agricultural costs and prices. The reason given for this rise is to compensate the farmers for the excessive rise in prices of phosphatic and potassic fertilisers noted earlier. This does not make sense because the season for applying these fertilisers are over. Second, higher prices are not necessary to procure more of wheat or rice. Wheat is procured directly from farmers and most rice is procured as levy on millets and whole sale trader. So even a low levy price does not matter to them as they can make up on their free sales. Third, the price hike will spur inflation and if this is done because the rates of inflation been acting as a sop to farmers. This may spur them to increase paddy production but at the rising inflation, taking the commodity out of reach of the poor and lower middle classes. Fourth, as noted in the case of jowar earlier, what promotes

production are not prices but non price factors like irrigation and extension. Fifth, higher prices make even inefficient farms — reducing the incentive for factor to move to higher productivity area. Sixth, the extent to which higher prices are a subsidy to agriculture from other sections of the economy, there is a shift from an explicit subsidy (on fertilisers) to a implicit subsidy. Finally, not only is there a clear need for the use of non price incentives increase in quality of paddy, there is need to examine the food stocks that are being developed which alternate only between wheat and rice and is reflected in PDS ration cards. Surely coarse grains which is not a priority for PDS is a more cost effective means of meeting the needs of the poor than increasing paddy procurement through prices and further strengthening the demonstration sequence.

Foreign Trade and BOP

The September report on the trade figures released by the commerce ministry shows that as against the export growth rates of 9 per cent promised to IMF for 1992-93, the first four months April-July show a growth of less than 1 per cent. And as imports show a growth rate of 23.9 per cent, the trade deficit has jumped to \$2121.71 million (compared to \$770.50 million) during that period in the previous year. In rupees terms the data is even more depressing with exports at Rs. 15,562.44 crores and imports at Rs. 21,634.64 crores and the deficit at a massive Rs. 6072.20 crores. In past issues the good export performance of industrial items were highlighted: and in two months also textiles types, plantation crops, carpets, have done well. Further exports to the general currency area grew at 9.69 per cent at \$5209.99 millions compared to \$4762.77 million

during the first four months of 1991-92. The further export incentives like the new advance licensing scheme for ready made garment exports and the boost given to counter trade with C.S units by government have not really borne any effect. On the other hand, as earlier noted, over 250 large firms are lagging very badly in their export obligations and this include some public sector undertakings and till this is corrected exports will be behind making the servicing of the foreign debts and correction of the balance of payment deficit more and more difficult. And the international situation is not making for export expansion. The turmoil in European currency market, with the Pound and Lira being allowed to float and the Spanish Peseta devalued, has introduced uncertainty in the export trade, the forward premium rate based on interest rate differentials fluctuating widely—in fact the short term interest rates are not holding on to their position even for a minute. The floating of British pound, which in effect is devaluation of around 10 per cent now introduces serious uncertainties in some export trade lines like tea which is effect is devaluation of around 10 per cent now introduces serious uncertainties in some export trade lines like tea which is mainly in British pound. The sharp fall in value of the pound has thus adversely affected Indian exports. The Rupee has appreciated in value vis a vis the pound as a result of which exporters have to pay more rupees for the same goods and are losers. This erosion of foreign currency has been occurring since April, the Rupee has appreciated against all major currencies. The Dollar for instance today fetches only Rs. 27.92 and the good effect of the development is that the black market for Dollar has gone and this havala market is non

existent now. But unlike US and European economies, the Indian economy cannot take these sudden shocks, particularly as it sends up our large dollar bill. So we can only hope for an early restoration of stable conditions in the European market.

Aid and loans

In September 4 loans from the World Bank and ADB, along with a credit from a new source, global environment facility, three loans from bilateral sources and a \$500 million surplus credit negotiated by BHEL from a private international financial institutions should be noted. Some features of India's foreign indebtedness emerged. First as noted earlier, the loans and credit made available to India are not adequate to service the foreign debt, that is to pay the interest due on them. Second, against the increasing interest payments repayment of principal during April-July of this year, there is a 44 per cent decline in external aid receipts shows that the period of concessional credit is slowly disappearing and the Indian economy must prepare for this. Third, India has emerged as the major borrower from IMF due to the adoption of fund supported adjustment and economic policies. Fourth on top, India is now negotiating with IMF for a large loan of \$7 billion, the justification for which will be known only when the Finance Minister who is negotiating the loan comes back home. On the face of it with adequate foreign exchange reserves and the economy and exports expected to increase, it is difficult to see the reason for this massive loan. Finally, despite the surge in imports and the widening trade deficit noted earlier, the country's foreign exchange reserves have remained stable so far. Though imports rose to \$5.5 billion and the trade

gap widened to \$1.5 billion in April-June and a further increase in April-July and with no immediate possibility of imports contracting, foreign exchange reserves rose to \$6.3 billion on August 21 which was \$900 million higher than the \$5.4 billion in April.

International

World Bank and IMF

Towards the end of September, the World Bank and IMF had their annual meetings when their Annual Reports were presented. These two Bretton Woods institutions founded to help the development of united family of nations, who now number 173 in their membership, are being helped in development. They think that the way to development is to replace the system of regulated centralized planning with a free market. Both the validity of this theorem and the conditions attached to the transition raise many questions, some of which are raised by the institutions themselves. The World Bank annual report emphasises its explicit acceptance of poverty reductions which is good news to the world with over a billion poor. But Third World government are however more worried about the World Bank and IMF not going about the task of poverty reduction. The governments are today less concerned about the limited resources in the aid that they are receiving and are more concerned about the severe conditions set. This is seen, for instance, in the discussions of the Group of 24 during the IMF-World Bank meeting where the tough and hard "conditionalities" were discussed and deplored, though later both the interim committee of IMF and the development committee of the World Bank endorsed them. Why should not a consensus be developed

as well developing countries, are on a phased reform and fiscal correction programme in place of these "conditionalities". The emphasis in both annual reports on poverty reduction and the 1990 Bank formulation of the path to be followed to reduce the number of poor by a trend, 300 million by the end of the century compared to 1985 is surely the basis for such a broad consensus. There is also the Bank's caution in its 1992 report that the target faces the serious problem of recession in the developed countries (the IMF report quantifies this for US, UK, and Eastern Europe) and the failing progress of the developing countries. The basic question is does growth reduce poverty. The Board's report and studies point out that the achievement of a high rate of growth would be painful in the short run — for the poor. It refers to India and the adjustment programme (as its earlier study does of 10 developing countries) that the gains of poverty reduction in India in the 80s will be eroded because of the adjustment programme, which means that poor will be worse off than before, because of the rise in basic food prices or increased unemployment. But the logic of this tragic relation between poverty and growth with adjustment "conditionalities" is not accepted because of the vague belief that in the long run there will be improvement and that there is no alternative to the adjustment programmes in the short run — which is not true. Another Washington based Institute on World Resources in 1992-93 refers to the gap between the rich and poor nations actually widening and poverty worsening, despite GDP increasing in all countries at various levels over the last 20 years, which raises serious further doubts about the link between growth and development. The report concludes that there are no adequate models of

sustainable development on a national level — and so translating the concept into programme which the World Bank and IMF are sponsoring is a doubtful endeavour as it rests not on firm grounds.

World Aid

Resource flow to developing countries in 1991 was stagnant in nominal terms at the same level as in 1990 at \$137.5 billion of which \$79 billion (59 per cent) was ODA. Given the rate of world inflation at over 3 per cent, in real terms this was a serious contraction, which means the reverse flow from the indebted developing countries to the lending developed countries is increasing. The OECD follows the World Bank and IMF in outlining poor prospects for the expansion of ODA, which is still at a little over 0.3 per cent compared to the 4 decade old target of 0.7 per cent, and in recommending as a corrective that the developing countries must attract private flows to meet their growing resource needs. But this will only worsen their indebtedness and make servicing of the debt even more difficult or open their economies to MNC exploitation.

European Currency Chaos

Reference has earlier been made to the problems faced by the European currencies. The trigger was raising the interest rate by Germany, its Bundesbank, to cool its over heated economy. But because the Pound, the Franc, the Lira, the Peseta are all linked to the D Mark, through Exchange Rate Mechanism (ERM), a number of currencies — British, Italian, Spanish have not been able to maintain their parity in ERM and rather than raising interest rate which would lower their

growth, have adopted various forms and levels of devaluation. The turmoil in European currencies have both political and economic repercussions. At stake are the tough policies which result from currency weakness and that of their economies. The danger is that this turmoil may lead to a hardening of protectionism in Europe, sounding the death knell of the Uruguay round, which the US has anticipated in deciding on a very large subsidy to its wheat farmers.

World Employment

Is the ILO forecast that of the 700 million persons of working age 55 per cent, that is 400 million, will seek employment during the 90s somewhat conservative? As far as India is concerned with half this number-at over 300 million, all of them will be seeking work. Has the reduced number-from 200 million to 400 million been devised to fit into the employment perspectives of the 90s? Even this reduced number will not find employment because job creation in developing countries like India is being held back by the slow moving economy, inflation, declining investment and political and social unrest. On top there is the problem of surplus manpower in most state undertakings which will have to be redeployed. In the former Soviet Union it is reported that over staffing is 25 per cent and 15 million will lose their jobs in 1992 and a huge 50 million under employed. Asia faces the same situation. As for Africa, the debt burden is also a factor holding back employment creation. The ILO analysis is that in the developed countries the rate of job generation during the next 10 years will barely match the growth of labour. And given the reluctance of the NICs to absorb labour from the developing countries, both emigration and international exchange of labour are not avoidable options

for countries like India and Pakistan and Bangladesh with vast labour surpluses.

The Jakarta NAM Summit

The leaders of the 108 Non aligned countries who met in Jakarta in early September and issued a statement called the Jakarta Message at the end of their week's meeting deal with the reform of the UN, South and South cooperation, the disputes which divide the movement, the worsening economic environment, the disruptive role of terrorism and nuclear weapon and the need for agricultural and industrial development in face of discriminatory and highly restricted world trade regime. The message and the meeting raise a basic issue—Do we need NAM? In the post cold war world, where we have only one super power, what does non alignment need? This question cannot be answered on a long term basis because of the rapid rate at which the world and its economic, social and political facets are changing. It cannot be economic cooperation because NAM is not really an institution and the Group of 77 and the task force of the Group of 157 are doing this job of economic cooperation among the

developing countries in the limited areas which are agreed. For the present, for the next few years, there is one task which NAM could devote itself to and that is to work out a consensus among its members on restructuring and democratising the UN system, which is in danger of losing its original purpose and became a play thing of the top industrial countries led by the super power. This agenda is modest and adequate to give NAM a task in the process, also help underline, meet and multilateralise other problems through the various forums of the United Nations, including the Bretton Woods institutions, UNDP and the specialised agencies.

India-Bangladesh Water sharing

Is the, after over a decade, India and Bangladesh agreeing to form a joint committee to work out a formula for solution of the water problems a workable proposal? If the priority facing both countries, namely, sharing of the dry season flows of the Ganges is the major interim agenda, the panel will work and could lead to long term arrangements on sharing of the waters of Ganges from the source in Nepal and the Brahmaputra.

II. Agricultural Development in Tamil Nadu

Paddy and other Crops

With the opening of Mettur on the schedule date of June 13, as reported in the last issue, the question is as to why

the delta paddy farmers are not extending the kharif sowing to the full 4 lakh hectares and are short by 1 lakh hectares? If the uncertainty of Karnataka following the tribunal award is the

reason, the plentiful rains in Karnataka, particularly in its sources in Coorg has resulted in the surplusing of its reservoirs resulting in Mettur receiving really more than the Tribunal award of 205 tmcft of water. The policy and the various input like the irrigation channels and their desilting, the availability in time of HYV seeds, the cost of fertilisers are in need to be reviewed to get the farmers to external paddy cultivation to the full limit in both kharif and samba season. The action against the tungro virus which swept over the 1500 acres of the sornavari paddy crop should have been taken so that the North Arcot farmers losses could have been reduced, if not prevented. With the 35000 hectares of the samba paddy, the disease affecting Arakonam taluk, Wallajah taluk and Vellore taluk need to be fought on a war footing. There is no use in passing the buck as to who is responsible for the spread of the virus unchecked, the department officials or the Vellore TNAU: action should be taken to help the farmers fight the virus. Kuruvai paddy has begun to arrive from early September and the monopoly procurement has been extended reported in the last issue and has enabled the government to procure 12.5 lakh tonnes anticipated and the 3.5 lakh tonnes of kuruvai paddy. The farmers are enthused and have responded to the increase in the procurement price of paddy by Rs. 40 a quintal from September, so that the common variety fetches the farmer Rs. 270, fine Rs. 280 and super fine Rs. 290. In addition the incentive of Rs. 35 per quintal granted by the state government will continue. This subsidy will cost the government an extra Rs. 70 crore which will not be recouped by raising rice prices. On the other hand the price has been fixed at Rs. 6.50 a kg and the government intends to flood the

market with rice so that the price remains at that level. Other kuruvai crops - cotton, groundnut, are also doing very well, the farmers report.

Research results

In the six weeks from mid August to end September, 40 research reports have been registered. Two problems that this group of reports raise should be highlighted. First, the largest number concern fruits (12), followed by vegetables (5), animal husbandry (7), paddy (4), other cereals (4). This is a fair distribution of what the farmer and cattle farmer need except it will be noted that there is only one research report on jowar, the poor man's cereal. On the other hand though the research reports on paddy are only 4, the union ministry of agriculture highlighted this month the achievement of ICAR scientists of a significant break through in evolving hybrid rice varieties that would help the country to make another quantum jump in paddy yield and production. The problem of paddy being a water intensive crop which poses a special problem for the water starved state like Tamil Nadu which needs its replacement by less water demanding coarse cereals has been earlier highlighted. But the Green Revolution mentality still persists and accounts for the highlighting of the research on paddy. The other issue is that even with regard to the other important and impressive research in crops and animal husbandry, there is no information available of how far their laboratory results are being transferred to the farmer on the land. This Bulletin attempted till this issue to identify these research results which can benefit the farmer in the field or cattle shed immediately. But this does not give an account—positive or negative—of how far there is a real transfer of the research results from

lab to land. This is urgent and can be fairly qualified as in farming there is not the intermediate process, for most manufacturing industries of having to test out their commercial viability in a pilot plant. This will also show how effective our extension services are.

Plantation crops

September recorded the curious phenomenon of a decline in the supply of all varieties of tea — globally, nationally and in this state — and a fall in the prices of all the varieties. The world reduction in the first 6 months of 1992 is estimated at 91 million kg, and all producing countries — Kenya, Sri Lanka share in this decline; the national production decline in the first 6 months is 29 million kg, and the major part of the loss from south Indian gardens is 21 million kg. Not only were there consumer sales at 184,882 tonnes in 1992 against 201,514 tonnes in the first six months of 1991, the price declined from an average of Rs. 39.57 per kg in 1991 to Rs. 37.88 kg in 1992. This decline applied also to Darjeeling tea and CTC tea, only in the South the prices remained stable. Indian exports fell to 78 million kg during this period in 1992 against 87 million kg last year. This fall in exports is mainly due to the loss of the Russian market which used to absorb 50 per cent of the export surplus of 200 million. Against the 95 million kg imported by the Soviet Union, the agreement with CIS reduces the exports from India to 60 million kg and of this only 15 million kg has been imported compared to 55 million kg last year. The largest other buyer, UK firms have taken advantage of this situation to scale down Indian tea prices. The moral of this situation is clear. First, there has to be a search for new markets in Egypt, Libya, Saudi Arabia and countries in Africa.

Second, there is need for producing value added items like instant tea. Third, for that there is need to modernise our tea factories and install the machinery and train the workers who can produce it. With regard to *coffee* at long last, after 50 years except for 3 years at the start of the formation of the Coffee Board, and following the various studies commanded by the government and the Board (See Vol XXI p 169 and Vol XXII p 233) the Coffee Board took a land mark decision whereby 1.30 lakh registered coffee growers need no longer pool in the Board more than 70 per cent of their produce. This unanimous decision allocating 30 per cent to the Internal Sales Quota (ISQ) was further developed at the subsequent meeting on the mode of marketing whereby the important sub decisions were made. First, since 90 per cent of growers are small (less than 2 hectares) growers, this freedom to sell 30 per cent directly to the market is made an option so that the majority of small growers who are nervous about going directly to the market can still sell all their produce with Board. Second, the Coffee Board will continue to play a price stabilisation role with regard to the 30 per cent ISQ, intervening when the price falls too much or rises abnormally. Third, the Board has been vested with powers to make a random check if any grower misreport his production where the criteria will be the average production for the past 3 years. There will be other problems that will come up when implementing this decision, including the possibility of failure of the scheme, in which case after one year the 100 per cent pooling system will be resumed for one more year. The success of the decision which the large growers have been pleading for will depend on the cooperation of all growers big and small. This

has led to another land mark decision, when the 12 associations of the country's main coffee growing regions have joined together to set up the first multi state cooperative for procuring, processing and marketing coffee, cardamom and other plantation crops. This Indian Coffee Marketing Cooperative Ltd (COMARK) will have an authorised share capital of Rs.20 crores - Rs. crores for 70,000 auction shares of Rs.1000 each, consisting of coffee and cardamom growers in the states of Karnataka and Tamil Nadu and Rs. 2 crores from B class shares open to cooperative institutions registered under the multi state cooperative societies act or state cooperative societies act in the 3 states and Rs. 3 crore from 30,000 C class shares open to the institution constituted by the Government of India or state government like Coffee Board, Cardamom Board and Rs. 8 crores from 80,000 D class shares open to the Government of India or the state governments. Matters are moving very fast on the coffee front and these developments need to be supported and monitored carefully. On the International Coffee Agreement, the Coffee Board should wait and watch what quota

is likely to get in view of the fall in exports in 1990-91 due to lower production in the previous year. This means keeping our option open. Finally the world coffee production for 1992-93 is forecast at a 6 per cent lower level, when all producing countries except Colombia and India will face a fall by 10 per cent and the exportable coffee produced fell by 9 per cent leading to a rise in coffee prices. In regard to *rubber*, India's current production of 4.07 lakh tonnes will be exactly equal to next year's consumption, leaving no possibility to export, last year's 10,000 tonnes. As for as internal rubber production and demand, the question is as to whether this policy of liberalisation will lead to production of cars, trucks and two wheelers and a consequent increase in the demand and production of tyres. At this moment when the automobile industry is passing through a recession, it is difficult to answer this question. Against this backdrop the 6.5 lakh tonnes natural rubber production target set for 2000 AD, raises the question of how this will affect the country's rubber economy and whether any potential surpluses can and will be mopped up by the world market.

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III. Industrial Development in Tamil Nadu

The monthly balance sheet for September in regard to the states' industrial development records 2 plus points and 7 minus points.

The positive features include: *first* the progress made in the India Singapore industrial corridor for which *Tamil Nadu Industrial Development Corporation*

(TIDCO) has been appointed to act as a nodal agency. The corridor will provide India, Singapore and multinational companies, offshore manufacturing facilities in India, as well as housing, recreational and other infrastructure. Singapore industrialists are expressing great interest in this facility given the sharp rise in operational labour cost in Singapore on which

India will provide a counter through the corridor. *Second*, in an important development for this power starved state, one of the state's major industries, *Carborandum Universal* is setting up a two MW wind energy plant in Chingleput using the land offered by the state government and with comparative wheeling charges, it will be cost effective. It will be set up in two years. *Third*, the National Aromatics and Petro Chemicals Corporation Ltd (*Arochem*) has made good progress in executing Madras Refineries Ltd. (MRL) aromatic project. MRL had transferred its letter of intent in the name of Arochem and activities were on to complete the project in 33 months. The supply of the key raw material, naphtha has already been tied up with MRL. The union's approval for the import of technology and the funding arrangements for the project will be completed soon. *Fourth*, given the confusion over the state's granite policy, it is heartening that *Rossell Industries Ltd* (RIL) has drawn up plans to set up a Rs. 90 crore granite, cement and telecommunications plant to be readied in two years. The plant will set up a 100 per cent export oriented unit to manufacture granite slabs and till units in the state under the name of Rossell Granite Pvt Ltd. This part of the plant involves an investment of Rs. 30 crores. *Fifth*, *Madras Refineries Ltd* (MRL) is investing Rs. 23 crores for upgrading its R & D facilities to give it a business orientation. This involves a total transformation of the management of the R&D department tying it more closely, as provided in the VIII Plan to business activities and strategic objectives. *Sixth*, in September *Ashok Leyland* recorded two important development. First its UK collaboration, *CRLTH* has agreed to step up its equity holding from 40 per cent to 51 per cent now permitted under the liberalisation policy. With the additional

fund it i) is executing the plan for manufacture of IVECO engines at its Hosur plant, ii) has obtained approval for establishing a 1000 MW power plant in Vishakapatnam and iii) is setting up a 6 million tonnes oil refinery at Orissa — the last two projects call for an investment of Rs. 6000 crores. *Second*, the state government has announced a package of incentives for the first project - the manufacture of IVECO engines at a cost of Rs. 675 crores which will introduce a new range of vehicles with the state of the art technology from IVECO which is part of the Fiat group. The incentive package is a follow up of the new industrial policy announced by the government last January (see Vol. XXII p151) which include sales tax deferred for 14 years for various components of the project, Rs. 1 crore capital subsidy, allotment of 250 acres of SIPCOT land at Hosur, supply of adequate quality of coal, power tariff concession for 3 years and exemption from power cut for five years. This is the first large project being provided the announced incentives. *Seventh*, the union government has cleared the proposal of *SPIC* to float Euro convertible bonds for \$50 million plus additional 15 per cent of over subscription to tap international market for meeting the foreign exchange needs of its projects. *Eighth*, *Madras Fertilisers* has submitted to the union government a revised plan for its expansion, costing Rs. 500 crores. The revised plan which provides an increase in the capacity of the ammonia and urea plants, improving the efficiency of the NPK plant, reduction of energy consumption and extending the economic life of the plant by 15 years was first cleared in May 1991, at a cost of Rs. 315 crores. But the delay caused by the change of the union government, and subsequent production and steel price

decontrol the decontrol of fertilisers, partial dollar convertibility and customs duty relief on capital goods and raw materials imports bring the cost to Rs. 499 crores. The funding will be from partially convertible debentures for Rs. 264 crores, IDBI Rs. 186 crores, the promoters, the Union government Rs. 42 crores and Iranian Oil Company Rs. 40 crores. The revamping of the project will be completed in 30 months. *Ninth*, the union government and UNDP jointly launched a *National Leather scheme* aimed at obtaining 12.5 per cent share in the world leather market by 2000 AD. The main areas for development to close current gaps are: human resources development, supporting industries, effluent control, artisan development and export capabilities. Also the effective coordination and programme management are being strengthened. The areas of private industry which are totally deficient like designing, improvement of market centres, and the setting up a fashion studio are being attended to. The main Tamil Nadu based leather industries involved in the programme's 42 outputs are: the Central Footwear Training Centre, Indian Institute of Leather Products, Central Leather Research Institute, Prototype Development and Training Centre and the Council for Leather Exports, Madras. *Tenth*, the government sponsored 1 lakh small tiny units to be established in 5 years, starting modestly with the grant of a variety of concessions - beginning with advance disbursement of the state capital subsidy on a stage by stage basis to meet the liquidity crunch problem faced by the units. On this basis the state has disbursed Rs. 8.53 crores to new small units in 1991-92. A further incentive was the launching of a technological development fund to enable small units to keep ahead of the technological scene. Also a venture

capital fund was launched through the TNIIC both to promote new technologies and encourage young entrepreneurs.

