

BULLETIN

MADRAS DEVELOPMENT
SEMINAR SERIES.

Vol. XXII No. 2 Feb 1992

JL.

X: 8 m211, N818

N92.22.2

2,20,034.



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Indian Leather Industry—
Problems and Prospects

Decentralisation and Decentralised Planning

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K:8 M211, N81B2
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CONTENTS

Editorial—Some Highlights

General Economic Scene	55
Agricultural Development in Tamil Nadu	76
Industrial Development in Tamil Nadu	80
Education, Science and Health	84
Employment and Labour Relations	87
Other Items	88

MIDS News

January Development Seminar

Indian Leather Industry — Problems and Prospects
— K. Seshagiri Rao and D. Chandramouli

91

92

Summary of Discussion

104

Decentralisation and Decentralised Planning

107

EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

State Planning Commission

To start with, the damage to crops suffered by the farmers as a result of the floods reported in the last issue is much more than what has been stated to the union government at Rs. 82 crores. Actually the crop loss is more than double that at Rs. 171 crores according to the detailed assessment made in December by officials and experts in the damaged districts. Farmers lost standing paddy crops in 40,000 hectares in Nagapattinam-Quaide Millet district and in 30,000 hectares in South Arcot. Thanjavur district farmers suffered partial damage in one lakh hectares. The result is that the 25 lakh tonnes of paddy expected from the two districts may fall by 3 lakh tonnes. Delta farmers are happy that the Mettur reservoir is full and they have started cultivation of the short duration crop. In Trichy district, the farmers have saved their crops which is in good condition and will exceed the targeted 4 lakh tonnes.

with the promise given to IMF and the limited scope for raising additional resources by states, the 1991-92 Plan outlay for the state (the first year of the VIII Plan) will be frozen at the 1991-92 level of Rs.1600 crores. It should be noted that the State Planning Commission is now talking of the 1991-92 outlay being fixed at Rs.1600 crores, with some positive and negative factors confronting the state. On the positive side, because of the new state levies, the state revenue is beginning to show signs of increase. On the negative side, there seems to be no means of arresting the rise in government expenditure due mainly to a) subsidies which are 23 per cent of the annual expenditure and are rising inexorably because of i) the rising food subsidy as the procurement prices are being raised with no corresponding increase in the offtake price as a result of which the food subsidy budgeted at Rs 360 crores is now estimated at Rs.460 crores, and ii) the free supply of power to all farmers. This is one area on which the government can act by limiting the free power supply only to marginal and very small farmers. On the food subsidy, the state must develop a device to restrict subsidised rice only to the poor.

Climate and Prices

The weather in December was cool and pleasant with only 2 somewhat dispersed days of rain. The whole state has had cool, balmy and sunny weather during the month. The government announced in early December, that the loss suffered by the cyclone and floods in the state reported in the last issue amounted to Rs. 300 crores. The union government has been sent a report on this account to backup the report for relief made by the Chief Minister. On prices CSO's monthly abstract of statistics for September reports that the index number of consumer prices for May rose by 4 points to 201 (2 per cent in May) and 6 points (3 per cent) in June. The index number of consumer prices for agricultural workers rose steeply by 18 points to 816 in May (2.5 per cent) and by a further 16 points to 832 in May (2 per cent) (mainly due to the sharp rise in food prices); and for urban non manual workers by no changes in April and 1 point rise in May for Madras, no change in April and 3 point rise to 172 in May for Coimbatore, a rise of 2 points in April and a further 2 points in May to 177 for Madurai, a fall of 1 point in April (continuing the declining price trend from January) but rising by 3 point in May for Salem, no change in April and a rise of 2 points to 177 in May for Thiruchirapalli. Thus the inflation pressure is now catching up with both agricultural and industrial workers, while the urban non manual employees face a relatively lower pressure. This is not the actual experience for the cities as last month's issue made clear. Against this background, the government in December set up a committee of 5 - the Finance Secretary, the Commissioner of Civil Supplies, the chairman and managing director of the Tamil Nadu Civil Supplies Corporation, and Food Secretary to fix maximum prices for essential commodities and report on

within a month of its constitution. How this will be done without some control of supply and demand forces remains to be seen. The government has also asked for stringent action to enforce anti-smuggling and dehoarding activities.