With regard to the negative features of the state's industrialisation programme as recorded in September, 8 regrettable developments should be noted. *First*, earlier issues of the Bulletin have reported in detail on the retrograde and impractical grants policy pursued by the government. The effect of the retrograde policy can now be quantified. While earning Rs. 75.80 crores per annum in exports till this year, for the first 6 months of 1992-93, granite exports have amounted to Rs. 6 crores. This means that the goal of the country's granite exports expanding from 12 per cent to 18 per cent of the granite world trade, is now unattainable. The policy is also impractical for the state and its granite workers, because Tamil Nadu's loss has been picked up by the granite firms and workers in Karnataka and Andhra Pradesh who unlike Tamil Nadu have been granted long leases. Hence the large granite firms have moved out of Tamil Nadu to the 8 neighbouring states, leaving the smaller and new firms to work under the state owned TAMIN. *Second*, the *chemical Industrial Association* underlines the declining and negligible share of Tamil Nadu in the production of major chemical feedstock and products during the VIII Plan. The states share will be nil in methanol and very low in basic chemicals like acetic acid, acetic anhydride, phenol, acetone, DMT/PTA, ethylene oxide, rubber chemical, benzene etc. which are rapidly expanding elsewhere particularly Gujarat. Tamil Nadu ranks 14th in all India order and for this the state not following the liberalisation of the union government in regard to molasses, industrial alcohol etc. is a contribution. It must be admitted that most of the lacks from which Tamil Nadu is suffering stems

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from the policies of the union government, the sharp rise in petroleum products and natural gas sending up sharply the cost of methanol and other chemical products. *Third*, while *Madras Fertilisers* expansion plan was earlier commended as a positive element, the cost escalation of this modernisation programme of MFL due to devaluation of the Rupee and partial convertibility is a negative element. Even now any delay will further send the cost up, for example as a result petroleum product prices increases. *Fourth*, the *B&C* revival also earlier referred to is a costly affair. Can the state afford it? Should a sick industry be revived by pumping in so much of state funds. The concessions in sales tax and power tariff offered by the state government amounts to a hefty Rs. 125 crores. Again while the management is taking on the loss of Rs. 60 crore, it is simultaneously committing itself to extend industry level benefits such as Rs. 30 lakhs for welfare scheme, presentation of coaches, Rs. 10 lakhs, school fees and uniform for children of staff who have served 25 years. *Fifth*, the internal functioning two companies *Cauvery Sugars* and *TVS* raise certain important questions. *Cauvery Sugars* announced a profit for 1991-92 by changing its accounting procedure according to the auditors. For the period October 1990 to September 1991, it has treated as advance the Rs. 1.21 crore paid to cane growers and shown this in that account instead of showing it under expenditure—cane purchasers account. Similarly no provision has been made under current liabilities in respect of the price difference between statutory minimum price and the state advised price which for the period is Rs. 35.84 lakhs. If these appeared in the appropriate place in the balance sheet the company would show a loss of Rs. 2.04 crores. This is serious and raises a question of business ethics

as well as its referral to BIFR. The other company, *TVS*, is facing internal differences in its management which will affect its functioning. The original proposal was to break the management into four pieces. Now it has been softened to divide it into two. The problem of interchange and coordination will no doubt be attended to. *Finally* and most seriously, the Comptroller and Auditor General report to the Assembly points out that the accumulated losses of 32 Tamil Nadu state companies works out to Rs.423.04 crores over 4 times their paid up capital of Rs.96.78 crores, b) three of these companies—Tamil Nadu Small Industries Corporation, Pallavan Transport Corporation and Tamil Nadu Civil Supplies Corporation account for 60 per cent (Rs.254.5 crores) of the losses, raising the question of whether they should not be privatised, or drastically restructured. Only 42 companies have finalised their accounts for 1990-91, with the Tamil Nadu Civil Supplies Corporation having the distinction of finalising only its 1985-86 account and d) the dividend yield of 74 state government companies with an aggregate paid up capital of Rs.434.43 crores was just Rs. 3.28 crores or a mere 0.8 per cent of its equity investment. This is a dismal story repeated year after year, which calls on the legislature to examine in depth whether the state government should be in business, and the means of liquidating perennially loss making companies.

This profile of Industrial development in September is rather heavily weighted in favour of the negative features, because there is not one element on the positive side which can compensate for the seriously tragic tale of Tamil Nadu state businesses recounted by Comptroller & Auditor General.

IV. Education, Science and Health

Human Resource Development

The reason for putting together these three somewhat separate areas, education, science and health and labour dealt with in the next section is that together they constitute what is called human resources as distinct from the physical and material resources which have been considered so far. And it is only in so far as they mesh and form a coordinated and integrated factor, that these can be both development of human resources which is human capital increase quantitatively and qualitatively and together with physical capital can make for human and social development. Looking at the four components, to be dealt with seriatim, one must acknowledge that they are not coordinated and are far from being integrated to push forward National Development. It is this which will be the driving force in this or the subsequent subsection in this section.

Educational reforms

The whole human resources development infrastructure start at the base which is primary education and adult literacy. On primary education, the situation is unsatisfactory. Even the essential drinking water facility exists only in 47.38 per cent of all primary schools, only 56.26 per cent of primary of schools are housed in pucca building and 51.16 per cent of the rural habitations are served by primary schools with the habitation of residence—according to the Fifth all India educational survey. There are serious inter-state inequalities with Kerala schools being well provided and Bihar, Rajasthan and most North East states being in poor conditions of schooling.

The revised Programme of Action (POA) tabled in Parliament in August attempts to correct these defects, but just as a tiger needs meat to live, the primary education systems needs funds and on this POA can only set norms. The adult literacy front, on the other hand, presents a less gloomy picture, with the percentage of literates rising from 43.4 per cent in 1981 to 52.1 in 1991 according to the 1991 census for people aged 7 and above. The Bharat Gyan Vigyan Jatha and Bharat Jan Gyan Vigyan Jatha have pushed literacy forward, learning from Kerala's Shashtra Sahitya Parishad and tackling the problem on a local area level. The government expectations that at the end of VIII Plan in 1997 the literacy rate will touch 70 per cent is not unjustified. But here too there are lacks which heed attention. Beside regional inequality with the Hindi belt lagging far behind that of other states - Kerala, Tamil Nadu, Maharashtra, there is seriously gender inequality, with girls and women having a low primary school environment and even more serious discrimination in literacy, with men having attained 63.9 per cent and women still at 39.4 per cent. Further the ethos of cost effectiveness and accountability proposed by the POA must be realised in the VIII Plan. Only then will the human resources structure rest on firm foundations. In higher education which provides the leadership for the economy, it is not more public funds that are needed. The capitation fees which have been declared illegal by the Supreme Court raises the question of how higher education can be financed by parents of (well to do) students and the business community. If capitation fees can be debited to an auditable account and

used solely for buildings, equipment and running expenses, it would be a means of reducing the unequal public subsidy of higher education, equipment and running expenses, it would be a means of reducing the unequal public subsidy of higher education. Here universities and particularly autonomous colleges can take the lead in raising fees to adequate levels so that students and parents contribute their share of the cost of higher education.

Technical education

The health of education, the education and training of technicians, engineers, doctors, nurses and para medical personnel occupies a strategic place in developing human resources particularly in the work and contribution of engineers and technicians to industry and agriculture, the training of extension agents and management specialists. Here again there is a dilemma in maintenance of a few high level institutions whether they be IITs, IIM-or PG medical Institutes and the need to provide more technicians, extension workers, medical personnel with the first degree. This dilemma has neither been addressed nor solved and till that is done our human resources will continue to creak and groan on the road to development.

Science

The shortage of funds has spread to the science fields, science and technology, which are directly related to the development of human resources. On the one hand CSIR faces funds crunch and is dropping some projects (which may be good according to the last Abid Hussain review committee), on the other the Computer Society of India has taken the

lead in spreading computer literacy and education and so relieving public funds from this area. The focus on setting up Electronic Hardware Technology Parks should be designed not only to attract multinational corporations but also to train our scientists and technologists to earn and pave their way in the most recent innovative developments. It is very important, therefore, that the public subsidy for setting up these parks should be terminated at the earliest; so that those parks pave their way in both earning foreign exchange and helping make the domestic industry internationally competitive. A similar but long range issue is the setting up by Anna University of the Institute to focus on issues such as environmental plan and management and assess the needs of industries and user agencies in terms of environmental safeguards and management, which are sensitive to ecological issues so that we can begin to reverse the damage to our environment whose concentration on fast material development has caused. In this context, equally an attempt to correct gender injustice in our human resources development is the setting up of a national research centre for women in agriculture at Bhubaneswar to evolve suitable technologies to reduce the drudgery of rural women, — the most neglected part of our human resources in relation to their work on crops and livestock production, post harvest technology and integrated pest management. The month also records the successful launching of the surface to surface missile, Prithvi, at great cost but whose contribution to human resource development is in some doubt except its fall out effects. On the other hand, the National Chemical Laboratory has developed new technology for the manufacture of ethylbenzene with the collaboration of Vishakapatnam based Hindustan polymers, will push forward

plastics and synthetic rubber and the technology developed by the Nimbka Agriculture Research Institute in Maharashtra to use sugarcane leaves, millions of which go waste, to generate power and save our non-existent foreign exchange on import of diesel are the kind of science and technology which build our human resources. Of the same order is the encouragement to the development of private sector to participate in wind energy in AP which should spread to other states.

Health

The health section of our human resources scenario is lagging far below science and technology application. The priority here is to contain the exploding growth of population which is around 16 per cent of world population living on 2.5 per cent of the earth's surface. Until the current trend is reversed of India contributing more to world population growth than

China, which will be overtaken by 2050 AD at the present rate of population growth at 1754 million against China's 1690 million at that time, all talk about developing our human resources is without any substance. Why is this? The reason is both at the top where there is a lack of political commitment (as the debates in parliament show) and at the bottom at the family level, where producing a child is still seen as a means of augmenting the family income. What is needed is for government and parliament to take on the Family Planning Programme as a priority and for there to be sensible rise in the income of the family through more remunerative employment. One area of optimism and hope is the success of the immunisation programme under which an international expert evaluation tells us that polio and neo natal tetanus will be eradicated by 2000 AD. But the counterpart to this should be speeding up the time when there will be zero population growth rate.

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V. Employment and Labour Relations

On the 4th and last day of the Human Resources edifice, namely employment and condition of work, we are in the peculiar position of knowing what are the dimensions of the employment and unemployment problem broken down into main workers and marginal workers and also at state level as for instance in Tamil Nadu where the worker strengths has been established at 44.13 per cent of the population-at 2.45 crores out of a total population of 5.56-, which is a higher ratio than the all India one at 37.64

per cent. The census data also shows that state had 22 crores main workers and 15.8 lakh marginal workers. We also know the rural urban differential, with the rural proportion increasing from 46.48 in 1981 to 49.06 in 1991, with percentage of female workers decreasing in rural areas and increasing in urban areas. It is also known that Tamil Nadu has the second highest number of unemployed at 1344 out of 2000 usually unemployed. We have now set up a panel to assess medical manpower needs

and shall do the same for industrial manpower needs. We also know about the short term employment programmes like IRDP, NREP which give employment to the unemployed and underemployed. We also have worked out the strategy needed to attain full employment in 10 years. The 30th session of the Indian Labour Conference which concluded after reviewing the employment needs and unemployment backlog concentrated attention on labour production which is essential for the country to take its place in the competitive world and the merits or otherwise of the exit policy and redeployment of labour. There was no consensus on these issues, but there was a full discussion on the 3 main issues of productivity, exit policy and redeployment. Labour is no longer low cost in India, with organised workers making and obtaining regularly higher wages and allowances but unfortunately not compensating it with by producing more, so that India is in danger of becoming a high cost economy. On the question of exit policy, both the public sector units and private sector ones are over staffed and are turning into white elephants. The logic of an exit policy to be accepted by both labour and management is inexorable and must be faced. Similarly redeployment of

surplus labour can become a viable measure, if the employment situation can develop which is if economy, agriculture, industry and services grow so that they can provide for the redeployment of surplus labour and also provide employment to those entering the labour force, which is near 2 lakhs a month in the country. Certainly the omens are not favourable on this — with the 1991-92 growth rate at 2 per cent and the RBI projection that the 1992-93 growth rate will be 3.5 per cent, as noted earlier. Both at the national level and at the level of Tamil Nadu we need to move quickly to a rate of 5.6 per cent as projected in the VIII Plan because it has been computed that a maximum of 40 per cent of those needing employment are employed through the short term special programme, whereas the majority — 60 per cent are employment through the progress and development of industry and agriculture. Till this occurs, our human resources are not developing and that is for the poor country that India is and the large mass of the people living in poverty in this state estimated at over 48 per cent, a first priority. It is this that the Planning Commission both at the union and state levels should turn their attention to — developing the requisite strategy to this end.

VI. Other Items

Unesco and International Literacy Day

As reported in the last issue the Unesco World Literacy Jury met in mid August and selected China, India and Guinea for the award of the 1992 literacy prizes. At the invitation of the government of Spain,

this year's International Literacy day announcements on September 8 were made in Seville at the Universal Expo 1992, on which the government had invested several billion dollars, creating a large artificial lake and an attractive teleferique which went over the lake, and

organising an impressive function. Several countries including India had their pavilions at the Expo. At the main International Literacy Day function, the Director General of Unesco spoke about the message of the day which is the rapid abolition of illiteracy and presented the medals, and certificates to the 3 candidates. The Under Secretary General of the United Nations also spoke along with the foreign minister of Spain. In the evening, the Jury's parliament was read out and the major features of this year's 35 submissions explained.

BBC

The BBC recorded in Tamil a 30 minute programme, in which the problem faced by India, Tamil Nadu and the World in the economic field were discussed. The problem of inflation in India, the problem of recession in European countries, US and the consequent Balance of Payment problems created for India and the developing world were reviewed. The progress made in education in all countries and the unfinished tasks in India were also highlighted. The programme has been broadcast to Tamil people all over the World, the West Indies, Mauritius, Singapore and Indonesia and to smaller Tamil groups in most other countries.

BGVS

The annual general body of the Bharat Gyan Vigyan Samiti, preceded, as usual, by its executive committee was held in Madras in mid September. The ongoing and rapidly increasing literacy programmes in 150 districts were briefly reviewed and the importance of starting on the post literacy programme so that the new literates continued their learning and do not lapse into illiteracy was stressed.

The committee and the General Body congratulated Pondicherry on winning the Unesco King Sejon literacy award this year. BGVS which in Tamil is Arivoli Iyakkam made significant contribution to this end. The programme for the next year and the following 5 years was agreed upon, with major emphasis on the Hindi heartland where literacy is badly lagging.

TNSC S&T

The Tamil Nadu State Council of Science and Technology held a series of meeting in Madras in mid September. First, the executive committee met and reviewed the 6 completed projects and decided to send their reports to the government agencies responsible for implementation of those areas and after a further vetting by experts to publish two of the reports which are of wide general interest. It also reviewed the ongoing research projects and approved two further projects along with some travel grants and assistance for seminars in the coming months. On the following day, there was the meeting of the special council to approve the decision made by the general body last month relating to amendment to its charter involving including popularisation of science as one of its objectives as reported in the last issue. This special meeting was followed by an ordinary meeting of the council where the recommendation of the executive committee were reviewed and endorsed. The council received a report from the Member Secretary who had been requested to visit Tirunelveli and assess the possibility of starting further science centres in other districts. After reviewing the report, it was decided that the council itself should not start the centre as it did not have the

necessary resources but requested the council of museums to start a second centre, to start with, for which the state government will give land and other infrastructural facilities and the council some staffing help.

World Bank and Tamil Nadu

A delegation from the World Bank visited the Institute towards the end of September to exchange views on the state of agriculture in Tamil Nadu and India. In the exchanges, it was agreed that agricultural research and development as well as pricing and distribution policy as in the PDS was heavily influenced by the Green Revolution resulting in an over emphasis on the water intensive paddy production which a water starved state cannot afford. The neglect of dry farming particularly the substitute coarse grains needs attention. Another area that demands attention is the development of animal husbandry and non food crops which are being neglected.

Institute of Social Sciences

The Institute of Social Science, New Delhi organised on September 24 at 10 a.m. a symposium in memory of Prof. D. T. Lakdawala on Decentralised Planning which was one of his favourite theme. The chairman of MIDS who was invited to become chairman of the Institute presided, with three speakers, Ramakrishna Hedge, Ashish Dasgupta and George Fernandez. The symposium was held in the Conference hall of IIC. This was followed in the afternoon by meetings of the executive committee, the council and the General Body at which the 1991 programme of research, publications and seminars were reviewed and plans and programmes and the budget for 1992 and 1993 were approved.

The meeting paid homage to the memory of its late chairman, Prof. Lakdawala. What the Institute urgently requires is a building. At present its rented building is both costly and totally inadequate.

IIC

The India International Centre had its monthly panel discussion also on September 24 in the evening when the subject of review and discussion was the role of the financial institutions — IDBI and ICICI and others. The main finding was that at a time when the bank including the RBI, are being rocked by the Stock Exchange scandal involving several thousand crores of bank resources the financial institutions have been functioning normally, helping industrial and agriculture development. It was also agreed that the institutions need to be strengthened with more finance either from the government, which at present is not likely given the financial squeeze the government is practicing, or the primary stock exchange market. This should be pushed forward rapidly.

October Seminar

The paper, "Is Transportation a Hard Nut?", by C. T. Sriramulu for the October seminar appears as the first article.

Second Article

Extracts of the Part I of a paper on "Gandhiji and the Indian Economy Today" appears as the second article.

Book Review

A review of the book, Class, State and Development in India by Nasir Tyabji appears in this section.

MIDS News

Mr. S. Guhan participated in the seminar on 'Issues before the Tenth Finance Commission' organised by the NIPFP in New Delhi on 19th October, 1992.

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Mr. S. Subramanian presented four lectures to M.Phil students at the Centre for Development Studies, Trivandrum over the period 27-10-1992 to 4-11-1992 on the subject of "Issues in the Measurement of Inequality and Poverty"

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Dr. T. N. Krishnan of the Centre for Development Studies, Trivandrum visited the Institute and gave a seminar on "Some Aspects of Population, Poverty and Employment in India" on 20th October, 1992.

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Dr. Arvind Sivaramakrishnan, Fellow, Centre for Economic and Social Studies, Hyderabad gave a seminar on 'The Public Sector, the Private Sector, and the Citizen's Judgement' on 31st October, 1992 at our Institute.

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October Seminar

Is Transportation A Hard Nut ?

Dr. C. T. Sriramulu

Retd. Professor, Anna University

Prelude

Life comes to existence because of transportation. Life ends with transportation. Living revolves around transportation inside a home or elsewhere which activity does not exist. Transportation is a repetative as well as an itinerant process.

Transportation is a perishable commodity. So, it should be utilised the moment it is made available. The vehicle or the mode with path (land, water or air) is to be used judiciously taking distance, cost, energy, travel time, comfort, convenience and environmental impact as parameters, for rating.

In real world situation, transportation refers to the movement of people and goods at a cost from one location to another where they are needed in appropriate modes at the time they are needed. The movement of people and

goods may be voluntary or a forced one. Past evidence has clearly showed that movement's at various location are result oriented either productive or otherwise. At present, we are concerned with productive aspect of transportation for betterment of mankind.

Resources, Productivity and Prosperity

Natural resources, manpower and technology are the resources for productivity. Natural resources have two components namely expendable (flora, fauna, minerals and crude oil) and non expendable (wind, rainfall, sun radiation and climatic changes). Man power has also two components namely physical strength and mental ability. Technological resources are comparatively recent in origin but their advances are tremendous. The utilisation of these three resources for agricultural, industrial productivity, services and prosperity of mankind

depends on the level of education of the people and the extent of transportation available at the local and regional levels.

To day, the disparity in the standards of living between developed countries and developing countries is attributed to the level of interaction between the three resources and the two catalysts namely educational level and the end of transportation facilities.

The fertile area for interplay of the resources and the catalysts is the urban area. Thus, the degree of urbanisation is directly related to productivity and economic activity. Though India had evidence of urbanisation over 2000 years or so, with relatively vast potential of natural and manpower resources, the lack of accessibility to efficient transportation and higher education in Science and Technology to the majority of our people made India, to be one amongst the poorest nations of the world. The vast terrain, the social and cultural segregations, scattered and small settlements until the second half of this century blocked the progress, productivity and prosperity of the people of this great and ancient country.

History of Transportation

Ancient transportation is land and sea based without any defined directions and measure of efficiency. Rail and air transportation systems brought seachange and order in the use of transportation facilities. The technology, higher motive power capacity, speed, safety, reliability, availability and affordability have provided varied options in owning and usage of different transport modes. New modes such as hovercraft, hydrofoil, helicopters, ropeways, cable cars, conveyer belts, trolley buses, light rail transit, vehicle enroute guidance, submarines and host of many alternative modes have

come to compliment as well as supplement the travel demand of people and goods, during peace time, war and natural calamities. Proven technology, electronic gadgets and non-metallic components upgraded the performance rating of both passenger cars and public transport vehicles. The performance is measured in cost and travel time per passenger kilometer for mobility of people and tonne kilometer for goods. Hypersonic planes, electronic guideway and automatic control cars, high speed magnetic levitation vehicles, personalised rapid transit modes will be reality for large scale use in the near future. Superconductors, energy efficient, cost effective, safety and remote automation, sensors are the key words in manufacture and use of future transport modes.

Transport Systems

Vehicles operating on a highway and street network is called road transport system. Similarly, carriages operated on a fixed track network is referred as railway transport system, sea and air transportation are the other two major systems. All other systems and many other sub-systems are generally termed transportation systems.

Planning for mobility of people and goods in a city or a region using mainly road and rail systems is generally referred as transportation planning. Broadly speaking, road and rail based operations of different modes are referred as transport systems. Bus transport system, sub-urban rail system, paratransit system, ferry services for passenger and goods in water bodies are the main transport systems in many major cities in India. In passenger transport, the main sub-systems personalised vehicles (passenger vehicles) and transit vehicles such as buses, trams and trains.

In freight transport, there are trucks, tankers, and special purpose vehicles. There are many variations in static and dynamic characteristics of different travel modes which are relevant in the design of pavement, railway track, runway and draft.

Transportation Planning

Planning is the task by foresight to meet the inevitable. As applied to orderly movement of people and goods in any city or a region which certain boundary constraints, this task is called transportation planning. This is made possible with application of socio-economic inputs, modelling techniques and viability of operation of transport systems. The computer and its peripherals are very handy in data storage, costing, analysing and evaluation of acceptable systems.

The data inputs are population density, vehicle ownership, per capita income, employment, extend of land, financial resources, etc. The input of relevant data in the land use models give land use plan. The use of land for residential, Industrial, commercial, public and semi public purposes are obtained. Zoning of above uses of land for homogeneity and compactness is the next stage. Using trip generation model, zonewise total number and categories of trips such as work, education, social and recreational purposes are calculated. Zones which generate large number of trips are called sources and the zones which attract significant number of trips are referred as sinks. Trips are also classified as home based and non-home based trips. Residential zones are trips generating zones and work places are attractive zones. The distance of travel between a generating zone and an attracting zone is a link. Thus, at the

one end of the trip is the origin and the other end is the destination. Using trip distribution models, interzonal trips are calculated. Based on the cumulative value of trips between generating and attracting zones, desire lines of trips giving trip lengths and concentration are arrived.

The peak concentration is generally in the range of 10 to 12 per cent of total daily trips. The next stage is the use of model split model which gives the proportion of trips to be catered by road and rail transport systems in the desire line corridor. Then, with the use of assignment models, trips are assigned to various links in the road network in the corridor. The cumulative trips in each link should be well below the capacity of the link so that the flow of vehicles during peak condition is at reasonable speed, safety and tension free driving. If the existing capacity of the system to which the trips are assigned is inadequate, capacity improvements either by management techniques or by physical improvement have to be made. It is at this stage, factors other than technology, such as feasibility cost, environmental aspects, political influence, public response, land availability play a vital role. It is also at this stage, foresight and wisdom of experts in related areas, the legal aspects, sources of financing, the proposal benefits of investment are important consideration in rating alternative solutions. Operation research techniques and economic analysis are very useful tools to decide the best transportation plan.

Any time lag between decision making and execution of the plan may lead to cost escalation, litigation, loss of political patronage, and public criticism. In such a case, appropriate transport system management will be an effective remedy and a short range measure with minimum

delay at marginal cost. Care should be taken that this short range measure will be a component in the long range program.

Measurable Interaction of land use and Transport

Transport capability of a system is measured in terms of passenger kilometers per hour. In goods transport, it is measured in tonne kilometers per hour.

Land use activity is measured as number of people living per unit area in residential zones, number of jobs available per unit area in commercial zones, tonnes of cost of goods produced per unit area per day in Industrial zone, and output of food grains in tonnes per unit area per year in agricultural land.

Traffic science is the study of interaction between land use and transport in any location. It is the ability of transport planners and the experts in related areas to provide the transport capability to meet the land use activity in the location. Any change in one will affect the efficiency of the other. Historically transport capability is a delayed response to the land use activity which is not a healthy practice. In some cases, transport capability beings increased land use activity.

Experience in the last four decades of transportation planning and management in major cities in the world is that there is no one time solution or a sustained system/systems to balance demand and supply of travel. However, the concept of Transport System Management (TSM) as practiced in developed countries has brought significant improvements in meeting travel demands. It is a quick response approach.

Many planners forget that walking is a mode of transport in meeting the travel demand. Cycles as the most energy efficient and least cost mode are also not given much importance. While formulating transport system planning, there is a case to consider these two important modes either for short trips or as a complement to other mass transport systems.

Transport System Management (TSM)

The TSM concept aimed at increasing the efficiency and capacity of existing facilities and right of way of the transport systems was introduced jointly by the Federal Highway Administration (FHWA) and Urban Mass Transportation Administration (UMTA) of USA in 1975. It has an important component of comprehensive transportation plan. The TSM should respond to current and future needs. The objectives of the TSM program are to reduce traffic congestion, facilitate the flow of traffic and to preserve and revitalise mass transit systems. The following specific action plans are considered in the preparation of transportation system management.

- * Improvement in traffic operations by traffic engineering methods.
- * Preferential treatment for transit and other high occupancy vehicles (HOV).
- * Appropriate provisions for pedestrians and bicycles.
- * Management and control of parking.
- * Staggering work hours and peak congestion pricing mechanism.
- * Transit service improvements.
- * Increase in transport management efficiency.

Classified Action Plans of TSM

Based on the concept and broad guidelines of TSM the classified action plans are listed below :

1. Traffic Management

It is aimed for better traffic flows with improved capacity of facilities.

(a) Traffic operations

- * Geometric improvements of roads and intersections
- * One way street system
- * Provision of turning lanes
- * Restrictive free turning
- * Free flow lanes

(b) Traffic Control

- * Optimising isolated signal timings
- * Coordination and Improvement in route and area traffic signals
- * Metering of high speed and high volume roads
- * Surveillance and control of access control roads

(c) Roadway assignments

- * Exclusive bus lanes
- * Bus only streets
- * Contra flow lanes
- * Reversible lane systems

(d) Pedestrian and bicycle ways

- Adequate width of footways
- * Pedestrian grade separation
- * Bikeways, bike priority crossings and bike storage

2. Transit Management

It is aimed at patronising and improving transit riding.

(a) Transit Operations

- * Bus route and schedule modification
- * Express bus service
- Bus priority signals
- * Bus terminals

(b) Transit Management

- * Simplified fare collection
- * Demand oriented operations
- * Improvements for passenger comfort and safety
- * Fleet improvements
- * Maintenance Management

(c) Inter model coordination

- * Park and ride facilities for all travel modes
- * Free and safe pedestrian flows with basic amenities
- * Terminal and transfer improvements

3. Demand Management

It is aimed to discourage vehicle ownership and reduce trips.

(a) Paratransit operations

- * Service of auto, taxi and other modes
- * Car and van pool programs
- * Jitney services
- * Elderly and handicapped services

in all the major cities of India. Each city or a part therein may be taken for specific need based action plan for quick response.

Financing Transport Projects

The component value of transport sector in many countries ranges from 10 to 15% of their respective GDP. The expenses for the use of transport by each family are worked out to be around 10 to 15 per cent of the household income. However, there is always a shortage of finance required for improvements of the existing transportation facilities as well as the development of new facilities in spite of collecting central and state taxes, gross subsidy, grants and borrowings. The lack of adequate finance for the transport infrastructure is also very acute in almost all cities and major towns.

As regards, the inter-state and inter-regional transportation, the complexities are many. In this part of the country, highway network and the rail transport systems are running parallel and close to each other depriving accessibility to large extent of interior areas. The accessibility to rural settlements and cost effective transport of rural products are dreams to come true. The long coast line, its accessibility and the exploitation of sea based resources need capital and corporate planning. The Governments both at central and state levels, with the necessary political will, administrative machinery, skills of technocrats, expert financial advisers and public awareness should be able to see the light in the near future. Mobility of the body is as important as the mobility of mind. Let us think of the path (transportation facilities) for prosperity of people of this region as a whole.

(b) Work schedule

- * Staggering of work hours
- * Changing of school timings
- * Flexible working period
- * Four-day week

4. Restrain measures

It is aimed to discourage vehicle trips by restrictive measures.

(a) Parking management

- * Curb parking restrictions
- * Clearways
- * Metering of parking
- * Off-sheet parking restrictions
- * HOV preferential parking
- * Entry restriction to high density land use

(b) Restricted areas

- * Area licensing
- * Auto restricted zones
- * Pedestrian mall
- * Residential traffic control

(c) Pricing

- * Road pricing (tolls)
- * Low occupancy vehicle toll.
- * Petrol tax
- * Differential transit fares
- * Elderly and handicapped fares
- * Reduce transit fares
- * Free transit service

There is a strong case to implement many of the above classified action plans

Some Observations

"If you want a Road, you pay for it.

If you do not want a Road, you pay more".

We are fortunate to have our own satellites which provide the accurate and vast data for identifying water resources, soil fertility, locating minerals and oils, weather forecasting, forest cover, agricultural output, harvesting marine products and trends in population settlements. There is a great potential to use satellite photographs to map the current transportation facilities in the southern region and to improve and develop the total trans-

portation systems, both surface based and airways for the smooth, safe and efficient movement of people and goods in and out of the southern region.

As regards the road planning, the coastal highway need upgradation for uninterrupted flow of trucks. The missing links and substandard pavement of interstate highways need priority in execution.

As regard the finance transport sector, privatisation is to be encouraged for construction and maintenance of regional and inter-regional highway network. A beginning has already been made which will be an indicator to future policy formulation.

Gandhiji and the Indian Economy*

Some definitions

I wish at the outset to set forth some of the features of the two subjects of this paper, Gandhiji and the Indian Economy today.

One Aspect of Gandhiji

Gandhiji in his living, thinking, teaching and in his death is an inexhaustible subject, with no beginning and no end. Out of this, his multifaceted life and personality, I wish to limit myself rather narrowly to only one facet, that is to Gandhiji's views on economic matters, with particular reference to the Indian Economy. I am not approaching the subject in terms of what has come to be called Gandhian Economics — a term coined even during his life time and in use even till today¹ — for two reasons.

First, Gandhiji is larger than economic science. He made it clear that he was not an economist in the professional sense. He had not read Adam Smith David Ricardo, the Mills, father and son and Alfred Marshall. He drew his thoughts on economic affairs from 3

sources. The first was his deep ethical — spiritual convictions, and the second was his close involvement with the economic conditions of the people, particularly the rural people who formed over 80 per cent of the people in the country in his day, the third was his reading and reflection and the results of his putting into action what he read of the Utopian's Ruskin's *Unto This Last*, and Tolstoy's *The Kingdom of God is within you*. It was from these 3 sources on which he reflected and acted from his South Africa days, resulting in a synthesis of his ethical/spiritual beliefs on Ahimsa and Truth alongside of the massive and baffling economic problems confronting him and the country. For him real progress was "moral progress", and to use his somewhat startling words "true economics stands for social justice and moral values".² His ideal of true economics which was to "manufacture souls" and not material plenitude is also expressed in his own unique language. "Let us seek first the Kingdom of God and His righteousness and the irrevocable promise is that everything will be added to us. These are the real economics".³

But we economists should realise that even as Gandhiji thought and expressed

* Part I of the Annual Gandhi Memorial Lecture by Dr. Malcolm S. Adiseshiah for the Gandhi Peace Foundation, New Delhi, January 30, 1992.

himself thus, he was adhering to one of the two streams from which economics has flowed and grown – the ethical on the one hand, and the engineering on the other, as one of the recent economic treatises reminds us.⁴ The ethical tradition as pointed out is the ancient Indian way of approaching any human problem, a tradition which includes Kautilya and Valluvar and more recently Vivekananda and Tagore in India, and Mill, Marx and Marshall outside India. The engineering tradition is more recent and traces back to the French physiocrat, Quesnay, and our own Dadabhai Naoroji, and more recently to Leon Walras and the mathematical economists who have followed him. Gandhiji belonged to ethical tradition and affirmed his belief that economics is related to metaphysics and other human sciences with the resounding words: "I must confess that I do not draw a sharp or any distinction between economics and ethics. Ethics that hurts the moral wellbeing of an individual or a nation are immoral and therefore sinful. Thus the economics that permit one country to prey upon another are immoral". Incidentally I should say that I belong to the ethical tradition, because I am concerned with the ends as much as the means of living.

I said earlier that I do not use the term Gandhian Economics and what it implies doctrinally for two reasons. I have just explained the first reason. The second reason is that the laws of economics are not tied to one person or one group or one age. They are universal, or they are not laws. The application of these laws, however, vary with the time and place under consideration. The means of working and living in the first century AD are different from those existing in the nineteenth century: the needs for existence are perceived in one way by the people of the cold north

and differently by the people of the warm tropics. Again the conditions of life and work change over time, so that the application of the economic principles which are universal, takes on different substance and form at different times and ages. Taking the principle of Justice, the case of Adam Smith might be considered. He is much maligned and continuously misunderstood as believing that human beings and society are motivated just by self interest in support of which his famous words are quoted "it is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self love and never talk to them of our necessities but of their advantage"⁵. But a reading before and after that passage shows that Smith believed that cooperation and assistance is the basis of human economic relation and that justice is not only the foundation of society, but the desire for justice is innate to human nature. Here the universalism of the principle of justice is affirmed by Smith. When Gandhiji applied this principle to India of his days he found that "the introduction of labour saving devices in a country with wolves at the doors is a flagrant injustice to its dumb population". Again while he used statistical averages he always modified them by giving the central place and the absolute importance to their individual and drew the attention of the economists to their moral responsibilities in this regard.⁷ To speak of Gandhian economics is misleading because it is not economics which is Gandhian, but its application to our time and conditions as declared by Gandhiji's perception. This is similar to there being no Indian economics or American economics or Communist economics, but only the general economic principles as applied to India or

America or the communist system. I would therefore advise that we avoid using this misleading term and instead concentrate on the economic ideas, the economic teaching resulting in action, and the economic precepts of Gandhiji.

Five facets of the Indian Economy Today

Just as we limited ourselves to one aspect of Gandhiji, his economic precepts and practice, so too when it comes to today's Indian economy we shall limit ourselves to five issues; a) the Balance of Payments problem; b) the issue of inflation; c) the problem of unemployment and underemployment; d) inequalities in income and assets and ownership; and e) underground economy and the moral basis at the back of the whole economy. It would be my endeavour to look at each of these problems both quantitatively and qualitatively which are massive as they characterise our economy today and try to probe what Gandhi's reaction to them would have been. This second guessing of Gandhi and his reactions to the Indian Economy today is somewhat difficult and risky. It is difficult because it is not possible to just transpose Gandhiji's economic suggestions and solutions to the five problems facing us. We will have to establish in each case the core of the problem, and abstract from Gandhiji's economic precepts and the hard core which can then be mirrored to reflect on Gandhiji's possible reactions to the core of the problems. It is risky because the exercise is a personal one, and while there can be broad agreement on the core of each economic problem facing the country which can be derived from facts and statistical data, there is no such objective means of arriving at the core of Gandhiji's

precepts relating to it, because that interpretation of what is regarded as the core of Gandhiji's thought could vary from person to person depending on many factors, which cannot be examined here. Even so, I believe given the grave situation in which the economy and we the people are caught, which is on all fours with the crisis facing Gandhiji and the people when we were under foreign rule, it is necessary to make this attempt to see what Gandhiji would say to us today, if he says anything at all. This last qualification, if says anything at all, should not be straightaway discarded, because in some cases the problems may well be beyond the limits to which the core of Gandhiji's precepts could be pushed.

With this background scenario on Gandhiji and the Indian Economy of today, let us analyse briefly each one of the five issues characterising our economy and determining our lives, particularly the lives of those whom in Gandhiji's days used to be described by our rulers-both foreign and Indian"- as India's dumb millions" who need to be roused from their "pathetic contentment."

Balance of Payments Problem

The balance of payments problem arise out of cumulative excess of our imports over our exports. In the 46 years of our independence and functioning of our economy, it is only in two years that there has been an excess of our exports over our imports. This trade deficit which has been built up cumulatively has, in part, been met by our invisible imports-mainly the remittances from our fellow countrymen and women working abroad particularly in the Gulf countries, the concessional loans made to us by foreign countries and some

profits that our companies abroad earned. The other part has been met by our international commercial borrowing. Now in the past two years these invisibles have declined sizeably and our credit in the international commercial market is near zero, so that we are not able to borrow intensely abroad: this means that the only means of paying for our imports and the interest and capital repayments of our foreign debts (which exceed \$80 billion or Rs.1 lakh crore today) is our exports and our heavy borrowing from the two international financial institutions, the IMF and the World Bank. Take the \$6.6 billion of loans subscribed this year by the Aid India Consortium, which comprises 12 countries and the World Bank. The loans offered by the foreign government which amount to \$3 billion have to be used to buy machinery and raw materials from within the lending country. As for the other \$3 billion subscribed by the World Bank and the \$5 to 7 billion on long term credit being negotiated by us with the International Monetary Fund, the 5 conditions under which these loans are being offered and quite clearly and openly explained by the Managing Director of the Fund when he visited India in August last are: i) government expenditure to be reduced so that the government's deficit is cut from the current 8.7 per cent of GDP (the National income) to 4 per cent, which involves deep cuts in subsidies which will hurt the poor and reduced defence outlay; 2) trade reforms to be intensified removing all non tariff barriers on imports into the country; 3) tax reform involving reducing customs duties and raising excise duties which will raise prices and hit the poor and lower middle classes; 4) industrial policy reform involving introducing an "exit policy" under which all sick public and private companies will be closed which will increase unemployment

and transfer all production increasingly to the private corporate companies; and 5) reducing prices of infrastructure while increasing rail and airfares, crude oil prices, coal prices etc. which will further feed inflation and affect the poor. On top, even these loans give only temporary relief because they have to be repaid within five to 10 years (this is called long term credit) from our export earning. Hence there is very heavy concentration on increasing our exports. We have created an entire ministry—the Ministry of Commerce—which, till the beginning of the seventies was concerned with internal commerce, paying continuous attention to khadi and village industries, as seen in the report of the Khadi and Village Industries Committee in February 1968⁹ chaired by the minister Ashok Mehta. (Incidentally by this time the khadi industry had shifted its emphasis from the Gandhian directive that it should be mainly (upto 80 per cent) for self sufficiency of the spinner and his family, and only a small part of spinning for the market, to 4 per cent being for self sufficiency and 96 per cent for the market (see the Ashok Commission report para 2.19). Now, particularly the commerce ministry seems to have just one aim, that is to export and export and export without any let up. We have created five organs for this purpose, the Export Processing Zones, the Export Oriented units, the Trading Houses, Star Trading Houses and Ex-Imp Scrips. And yet our exports are not increasing but decreasing by 4.2 per cent from \$8652.66 million in April - September 1990 to \$8113.32 million in April - September 1991, according to the commerce ministry. One means that we have devised of obtaining some relief from our export not increasing has been to invite direct foreign investment, for which, given foreign companies the right

to invest upto 51 per cent in Indian companies and in some cases even upto 100 per cent. The latest government report is that as a result so far only \$85 million foreign investment has come in (compared to \$2 billion in China and \$1.5 billion in Indonesia). The Foreign Investment Promotion Board just set up by government as a clearing agency for multinational investment has not had much business and so has taken the initiative to invite 3 US giants—Coco Cola, General Electric and General Motors—to submit concrete proposals to the Board. Against this bind that we have got ourselves into in regard to our import-export trade and particularly the problem of paying for our imports which is one particular manifestation of our consuming more than we are producing, that we are spending more than we are earning, let us turn to Gandhiji's ideas on foreign trade as expounded by him in relation to Swadeshi and Khadi when he says "the centre of Swadeshi lay in Khadi" and that Swadeshi is "that spirit in us which restricts us to the use and service of our immediate surrounding to the exclusion of the more remote"¹⁶. For Gandhiji the spinning wheel was not only the key to Swaraj but among its 9 other objectives, it would check the erosion of our wealth to foreign countries and he expressed this thought vividly in saying that the spinning wheel was deployed both for promoting the spirit of Swadeshi and carrying out the boycott of foreign cloth, describing these two uses as the benign and terrible aspects of the spinning wheel. Kumarappa carries this doctrine forward and says the commodities produced within a community should be for domestic consumption and only its surplus should be exported. Some communities may have some residue after satisfying their domestic requirements. This he calls the natural surplus which excludes trading abroad in goods

needed by the people of the country. It is not possible today to go back to the system expounded by Gandhiji and elaborates by Kumarappa. But the export of vegetables and fruits badly needed by the poor people (vegetarians) of South India to the Gulf countries, the export of rice to those countries at a time when the majority go to bed every night hungry, the government's decision to set apart a percentage of the production—say 30 per cent in the case of tea—for exports, all these should be examined in light of what we have learnt from Gandhiji. For me, the core in his view on external trade is that we—all of us, government, parliament; business houses and people, particularly economists—need to face the basic question, what is the purpose of our exports? We go on pushing ourselves and our people to export more and more on the plea that we are now part of a "globalised" trading world, we need to ask what is the purpose of our exports. For me, the answer is that we must export enough to i) pay the interest and part of the principal on our debts (which today amount to \$80 million) and ii) to pay for absolutely essential imports, (particularly those for our infrastructure) which should exclude all consumption goods which should be produced within the country. All that we are doing to reduce unnecessary imports—unnecessary in the sense that they are used to produce non necessities and luxury goods—should continue and be intensified but the main question that we must face is the purpose of exports. For the answer to that question indicates that using the above two criteria, our present level of exports is adequate and can even be reduced in terms of the necessities like the exports of rice, vegetables and increasing tea packages that we are exporting.

Inflation Problem

Currently we measure the rate of inflation by the wholesale price index, which till 3 years ago was around 5 per cent per annum, and is now at 15 per cent per annum, and despite what the government forecasts is likely to remain at that level, because the seasonal downswing ended last month. December 1991, and despite a good monsoon this year continuing the good record for the past 2 years, prices will remain at the high current level. For the poor man, (and let us not forget that when we talk about the poor man we are talking about 60-70 per cent of our people), for the man in the street and for the housewife who does the daily shopping, it is not the exotic wholesale price index which guides his/her daily life and shopping, it is the retail prices, where the index shows double of what the wholesale price index shows and so is at 30 per cent. As noted, we have had a good monsoon and a bumper harvest for the last 2 years (which for this year is expected at the same level of 175 million tonnes of foodgrains as that of last year) and the buffer stock of wheat and rice has already passed 20 million tonnes. Despite this, the prices of rice and wheat are rising and are being kept down in the public distribution system (which does not reach the really needy rural poor) through heavy government subsidy which as noted earlier the international financial institution want to see reduced. The price rise on rice and wheat is also a consequence of their export to the Gulf countries as noted earlier. Further, the government has got the Reserve Bank to follow a tight money policy to the point where the medium, small and tiny entrepreneur is not able to keep up his production and is forced to lay off part of his workforce. Interest rates

have been hiked which makes such borrowing as is permitted very costly for the small farmer and the industrial producer. The one area which needs attention and early action is government expenditure particularly what is called non development expenditure which includes the salary of the government staff (union, state and local bodies) which increased last year by 1100 persons and Rs.3000 crores, the defence outlay where the increase last year was by Rs.3000 crores, subsidies on fertilisers and exports. Turning to Gandhiji's idea on prices, they are related to his doctrine of small scale and village industries and his approach was formulated as a slogan "to render unto villages what was due to them". In particular, his doctrine of village self sufficiency brings the process of production and consumption together and reduces the importance of the price mechanism. The village self sufficiency holds the key to the prosperity of both the soil and the inhabitants living on it. Healthy nourishing food is the alpha and omega of the rural economy. The bulk of a peasant's family budget goes to feed himself and his family. All other things come afterwards. Let the tiller of the soil be well fed. Let him have a sufficiency of fresh, pure milk and ghee and oil, fish, eggs and meat if he is a non vegetarian. What could fine clothes for instance, avail him, if he is ill nourished and underfed? The question of drinking water supply and other things come next¹¹. In such a scheme of self contained communities, aggregate expenditure would be equal to the aggregate income and there would be no leakages and no question of overpricing or underpricing. The basic core in this view of Gandhiji concerning our problem of inflation is that we have to start with the need to limit our demand

and marketing to what is necessary for our living. Until there is some limitation of wants, there can be no break in the price spirit. All the other measures that we have taken, such as decreasing the supply of money, increasing its cost for the large industries, the promotion of small, tiny industry which is dealt in the next section, and the agreement on cutting government expenditure sharply needs to

be built on our examining our way of life and limiting our wants to what is necessary for our living. Without that basic foundation all other remedies will involve harsh hardships, particularly on the poor consumer and tiny producer and farmer and will not really arrest inflation and reverse it.