Power

The Power situation in the state in December was normal. The state was able to meet the loss to the state grid of 240 MW per day caused by the Second Mine flooding at Neyveli and the halting of power production in NLC's second thermal station as reported in last month's issue of the Bulletin. This was due to the low grid demand following the rains from farmers and the plentiful hydel storage. By the end of the month the floods and the damage have been cleared, and both the mine and the thermal plant are back in operation. Due to the drop in the power generation of some of the generating units, Coimbatore and neighbouring districts suffered load shedding for a week. There was also some anxiety when the chairman of the Atomic Energy Commission said that because of events in the USSR, the Koodankulam plant may not be completed on schedule, but the Nuclear Power Corporation engineers state that they have the technical expertise and competence to execute the work, only whether this can be done within the existing deadline is not certain. The Chief Engineers also stated that the target for nuclear power generation for the country by 2000 AD has been reduced from 10,000 MW to 6000 MW. In order to reduce the 18.45 percent losses in the Transmission and Distribution System. TNEB has tabled a Rs. 1300 crore investment plan. This will save 400 MW and as reducing T&D losses is a high national

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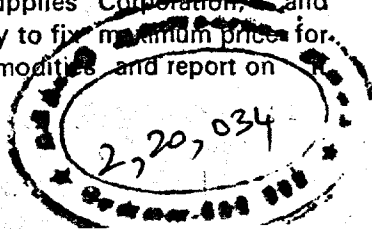
and state priority the investment has a good chance of being effected. It will certainly improve the power status for the VIII and IX Plans. Neyveli reports that its Rs. 1065.45 crores mine 2 stage which will increase its capacity from 4.7 million tonnes to 10.50 million tonnes per annum is in full swing. On completion it will meet the fuel requirement of the second thermal power plant whose capacity will increase from 630 MW to 1420 MW. It is the first plant in the country located close to the pit head and will be the first super power plant in the state. On December 30, the fifth unit of 210 MW capacity of the Neyveli power plant IV went on stream, making the plant's power capacity 1650 MW and generating capacity 165 MW.

At the national level, the power situation in December was satisfactory but the immediate future, the post monsoon months, raised the problem of power shortage in some states like Andhra Pradesh. This type of shortage and the power cuts which follow because industries are being established in the state without counting the power expansion needed. With the resource constraint, even the existing power projects may not be completed on time in several states which will then involve power cuts. Against this somewhat sombre future power prospects, the NTPC's proposal to set up 7 gas based power plans in various parts of the country are under clearance by government. In view of the power future, these clearances should be streamlined and speeded up. Also the government's action in selecting 13 private sector application for power generation and transmission in 8 states, (including 4 in Tamil Nadu) as part of the new policy towards the power sector is more than timely. Here again government procedures for their clearance should be simplified and the eligible

projects quickly approved. On the negative side, the Department of Power reports that despite its effort to improve the Plant Load Factor (PLF), it has been declining over the past 3 years. In 1989-90 it was 56.5 per cent, in 1990-91 it declined to 53.8 per cent and this year by October it dropped further to 52.3 per cent. The overall shortage of power during April-October 1991 which was 8 per cent, involving an energy deficit of 8.5 per cent, of a peak load deficit of 17.7 per cent could be reduced if the PLF target of 55 per cent is achieved. The major default here is with the State Electricity Boards to which NTPC in contrast averages through its plants over 80 per cent. But this cannot last because 18 State Electricity Boards owe NTPC's growth. Apart from World Bank pressure on the matter, it is in our interest and that of every state to liquidate this huge debt to NTPC so that it may continue to supply power with its high PLF. Also SEP should review their functioning and revise their tariff to plug from next year the loss of Rs. 460 crores they are now recording a year. There is power in the country and these elementary actions will make it available to the economy. These steps - paying back their debts and plugging their losses would also enable NTPC to invest Rs. 12,500 crores during the coming VIII Plan to strengthen the regional power grids and link them to each other. This will also help the bulk transfer of power to the deficient states and so improve the economy all round.