(To be concluded)

Book Review

BERCH BERBEROGLU (Ed.) *Class, State and Development in India*
(Sage, New Delhi : 1992), pp 330, Rs. 275/- (hb) and Rs. 145/- (pb)

This book consists of nine essays, together with an editorial introduction, and an appendix containing a discussion on the political economy of Indian development. The essays deal with, principally, the evolution of the Indian social formation in the colonial period, the political characteristics of the capitalist class, and of the social groups in the rural areas, the forms of opposition to these ruling sections from peasants, workers, and tribal people, and a relatively detailed treatment of the process of concentration of capital during industrialisation, and of women's role in industrial employment.

The pieces are not original, most of them having been published in journals dealing with the political economy of development, such as the *Journal of Contemporary Asia*, the *Bulletin of Concerned Asian Scholars* and *Social Scientist*. They are all also rather old, dealing with fairly familiar issues and with data of the middle 1980s, if not earlier. It is then fairer to the (presumed) intention of the editor, to treat the book as a set of readings on Indian Political Economy suitable for the MA or M.Phil level, rather than as new contributions to our understanding. In this sense, the book comes across rather well. As most of the pieces were written with a non Indian audience in mind, there are few assumptions made, except of course, on the perspective that the reader is expected to have. The issues are discussed with a degree of clarity that is rarely to be found in Indian journals. There is also a welcome plurality within

the left-wing perspective that all the contributors share.

It certainly requires some commercial courage to publish a book basing itself straight-forwardly on Marxian political economy principles, in 1992. Perhaps we may conclude from this that the remarkable institution of the market shows greater prescience than all the sophisticated political obituaries of Marxism by the Fukuyamas of this world! What is missing in the book, which would have made it truly a volume of the 1990s, however, is any discussion of the new forms of opposition to the earlier social consensus, broadly speaking that of Nehruvian socialism, secularism and ethnic / nationality policies. Plausible explanations for the growth of protest movements for greater autonomy for linguistic groups, against large scale development projects threatening the environment and livelihoods, for equality of opportunity in employment, and for the undoubted growth in the mass support to communal politics are the critical requirements of the day. They would be the real test for "the relevance of the Marxist approach to the study of Indian society" which the editor states to be his objective. In their absence, Marxism may well recede, at least in academic life, to the status of yet another challenge to capitalist liberalism, promoted by crackpot messiahs, that Fukuyama rightly sees as of no enduring world historical significance. The academic community surely has its own role to play in preventing this.

— Nasir Tyabji

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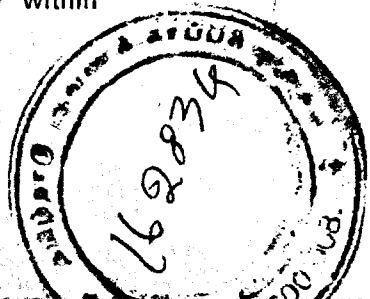
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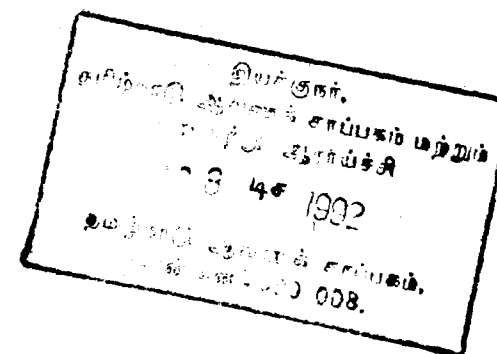
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Lending and Promotion Strategy for
India's Rural Non-Farm Sector: Role of NABARD
Gandhiji and the Indian Economy

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MIDS Bulletin

RENEWAL OF SUBSCRIPTION FOR 1993

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

VIII Plan

Once more the State Planning Commission has met and finalised the VIII plan proposals, at Rs. 10,300/- crores for the VIII Plan and Rs. 1700 crores for the annual plan 1992-93. The main features of the VIII Plan are: proposals for decentralised planning at the district level. (This is a repeat of the 1976 intentions which was turned into 15 district plans but remained only that. The bottleneck here is the absence of a political will to decentralise plans, powers and funds. Is there reason to believe that this will be changed now? Second, the priorities in the plan are set forth as drought proofing and poverty alleviation. (This too is a repeat of what has been laid down since the IV Plan with no practical effect on combating droughts or reducing the number of poor. Will there be really adequate resources allocation for the 2 priorities?). Third, the importance of agriculture is stressed and

industry is expected to grow under the personal care of the chief minister, who is also the minister of industry and chairman of the Planning Commission. To back up this development 1630 MW additional power is to be created and a 15 year perspective plan formulated to provide the basis for long term progress. Of these two decisions, the second - 15 year perspective plan - can become a reality if it is based on the methodology followed by the 1972-74 ten year perspective plan. While all the other promises will probably remain on paper, this could be implemented. But has the State Planning Commission got the machinery to carry out this important function? It seems doubtful.

1993-94 Plan and some financial issues

Work has already started at the level of the State Planning Commission on the 1993-94 Annual Plan for the state. The State Commission has placed the Plan at Rs. 1891 crores, which is 8 per cent

above the current year Plan size, which had to be discussed and rediscussed by the chief minister and the Deputy Chairman of the Union Planning Commission and which was finally fixed at Rs. 1781 crores after it had got up as far and high as the Prime Minister, who is the chairman of the Union Planning Commission (see Vol. XXII pp117 & 231). This increase in the proposed State Plan outlay of less than 10 per cent seems normal and moderate, but can only be judged when more data is available on several counts such as: a) the national outline annual plan for 1993-94, b) the states resources position at the end of the year, particularly with regard to BCR - Balance from Current Revenues, c) the unfinished parts of the current year's plan, d) the demands of the non plan sector etc. But the financial signals are not favourable as indicated in the last issue. On top, one additional DA has just been declared (mid October) which will add Rs. 113.52 crores to the budget deficit this year and will be Rs. 170.28 crores in a full year and the DA for pensioners will amount to Rs. 17.45 crores this year and Rs. 214.17 crores in a full year.

Water during October

Water position in the state presents an interesting scene. By the third week of the month, the state, particularly the southern districts, received such heavy rains that some dams like those in Kanyakumari district suffered serious flood damage whose costs and effects — in both human and material terms are still being assessed. As a result, 10 out of 22 districts receiving excess rainfall and eight others receiving normal rainfall (South West monsoon), all the irrigation tanks like Bhavanisagar, Periyar, Vaigai and all in Tirunelveli and Kanyakumari

district are full upto the brim. Mettur, also, for the third time this year has filled up and is overflowing at the rate of 34,000 to 70,000 cusecs. While this assures a good samba and ever late kharif crop and meets all drinking water needs even in the remote areas, and is of particular help in regard to hydel power generation for the balance of the year, there is also a serious danger faced by the state. This danger stems from the fact that this surplus water situation has arisen even before the onset of the North East monsoon, which is likely to break out soon — on any day now in the last week of October. Now the authorities must plan ahead as to the points at which the tanks can and should be breached so that surplus monsoon water is let out without damage to house or standing crops. This advance planning in the areas of irrigation tanks and hydel reservoirs should be done now to avoid calamities like what we have had in the past.

Power

The power scene in October, had many positive signs. As noted, the filling up of the 15 hydel reservoirs in the state has enabled the Tamil Nadu Electricity Board to remove completely all restrictions on demand of all HT consumers — for the first time in seven years. Also with the power generation made possible, the Board foresees no power cut in 1993-94. Overall there are some positive and some negative features in the power scene on all India basis. On the positive side, with the good response of the private sector to participate in power generation, the Tamil Nadu Electricity Board has offered 5 more specific projects to the private sector: a) two 500 MW units involving an outlay of Rs. 2500 crores which is the North Madras Stage III project, b) a 450 MW thermal project at Vemban; c) two

100 MW diesel engine power plant at Samayanallur; d) 4 major/medium hydel project at Bhavani (90 MW), Stage II Erode (30 MW), Parakyar, Nagercoil (25 MW); only mini/micro projects at Thaliyar (500 KW) Siruvani at Coimbatore (3 MW), Kallapallam, near Kotagiri (10 MW), Lower Kothgudiar, near Bodinayakkam (5 MW) and Manjalore near Theni (10 MW). This last group of mini/micro hydel projects have been taken up fast — 10 private companies applying for operating the 9 projects. Similarly in Karnataka the private sector is extending the field of wind energy as well as the mini/micro hydel area. Here the Union government's various incentives for wind energy projects, meeting their cost, allowing 100 per cent depreciation has been picked up by private companies for the Jayatmai Hills project, Gokkak mills, KRC Brindavan Hydel scheme, the Kabini and Hararangi mini hydel, Suthari projects etc. Further, the improved hydel position has enabled some states like Tamil Nadu not only to lift the ban on power intensive projects but actually to widen the scope of application of power tariff concessions accorded to such new HT industries in the state. On the negative side, the problem of the massive arrears of the State Electricity Board to National Thermal Power Corporation (NTPC) amounts to over Rs. 1500 crores. Now faced with the threat by the World Bank to hold back the \$1.2 billion loan to the NTPC, the Union government has decided to realise Rs. 1000 crores of the dues in the next 3 years. A second problem faced by NTPC in regard to the above loan is the insistence of the lender, the World Bank, that 20 per cent of the loan should be made available by NTPC, while the latter is sticking at 12 per cent. Given the sound financial position of the Corporation and its use of the World Bank loan not only to match foreign exchange needs but also to introduce a

nodicum of discipline among the SEBs, the World Bank's condition should be met. Third, the total all India power picture at the end of the VIII Plan is still grim. After completion of all the projects in the VIII Plan, the Planning Commission states that the country will face a massive power deficit of 500 MW. Finally and in light of this, the question must pose as to whether one good and plentiful monsoon is adequate justification for opening power intensive industries.

Infrastructural programmes

Urban development operations are in the process of being decentralised, with the state government planning to create regional urban development authority, each authority covering 10 to 12 towns including some large ones like Madurai, Coimbatore, Tiruchi, Vellore etc. This should be a means not only of improved coordination in the local area, but the authority should be vested with clearly defined functions and funds to take over the planning and operation of the development of the towns. The high capacity mass transit system for Anna Salai which begins with an exclusive bus way is in the process of data gathering for the complex project — on the busway length, elevation and speed, etc. This must be paid for by the citizens of Madras through a specific cess. Finally the work on the satellite port at Ennore is being held up because no private party has come forward to join in sharing the project finance (Rs. 556.37 crores) over 5 years, which is to receive an assistance of Rs. 450.45 crores (\$150.15 million) from ADB. Just as Madras Port has gone ahead with the commissioning of the convergence belt set up by TNEB, so too the Madras Port could be entrusted with

the initial execution of the Ennore scheme which will ultimately be handing 16.12 million tonnes of coal per annum. As the private companies enter the power generation field as set forth above, their interest in the satellite — its finance and functioning will grow and become more direct.

National

Plan

Similar to the State Annual Plan exercise, the procedure for formulating the Union Annual Plan is now getting under way. Here too it is proposed to start with the agreement between the Planning commission and Minister and then move to the working party details. The 1993-94 Annual plan - for both union and state - is being envisaged at 10-12 per cent above the 1992-93 plan which was Rs. 84,000 crores, Rs. 45,000 crores for the Union and Rs. 39,000 crores for the state. This was based on: a) the rather tight resource situation during 1992-93, b) leading to no increase on budgetary support over that of the previous year and c) a dissaving of Rs. 900 crores. For 1993-94 it is hoped that these 3 factors will be reversed, particularly the dissaving turning into a saving surplus of Rs. 1300 crores by the end of the VIII Plan. One test is whether a real start can be made - even in a small way - with decentralized planning. There seem to be no sign of any start on this important feature of planning from the exercises currently underway at the states level or that of the union.

Prices

The inflationary pressure on the economy and on people show some disturbing

feature. First, the annual rate of inflation based on WPI on a point to point base rose from 7.4 per cent on September 12, to 8.8 per cent on September 19 and further to 9.2 per cent on September 26 and on to 9.3 per cent on October 3. The WPI on September 26 was 229.4 against 226.7 on August 29. Second, the annual rate of inflation on the base of "the final index" was 10 per cent when the provisional estimate was 9.1 per cent. This means that the provisional estimate of 9.3 per cent for October, 3 will have to be similarly adjusted upwards on the basis of the final estimates when it becomes available. Third, all this computation with WPI is wholly unrealistic. What affects the common man is the rise on the consumer price index. An examination of the essential commodities for the month of October in 1990-91 & 92 shows that the prices of all these — rice, wheat, jawar, bajra, urad, gram, sugar rising sharply which effects the poor section of the population and prices of consumer durables rising also inexorably which affects the lower middle class especially at the festival-Diwali-time. Why are we fooling ourselves in using the WPI base? There are several historical reasons for this but the latest is the promise given to IMF and WB that prices will be kept below the double digit range for this year. This could be attained to satisfy the IMF, but is no indication of the problem by the economy and the people.

Stock Exchange

Will the changes made in the Stock Invest Scheme in reducing the validity periods and automatically lifting the bankers' lien on the investor deposit account attract more investments? While the simplification of the scheme is

welcome, the issue that needs to be faced is that of the stock market booming with money and investments at a time when the economy is slowing down. This is only partly to be explained by the events related to the scam because even after the scam was discovered and corrective action begun, the stock exchange prices continued at their old high level. Is this due to the general perception, not unjustified, that returns from investment in the stock market are far higher than the returns from industry and until this source of distortion is faced, and corrected, the stock market reform will not by itself reverse the slow down in industry.

Economy

October which witnessed the second round of disinvestment in the equity of public sector enterprises raises several question conducting the conceptualisation and organisation of the sales and the sales procedure. One question was relating to the reserve price which was set at a level which unloaded at two thirds of the bids of Rs. 2091 crores. How is the reserve price determined? Is there provision for it to be reviewed before bids are finally accepted or rejected? Further if the government wishes to make the disinvestment process a success, should there not be full information made available to the potential investor about the companies whose equity is being offered for sale, particularly the results of their operation for the latest year. In the absence of them, elemental precautions, it is not surprising that this third attempt at disinvestment has also failed. The October announcement by the RBI of the 1 per cent cut in interest rates on both large advances

and term deposits seems to be another shot in the same direction. But this small marginal cut in the interest rates will not make up for the fast drying credit sources which industry is facing. This is being worsened by the near halt of treasury operation and the non review of the various bans on ready forwards and the ambiguity of the discounting of finance company bills-which was expected in the current policy announced in October. The RBIs introducing of the refinancing facility against bank's holding of government and other approved securities will not help on this matter, particularly when the RBI refinance rate is a high 14 per cent. This is not to say that there are not some positive feature in the policy just announced-such as the reduction in the floor lending rates for borrowing above Rs. 2 lakhs from 19 per cent to 18 per cent, as also the cut from 20 per cent to 19 per cent in March last. But the Central problem of making more money to flow into industry for its growth and revival has not been addressed. Further, the government in its turn has to find the means to increase the equity base of the banks (Rs. 200 crores) and pay off their bad debts (Rs. 8000 crores), and the source is being narrowed down to the government exchequer. Against this is the pledge it has given to IMF about reducing the deficit targets which will be difficult. And so the money will have to come partly from the government and partly from the market, where despite the poor results of the latest sales of its equities, the public can be expected to respond positively to a preferential capital issue at a decent dividend of Rs. 614 per cent. In this connection the government is being pressured to reduce its fiscal deficit sharply by 3 per cent of GDP by IMF and 4 per cent by the World Bank. One

can only pity the government for having got itself into a position where its fiscal policy has become a foot ball between IMF / World Bank. On the positive side, the government reports rather large surpluses over the anticipated collection from both direct and indirect taxes. The resource starved state will in particular welcome the large rise in direct taxes, in which they will have a share. But the question arises whether the large surplus reported of governmental tax revenue is the result of poor budgeting or deliberate under budgeting. This should be examined to place budget proposals and policy on a firm footing. Similar questions arise on RBIs forecast of rising private corporate investment for 1992-93 published in its latest bulletin. The forecast is of a 11 per cent increase for this year. Apart from the fact that there is as yet no evidence of such a needed rise in corporate investment, the methodology being used to make this forecast needs to be examined to see if it allows for the mixed trends as between sectors — as between metals and metal products which in any case attracts heavy investors as against the lower share of chemicals and petro chemicals, and as between regions with the disturbing concentration of investments in highly industrialised states like Maharashtra and Gujarat. This is part of the Industrial policy issue which need a concentrated attention. The government reports that at the end of October, the cabinet approved Rs. 2200 crores as the national renewal which will make a start possible for the exit policy along with the guidelines for its operation.

Industry

Over a year after the reform of the industrial policy that was announced and its formal endorsement by the conference of

states ministers of industry, there is little sign of any turn around in industry except statistically. The average index in the first four months, April-July 1992-93 has moved up by 2.1 per cent because of the decline of 1.9 per cent in July 1991 lowering the first quarter average of 3.6 per cent. Industry and trade circles also point to the recession in several industries leading to reduced production in automobiles, two wheelers, cement, steel, paper and electronics, and the lagging infrastructure on which little is being done. What is even more unpardonable is because action could have been taken by government immediately is that an entrepreneur has to get clearance from 18 agencies under the IDRAA and must confront 51 inspectors from as many industrial laws. On top, there are the innumerable and heavy taxes and customs provisions; getting bank funds involves clearance from 5 authorities, and setting up a power project requires clearance from 19 agencies including heavy weights like DGTD, CCI & E and National Airport Authority. To talk about industrial policy reform in this context seems to be a mockery. The government announces that the industrial licensing will be pruned further, but this too could be a paper promise. Where the government acts fast is in areas like removing the preferences to SSI in order to increase the area of competition. But this is an area which calls for some deliberation and phasing, given the fact that the SSI, according to the 1991-92 Economic Survey comprises 19.38 lakh small units, with its value of production at Rs. 155,340 crores, employing 12,20 lakh and contributing Rs. 9,100 crores to exports. Similarly the package of incentives announced in early October to attract private companies to the oil sector should be implemented speedily and not remain on paper as other packages which has led to the failure of the

three previous calls on the private sector to enter the field crude oil and petroleum production. At the individual industrial level, the sugar industry which has produced a record output of sugar of over 134 lakh tonnes reports a loss of Rs. 700 crores during the sugar year October 1991 - September 1992, which the industry as usual attributes to higher sugar cane prices, building up the dues to cane farmers and so the role of de-control in the situation is in some doubt. Another industry posing problems on pricing and subsidy reduction is fertilisers. What should be the objective aim and can they be attained by lifting the control over prices and distribution of phosphorous and potassic fertilisers and the 10 per cent reduction in the price of nitrogenous ones? How is the doubling of the market price to be met? Will all this achieve self sufficiency in nitrogenous fertilisers and improve the productivity of the manufacturers of complex nutrients. These and other issues await resolution during the coming farming year. The package software industry which has recorded a 66 per cent growth but which is shared between the domestic and imported component somewhat disproportionately at 17 : 83 needs restructuring in view of the domestic demand for packaged software being on a rising future curve; the Indian component needs to be rapidly expanded.

Public Sector

Apart from the need to restructure the investment procedures of the public sector enterprises referred to earlier, another issue that the enterprises face is the abolition by the government of the 10 per cent price preferences that they have so far enjoyed. This will promote competition and place the PSU and non PSU on a more even position, but only to

some extent because : a) the PSUs working on a top down decision structure do not have the ability to size up the forces that make up the market and determine the prices and b) non PSU units have a greater leeway to make under the table payments, in order to secure the bids in their favour. Hence what is needed to promote real competition is to reform the decision making structure in PSUs. While this may be a step forward, any action taken on the recommendation of the parliamentary sub committee on sick PSUs to resume budget support for them will be a backward step and will be giving a wrong signal to other PSUs, some of which report every month on the profits made.

National Production Front

Steel

Recession is gripping the steel sector — both the alloy and special steel sector, whose demand has fallen to less than half its annual output, 1.2 million tonnes out of 2.5 million tonnes p.a. produced — as well as the public sector SAIL plants and Vishakapatnam Steel Plant (VSP) which are reported to have been forced to build up their inventories at 3 months stock for SAIL (Rs. 2500 crores) and 1 month's for VSP (Rs. 120 crores). This means that SAIL and VSP are losing Rs. 53.5 crore a month on interest payments. This inventory build up is not due to recession and the reduced demand by bulk buyers like Railways and Defence, but also and more importantly to high prices which followed decontrol (see Vol XXII p12) and poor marketing procedures, as against the aggressive marketing by the private sector units who offer the usual competitive price discounts. Here both short and long term action is needed. In the short term, SAIL & VSP should

reduce prices and even take a loss to capture markets, push exports especially in the case of VSP and remove the burden of the levy for the Steel Development Fund which is not needed. The long term solution is the privatisation of the whole steel industry. The government, it is understood, has decided on this and located 25 sites in 10 states for this purpose. This process should be speeded up by the government giving the industry all help in capital, power and infrastructure. This will enable the full capacity of the sector to produce 25-35 million tonnes per annum.

Crude

The rise in the crude import bill for the year by \$3600 million over and above the targeted \$5.1 billion, raises once more the question of whether there should be an imposed cut in consumption. The only development being reported are plans to increase the refining capacity from the current 51.85 million tonnes to 73 million tonnes by the end of the VIII plan, without any indication of where the crude increase or the foreign exchange needed will come from. In addition to the slow reduction rate indicated by the conservation association, should there not be a direct reduction in the supplies to the refineries as occurs when there is labour disruption—strike or lock outs. The time has come to close this option instead of going to the market to buy the needed (\$600 million) foreign exchange.