Water

The major event in December was in constitution of the Supreme Court decision on the questions raised about the Water Tribunal interim order as reported in the last issue was the gazetting of the water tribunal decision



by the Government of India. The government of Karnataka's review petition was taken up by the Tribunal, as well as Supreme Court, which have decided to go into the substance of the contention from mid January. All the political parties in Karnataka decided to observe a bandh to protest the government of India's gazetting in Tribunal's interim order. Violence against Tamil families and property broke out all over Karnataka and as a result about 30,000 Tamils have fled their homes in early December and are living as refugees in camps set up by the state government. The stalemate on this issue continued through December. The State's water position in December was satisfactory. Its hydel reservoirs are satisfactory ensuring hydel power for the state till the next monsoon. The drinking water situation is also good. Madras city's 3 reservoirs - Red Hills, Poondi and Sholavaram - are only 50 tmcft short of their full capacity of 6,488 mcf.

Urban development

The Tamil Nadu Housing Board is taking up the second phase of the scheme for extending housing actively to small and medium houses after the first phase of setting up housing colonies in 70 towns got under way. Using population, job opportunities and level of economic activity, the towns for the first phase are being identified and their infrastructural requirement are also being assessed. The first phase of the project has had a windfall as with the devaluation of the Rupee, the World Bank loan is being used to construct 30,000 more houses in addition to the original 70,000 in Tirur, Vellacherry, Madhavaram, Tirukkacheri, Avadi and Ambattur and in similar neighbourhood towns of Coimbatore, Erode, Madurai, Thirunelveli, Tuticorin, Vellore, Tiruppur, Trichy and

Salem. In a scheme to develop urban slums, the Government of India's scheme, the Urban Basic Services for the Poor is being operated by the Municipal Administration with the help of a neighbour committee of 10 resident community volunteers, representing a population of 1000 slum dwellers. The volunteers are being trained in the package programme which ensures convergence of health, family welfare and poverty alleviation - comprising pre school training, non formal and adult education, nutritional supplementation, immunisation, health care, environmental sanitation and rehabilitation of juvenile delinquents and alcohol addiction. The programme is being operated in 22 municipalities. 339 committees have been constituted and they are fully at work on the programme which includes a poverty alleviation and employment generating schemes. The selected groups among the poor are being trained in the jobs to be taken up with the bank loans which will be made available to them. It is important that this important programme is persisted with over 2 or 3 plan periods and not interrupted or abandoned with a change in government. Under the scheme for setting up micro enterprises Rs. 685.73 lakhs were released to the states by the Nehru Rozgar Yojana of which 40 percent has been utilised so far. It is desirable that these important programmes are known by their technical names like Special Employment Programme for Urban poor (SEPUP) and no politicians name with it. Then there will be no temptation to change or to stop the programme by a newly elected government.

Transportation

There is good and bad news in December on the railway transportation front.

On the positive side, the Southern Railway reports that the broad gauge Madurai - Tuticorin line will be completed by June of next year. Tuticorin being an important sea port, this will help the export trade - both domestic and international - particularly in the southern districts. Similarly Southern Railway reports that the line upto Mettur dam has become electrified so that coal from the Madras harbour to the Mettur Thermal Plant can be quickly and safely transported. There will also be a saving on diesel as there will be no need hereafter to switch to diesel engine at Jolarpet. On the other hand, the Southern Railway reports that the Mass Rapid Transit System (MRTS) for Madras has had to be cut, lengthening the time of its completion. Initially designed to run from Beach to Tambaram at a cost of Rs. 54 crores but now with scarcity of funds, it is being terminated at Luz and that too in 1995. This slippage is likely to continue and curtail trade and passage movement.

PDS

To restructure the public distribution system in the state, the Civil Supplies Department has issued a questionnaire to 1.25 crore card holders at the fair price shops. The questionnaire is collecting information from each cardholder about monthly income from agricultural land, rental and other sources (which gives an opportunity for giving a deal of false information and which will be subject to a long verification procedure) and other details like LPG gas connection. The information is being compared with what is available on the average income of different groups like landless farmers, IRDP beneficiaries, small land holders, other groups and in case there are wide discrepancies there

will be a recheck. The most and important purpose of this exercise should be identifying the poor particularly in the rural areas so that PDS can limit its subsidised sales of rice, pulses, kerosene and other necessities to them. The government announced that the union government has allotted the state 91,000 tonnes of rice from the union pool for December and that it has received 60,000 tonnes from AP. 25 commodities including pulses and chillies are being purchased and stocked for direct purchase and sale through cooperative whole sale stores. Some of these items can be sold at Rs. 2 less than the market price. This should help to stop the spiralling prices of these commodities which will be a real help to the poor and lower middle class families.

National

Plan

The main event in the Plan in December was the meeting of the National Development Council at which two important decisions were made. First it endorsed the thrust and objectives of the Planning Commission's directional paper (the Approach Paper) on the Eighth Plan (1992-97), aiming at a growth of 5.6 per cent with an outlay of Rs. 7,92,000 crores of which the public sector outlay is 43.2 per cent (Rs. 342,000 crores) and the transfer of 113 centrally sponsored schemes to the states. Second, the formula to be used for Plan Assistance to the states, the revised Gadgil formula approved by the Council by consensus in 1990 (see Vol XX pp 409 & 448) and is replaced by a new Mukherjee formula giving weightage of 60 per cent to population (same as before), 25 per cent (compared to previous 20 per cent) to per capita income with a break up of 20 per

available what the order of investments and its sectoral allocations will be. It ends with a call for improved fiscal management by the Union and states involving a) increase of direct taxes as a proportion of GDP, b) minimising exemptions and concessions in the tax computation, c) widening the tax net through presumptive taxes and "bringing agricultural income tax under the tax net" (this is the first time that a government document recommends explicitly the agricultural income tax, d) the sale of public sector enterprises which are not in the core sector, e) rationalisation of subsidies (which is a polite word for cutting them), f) a more appropriate pricing of certain products and services like electricity, water and transport, a) containing staff strength, h) avoiding duplication of functions by the union and states (does this include transferring most of the centrally sponsored projects back to the states which can lead not to any restructuring but a more rational distribution of staff) and i) pruning defence expenditure (also the first time it occurs in a document drafted by the commission whose chairman is the Prime Minister. Section IV sets forth 8 very important and enlightening tables from implications of alternate scenarios (table 1) to sectoral value added and employment growth during the VIII Plan (table 8). The tables tell the whole story. The section III & IV are enlightening and give the background to the NDC decisions. There are 2 good presentations - the few queries relate to the link referred to but not explained between overall growth and levels of living, ii) the blaming of the BOP crisis on the Gulf war, iii) the feasibility of attaining a viable economy only on the basis of "a very big growth in exports" iv) the lack of reference to the effect on the poverty alleviation programme by cutting public sector outlay very heavily. The choice before the

country for the VIII Plan on the macro issues of the kind of economy that we will have in terms of employment, poverty alleviation and infrastructure from the outlay and investment called for is clear and can lead to informed judgement and willing people's cooperation provided the local village level plan is made a key element in the planning and implementation of the programme.

Prices

The rate of inflation in November declined by 0.1 percent, the whole sale price index standing at 211.2 on November 30. On this basis the annual rate of inflation on a point to point basis rose from 13.3 percent at October end to 13.7 percent on November 30. The increase in the indices for food articles, fuel, power, light and lubricants and machinery and machine tools was neutralised by the decline in the indices for non food articles, food products, leather and leather goods and non metallic mineral products. What is disturbing is that despite the tight monetary policy, import compression and high interest rate, inflation has not abated. The August memorandum to IMF promised to bring down the domestic rate of inflation from 12.1 per cent in 1990-91 to 9 per cent in 1991-92. And with seasonal downswing of prices ending at the end of the month, it looks as if we will end this financial year with a rate of inflation not at single digit at 9 per cent but more like 13-14 per cent. Some forecasts are that it may be even higher at 20 per cent. It looks as if the liquidity of the economy cannot be controlled by cutting money supply and the freezing of liquidity in the banking sector. A fall in demand has taken place only when prices have risen abnormally due to costlier inputs-imported or domestic and heavier import and excise duties. But essential commodities

like cereals, pulses, edible oils and chillies are selling at continually increased prices, even with higher production in the case of cereals. Is this due to heavier procurement operation by the state agencies and exports. The government at the end of December raised issue prices of wheat by 20 per cent and rice by 23 to 30 per cent. Also a 30 per cent increase in coal prices has been approved. These add to the inflation pressure. There is need for an anti-inflation policy to be put into effect going beyond reducing money supply, hiking interest rates and the compression of imports. One area on which action is needed is to reduce sharply the government deficit which is fueling inflation. This calls for not only reducing government expenditures on which the Prime Minister has taken the lead but also by cutting subsidies and non development outlays. Further if this persistence of inflation is due to our having entered the stage of chronic inflation, there should be no prospects for quick reduction of inflation because this cannot be done. We should be prepared for a long period of tight money policy and this should be made known in order to reduce expectation of further inflation which seems to be at the back of our current state of inflation.