Coal

It is not possible to get CIL and its associates to increase output through increased productivity, the heavy man-

power surplus they are carrying prevents this. Hence it is a good development that bulk private coal users—such as the power and cement sectors are allowed to develop captive mines and washeries. The amendment of Coal Mines Act which will be complete in the winter session should help to start them on this needed development. Only the users should be made to pay their dues regularly—not accumulate them as the public sector power utilities do.

Non Ferrous

The public sector NALCO has done well for the third year running—on production, sales, cost reduction projects. It has the status of a star trading house, and so its equity disbursement has been successful. Here is a case where the equity disinvestment does not depend on good procedures only but on a sound production record.

Agricultural Production

When foodgrains production is expected to increase by more than 12 million tonnes over that of last year to 183.5 million tonnes (for 1992-93), with 104.5 million tonnes for kharif and 29 million tonnes rabi, the question should be posed as to why the procurement rates is low at 16.6 million tonnes till July 1992 compared to 20.3 million tonnes at July 1991. The result is that the stock of foodgrains have fallen sharply—wheat 5.3 million tonnes and rice to 6.48 million tonnes, so that the food buffer at August end was 11.78 million tonnes against the buffer target of 24 million tonnes and last year's 21.3 million tonnes. This has led to the government purchase of wheat from Canada and Australia of over 1 million tonnes

and another million tonnes from the US. This is a luxury which with our falling foreign exchange resources cannot afford and if to this is added the import of essential pulses which are in short supply in terms of production, the need for taking drastic action on food procurement is clear. There is only one reason for this parlous national situation in foodgrain stocks and that is very poor, lag and corrupt procurement procedures. No excuses about the comparative levels of market prices vs procurement prices, or hoarding of stocks by large and middle farmers should be accepted. The whole procurement system should be restructured from top to bottom to avoid this kind of situation, because we cannot expect year after year a good foodgrain output situation, while a sloppy and unsatisfactory procurement policy is being effected. The other issue which has come up for consideration is the scandalous status of land reforms in the country. The chief ministers in their conference last year set March 31, 1992 to dispose off all 23 lakh acres of surplus land to be distributed. This year's conference of revenue ministers extended the deadline to June 30, 1992 but the undistributed surplus land remains still at 23 lakh acres. There are the usual excuses about litigation, land unfit for cultivation etc. But West Bengal shows that if there is a political will translated into organisation and procedures through which it has taken possession of 12.01 lakh acres out of 12.69 lakh acres, there would not be this criminal delay in a priority programme to reduce inequality and poverty in the country. Second, the question has also been posed at the conference as to the use being made to 49.75 lakh acres which have been distributed. There seems to be no information on this. Is it not time that this follow up of the small land redistribution programme is undertaken, as to

what crop to each allotted and redistributed plot is being raised along with a thorough survey and the results thereon made known for further action.

Foreign Trade

The trade deficit continued to widen from \$2.121 billion in the 4 months April-July to \$2.301 billion in the 5 months April-August. One result is that the country's slender foreign currency assets built up through borrowed funds from IMF and WB declined by \$1 billion—from \$6.867 billion in July 17 to 5.844 billion in September 18. The effect on the reserves of the additional increase in the trade deficit in August by \$200 million is yet to be computed. Exports are growing by 4.6 per cent and imports by 22 per cent. The official position is that this level of imports which is expected to go up to \$7 billion by the end of the year, in order to increase production and exports as a result of which exports will pick up from January 1993, as and when the US economy improves after the presidential elections. These seem to be hopes nourished by IMF and WB who keep patting India on the back for what they call good management of the economy. Once more attention is called to the need to reduce our consumption of luxuries and non necessary and so reduce our import bill, even as improved production increases exports. That is really the only sound BOP policy. The WB policy towards India seems not consistent as even as it wants the country to reduce import duties and increase imports, it also warns of another BOP crisis stemming from dependence on exceptional financing and volatile NRI fund. Meanwhile the government has introduced REP licenses—which is for import replenished, admitting 6 categories of exporters for these licenses and

reducing the banned consumer goods list as noted earlier ranging from gold to informatics. The government also is withdrawing from the GATT protocol as from 31 March 1993 because the preferences it offers do not serve our changed trading pattern and interests in order to place more emphasis on the 41 member STP-the Global System of Trade Preferences. October also records the usual improved exports of a few industries Gems and jewellery (up 34 per cent), engineering up 58 per cent), cotton exports (5 lakh bales) but this makes no difference to the monthly dismal trade deficit and BOP scene faced by the country.

Aid and loans

In fulfilment of the Aid India Consortium pledged for the year, Germany finalised an agreement for lending Rs. 919 crores (Rs. 638 as soft, and Rs. 120 crores as grant of \$21,000 to the Rural Development Society, Velgudi in AP, a grant pact for Rs. 1,100 crores was signed under the USA AID, of which Rs. 920.5 crores was for aiding the family planning Programme, and UK made a grant of Rs. 115 crores for the Western Ghats project. ADB made a credit of \$285 million for the coal parts project at Madras and Ennore. Outside the Aid India Consortium agreement, credit Suisse provided SW Franc 20 million to the Ex-Imp Bank, Rs. 225 crores of technical credit to finance Indian exports was released to Russia. The rupee trade with Czechoslovakia is to be replaced by trade through free exchange rates. The problem of unutilised loans is serious. The World Bank has cancelled unused loans of \$1.45 billion equal to Rs. 4350 crores. Of this \$800 million is IBRD loans and 450 million IDA loan. Similarly Germany

reports that DM700 million of its aid has not been used. At a time when the government is knocking on the doors of all countries and sources for resources, this non use shows that there is loose budgeting and that some of this aid not really needed.

International

IMF

The IMF study on the evolving monetary system calls attention to some important pointers for the future entertained monetary system. First, the US share of world output has fallen from 40 per cent in 1960s to 35 per cent, also resulting in the eroding of the US dollar in international transactions. This means that the future international monetary system will need an effective process for starting and coordinating economic leadership. Is India aware of this development? Second, US, Japan and Germany have shown the ability to hold down inflation without a fixed exchange rate. This means that these countries will sacrifice their monetary autonomy to remain in a multi-currency reserve system which is mired in international indebtedness and so has no freedom on exchange rates. But this also suggests that instead of relying on the dollar or pound as the intermediate currency, should not the currencies of the 3 countries serve as the anchor for India, as they are beginning to be for Europe and Asia/Pacific.

World Bank

In an important administrative reorganisation which has programme implications, the World Bank has defined its priorities countering on reduction of poverty in the world through : a) Human Resource

Development, b) Private sector development, and c) environmentally sustainable development. Each of the sectors has been placed under a Vice President, two of whom are now appointed. The objective of the changes, will be to bring the Bank's operations and organisation with the types of poverty reduction and to bring its programme and priorities in line with its resources. This is sound and should help India and III world — except it is not clear when private sector development gets into the poverty reduction programme. The private sector has many achievements but poverty reduction is not one of them.

IMF

In spite of reports that a break through in the GATT talks has occurred in the last week of October as a result of the negotiations between Trade Official from US, Canada, Japan, and EC, there seems to be no end in sight as to when the talks will result in an agreement. The Group of 7 wants the talks to end by the end of the year. France and others are arguing that the Uruguay round cannot be concluded until the EC and the US included in their negotiations the effects of the devalued dollar on grain trade, which it regards the main obstacle to this deal. The success of the talk is needed for world trade to develop, for the developed countries trade, and also for the developing countries. But there is no trigger to set off the realisation of its successful conclusion.

FAO forecast

FAO forecasts, as noted earlier, that

India will be forced to import pulses, as the Green Revolution has bypassed the pulses crop almost totally. With the increase in population, the per capita pulses availability has fallen from 75 gram per day in 1959 to 40 grams in 1991, well below the ICMR minimum of 40 grams. This added to the import of the rather large foodgrains is making for a very difficult food as well as foreign exchange situation for India and her neighbours.

World Watch Study

The most recent report of the World Watch Institute reviews the 36 environmental and social indices and concludes that human civilization and the world are still in trouble, despite some positive trends which should be built on to reverse the degradation of resources and set the world on sustainable path. While world population is increasing, there is a slide in world grain production. The world however in 1992 will be at a 5 year low of 312 gms per capita this year and needs special attention.

OPEC

OPEC may decide on reduced oil production in the first half of 1993 to avoid a sharp drop in prices, according to US oil specialists. The basket price for oil offered by OPEC units now average \$ 19.50 per barrel which could go upto \$ 20 and the increase will reduce demand. Hence it will have to cut production to counter a post seasonal drop. The effect of such a fall on countries like India could be positive if the national policies allow for international prices to be reflected more fully at the national level.

II. Agricultural Development in Tamil Nadu

Paddy and other crops

With the good rainfall during the South West monsoon and the consequent wide spread precipitation and adequate and comfortable storage in all irrigation tanks Samba paddy transplantation has preceeded fast in October in the state. The earlier kuruva paddy has recorded all time high of 6.5 tonnes per hectare in Thanjavur and Nagapatinam Quaide-milleth. The transplantation — will reach 10 lakh hectares by the end of the month, the normal samba paddy area in the state being 15 lakh hectares. Transplantation has been completed over 4 lakh hectares in the delta area covering Thanjavur, Quaid-e-Milleth, and parts of Pudukottai and Tiruchi districts. The paddy farmers in North Arcot, Chingleput — MGR and South Arcot districts have so far had deficient rainfall and so are using water from the irrigation wells to raise paddy nurseries. The delay in the North East monsoon on which they depend to complete this process is causing them some anxiety. Meanwhile the procurement operation for the kharif is complete with the target of procuring 4 lakh tonnes having been passed. An additional 1 lakh tonne could be procured by mid December. This record is on top of the samba progress of 128 lakh tonnes. The farmers will face the problem of storage when the samba procurement starts. The farmers expect that the samba procurement policy will be developed, as the kharif monopoly procurement is not to be applied in the samba season. The government targets for the delta districts should be reduced in order to adjust to the limited godown capacity of the state. Further the milling agents may not be able to handle all the stress that may be procured and these factors must be taken into

account in formulating the new procurement policy for the samba season. The farmers will be as forth coming as they did last year and make available for procurement about 15 lakh tonnes, even as the kuruva procurement is nearing completion.

Research results

In October, 89 research reports and the setting up of a National Research Centre in Banaras by ICAR are recorded. The distribution of research reports is not, unsatisfactory: 3 on cereals, 5 on fruits, 7 on animal husbandry, 2 on agricultural engineering and 11 on a miscellaneous group covering manures and pests in vegetables, dry farming techniques; water management in coffee estates and other mixed areas. There are still lacking adequate studies in horticulture and dry farming. But the basic question raised in the last issue remains unanswered. How much of these valuable reforms are actually transferred to the field and how many are being adopted by the Tamil Nadu farmer. Till this question is examined rather carefully and the result made known, it is difficult to pronounce on the quality and effectiveness of farm research in the state. At the institutional level, the initiative to fund banana research is sound and needed. Here the question should be asked, it has taken some 40 years after the ICAR was established and 80 years if its predecessor is taken into account for the research to be institutionalised, because in this four to eight decades the banana planters and farmers have suffered enormous damage from pests and diseases and even more from storm and flood. The

tissue culture research is more than timely and can be used by the banana farmer to counter diseases like bunching top. Atleast in this case after a year or 18 months, there should be an enquiry into the transfer of the results to the plantation and the research-positive and negative, made known.

Horticultural development

In the state's drought prone areas like the Tiruvannamalai - Sambuvarayan district, and more generally in the dry land areas that cover the major part of farmers and their crop lands, there is need for spreading the successful demonstration in planting and making available to the dryland farmers in the state grafts and layers of horticultural crops. The demonstration in the control and state farms has been successful in the case of: a) commercial orchards, b) commercial nurseries and c) production of quality seeds. This demonstration shows the dry land farmer how large scale agriculture and horticulture can be done on a commercial scale. The demonstration farms grow over 504 hectares for commercial orchards of which about 200 hectares are for mangoes. Also the development of hybrid coconut is being demonstrated. The question is whether dry farming suitable in terms of technology and crop can be developed to meet the needs of small and medium dry farmers. In growing horticulture crops it needs to be helped by using non conventional energy for this farming. He has abundance of wind, biomass, eucalyptus and other energy plantation sources at his disposal and these should be the subject of demonstration by the central and state farmers. Already a lot of time has been lost in this area and so the need to speedy action is indicated.

Plantation crops

In October two general problems affecting all plantation industries, coffee, tea, rubber and cardamom have been in the forefront. First, the effect of the fertiliser price hike has affected all the crops. UPASI computes that it means for coffee, plantations spending the Rs. 1.83 more to produce a kg of coffee, for tea plantation 75 paise more for kg of tea, for rubber plantation 30 paise per kg rubber and for cardamom Rs.17 per kg. This is serious and does constitute to a heavy burden on the plantation growers, particularly as the recession trends in the world seems to be contributing and intensifying. On the other hand, these are immediate effects of the particular price hike following from the cut in public fertiliser subsidy and the decontrol and there is need for some times (6 months or so), to pass to assess the real impact on the plantation industries. Second, the plantation crop prices are passing through a temporary phase of decline and should recover soon and reach some sort of equilibrium to cover the increased costs. In this connection the recovery of world coffee price is reviving prospects of the International coffee quota under the International Coffee Organization. This will not be a repeat of the old system but will be made responsible for production trends. But India is a small player in the league and will have to have its own way. Thus the effect of the fertiliser price hike on small planters who are 80 per cent of all planters needs to be investigated. How much synthetic fertiliser does the small planter use and should he not shift to organic manures in part or wholly, particularly as he will not face a heavy cost function for this bulky fertiliser. Finally there is need for all large, medium and small plantations, to effect the maximum economy in input use and

speed. The other major general issue affecting all the plantation crops in Tamil Nadu is the recession in prices that they face according to the Planter's Association of Tamil Nadu, (PAT). For *tea*, which this year is expected to fall to 100 million kg against last year's 113 million kg, the average kg price has fallen from Rs. 39 in 1992 to Rs. 33 in 1992. This ofcourse is mainly due to the loss of the Soviet market which bought 75 per cent of South India tea export, and now while the success of CIS market should be explored, it is important to get out of the over reliance on one source and diversify our export sources. In *coffee* in which the state crop in 1990-91 was 15,000 tonnes and in 1991-92 17000 tonnes, in 1992-93 it is expected to fall to 13,000 tonnes alongside lower yield and higher costs. This is giving rise to discontent with the system of pooled marketing which is to be scrapped anyway. It is therefore appropriate that a large number of coffee growers in the state are joining with their counterparts in Karnataka and Kerala to form the Indian Coffee Marketing Cooperation Ltd (COMARK) to market coffee. This too will take time as the growers have been ignorant of the market and its operations for over 50

years. But that is the way forward. COMARK should specialise in marketing the crop of the small growers. For *rubber* where the state output for 1991-92 was 18,309 tonnes, the cost is well above the price. There is need for the rubber producer to economise on the cost and for the government to rationalise its task on the industry. Infact there is a case for such rationalisation for all plantation crops. PAT points out that a tea company with an average yield of 2500 kg per hectare and a pretax profit of Rs. 3 per kg, pays per hectare : a) estate duty of Rs. 1250, b) tea cess of Rs. 375, c) sales tax of Rs. 7438, and d) union income tax of Rs. 1553, e) state agricultural income tax of Rs. 2925 and f) land revenue and local tax of Rs. 100. This total of Rs. 3641 of which was Rs. 10,000 goes to the state need to be examined both comparatively non payment of income tax of agriculture land holder and in relation to other sectors and states to provide the basis of rationalising the taxes. The state government is aware of the distortion and has promised to take corrective action with regard to what the government calls "genuine" problems of the planter — what ever that may mean.

III. Industrial Development in Tamil Nadu

The October review of the state's industrial development must start with the government review report on the state industries placed before the Assembly in October. There are important positive developments reported, starting with the decision of the government to use a team of officials to attract investment to the state both from other states and from outside the country.

This important initiative will be reviewed when the first reports of the team are made available. Then there are set forth certain achievement: a) the Tamil Nadu Corporation for Infrastructure Development (TACID) referred to in Vol. XXII (p22) has been given Rs.125 crores to set up the 4 growth centres at Gangaikondan, Perundurai, Bargur and Nilakottai on which work is in progress,

plus a fifth centre in Nagapattinam—QM district, b) TACID has also started a special area development plan for *Tirupur* with an outlay of Rs.200 crores, c) new *sugar mills* are to be set up in Tirunelveli - Kattaboman, Thanjavur, Nagapattinam — QM, South Arcot, Chengai-MGR districts plus expansion cum modernisation in 5 cooperative sugar mills: d) a case by case analysis of every *loss making PSU* has been completed and comprehensive package evolved to ensure better results in each undertaking: e) this is important as this bulletin has repeatedly called attention to the question, quoting C&AG reports and has recommended that the government get out of this production business. It would be interesting to know what "the comprehension package" consists of. The public who pay through taxes for these units and their losses should know and debate the details. This report, however, spoiled its effect by using exaggerated phrases like the report being an "eye opener" against which what evidence there is, is negative — of Tamil Nadu industrialisation migrating and setting up units in other states. The statements that "the state of drift and despair" has been corrected has been challenged by industrialists.

Turning to the positive features recorded this month, *First* at long last, the union government has cleared an additional 70,000 tonnes of *molasses* for export. The state government has earmarked 60 per cent of the the export quota for the 14 cooperative and 3 public sector mills and the balance to the 14 private sector mills. The basis for this decision is not known and should be made public. *Second*, MIL Industries is expanding its activities, particularly in teflon lined pipes, fittings, and moulded components. With the UK

collaboration MIL is planning to develop market for their products in the south east asian region. *Third*, the *leather industry* is to receive \$25 million from UNDP for its growth which will enable it to attain an export target of Rs.10,000 crores by the end of IX Plan. Also a committee has been constituted to recommend a new policy package to attract even large foreign investment and to examine whether leather should go out of SSI list. *Fourth*, the union government has approved the financial collaboration between R. J. Brown and Associates, Singapore and Kothari Brown of the Kothari group. The Singapore firm will have a financial stake of 51 per cent, with the Kothari group offering engineering services in the field of offshore oil and natural gas both in India and abroad, particularly the Gulf countries. *Fifth*, *Madras Refineries* is setting up the refinery and gas sweetening/LPG recovery plant at Panangudi near Rajapalayam is starting Nagapattinam — Quaid-e Millet on the road to industrialisation. Its contribution to the state's industrialisation is expanding rapidly to Rs. 50 crores for improving the environment in the Manali industrial area, educating the workers in the dos and donts of environmental and industrial safety, applying for union permission to import 1.66 lakh tonnes of potash and 63,000 tonnes of phosphate to meet the state's immediate requirement. *Sixth*, The second phase of the *MEPZ* development has now started with proposals involving investment of Rs. 50 crores being approved. Among these are the project for the export of steel furniture by Godrej (Rs. 5 crores): another for the manufacture and export of motors by Crompton and Greaves (Rs. 6 crores): a third by a local entrepreneur to manufacture sports cars (Rs. 9.5 crores): Ceramic porcelain (Rs. 8 crores). The zone has emerged as

a multi product zone, with its exporters rising to Rs. 122 crores in 1991-92 from Rs. 61 crores in 1990-91 and with a target of Rs. 255 crores for 1992-93 all to GCA. *Seventh*, in October after a long wait of several months, the government cleared some Rs. 60 crores projects including a 100 per cent export oriented mushroom culture project, and 400 tonne lactic acid project, and a video cassette unit. Another Rs. 500 crores projects for making tyres, pig iron and rolled aluminium products are, after several months; awaiting clearance. *Eight*, as a result of the negotiations and the resulting agreement between labour, management and the labour commissioner, *Seshasayee Industries* which had been closed since December 1990 will open and resume operations from March 31, 1993. *Ninth*, *SPIC* is doing very well under the abolition of the fertiliser subsidy and the decontrol of fertiliser because it foresaw this happening in 1992. Its decision taken on programmes with TIDCO on TN petro products and with NALCO on Aramco and the Indo Jordan chemical company have contributed to its growth. As a results it shares in MSE has risen from Rs. 120 on August 25 to Rs. 200 on September 9.

On the negative side, *first*, the MRTPC has launched an enquiry against the *Madras Rubber Factory* for allegedly indulging in unfair trade practices. The company has been charged with manipulating the market and creating an artificial scarcity of its products through deliberately reducing its production for this purpose. *Second*, the embroglio on the granite policy reported in the last 2 issues continues. The Union government has asked the state government to change its policy on exports of granite through *TAMIN* and has sent a 3 member delegation to discuss the state government's

canalising exports. But the state government is firm on this and claims that the policy has resulted in a turnover of Rs. 26 crores for 1991-92 and a record profit of Rs. 15.56 crores. In fact as several industrial groups have put up projects for Rs. 30 crores and above, the state government is thinking in terms of making these companies associate sector parties, keeping its equity stake down to 11 per cent. What the long term interest of the states quarry development are requires attention. *Third*, *Tamil Nadu Industrial Explosives* a heavy loss making company has been investigated by BIFR and on conclusion of the enquiry has appointed IDBI as the operating agency. The operating agency will work out the scheme of rehabilitation of the company. *Fourth*, the state's industrialisation drive is being held back by the controversy and resulting standstill in production as between two state government enterprises. The two relevant cases in this matter are the *Tamil Nadu Electricity Board* refusing to lift steel from *Tamil Nadu Steels* and instead procuring Rs. 12 crores of rerolled steel from outside sources, resulting in the building up of inventories by Tamil Nadu Steel works of Rs. 5 crores. The other deadlock is between Tamil Nadu Cements and the *State Highway Department* in which the chief minister had to intervene to cancel a government order which facilitates the deadlock. *Fifth*, while the state in its report referred to earlier takes credit for pushing forward on the Tamil Nadu Singapore corridor and the Rs. 2000 crore Arochem projects, the Tamil Nadu delegation sent to Singapore to expedite the project has returned empty handed and the Arochem project is still in the planning stage. *Sixth*, *Richardson and Cruddas* plant may not have closed down, despite all work having stopped in one of its plant and its labour being on strike

since May. At the plant against the installed capacity of 4800 tonnes, its March 1991 production was 54 tonnes and February 1992 production was 4

tonnes. This unit should be closed. On the whole, the pluses in October are more than the minus in the development of state's industrialisation drive.

IV. Education, Science and Health

Educational reforms

Will a decline in population benefit the country's educational system? Kerala may be an exception because it is the only state where population growth is not declining rather rising rapidly. The immediate results of the population decline, including the fall in the primary school age children from the current 59.01 lakhs to 42.24 lakh in 2001, according to the study undertaken by CDS is the closure of 3000 schools and rendering 50,000 teachers redundant. This from the employment point of view may be regretted but two positive results may be noted. The qualitatively poorest schools can be closed, and the teachers who are good have now some 10 years to train themselves for finding alternative employment. This forecasts should be taken seriously and the current fashion of opening new schools on every possible occasion — on someone's birth anniversary, death anniversary, etc. should be stopped. The quality of education can be raised as a result of this development and the intervening period should be used to identify the qualitatively poor schools. At the higher education level, the case of autonomous college have repeatedly been evaluated. The latest one of the Tamil Nadu colleges — 45 of them has been also completed and the report reviewed by the Vice Chancellors and Chancellor. Now is it not time to stop this futile

exercise and act. There is no alternative to autonomous colleges. There will always be some problem or other to be further examined. But this is the statue of colleges every where, why are we hesitating of enabling them to be colleges. The same consideration for using distance education with a common syllabus has been accepted by the states, universities and vice chancellors. Now the universities should stop thinking of Distance education and correspondence education as 'milch cows' to meet their falling income, and use the possibility they offer of extending quality education to all who are qualified for and desire it.

Adult literacy

In Tamil Nadu, in addition Pudukottai and Pasumpon Muthuramalingam, Kamarajar has been declared a fully literate district. This will be followed by Dharmapuri. This welcome feature shows that given a disciplined and committed volunteer force, good leadership, the decision for literacy is fast spreading. Now the post literacy phase should be taken up smoothly to prevent the danger of the neo literate reverting to a state of illiteracy. Kerala having achieved full literacy of over 95 per cent is now turning to its hard core illiterates - the literacy of tribals and hill dwellers. Here the programme is concentration on the

3 Rs. before turning to functionality and awareness. But already the reaction of the tribes is to demand more than literacy, demand that literacy should enable them to live more fully.

Technical education

The meeting of the State Board of Technical Education after a gap of 9 years is important. In the 9 years self financing institutes have grown rapidly — 30 engineering colleges and 74 polytechnics. These can be helped, developed and brought to a good and adequate standard. And that can be done only at the local level and not by far away Delhi. The Act which has been passed to vest large powers in the All India Council will only be a paper act, as the real decisions and their enforcement depending on local condition can be made only at the state level and by the technical education institution, not by the All India or state councils. Has the Board demonstrated that this can be done and not limited itself to considering the value of decentralization and at the same time asking for more funds from the All India Council. A good development which needs to be extended to the joint Tamil Nadu Small Industries Association (TANSIT) and the University of Madras is the setting up of an Institute to train entrepreneurs, 10-15, per annum. This should be followed by other trade or business organisation.

Science

Now the programme of popularisation of science and taking it to the villages

and illiterate and neo literate adults is starting under the nomenclature of Bharat Jan Gyan Vigyan Jatha (BJGVJ). It is important that BJGVJ & BGVJ should go together, for the message of literacy should be science. Here again Kerala—KSSP is taking the lead. BARC reports that its scientists have successfully developed a new fuel, mixed oxide (MOX)—a mix of uranium oxide and plutonium oxide which is to be used to run the Tarapur Atomic Power station. This makes the atomic installation independent of the restriction which US, UK, Russia and France wish to impose on it to supply the needed fuel. Two more science and technology entrepreneur parks are coming up at Anna University, Madras Regional Engineering College, and in Karnataka. This is a needed development. The two parks, however, should speedily attain financial self reliance after the initial financial aid that they will receive.

Health

Slowly but inexorably the population question and its control is emerging as a major issue on the national Agenda. Will this give teeth to the programme and make it a people's programme, not dependent on the union or state government for its development? This is the major question. In October, 350 cases of cholera and gastro enteritis have been reported in the city and its suburbs. There is only one reason further and that is impure and polluted drinking water. In many areas, particularly in the slums and low lying areas, drinking water and sewerage water are becoming mixed. This must be urgently corrected as the only means of stopping the dreadful and scandalous disease.

V. Employment and Labour Relations

On the employment front, the Jawahar Rozgar Yojana is being expanded with a new component of permanent jobs for the rural unemployed. This is part of the VIII Plan's target of creating 3 crores more job for young rural unemployed through JRY. The programme is to contain a family planning component. The target for seasonal employment is being raised from 80 crore mandays to 100 crore mandays. There seems to be some confusion in the aims. JRY is an

ad hoc relief programmes. How can it provide permanent jobs to any one? The Social forestry plantations is a good temporary relief programme which if stretched out will ruin the effectiveness of the short term relief effort. Probably what is intended is longer term jobs, that is, jobs for 9 month instead of 6 months, and as the young grow up, they will be expected to find other means of work.

VI. Other Items

Cadre Evaluation

The first report of the evaluation of Adult Education cadres was reviewed at a meeting of the SRC in early October. It was found that the cadre was conforming to the objectives of the cadre programme — that is to devote oneself totally to the literacy work in the village. This was in a village where the cadre was working which had a backdrop of effective voluntary agency programme. The next evaluation will be that of cadre working in a village without these features and will be examined in light of it.

Rotary

The Rotary club of Central Madras called a meeting of its members in the second week of October and invited the chief justice of the Madras High Court to present for the sake of Honour award to the Editor of the Bulletin. The citation

referred to the many tasks carried out by him and commended his work for the removal of poverty in particular.

Advance in Agro chemicals

The Technology Advancement Centre organised a symposium in mid October on the advances being made in the field of agro chemicals, that is fertilisers and pesticides. It was noted that these two chemicals had increased the food output of the country 3-4 fold but that it also caused several health and environmental problems. In light of this, the advances being made in biochemicals were considered, reviewed along with their human, social and economic cost implications. The finding was that the future development will be in the bio chemicals, bio-cides field and that this should be encouraged.

Mr. Sundaravadivelu

The ex Vice Chancellor of the Madras University Mr. Sundaravadivelu has this year attained his 80th birthday. There was a commemoration organised at which his ministerial friends, Mr. Nedunchezian and Mr. Aranganayagam along with 6 of his colleagues — past vice chancellors spoke pointing to his achievements in the 80 years of his life — particularly in the development of education at the state, national and international levels, in safeguarding of the Tamil language, especially when it was facing an assault from Hindi and in devoting himself to the uplift of the backward and discriminated classes and people.

Annual Conference of TNBCE & SRC

The 15th Annual Conference of the TNBCE & SRC was held at the end of October in the Bharathidasan University, Tiruchirapalli. The subject of the discussion theme this year was post literacy. This is appropriate because already 5 districts out of 22 have attained the first stage of literacy and they will soon be joined by 7 others this year and 10 next year. The techniques of assuring this post literacy and continuing education and its content were stressed with the help of the National Literacy Mission which is led by an able group of specialists. The Report of the Conference has laid out the path for the future development of continuing education through the Jana Shiksha Nilayams — Thodar Kalvi Nilayams — to follow the present Arivoliyakkam in the state.

November Seminar

The paper for the November Seminar "Lending and Promotion Strategy for India's Rural Non-Farm Sector: Role of NABARD" appears as the first article.

Second Article

Part II of the extract of the paper, Gandhiji and the Indian Economy Today, appears as the second article.

Future of the Bulletin

Arrangements are being made for developing the Bulletin as a more effective organ of the Institute in which the staff will participate and will involve changed content, format and title to be run by a 4 member editorial committee. Next year, 1993, will be a trial year during which the new format will be tested and made continuing from 1994. In the light of this the December Special Issue Section this year will only contain two of the nine papers (by Drs. N. Jayaram and A. R. Umamaheswar) presented at the Twenty Second Inter-disciplinary Research Methodology Workshop, held at the Institute of Development Studies, University of Mysore.

December Special Section

1. Dying Dinosaur: Plight of Higher Education in India by Dr. N. Jayaram.
2. HRD in Higher Education by Dr. A. R. Umamaheswar.

MIDS News

Mr. S. Guhan participated in a seminar on "Study of Indian Economy" at the Institute for Financial Management and Research on November 13th 1992; addressed Hindustan Chamber of Commerce on "Fiscal Stabilisation" on November 16th 1992; and gave a seminar at the Institute on "Cauvery River Dispute" on December 7th 1992.

Dr. Nasir Tyabji was a discussant for a Session on "Industrial Structure and Cooperatives" in the IDPAD-CDS Workshop on *Modernisation and Employment Protection in the Coir Industry* held at Thiruvananthapuram on November 12 and 13, 1992.

Dr. Nirmal Sengupta attended a conference on the follow-up to the Earth Summit organised by the Ministry of Environment and Forests, New Delhi on November 13 and 14, 1992.

Dr. P. Radhakrishnan attended a seminar on Backward Classes and Reservations at the Government Law College Pondicherry on November 14 and 15, 1992 and presented a paper on Backward Classes Movements in Tamil Nadu

Dr. C. T. Kurien participated in a Refresher Course for teachers of Economics of the M. S. University at Tirunelveli on December 2 and 3 and gave two lectures including the inaugural address.

Dr. K. Nagaraj also participated in a Refresher Course on December 3 and 4 and gave two lectures.

Dr. M. Thangaraj, attended the Bouddha Dhamma conference held in Bombay on December 5 and 6, 1992 and spoke on "Buddhism and World Peace".

November Seminar

Lending and Promotion Strategy for India's Rural Non-Farm Sector : Role of NABARD

Hameed Dawood

Deputy General Manager, NABARD, Madras

Background Paper

Indian policy makers and planners decided in 1950s to invest in heavy industries and infrastructure. This resulted in shortage of food production in the mid 1960s and hence the policy thrust was shifted to intensive agriculture which led to dramatic increase in food production. However, these policies gave room for disparities in income imbalances between different regions and between different groups. By 1970s, the GOI sought to correct these imbalances through a number of programmes for the benefit of small/marginal farmers and agricultural labourers and also to meet the needs of less developed regions. These programmes addressed themselves directly to alleviate poverty through creating opportunities for self employment. With the

potential for further development in agriculture tapering off, the development of future rural economy in India has come in a greater measure from the non-agricultural sector. Various studies conducted in India revealed that the employment opportunities in agriculture have come down. It provided employment to 82% of the work force in 1978; it declined to 78% in 1988 and further to 70% in 1991. By the turn of this century, agriculture is expected to provide employment only to 55% of the work force. However, the share of rural NFS in providing employment has been increasing steadily from 14% in 1978 to 17% in 1988 and further to 20% in 1991.

National Bank for Agriculture and Rural Development (NABARD) was established in 1982 with the purpose of ensuring rural prosperity by paying undivided

attention for the development of agriculture, allied activities, cottage industries, small/tiny industries, rural artisans, handicrafts, etc.

Immediately after its formation, National Bank constituted 7 Task Forces to study the problems and prospects of credit in the major rural industrial activities such as handloom, handicrafts, coir, sericulture, khadi and village industries, tiny industries and organisation and marketing essentials. Based on the recommendations of these task forces, National Bank introduced various schemes for flow of credit through the banks. They relate to acquisition / modernisation of looms / opening / renovation of show rooms, construction of workshops, establishment of defibering units in the coir sector, reeling and twisting units under sericulture, bio-gas plants, special schemes for financing industrial cooperatives, agro-processing units, small road transport operators, mother units, ancillary units, satellite farms, etc. As a result of the various efforts put in by all concerned, the disbursement of National Bank refinance under investment credit for rural, tiny, cottage and village industries has increased from Rs. 1.38 crores in 1985-86 to Rs. 104.61 crores as on March 1992. National Bank, based on its past performance has drawn a prospective plan of refinance disbursement of Rs. 143 crores in 1992-93 and Rs. 390 crores in 1993-94 and Rs. 600 crores in 1994-95.

An important factor to be considered and recognised with regard to NFS investments is its potential to create employment opportunities, more particularly, in rural areas. Big and heavy industries are known to be displacing labour by undertaking modernisation processes and adopting high-tech projects. It is said that a sum of Rs. 1.00 crore invested in big and heavy industries

create employment opportunities for only 320 persons as against creation of employment of 1720 persons in tiny and cottage industries covered under NFS. Yet another interesting feature in NFS development in rural India is the participation of women and educated unemployed youth. Increase in the level of income in rural areas will have a multiplier effect in creating further demand for goods and services in rural areas thereby adding to increased development or wholesome development of the villages.

India has made immense progress. When we compare the conditions of 1940s in India with the present situation we really feel the progress we have made during the last 4 decades. The food deficit has been overcome; we are one among the vast industrially developed countries, our science and technological development has been substantial. In spite of all these developments, we see all around us unemployment, under employment, disguised employment in almost all villages in India. This was mainly due to the increasing growth of our population. All these developments the Indian economy has been able to achieve and manifest during the last 40 years are not visible to the outside world because of the ever increasing Indian population. It is also interestingly observed that the growth of population is mostly from the villages, from the poor and the weaker sections of people who live in rural areas, we would be in a position to bring them to the middle income group and thereby control growth of population.

India is rich in natural resources. We have not been able to maximise our utilisation of our river waters; a major portion of the horticultural resources is marketed directly without being processed. There has been no value added to

the horticultural products in the rural areas. Plantation crops, horticultural crops, floriculture, forest products - all these products have been directly consumed. There is a substantial scope for undertaking agro-processing and agro-industrial activities.

Rural non farm sector could be both supplementing and complimenting the farm sector. Integrated credit project for rural poor is a model project for the bankers to provide both farm and non-farm credit as a package for each family identified. There are 8 such projects in Tamil Nadu where all able bodied members of the families identified are provided credit through the banks. An important feature of this project is that it does not depend on subsidy from the State Government sponsored programme. Creation of infrastructure, common service centres also play a vital role in developing rural industries. Farmers clubs functioning as an effective chain/bridge between the bankers and department can also contribute for development of non farm investments. Self Help Groups and voluntary organisations play a very strategic role in intervening and promoting the growth of rural non farm sector investments. The District Industries Centres operating in all the districts in Tamil Nadu and the small industries organisation functioning in most of the districts can also make an attempt to establish common raw material depots and marketing units.

Credit is seen as an input rather than as a claim on resources and services. Credit does not ensure development, if other non-financial problems are not solved. Fungibility or interchangeability of credit is generally ignored by the development policy makers and administrators in India. At the beginning of the

development, investment in infrastructure and non-financial services is important. Demand for credit will be based on the infrastructural development and not vice-versa.

Looking to the enormity of the areas and the experiences of some of the developing countries with identical problems, National Bank needs to make a breakthrough and adopt more innovative areas. Apart from tackling the traditional sectors of Indian local art, craft, handicraft, etc., which do not pose very big prospects for various reasons and have therefore set in rather declining trend there is need for looking into the deversified integrated rural non farm sector with vast employment generation potential like transport, construction, retail trade, agro-processing, so on and so forth with less resources intensive units. India has the advantage of the wide range of global experiences from Indonesia, Egypt, China, Japan, Italy, Mexico and Thailand.

There should be continuous efforts to transport appropriate improved technology to increase the productivity in the rural sector. Can there be a closer institutionalised interaction between National Bank and the research establishments/universities/technical institutes? As a long term strategy, various institutions involved in promoting decentralised and rural industries like National Bank, SIDBI, TIIC, KVIC, KVIB, DIC should strengthen researches and studies, should continuously feed the policy and planning wing of rural non-farm sector on new areas, evaluation of their performance and make appropriate technologies support the strategies in the area of marketing and extension linkages and information base.

Gandhiji and the Indian Economy*

II

Employment

Our problem of employment is multifaceted. First we are only sure of how many are employed in the organised (factory) sector and here the scenario is

daunting. The organised industrial sector has been increasing over the past 5 years at 8 to 9 per cent per annum but employment within it is not increasing, but actually declining as shown in the table below:

TABLE XXI*

(A) Growth rate of Employment (per cent)				(B) % of Unemployment to labour force for 1983 and 1987-88		
1972-73	1977-78	1983		Usual status	Weekly status	Daily status
to	to	to		2.77	4.51	8.25
1977-78	1983	1987-88	1983	3.77	4.80	6.09
2.8	2.2	1.51	1987-88			

Source: NSS (27, 32, 38 & 43rd rounds). Expert Committee on Population Projections.

*Daily status in employment per day.

Weekly status in employment per week.

Usual status in employment per year.

The table shows the falling rate of employment growth from 2.82 per cent in 1972-73 to 1977-78, to 2.22 per cent in 1977-78 to 1983 and further to 1.51 per cent in 1983 to 1987-88. The rural employment growth for the last period-which is almost that of recent times was a

low 0.95 per cent. The unemployment data in the table shows an increasing rate for this period: the fall in unemployment recorded for the daily status means a shift in the structure of unemployment from underemployment to open unemployment.¹² Second on this basis, we can

* Part II of the Annual Gandhi Memorial Lecture by Dr. Malcolm S. Adiseshiah for the Gandhi Peace Foundation, New Delhi, January 30, 1992.

compute that in the coming 5 years (the Eighth Plan), we will have 65 million persons looking for employment comprising 28 million being the back log of the unemployment from the past 5 years (the Seventh Plan) plus the increase in the labour force of 37 million during the next years (the Eighth Plan). Third, we do not know the status of employment, unemployment and underemployment in the unorganised sector, which cover the non factory sector and employs over 81 per cent of the labour force. In other words, we are only sure of the status of the small 12 per cent. Does this employment and unemployment scenario ring a bell of what Gandhiji was concerned and warned us against? We may not agree with his out right declaration "khadi is the only true economic proposition in terms of the millions of villagers, until such time, if ever when a better system emerges of supplying work and adequate wages to every able bodied person above the age of sixteen, male or female, found in the field, cottage or even factory in every one of the village in India, or till sufficient cities are built so as to give the villagers the necessary comforts and amenities that well regulated life demands and is entitled to. Here khadi may be interpreted to include other village industries"¹³— a declaration which became the source of inspiration for the All India Khadi Department created by the All India Congress Committee in 1922, which was replaced by the All India Khadi Board in 1923, replaced again by the All India Spinners Association in 1925, followed by the All India Village Industries Association in 1935, the All India Khadi and Village Industries Board in 1953, — culminating in the statutory Khadi and Village Industries Commission founded in 1956 by the Act No. LXI of 1956. Gandhiji emphasised the role of cottage

industry as the only way of doing away with penury and making of work and wealth impossible"¹⁴. He said that "a vast country like India with her millions of people having 4 months of enforced idleness on their hand could not afford to have large scale industries and yet live a life of tolerable comfort. Mechanisation is good when the hands are too few for the work intended to be accomplished. It is an evil when there are more hands than required for the work, as is the case for India"¹⁵. The core of truth in this position of Gandhiji on employment has been accepted by the government and people from the start of the Planning. In the second Plan, when a start was made on developing heavy industry with its call for large investments and large scale production factories, for employment generation and meeting the employment needs of the country, special provision was made for the particular development of small scale industries and from the Third Plan a similar special emphasis was placed on agriculture. The current situation is that there are 17 lakh small units of all types only in the organised sector which employs 120 lakh persons. There is in addition crores of small units in what is called the informal sector in both the urban and rural areas. One of Gandhiji's thoughts set forth in the evocative term Antyodaya was picked up and used from 1977-79 to identify the poorest of the poor and help him attain self employment. The small industries has been classified in 3 groups: a) the organised small enterprises which were defined in 1966-67 as those with plant and machinery upto Rs. 7.5 lakhs which has been gradually increased to Rs. 60 lakhs in 1990; b) the ancillary units with capital upto Rs. 10 lakhs which has also been raised today to Rs. 75 lakhs; and c) the tiny units with investment upto Rs. 2 lakhs, now increased to Rs. 5 lakhs.

All the 3 groups of small industries receive various forms of subsidies in the form of low interest rates, priority in bank loans and credits, in marketing, in testing of their equipment and in training of the personnel needed. In 1991 the tiny sector has been broadened to include the services which is today the major contributor to our national income at 39 per cent compared to agriculture's 28 per cent and industry's 27 per cent. This means all small service units like cleaning, security, consultancy, domestic service etc. will become eligible for the incentives referred to earlier. There is still a lot to be done in regard to the employment generating small industrial sector which suffers from serious "sickness" of 14 per cent of the total units, of which 93.2 per cent are regarded as incurable. Similarly the various programmes inspired by Gandhiji's concept of Antyodaya are neglected by the state government who have not used even 50 per cent of the allotment made to them for these units. Similarly the agriculture sector, particularly with regard to small and marginal farmers and the landless labourers is the key to its employment generating potential and needs more investment and resources which in the coming years, (from the VIII Plan onwards) will, it is hoped, be more effectively and satisfactorily met.