Budget, Stock Exchange and Banking Committee

On the budget side, in December Parliament approved the supplementary demands for grants totalling Rs. 304 crores, the largest item being Rs. 250 crores as fertilisers subsidy, which Parliament suggested should be reviewed. The other budget item is the mounting deficit in oil pool account, which despite its 25 per cent surcharge since October 1990 will be Rs. 1227 crores this year, raising the pool's deficit to

Rs. 3127 crores by the end of 1991-92. This is due to the increased cost of a number of services like railway freight, royalties, state levies plus the fact that the entire burden of the rise in crude prices was not posed on to its consumers. This also raises the problem whether the budget deficit for the year will stay within the figure indicated to Parliament. As of December 1991, the deficit is some 14 per cent above what it was stated to be. This means that in the last quarter of the year there may be further taxes and in government spending perhaps even a cut in plan expenditure as the only way to stay within the indicated deficit limit. On the stock exchange front in December 3, developments may be noted. First, the Pherwani committee has after study of the capital market recommended 10 new financial instruments for the Indian capital market ranging from non voting shares to debt for equity swap and zero coupon convertible bonds. It recommends the government to issue broad policy guidelines which would specify the conditions for issuance of these new instruments by merchant bankers and other issuers. These are all needed and are under study by the government and will be commented on later in a future issue. Second, SEBI has drafted regulations to curb insider trading, of which there is a good deal in the stock exchange. Such insider trading is bad and needs to be controlled in the interests of fair trading. The SEBI draft is comprehensive and applies to all aspects of insider trading. It is urgent that both positive favourable ratings as well as adverse rating of the companies coming out with a capital issue be made known to the investor before he makes a decision. Here a stiff disc of computerisation obliges each clearing broker to punch and so record his purchase and sale which could ease matters for SEBI, will face a huge

amount awaiting clearances. The third issue refers to the Narasimhan committee recommendation that the mechanism of CCIs approval for new capital issues be done away with. This goes against SEBIs demand for all kinds of instruments, as many new instruments, are about to be approved as noted earlier. This is essential though that may be slowing up of the process of credit rating but there is no alternative to the delay. The capital market has been buoyant in 1991. In January to October the companies raised Rs. 1800 crores compared to about one fourth of that in 1980-81. The market capitalisation of companies has gone up from Rs. 5843 crores on December 31, 1980 to Rs. 135,365 crores as on November 30, 1991. The committee on customer services in Bank which has made some important recommendations on extension of business hours, increased rates of interest on savings bank deposit to make them more attractive, to customer's grant of some fiscal relief to customers on the term deposits need careful study by the public and the government. The report has minority views recorded by the President of the All India Bank Officers Confederation and the good secretary of the All India Bank Employment Association - with particular regard to the recommendations on computerization, modernisation, mechanisation of banking operations and rationalisation and redeployment of manpower. One important issue by the committee is that from the tax benefit angle, bank deposits were unattractive compared to other deposit Schemes such as National Savings Scheme, Equity Licenses Savings Scheme, Scheme of Mutual Funds etc. The recommendation which have been unanimously such as those concerning extension of business hours, abolition of customers service centres which serve on useful function, training facilities for

work employees, the immediate credit to all states cheques upto Rs. 5000, Sunday banking in predominantly residential areas and increasing saving bank interest rates should be accepted and acted upon.