Inequalities in income and asset ownership

Inequalities in income is the result of poverty, and the poverty of the mass of the people of the country was one of the main preoccupations of Gandhiji. Poverty takes two forms — absolute poverty and relative poverty. Absolute poverty is the lack of a minimum amount of food, clothing and housing to keep oneself and one's family alive. Gandhiji conceived the minimum living wage as being the

wage to cover the subsistence of the worker and his family and if this minimum was not available to him, there is poverty in the absolute sense. According to Gandhiji "if the actual payment is less than the minimum living wage rate and the worker was unable to maintain himself and his family members, it is poverty, tantamount to exploitation"¹⁶. In the early 60s we took over this minimum wage concept of Gandhiji and generalised it to cover the mass of workers who are self employed and not only employed for a wage. In fact some 80 per cent of our work force is self employed. And so we have costed the food, clothing and housing that a person needs and call it as the poverty line.¹⁸ Taking as an indicator the minimum calories that a person needs, we have established the poverty line at Rs. 49.09 per person in the rural areas and Rs. 56.64 per person in the urban areas in 1973-74 and allowing for the inflation that has taken place, have now established it at Rs. 89 per capita in rural and Rs. 111.2 per capita in urban areas. If we assume that a family consists of a father, mother and three to five children we must multiply this per capita figure by 5 or 7 to arrive at the minimum for the family. Those who do not earn this amount are in poverty. On this basis, I have computed that the number of our poor (who are not able to spend the amount indicated) is 322 million in 1988¹⁹. Inspired by Gandhiji's special programme of khadi, which he regarded as the sun of the whole industrial system and village industries which for him were to receive their warmth and sustenance from the Khadi industry¹⁹, we have today developed special poverty alleviation programmes called the Jawahar Rozgar Yojana, which combines the National Rural Employment programme (NREP) and Rural Labour Employment Guarantee Programme (RLEGP), the Integrated Rural Development Programme (IRDP), the

Training of Rural Youth for Self Employment Programme (TRYSEM), the Special Employment Programme for Urban Poor (SEPUR), and the Minimum Needs Programme which aim at contributing 42 per cent of our poverty alleviation effect. The other 58 per cent is due to the more general programme of the small scale industries referred to earlier, the renovated programme of agriculture, fisheries and animal husbandry. How far these programmes are effective in reducing the number of people living in poverty is a worrisome question, because the data shows the number of persons which the programme is able to lift above the poverty line is a little less than the new generation of those born into the poor families. That is why my studies show in contrast to that of the government data and claims that the number of the poor has been stagnant over the last 2 decades. I am convinced that the only way to alleviate poverty and ultimately to eliminate it is to adhere strictly to Gandhiji's system of decentralised production, and its corollary today in decentralised planning and execution of all such plans and programmes at the village, panchayat, mandal and block level because only the village knows the facts of poverty and how to deal with it. Turning next to relative poverty, which is the coexistence of a majority of people being poor, as defined above and a small minority being rich and well to do, several issues arise. First, Gandhiji's doctrine of trusteeship which he saw as a means for correcting the inequalities of assets ownership emanates from his over riding belief in non violence to bring about a change in the unequal social relationship without violence. He also had a profound belief in the goodness of human beings and so appealed to the higher sense of landlord and the industrialist. To Gandhiji, every well to do person must

consider himself a trustee of all his wealth - "What wealth or income a person retains should be twelve times the minimum income that a poor person has. The trustee has no right to use or misuse his wealth as he likes. The only portion to whose free use he is entitled is the one which is necessary for his own existence, its maximum being determined not by himself but the state"²⁰. Gandhiji may have also been influenced in formulating this trusteeship doctrine by the life and example of Jamnalal Bajaj, whom he adopted as his fifth son. Coming from one of the richest families, Bajaj placed all his wealth and possessions at the disposal of Gandhiji and his programme of fighting poverty and inequalities. He helped with the housing needed by Vinoba Bhave who tried to put into operation the doctrine of trusteeship in his programme of the Bhoodan Yajna. Looking at the totality of the effects of this doctrine of trusteeships, I feel that Gandhiji's optimistic view of human nature was misplaced and so his doctrine has not been become effective in society. It certainly is a counter to the Kuznetsian thesis that there is a conflict between growth and equality which the Planning Commission in the 60s seems to have accepted.²¹ Each of us has the moral duty to act as Trustees of our possessions, even though the doctrine itself is not being applied nationally. On inequality of assets, the land reform programme which is aimed at limiting the amount of land that a person can own is not even one quarter way through. RBI studies²² show the worsening of the distribution of rural assets between 1961-62 and 1971-72, and that in 1981-82, the bottom 30 per cent rural households own 5 per cent of rural assets, while the top 5 per cent own 46 per cent. The Annual report of the Development 1986-87²³ points out that

on the basis of the results of the 1980 Agricultural Census the lands that should be declared surplus are 216.52 lakh acres and not 76.78 lakh acres, which is being used as the base for the programme by the government. As of now the government has declared only 73.48 lakh acres surplus and actually distributed 44.92 lakh acres to the landless poor. The land reform legislation needs to be restructured and vigorously pursued, removing it from the jurisdiction of the courts. Again on non land assets there is need for state regulation of the amount of shares and securities that a person can have and the amount of dividends accruing from them, including clamping down on the underground economy. I notice that this kind of ultimate state control was envisaged by Gandhiji who talked about the minimum living wage and the maximum living wage and the maximum earning of a person which the state should regulate.

The underground economy and the moral issues

The underground economy (I do not use the common term Black economy, Black money because I do not believe that black is morally bad and so I do not want to use a racist term) may have existed in the days of Gandhiji particularly during World war I but it was for him to be countered through his belief and instruments of truth and non violence. Further, there were other matters flowing from the poverty of the people which demanded his immediate attention, and about which he felt that he and people could do something. Today the underground economy increasing, multiplying and developing in all directions — in smuggling, in over and under invoicing, in salting away funds earned abroad in tax free

heavens, in presenting false accounts of one's income and assets in order to escape taxation — income tax, corporation tax, gift tax, sales tax and estate duty. Apart from these illegal forms of making money and building up one's assets, there is the government tolerated havalas market which coexists with the legal stock exchange and commercial banks, where the rupee is exchanged for dollars at illegally higher rates and the illegitimate funds that one has is laundered and converted into legitimate funds. Further, there is the problem of tax avoidance in which all well to do persons and most top business houses are engaged. When I was in Parliament the government presented to us members of Parliament, a list of 100 of our top companies which do not pay any taxes, and as a result lose from their source about Rs.3000 crores of tax revenue every year. In 1983, the government requested the National Institute of Public Finance and Policy to review this situation and make an estimate of the amount of illegal money and wealth in the country. The Institute undertook a study only of the funds which evade taxes, leaving out all the other facets of the underground economy, and in June 1985 presented its conclusion that as a result of its review, its conclusion that in 1984-85, Rs.36,780 crores are the illegitimate funds accumulated through escaping taxes.²⁴ One of the characteristics of this illegitimate money and the assets is that like the ticks on a dog, it circulates only within itself, the circle of the underground economy (except when it is laundered), and multiplies itself by at least 25 per cent every year. My studies show that it is about 40 per cent of our national income at Rs.100,000 crores today. One very disturbing feature of this growing stock of illegitimate money is that it has entered our political life — the parliament and

the state legislature. The law places a low ceiling for election expense, on which each candidate spends 5-6 times that ceiling. Here the illegitimate money holder is able to enter the political system and purchase members of parliament and state legislatures through their large contribution to the candidate election expenses. As a quid pro quo he is able to hold the member to ransom and obtain all the legislative paradigms and facilities that he wants. In addition a staff study by the International Monetary Fund on the basis of data available to it in 1988 concludes that about \$2 billion (Rs.6000 crores) are stacked by our well to do businessmen abroad in Switzerland, Lichtenstein, Jersey island and other tax free havens instead of being remitted back to this country. This underground economy is, as noted earlier, multiplying every day and spreading its tentacles in all aspects of the economy, drawing into its circles more and more people — some of them perfectly innocent. Today for instance one cannot purchase a house or flat in Bombay, Calcutta, Delhi, Madras or any of the large metropolitan centres without paying the house owner a part of the purchase price in this illegal money. Infact it is openly known that if one wants to buy a dwelling unit in Bombay one should be ready to pay 50 per cent of the price in illegal money, which enables the seller to conceal this part of the sale and avoid paying that part of the tax in the form of revenue (registration) stamps. This applies to every major article like motor cars, where the illegal payment is called the premium), second hand air conditioners, fridges etc. No one who wants to purchase wholly with legitimate funds can buy any of them. The government has had schemes since 1960, giving various inducements to the holders of illegal wealth to declare it to the government

and pay the tax involved - the major inducement being that no question will be asked about the source of the concealed money and a part of it, usually 50 per cent, is exempted from any tax. Currently there are 3 schemes to induce this illegitimate money to become legitimate and as the response has been poor, the deadline for this declaration has been repeatedly extended. This whole exercise encourages corruption, lying, deception, cheating and all the false values of life in addition to its being unsuccessful in attracting the illegitimate funds and being very unfair to the honest tax payers.

This brings to a focus the moral basis of life both individually and socially. For Gandhiji, the centre of life was Truth and non violence. We all know that these two realities, Truth and Non Violence, governed his whole life and everything he did, everything he taught and propagated, and everything that he acted on proceeded from these two basics. The proofs for him of these principles were within oneself. . . "There comes to us moments in life when about some things we need no proof from without. A little voice within us tells us, you are on the right track, turn neither to your left nor right, but keep to the straight and narrow. With such help we walk forward surely steadily. . . Here society is a ceaseless growth, an unfoldment in terms of spirituality".²⁵ For Gandhiji, economics was the "outflow of spirituality" and all his economic thought, action, teaching, his economic precepts and practice were based on this moral foundation. This means that Gandhiji's economic ideas and precepts cannot be practiced without this moral base, which itself rests on twin truths of Truth and Non Violence. Today we are far away from the spirituality which Gandhiji wanted to develop in us. We have developed the opposite qualities of untruth

and violence of all hues and forms. Hence no attempt has been made in this lecture to set forth and follow Gandhiji's economic advice and action in their totality, because without its moral base, its spiritual foundation, it will be an empty kernel as it is to most of us today. Because of this tragic dilemma, I have tried to extract on every one of the 5 major facets of our economy today, the

basic truth, the hard core principle that I derive from him and suggest its application to us as individuals and as society in our every day life. Can we, on this solemn memorial day of that great man, give some thought to the basic hardcore as it applies to some of our major concerns and attempt to apply and follow them? That is my hope and prayer on this Gandhi Memorial Day.

(concluded).

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DYING DINOSAUR : PLIGHT OF HIGHER EDUCATION IN INDIA

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HIGHER education in India has often been likened to a dinosaur, which has a huge body and a long tail but a tiny little head (see Raza and Aggarwal 1991: 46). Though consuming a disproportionately high proportion of resources for education and growing incommensurately with its socio-economic ecology, this creature of the colonial era has been showing signs of interminable ill-health, and is, in fact, *in extremis*. Based on the author's earlier work on the policy, performance and problems of higher education,¹ this paper presents a pathology and prognosis of higher education in India.

Four Decades of Expansion : Road to Crisis

The foundation for the system of higher education in India as it exists today was originally laid by the British colonial regime in the mid-19th century. But the phenomenal expansion of this colonial legacy is essentially a post-independence phenomenon. Not only in its size has the system no parallel in the world, but it is also claimed to be the parent of the third largest force of scientific and technical manpower in the world.

A few figures will substantiate the explosion of higher education during the last four decades.² In 38 years between 1950-51 and 1988-89 the number of universities increased from 28 to 171³ (by 6.1 times), the number of colleges from 695 to 6912⁴ (by 9.9 times), the number of teachers from 24,264 to 249,068 (by 11.7 times), and the number of students from 174,000 to 3,948,000 by 22.7 times⁵. The outlay on university and technical education increased by 42.1 times, from Rs. 340 million in the First Five Year Plan (1951-56) to Rs. 14,320 million in the Seventh Five Year Plan (1986-90).

What is particularly noteworthy about this "era of higher education" in Indian educational history, as Naik (1982: 159) appropriately describes it, is that (a) the expansion of higher education is taking place in a largely illiterate (about 65 per cent of the population according to the 1981 census) society, and (b) despite the low rating of education *per se* in the order of national priorities, the percentage of expenditure on education in the total plan outlay has steeply declined from 7.9 in the First Five Year Plan to 3.6 in the Seventh Five Year Plan.

Behind the facade of impressive statistics on the expansion of higher education hides its continuing crisis, Naik (1982 : 163) succinctly summarizes the nature of this crisis as follows:

Over-production of "educated" persons; increasing educated unemployment; weakening of student motivation; increasing unrest and indiscipline on the campuses; frequent collapse of administration; deterioration of standards; and above all, the demoralizing effect of the irrelevance and purposelessness of most of what is being done.

Thus, in terms of its efficiency, productivity, and utilization of resources the system has completely broken down (Singh 1980: 5).

No wonder then that hardly anyone refers to higher education without a pessimistic sigh. It is dubbed as an immobile colossus, "intensive, "insensitive to the changing contexts of contemporary life, unresponsive to the challenges of today and tomorrow, and absorbed so completely in trying to preserve its structural form that it does not have the time to consider its own larger purposes" (Dube 1988: 46).

Under-Graduate Courses in Affiliated Colleges : Crux of Crisis

The term higher education suggests too much of a homogeneity. Even a casual inspection would reveal the enormous structural diversity within the system of higher education. There are different types of universities (the Central, the State, the Deemed, and the Open), institutions of national importance, an assortment of Institute under the umbrella of the "Councils" of Research in Science and Industry, Social Sciences, History, and Philosophy, and the traditional institutions of higher learning in theology

and religion, besides a large and varied number of university/government run colleges and grant-in-aid or non-grant-in-aid privately run affiliated colleges. These institutions vary in terms of their financial support and the socio-economic relevance of their activities in realizing the national goals, apart from the quality of faculty and students in terms of their academic preparations, abilities, motivations and commitment.

Obviously, the crisis confronting the system of higher education is not the same or even similar in all types of institutions or at all stages of higher learning. But there is no gainsaying that the vicissitudes of the crisis are most glaring in the university education in general and at the undergraduate level in affiliated colleges in particular.

It must be noted that an abnormally high 80 to 85 per cent of the students in higher education are enrolled in liberal science courses in affiliated colleges. In 1988-89 those enrolled in Arts (40.3 per cent), Science (19.7 per cent) and Commerce (21.5 per cent) together accounted for 81.5 per cent of the students in higher education; those enrolled in Engineering/Technology and Medicine accounted for only 4.6 and 3.6 per cent respectively, and those enrolled in Agriculture and Veterinary Sciences accounted for a minuscule 1.3 and 0.3 per cent respectively.

The unplanned and haphazard growth after independence of the inherited system of higher education was inevitable in the absence of any viable alternative, lack of information regarding the anticipated manpower needs of economic development, and the populist pressure for more education. While there was a spurt in the social demand for higher education, no one bothered to investigate

the nature of this demand or its socio-economic impact.

The school leavers (16-18 age group) in India do not acquire the type of vocational skills which their counterparts in the industrially advanced countries in the West acquire at school. If their family circumstances permit they knock at the doors of colleges. A vast majority of those who enter colleges are motivated not by any genuine interest in learning, but only by a desire to obtain a degree, which they perceive to be a passport to the comfortable world of white-collar jobs, or, in the case of girls, as a stop-gap arrangement till they get married.

With certification having become the most important, if not the sole function of higher education, the processes of teaching and learning have got distorted. The role of tuition classes or "teaching shops" as a vital supplement to collegiate education is to be understood in this context. Worse still is the fact that the system has become a fertile ground for nepotism, cheating, corruption, and violence. It is the resulting disenchantment and despair which is at the back of the policy of delinking degrees from jobs, proposed yet again in 1985.

A direct and inevitable consequence of the rapid proliferation of colleges and universities and the undue emphasis on examination has been the deterioration of the quality of education. The infrastructural facilities of many institutions of higher learning are so deplorable that they have earned the sobriquet "academic slums". On the University Grants Commission's own admission, 30 per cent of the colleges are non-viable. Added to this the syllabi and curricula of higher education are observed to be irrelevant or of dubious value. It is not surprising

therefore that the degrees awarded by Indian universities are not regarded by many a foreign university as equivalent to its degrees. In fact, employers within the country itself are wary of these degrees.

Most Indian universities are so engrossed in the routine activity of preparing students for the examination that they have little time, energy or motivation to do research. The doctoral enrolment has no doubt increased from 1,435 in 1950-51 to 43,427 in 1988-89 (by 30.3 times), but in the same period its share in the total enrolment has increased from 0.83 per cent to 1.10 per cent only.

The number of Ph. D. degrees awarded has gone up from 815 in 1961-62 to 7,275 in 1987-88 (by 8.9 times). Nearly 80 per cent of these 7,275 doctorates were accounted for by Arts (40.32 per cent) and Science (39.07 per cent) faculties. Engineering/Technology and Medicine accounted for a small 3.24 and 1.28 per cent respectively, and Agriculture and Veterinary Science accounted for 7.66 and 1.02 per cent respectively. The share of other faculties like Commerce (3.09 per cent), Education (2.82 per cent) and Law (0.70 per cent) is very low.

However, as Raza and Aggarwal (1991: 49) aver, "highly disturbing alarm signals are already coming from the quality front". Cases of plagiarism, cooking of data, and nepotism and favouritism are being discussed with increasing frequency. The insistence on a doctoral degree for entry into the teaching profession in higher education is held to be responsible for creating "a 'black' market for doctoral work wherein, in terms of the Gresham Law, the bad coin tended to push out the good". This policy has since been withdrawn, and financial support to doctoral research is now being regulated through the mechanism of National Educational

Testing. Another consequence of the rapid expansion of higher education has been the increase in the demand for college teachers. Studies on college teachers have invariably underlined the sad deficiency of academic preparation of people entering the profession and their declining commitment to it. The National Commission on Teachers (1983-85) also bemoaned the fact that most of the teachers are making a living and not following a vocation.

Part of the explanation for the deplorable decline in the quality of teachers lies in the equally deplorable standards obtaining at the post-graduate levels. But more serious is the fact that "higher education today has started feeding upon itself." A substantial number of post-graduates find employment within the sector of higher education. "As the demand for higher education grows and is met, this means more and more jobs for those who might otherwise have been unable to find jobs" (Singh 1988: 7). This, a vicious circle of mediocrity has come to prevail in higher education.

The foregoing situation implies that the poor equality of higher education has in a sense a multiplier effect and puts the system beyond redemption. Bhoite's (1987) study of the new genre of college teachers in small towns and the professional and social setting in which they work clearly brings out how the system has evolved an orthogenetic element of resistance to change.

Subsidization and Inegalitarianism

An important factor behind the rising social demand for higher education is the high state subsidization (about 85 per cent) which makes it very inexpensive for the beneficiaries. The fees have only been marginally revised

upwards though the cost of living has gone up considerably. In fact, state subsidized higher education is cheaper than primary and pre-primary education in the private sector. The greatest lapse in the education policy has been the failure to evolve a rational fee structure. The Acharya Ramamurti Committee, which was appointed by the National Front government to reexamine the "new" educational policy, has strongly favoured the enhancement of the present unconscionably low fees for higher education with concessions to the weaker sections of society.

Of course, the subsidization of higher education is often defended on grounds of equalizing educational opportunities. The open door policy allowed access to tens of thousands of people from sections which had thus far remained excluded from the portals of higher education. To the extent that many of them happened to be first generation educands in institutions of higher learning there was a partial substitution of "sponsored mobility" by "contest mobility". But in view of the operation of a mobility sponsored through private schools into elite institutions, and the legitimization of the systems by "early selection" and "mass examination", this contest mobility is observed to be only an illusion (see Kumar 1987). That is, the high subsidization of higher education in reality benefits the better-off sections of the society.

Declining Resources and Stranglehold of Private Enterprise

Closely associated with the high subsidization of higher education is the steep decline in the proportion of the outlay on education at all levels to the total plan outlay, from 7.9 per cent in the First Five Year Plan to 3.6 per cent in the

Seventh Five Year Plan. Though the allocation for university and technical education remained stable in terms of percentage of the total outlay on education (22.2 in 1951-56 and 22.4 in 1986-90), as a proportion to total plan outlay it declined sharply (from 1.8 per cent to 0.8 per cent).

Even so, the per pupil expenditure is the highest for the institutions of higher education and has been increasing. This is more so in professional courses. And Varghese (1987: 83) has argued effectively that "when there is financial constraint, allocations to general education will be more affected while those to professional education will be more favoured".

The inadequacy of resources at government's disposal for higher education and the fact that the investment on higher education in general and professional education in particular is a profitable proposition have placed private enterprise in a commanding position in the realm of higher and professional education. Nearly 75 per cent of the colleges for general education and over 50 per cent of the colleges for professional education are privately managed.

Private control over education is far more pervasive than what either its domain or legal authority would suggest. Based on an intensive study of seven colleges in Kanpur, Nirmal Singh (1983) has examined the nature and consequences of the resulting "siege" of public education by private control. His analysis reveals that with the emergence of second and successive generations of private managements, the early munificence and genuine concern for education have waned. And, with the increasing possibility of converting educational resources into non-educational services and goods,

the private managements came to acquire more and more the characteristics of a specialized "pure" management. The perspectives in respect of the Kanpur colleges obtained by Nirmal Singh's analysis may well be true of private colleges elsewhere in the country.

Macro Problems

The expansion of higher education over the decades without a corresponding development of the economy which can absorb its products has resulted in an intractable situation of education — employment mismatch (see Jayaram 1990: 89-109). The incidence of unemployment among the educated persons has been increasing annually. While unemployment is not unknown among Medical and Engineering graduates, it is widespread among Arts, Science, Commerce and Education graduates. That is, the undergraduate sector of higher education, in the words of Raza and Aggarwal (1991: 57) "largely performs the waiting room function not only for a relatively smaller number of employable unemployed, but for a considerably larger horde of the unemployable unemployed".

The increasing availability of people with educational credentials in relation to the availability of jobs has resulted in a constant escalation of educational qualification for jobs without any necessary relation to more effective job performance or sophistication demanded by the economy: Agarwal (1985: 68)⁶ quotes Fanchmukhi's estimation of the devaluation of education by 5.8 per cent between 1954 and 1974 and 6.9 per cent between 1964 and 1974. If the experience requisite for jobs is also taken into consideration the devaluation for the latter period rises to 11 per cent. Such a devaluation is noticed in 22 out of 28 job categories examined.

The paradox of the situation is, as Dore (1976 : 4) epitomized, "the worse the educated unemployment situation gets and the more useless educational certificates become, the *stronger* grows the pressure for an expansion of educational facilities". According to him, if one finds that the education he has acquired does not get him the job on which he has set his sight, then he will try to get *more* education. Thus, as mentioned earlier, the "thirst" for education is linked largely to the acquisition of educational credentials with the hope of getting better jobs or some job, and has nothing to do with a disinterested desire for knowledge. The thirst is easily quenched as higher education is very highly subsidized.

Doomed Reform : The Commissions and Policy

Diagnoses of the crisis in higher education generally reiterate that the legacy of higher education inherited at the time of independence in 1947 was already crisis ridden. As an integral element of colonial underdevelopment, higher education was "anaemic, distorted and dysfunctional". Low level of enrolment, 'liberal' nature of education, enclavization of the institutes of higher learning, and spurious modernization were its festering features (see Raza, Aggarwal and Hasan 1985 : 100-09).

It is true that the social institutions, cultural values, and patterns of behaviour implanted and nurtured with the help of economic sanctions and political force over a prolonged period of two centuries of colonial rule are hard to be radically transformed in the course of a few decades. But cultural inertia can hardly be a perpetual excuse. In fact, this failure is to be explained only by the lack of a political will, if not also the lack of

an ideological direction, on the part of the leadership, traceable to a vested interest in the *status quo* (Jayaram 1990: 45-59).

Since independence the Government of India has mechanically followed the time-honoured colonial practice of appointing a committee or a commission to study the crisis in the realm of education in general and higher education in particular. The University Education Commission of 1948-49 (Radhakrishnan Commission) examined the development of higher education and made proposals for its future expansion and improvement. A similar enquiry in regard to secondary education was carried out by the Secondary Education Commission of 1952-53 (Mudaliar Commission).

These two Commissions, or for that matter any commission appointed in the pre-independence period, looked at education in a compartmentalized fashion (higher education or secondary education) and totally ignored primary and adult education. The Education Commission of 1964-66 (Kothari Commission) was the first commission in India's educational history to look comprehensively at almost all aspects of education, and evolve a blue-print for a "national system of education".

Having influenced the two Statements on the National Policy of Education (1968 and 1979), and through them the policies and programmes adopted in the Fourth, Fifth and Sixth Five Year Plans (1978-83), the Report of the Kothari Commission has been on the anvil for over a decade and a half now. However the educational developments in the country since the Report was first published "show marked variations with those postulated by the Commission" (Naik 1982.).

This is partly attributable to the deliberately normative path that the Commission chose as is revealed by the eight premises set forth in Chapter III of its Report (quoted in Naik 1982: vi).

(1) strong Central and State government that would be committed to educational development, (2) stable political conditions, (3) declining birth rate, (4) a growth of national income at 6 per cent per annum, (5) a lessening of social tensions due to effective development, (6) a strengthened and revitalized bureaucracy, (7) a committed and competent body of teachers, and (8) a community of students dedicated to the pursuit of learning.

With most of these premises turning out to be wishful thinking in view of the operation of socio-economic and political constraints, the thrust of reform was expectedly doomed.

Nevertheless, it can hardly be gainsaid that the powers that be, handled the Report in a "slipshod manner". The Public Accounts Committee (1977-78:11) of the Sixth Lok Sabha characterized the University Grants Commission's approach to the recommendations of the Education Commission (1964-66) as "perfunctory and insubstantial". The University Grants Commission being only an administrative handmaid of the government, however, cannot be solely held responsible for the pathetic outcome. The Ministry of Education which processed the Report totally obliterated it by treating in a piecemeal fashion selected aspects of what was conceived as a package deal (see Naik 1982: 31-32).

An important strategy of the government for dealing with a report of a committee or a commission has always been to obviate any controversial debate on it

by accepting its recommendations in principle. Considering this the latest exercise in policy formulation by the government is unorthodox. In August 1985 the Ministry of Education (since reorganized as the Ministry of Human Resources Development) presented to the Parliament a 119-page document. This document was intended to act as a catalyst and elicit the views and opinions of all those dealing with or interested in the complex task of "restructuring the system of education" confronted by a crisis.

This document, known popularly as "the 'new' educational policy", is perhaps the most remarkably candid and forthright one to have come from the government, admitting the failures on several fronts and acknowledging the innumerable mistakes. The apparent honesty of approach of the document cannot hide the fact that it is basically an updated record of the all too familiar statistics of the educational achievements and blunders, and a restatement of many of the old educational ideas, whose roots can be traced to the umpteen unimplemented or inadequately implemented reports of various committees and commissions. A closer scrutiny of the document reveals that some of the problems have been toned down and that on others there is a studied reluctance on the part of the government to commit itself (see Jayaram 1990 : 215-26).

The document lays the utmost emphasis on higher education, as it "can provide ideals and men to give shape to the future and also sustain all other levels of education", and is therefore, "the single most important indicator of... country's future" (Ministry of Education 1985 : 6, 47). Among the key policy measures contemplated by the document are .

a) delinking of degrees from jobs,

- b) diversification of courses,
- c) placing a moratorium on the expansion of the conventional pattern of colleges and universities,
- d) selective admission to higher education based on "scholastic interest and aptitude",
- e) establishment of new centres of excellence,
- f) decentralization of educational planning, administration and monitoring, and
- g) depoliticization of the academia.

It is rather too early to offer a conclusive evaluation of either the nature of the implementation of the programmes envisaged by the "new" educational policy or the efficacy of particular programmes. But, considering the nature of the constraints to be encountered, one cannot be too optimistic about the outcome of this policy. If past experience is any guide, what we can expect is *ad hoc* piecemeal tinkering with the system rather than its overhaul with grit and determination. In the meantime the hiatus between the worsening crisis and its feeble handling grows wider.

Planning : Inept Exercise

One of the main constraints on the formulation and implementation of educational policy for higher education is built into the very process of planning. In a quasi-federal polity like India, educational planning becomes a part of the overall national planning. Besides assuming an active participation of the constituent states, the national planning tends to be overwhelmingly macro in perspective and is expenditure-oriented. Moreover, higher education being a concern of more than one governmental department the educational plan does not present a coordina-

ted picture. All this inevitably has an adverse effect on the implementation of the plan.

Education was in the "state list" until 3 January 1977, when the Constitution was amended to bring it under the "concurrent list. Though the central government thereby established supremacy over education, the hopes of reform that this re-listing aroused have not materialized at all. With the gradual deterioration of the relationship between the centre and some of the states during the course of the last two and a half decades, no government at the centre can confidently take any bold steps in the realm of education. Thus, "the federal dilemma asserts itself" (Pinto 1984 : 163).

The absence of a single machinery to look solely after the planning for higher education has often been mentioned, and the Third Five Year Plan took a serious note of this lacuna. The responsibility in regard to higher education is divided among various departments, and the state government's involvement is only peripheral. The state governments pass the buck on to the universities, which, being totally dependent on state funding, plead inability to take up this responsibility. Presuming that the state governments can chalk out an excellent plan for higher education, they can hardly be assured of its implementation, as they are humiliatingly dependent on the central government for funds. Thus, the restructuring of centre-state relations on the lines of "cooperative federalism" is a *sine qua non* for any planning and management of higher education (Pinto 1984 : 185).

Implementation : Ineffective Control

The University Grants Commission established by an Act of Parliament in 1953 is a unique educational authority

vested with the powers to provide funds and to determine and coordinate standards of higher education. Though it is expected to play a lead role in higher education, as its "nerve centre", it is endowed with very little power (i.e., it can only withhold grants). But in view of the diarchy in higher education, with the Commission trying to oversee higher education and the state governments regulating it in practice, even this power it can hardly exercise.

Thus, the Commission has turned out to be merely a fund-disbursing agency, without the power to enforce any of its recommendations. The Estimates Committee (of Parliament) in its Sixty-sixth Report presented to the Parliament on 30 March 1989 expressed grave concern over the uneven growth of the universities and bemoaned that the Commission has been a silent spectator in this regard (*Indian Express*, Bangalore, 31 March 1989). The Commission has also been assailed in the Lok Sabha for its failure to check the proliferation of illegal and spurious universities which have sprung up in several parts of the country (*Indian Express*, Bangalore, 4 May 1989). So, higher education in India has been an unbridled horse so far.

Islands of Excellence in an Ocean of Mediocrity

In view of the irredeemable impasse in which higher education in general is in today, and considering the critical requirements of enlightened, sophisticated and creative manpower, it is hardly surprising that the government is concentrating on "centres of excellence" while allowing the body of higher education to die a natural though prolonged death. Since the late seventies, a three tier scheme for realizing excellence — the Departments of Research Support (DRS), the Depart-

ments of Special Assistance (DSA) and the Centres of Advanced Studies (CAS), in the ascending order — has been evolved by the University Grants Commission, and specific centres and departments have been identified by it based on their work, academic reputation, existing facilities and potentialities. This scheme has no doubt "injected a degree of vitality in a system which was becoming moribund and breaking down under the increasing weight of its own size and the consequent thinning spread of limited resources" (Raza and Aggarwal 1991 : 41). Only a systematic review of this scheme in the next few years will reveal how far it has been able to realize its objectives.

The prospective scenario is thus clear. The system of higher education will continue to produce a small quantity of high quality products from a small number of excellent centres of learning. These products will have currency in the national as well as the international community of scholars. The very large quantity of poor quality products from "academic slum" will join the swelling ranks of the unemployed and the under-employed. As Raza and Aggarwal (1991: 41) rightly observe, "their discarded hopes and cynical frustrations provide fertile ground for blind turmoil, sterile unrest and directionless ferment".

Conclusion

There is no dearth either of the diagnoses of the crisis confronting the system of higher education or of its remedies in the form of rational policies⁸. If the mounting problems point to the loss of vitality and moribundness of the system, the experience hitherto of policy formulation and plan implementation hardly permit any optimism. Both the diagnoses and the remedies are, by

and large, foredoomed as they have approached the educational crisis *sui generis*.

It is important to realize that the development of education in the post-independence era can hardly be understood apart from the socio-economic and socio-political context in which it has taken place. Since these contexts themselves manifest symptoms of a crisis one can hardly expect a radical restr-

ucturing of education to take place independently of a simultaneous transformation of the socio-economic edifice. Hence, successful policy of higher education, or for that matter education itself, has to be conceived in keeping with a vision of the kind of society for which the people are to be educated. Only if the political elite are committed to such a vision and are willing to make the requisite sacrifices for realizing it, can a policy tailored to its needs emerge.

Notes

- 1 In outlining this paper I have drawn heavily on my paper "Higher Education: State Policy and Social Constraints" (Jayaram 1989-90). I have also used some of my earlier essays on higher education in the volume *Sociology of Education in India* (Jayaram 1990).
- 2 The statistical information on the number of institution, the enrolment of students, the number of teachers, etc. is drawn from Raza and Aggarwal (1991). The information on financial allocation is drawn from the respective Plan documents.
- 3 The figure include the 27 institutions which are designated as "Deemed to be Universities" under Section 3 of the University Grants Commission Act, 1953.
- 4 This excludes junior colleges and colleges having only diploma or certificate courses.
- 5 This excludes those enrolled in pre-university and pre-professional levels. Incidentally, the percentage of students in higher education to the total population in the age-group 17-23 years increased from 0.8 in 1950-51 to 4.8 in 1980-81.
- 6 Approximately defined in terms of "a lower wage obtained by an educated person in relation to what he would be expected to get in ideal conditions" (Agarwal 1985 : 68).
- 7 Of the 28 new universities established during the Sixth Five Year Plan and the first two years of the Seventh Plan, in as many as 13 cases there was no effective consultation between the Commission and the respective state governments. In fact, the Commission had not even received survey information in five of the 13 cases.
- 8 For a comprehensive bibliography, see Raza and Malhotra (1991).

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HUMAN RESOURCES DEVELOPMENT IN HIGHER EDUCATION

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The objective of this paper is to discuss the concept and importance of Human Resources Development (HRD) and its application to the education sector in general, and to indicate the mechanisms for developing teachers, one of the most important resources of higher education system.

Importance of Human Resource

The most important and valuable resource of an organisation is its employees. Unlike its other resources, human resources have rather unlimited potential capabilities. Organisation can become dynamic and achieve excellence only if this potential can be properly developed and utilised. Dynamic people can build dynamic organisations. Effective employees can contribute to the effectiveness of the organisation. Competent and motivated people can make things happen and enable an organisation/institution achieve its goals (Rao 1990). Therefore, organisations through systematic and planned HRD efforts should continuously ensure that the dynamism, competency, motivation and effectiveness of the employees remain at high levels.

The Concept of HRD

HRD is the process of helping people to acquire competencies. In an organisa-

tional context HRD "...is a process by which the employees of an organisation are helped in a continuous and planned way to:

- 1 acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles;
- 2 develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organisational development purposes;
- 3 develop an organisational culture in which supervisor sub-ordinate relationships, team work and collaboration among sub-units are strong and contribute to the professional well-being, motivation and pride of employees (Rao 1985).

Mechanisms like performance appraisal, feed back and counselling, potential development, job rotation, rewards, training and organisation development (OD) can facilitate the process of HRD described above.

The corporate sector in India has started increasingly recognising the importance of HRD, over the last one and a half

decades and is adopting a variety of approaches and strategies for developing its human resources in a formal and systematically planned manner, in order to achieve organisational effectiveness. There is a rapidly growing literature which documents the HRD experience in the corporate sector in India (See Rao and Pereira 1986; Rao, et al., 1988; Silvera 1988; National HRD Network 1989; Maheswari, et al., 1990). Ironically in the education sector, whose key responsibility is to develop the nation's human resources, not much attention is being paid to the systematic development of its human resources.

Highlighting the importance of HRD in the education sector Rao states :

Education itself aims at development of human resources. Therefore when we talk of HRD in education we are talking about the development of those human resources involved in education. These include : teachers, headmasters, principals, support staff working in education institutions, heads of university departments, vice-chancellors, educational administrators at the local, district, state and central levels, planners and policy makers. Developing all these categories of people becomes extremely important as the effectiveness of education depends upon how well they perform their roles. People at different levels and performing different roles require different competencies to be effective in their roles. These competencies are also changing from time to time as the environment is changing; knowledge base is continuously improving and the needs are changing. Such a dynamic and changing environment requires an equally or even faster developing human resources to cope with it. Hence there is a need to develop continuously the capabilities of the people involved in education (Rao 1986).

On the basis of a review of literature in the area of HRD in India, Rao and Abraham (1991) point out that "there is an urgent need for HRD researchers to study

the nature of public systems (govt. departments, service institutions like universities, colleges and hospitals) to identify the HRD needs and design HRD systems for these organisations".

In the following pages, after a brief statement of the pivotal role played by teachers in the education sector, a bird's-eye view of the human resource management and development systems for teachers in higher education is presented.

Importance of Teachers

The role and importance of teachers in influencing the quality of the educational process and its product is beyond question. "The destiny of the country is being made in the classrooms and the teacher has an important and vital role to play in the total programme of national development and social change" (Government of India 1991). The Indian Education Commission (1964-66) declared that "Of all the different factors which influence the quality of education and its contribution to national development the quality, competence and character of teachers are undoubtedly the most significant" (Chapter III).

The National Policy on Education has also emphasised the important role of the teacher thus : "The status of the teacher reflects the socio-cultural ethos of society; it is said that no people can rise above the level of its teachers" (Government of India 1986 IX : 9-1). If the teachers are not performing their role effectively then to that extent the nation's human resource quality gets affected. So if we want the nation's human resources to be developed to its optimum level, we must first develop the teachers.

Selection and Appointment of Teachers

On proper selection depends the quality

of intake and on intake depends the effectiveness of teachers development. The importance of selecting the "right" person for the role of a teacher cannot be over emphasised :

If competent teachers can be obtained, likelihood of attaining desirable educational outcome is substantial. On the other hand, although schools (and higher educational institutions) may have excellent material resources in the form of equipments, buildings and textbooks, and although curricula may be approximately adapted to community requirements, if the teachers are misfits or are indifferent to their responsibilities, the whole programme is likely to be ineffective and largely wasted (Ryans 1959).

Referring to the unresolved debate of excellence versus equity with regard to teachers selection Venkataiah has cautioned thus :

There are some teachers who work without any high motive or ideal but merely to earn their living. The recruitment of incompetent persons to the teaching profession on the basis of discrimination is the very negation of democratic principles and the greatest disservice to the budding citizens who have a right to expect the most efficient and helpful instruction at the hands of capable and talented teachers. The profession should not become dense with unsuitable members who get entry into it on consideration other than merit (Venkataiah 1991).

Job security offered by the teaching profession makes it all the more important that a "right" person with the appropriate knowledge, skills and attitudes is selected. Unlike in most other profession, the possibility of rectifying a wrong selection by transfer to a more appropriate role within the organization rarely exists in an educational institution. The freedom and flexibility the teaching profession offers, quite often gets misused by a misfit to the profession who would

spend most of his time on politicking than on academics.

The present selection procedure is based on academic qualification, publication and performance in interview.¹ Pointing to the lacunae in the procedure Dwivedi and Kushawaha (1988) state thus:

(i) it is clear that paper qualifications are not the correct index of knowledge, specially today when the examination system or system of evaluation is flawed. (ii) the interviews that are perfunctory and at their best help to measure only the cognitive aspect. (iii) There is no provision to measure the emotional qualities, physical fitness, and many other competencies that are needed for a successful teacher.

The current selection procedure does not seem to recognise that ability to teach is a quality not a mere qualification. A person with a doctorate and publication need not necessarily be a good teacher. Since teaching is one of the key performance area of college/university teachers. The selection process for the entry level positions, must attempt to measure group presentation skills of the candidates. The selection process of some institutions like IITs and IIMs include a seminar by the candidate for this purpose.

Teacher Training in Higher Education

Though formal teacher training (B.Ed) is an essential qualification for appointment as a school teacher, it is rather strange that no such formal training in teaching skills is considered essential to become a teacher at a college or university. Teachers in higher educational institution, till recently, were expected to learn techniques of teaching on the job by trial and error. With the National Policy on Education (1986) for the first time in India, officially some serious thought was given to the question of training university/college teachers resulting in the

emergence of Academic Staff Colleges (ASCs) from the academic year 1987-88. The scheme of Academic Staff Colleges comprising orientation and refresher courses aims at (a) promoting the university/college teachers awareness of their responsibilities and status in the educational system, (b) exposing the teachers to the advances in their respective disciplines, and (c) acquainting them with the new methodologies and techniques of teaching. ASCs are expected to motivate the teachers through specially designed orientation programmes in educational technology and psychology and through the organisation of refresher courses to cover every teacher at least once in five years and encourage them to participate in seminars and symposia etc. (Ramabrahmam 1991).

At present 48 ASCs are functioning in the country with varying levels of efficiency. The functioning of ASCs has recently been reviewed by a committee constituted by the UGC. Generally satisfied with the performance of ASCs the committee urged the continuance of the scheme during the Eighth Plan and suggested the scheme being put on a "permanent footing". According to the committee, the existing ASCs can provide training facilities for about 10,000 newly recruited teachers for the orientation side and about 24,000 for the refresher programmes in a year. While this met the needs as far as the orientation side is concerned, a large backlog of 1,00,000 teachers is a reality for the refresher programmes. In order to solve this, the committee has suggested augmentation of the number of centres, revival of the earlier UGC scheme of summer institutes and getting the help of distance education mode (Rajagopalan 1992).

Besides the UGC committee there have been a few other studies on the function-

ing of the ASC. Deshpande and Jantli (1991) in their study have found a positive effect of orientation course on teaching methods in higher education on the attitude of ASC participants towards teaching at the tertiary level.

On the basis of an analysis of the feedback from 12 ASCs spread all over the country Rehman and Biswal (1992) have concluded that these ASCs are able to "establish their credibility in developing the teaching skills of teachers in higher education". A case study on the Evaluation of Refresher courses by Ramabrahmam (1991) points to some lacunae in the refresher courses and recommends, *Inter alia*, that the contents of the refresher courses be related to those of the syllabi enforced in different universities.

To increase the effectiveness of training offered by ASCs a few suggestions made are :

- 1 At least 50 per cent of the six to eight week duration of the orientation programme must be allotted to developing the teaching skills of the participants. Teaching skills cannot be developed through class-room instruction alone. It has to be supplemented by adequate practice sessions by participants. Micro-teaching techniques with the help of video-camera and play-back with comments by an instructional consultant could greatly help the participants in becoming aware of their shortcomings and dysfunctional mannerisms.
- 2 Selection of the right kind of resource persons for the ASC programmes needs to be given adequate attention.
- 3 Regardless of the kind and amount of preparation given in ASC orientation, teachers need regular supportive

consultation for about one to two semesters after the completion of the programme. For this purpose there should be follow-up and continued linkages between the teachers and ASC to offer consultations and guidance on problems relating to instructional role of teachers.

- 4 At present very few ASCs evaluate the participants (Deshpande and Jantli 1991). There is need for formal evaluation through some testing or other means in order to make the participants accountable.

Training has been used most often as the only mechanism for developing human resources in the education sector (Rao 1991). Other mechanisms of HRD such as development oriented performance Appraisal systems, OD exercises and appropriate reward structures to create a development climate are neglected. The following paragraphs briefly indicate how these mechanisms, which are increasingly being adopted in the corporate sector could be applied to the education sector.

Performance Appraisal of Teachers

In most of the universities and colleges in India teacher performance appraisal systems are rudimentary in nature and the data generated is mainly used for administrative decisions such as extension/declaration of probation, promotion and sanction of increments. Most often the appraisal is exclusively based on the judgements of the immediate boss reported in a confidential manner to the academic head of the institution. There is no formal mechanism for giving feed-back to the appraisee, excepting when it is negative. The way the system is practised offers lots of scope for subjectivity and bias. It creates a very unhealthy organizational

climate with a lot of tension, mistrust, frustration, and interpersonal conflict. Such a climate is detrimental to the health and development of both the institution and the teacher.

Recognising these weaknesses the National Policy on Education (1986) has recommended a new system which is more open, participative and data-based for evaluation of teacher performance through as self-appraisal, peer groups, and most importantly by students. However, its recommendation has so far not been implemented by many universities and colleges. A development oriented performance appraisal system for teachers when systematically practised, can contribute substantially to the university's colleges excellence by facilitating effective utilisation and development of its teachers. A good performance appraisal system for teachers should have the following objectives:

- providing more objective data for rewards, promotions, and development decisions;
- increasing role clarity;
- developing harmonious superior-subordinate relationship;
- helping in identifying and solving problems and issues affecting performance; and
- creating increased awareness of the teacher's strengths and developmental needs.

To achieve the above objectives, the design of the performance appraisal system must ensure the following :

- 1 The data generated by the system must be used for developmental purposes, in addition to the administrative purposes.

- 2 The system must be made open, data-based and participative to avoid subjective and judgemental evaluation. Operationalising such a system involves four steps: (a) the beginning of each appraisal period, the Dean/HOD/Principal and the teacher concerned must mutually agree upon the key performance areas, the targets and the criteria for measurement; (b) on completion of the appraisal period the teacher concerned will send to the appraiser a self-appraisal of his performance identifying, facilitating and inhibiting factors; (c) a formal performance review and discussion, at a mutually convenient time, between the teacher and the Dean/HOD/Principal; and (d) identification of development needs and development of action plan for future appraisal period. A somewhat similar scheme is described by Orpen (1987-88) as an MBO scheme for improving teaching.

- 3 Appraisal by the Dean/HOD/Principal needs to be supplemented by peer/expert evaluation and student evaluation in addition to the self-appraisal mentioned earlier. The system of student evaluation of instruction is widely practised in institutions of higher learning in the developed world for both administrative and developmental purposes. (Arubayi 1986). However, in India there is stiff resistance from teachers for student evaluation of instruction mainly due to the fear of such evaluations being used against them by the authorities. Considering the utility of student rating in assessing university/college teaching and improving its quality, greater efforts must be made to introduce the scheme at least for the developmental purposes. This could alleviate the

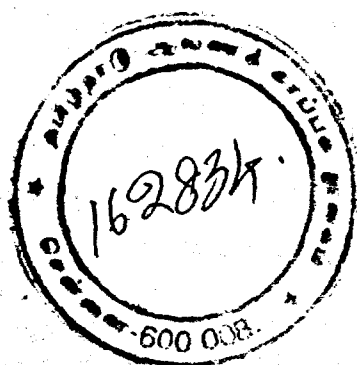
misgiving of the teaching community in India about the scheme. "Teachers should be educated about the advantages of student evaluations, especially about what can be gained from reviewing their teaching evaluations with an experienced instructor. Feed-back from students by itself is not as likely to lead to improvement as feed-back interpreted by an experienced guide who can show an instructor how to improve" (Lowman 1987).

Rewards Structures

Rewards structure as a mechanism of HRD of teachers should be designed to respond to the question "in what ways should effective teachers be treated differently so that they do not lose motivation"? It should deal with issues like incentives, award and other forms of recognition to motivate effective teachers.

Rewards structure in most universities and colleges pay inadequate attention to a teacher's effectiveness in teaching, although for college and university teachers the key performance area is to be an effective teacher. Appointments, promotions, and salary raises are determined largely on the basis of the quantum of research output, quite often unmindful of the quality. Teacher's contribution to the development of students through effective teaching, evaluation, feed-back, coaching, counselling etc., do not seem to get the recognition it deserves. Of course there are "Best Teacher Awards" instituted by some state governments to honour teaching excellence in higher education. But they are far too few to go to everyone who deserves them and the selection processes for these awards sometimes are suspected to be on political or seniority considerations. Ironically, students do not have a say in judging the "Best Teachers" !.

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