Committee on Financial Sector Reforms

As stated in the last issue, the Report of the Committee on Financial Sector Reforms (called Narasimhan Committee) was tabled in the Parliament on December 17. Its main recommendations are: 1) structure of banking sector to be revamped, with 3 or 4 large banks including SBI to become global in character. 2) 8-10 national banks with a network of branches throughout the country to engage in universal banking. 3) local bank operation to be confined to a specific region. 4) rural bank including RRBs to operate only in rural areas to finance agriculture and allied activities. 5) this revised system to be market driven and based on profitability and to be brought about by mergers and acquisition. 6) government to announce that there will be no nationalisation of banks to allow the dynamic private banks to grow. 7) abolition of branch banking and opening or closing of branches to be left to the commercial judgement of individual banks. 8) policy of allowing foreign banks to open Indian branches to be liberal, allowing joint ventures between foreign and Indian banks. 9) Foreign banks operating in India to be subject to the same requirements as domestic banks. 10) foreign operation of Indian banks to be nationalised and Indian banks with largest presence and strong financial position to set up subsidiaries to take over their existing branches abroad. 11) computerisation of banking operations to be stepped up:

12) no need for setting up a banking service committee for centralised recruitment of officers. 13) review of all guidelines of government or RBI on internal administration of banks including their staff. 14) RBI to be primary agency to regulate banks, ending the dual control system, abolishing the banking division of the finance ministry. 15) supervision of banks and FIs to be dealt with by a separate quasi-autonomous body under RBI aegis. 16) the depoliticising appointments of chief executives and directors of banks. 17) commercial banks will provide term finance to industry and FIs will provide core working capital. 18) IDBI to be only the apex and the refinancing agency with its lending functionaries to be transferred to a separate institution. 19) Development FIs to get their resources from the market on competitive terms and their access to concessional finance through SLR to be phased out in 3 years. 20) substantial and speedy liberalisation of capital markets abolishing prior approval of any agency for any issue in the market and 21) interest rates of banking sector to be deregularised so as to reflect emerging market conditions. The recommendations of the committee are comprehensive and needed. The committee addresses itself to the major problem that the banks including RBI have had to face and that is to accept the demands of government based on what the government believes is needed for the people. As a result of this, the banks have provided from their deposits 60 per cent to the governments' debt much of it is used for revenues spending or unproductive investment) it becomes 75 per cent if the loans to public sector enterprises are included. The committee feeling that income redistribution should be left to fiscal measures also places the 40 per cent provision for the priority sector on

the same basis which is doubtful, except the part which is on the right lines in proposing encouraging foreign and private sector banks, the resources of sound banks to the capital market for resources, clearing bank balance sheets, with fresh funds and market driven interest rates. The committee itself recognises a major limitation of its recommendations. First, in the absence of reasonable macro economic balances and control of inflation, the total deregulation recommended by the committee could lead to some excessive lending to private borrowers of dubious credit worth as seen in experiences abroad. So it suggests graduation in the reforms to the new ethos. The committee is also right in making competition and autonomy of banks as its main recommendation to restructure the financial system. Its recommendations for the creation of rural subsidiaries will relieve the nationalised banks of the large rural branch network which they do not know how to operate. The creation of the Asset Reconstruction Fund (ARF) to take over at a discount bad and doubtful debts of banks and FIs. Here a World Bank loan could help. The major weaknesses of the report are: a) The implementation and the spirit in which the implementation of the recommendations are undertaken is left to the good sense of the government of the day. This means that popular political demand as seen by the government of the day will still control the financial sector, which needs either the apex body to be separated and independent of government as the Federal Reserve Board of the US or by convention as the Bank of England is. At a minimum the RBI should be given statutory authority and authority to be in the sole control of the financial system - banks, FIs and stock exchanges. b) Secondly, the reduction of SLR to a low 25 per cent, the pha-

sing out of concessional interest rates will result in a massive deficit for the government to accommodate the social obligations that the public sector banks have had to finance. This is in conflict with one of the policy commitments of the government to IMF on the deficit GDP rates and reserve money growth: c) Third, as noted earlier with massive poverty in the country the recommendation to cut the priority sector lending with its concessional finance will mean abandoning the poverty alleviation and reduction programme, which is inconceivable. Provided these shortcomings are to be taken into account in modifying some of the recommendations and adding the major provision for the government of the day not to interfere with the banks, commercial workings and responsibility, the report of its recommendations are what is needed to put the economy and its financial sector on its legs again. There is a deal of coincidence between the earlier World Bank report on Banking and FI reforms and the reports of the committee but this does not detract from the validity and soundness of the latter report. There is nothing wrong in an important report like this drawing its data from several sources.

Economy

In December a major event was the government statement on its various commitments to the IMF in return for obtaining its long loan. The major policy measures to be undertaken are: a) the fiscal deficit to be reduced from 6.5 percent of GDP in 1991-92 to 5 percent in 1992-95. This is made difficult because the Oil Coordination Committee pool is likely to show a deficit of Rs. 1200 crores, in addition to a short fall in indirect tax revenue of Rs. 1000 which is looming: b) comprehensive reform to

reduce the tax base, reduce levels and dispersion of import duties, improve compliance and modernise tax system: c) fresh look at the entire area of centre's expenditure, particularly transfer and loans to public enterprises: d) move towards a more objective system of administered prices that takes into account world market developments and domestic supply conditions: e) encourage state government to improve their fiscal performance and the working of their enterprises: f) restrictive monetary policy to reduce inflation and support targeted BOP improvement: g) greater freedom for public enterprises in setting prices according to market forces: h) system of MOUs to be strengthened with emphasis on profitability and return on capital: i) additional conditions in 1992-93 when broader options are likely to be developed: j) new system for pricing petroleum products that provide for periodic adjustments in light of world market developments and domestic supply conditions: k) government to hold nominal exchange stable, using monetary and fiscal policy to maintain competitiveness and ensure BOP objective: l) current account deficit expected to come down to 2.7 percent of GDP in 1991-92 and to be 2.6 percent in 1992-93: m) prudent debt management and use of commercial borrowings for additional exchange reserves: n) progressive elimination of import licenses and quantitative restrictions especially for capital goods and raw materials over 3 to 5 years. For March 1992 more items to be decanalised: o) specific exit policy by the time of 1992-93 budget presentation. The reactions to this important and complex set of commitments vary from almost nil from Parliament which was given the memorandum at the end of its session and so had no time to delve into this many sided and wide ranging set of commitments and a blanket condemnation as being a sell out of

the country's economic sovereignty and as giving carte blanche to the World Bank. Looking dispassionately at these 15 policy commitments to the IMF, an overall reaction is that except in relation to the 19th condition concerning removal of all restrictions on capital goods and raw materials imports, the unrealistic time period specified in regard to 6 policy commitments and the criteria of world market conditions and market forces thrice in the memorandum, each one of the other policies is in the country's and peoples interest and should be adhered to. What is difficult to accept is their being laid down by a foreign body, the IMF and laid down rather arrogantly. The World Bank, for instance, is reported in Mid December as setting January 31 as the deadline for the privatisation of the National Thermal Power Corporation. It is true that our economy is in a bad way as the World Competitiveness report of the World Economy Forum and IMF shows that India is in the second group of industrially developing countries and ranks the lowest at 10th place on the basis of 8 factors: Again NCAER in its latest review projects the overall rate of growth of the economy for 1991-92 to be between 2.5 to 3 per cent, cautions against getting the euphoria over the increase in foreign exchange reserves, which should result from increased export earnings and not only from revaluation of assets and points to the high rate of inflation depressing demand for manufactures, both in consumption and investment, so that the outlook for manufacturing growth this year is worrisome. There is also the need to prune the fiscal and overall deficits but if this is to be done to the targets laid down for this year and the next it may require a cut in Plan outlay and non Plan expenditure like subsidies, cutting out compensation to public sector losses in

the budget. The tasks before the economy and the government are daunting in having to introduce reforms in many directions meaningfully and at the same time aim at 5.6 per cent growth. The real question is whether the assumption on which these commitments made by the government or demanded by IMF can be achieved within the time frame specified. The crucial assumption of a 9 per cent rate of inflation in 1991-92 to be followed by 6 per cent in 1992-93 has already gone by inboard. Again what is not realised is that the Finance Minister's target assumption of building up of our foreign exchange reserves to the equivalent of 1.7 months of imports which is about half of the safe limit of 3 months of imports means that even at the end of these reforms which will be at the close of the VIII Plan, the economy will not have attained the medium term balance of payments stability and equilibrium; or again the commitment to reduce the level of fiscal deficit through expenditure cuts, will also have to be done in such a way as not to reduce production and so decrease government revenue through taxes. Again the IBRD structural adjustment programme is estimated to result in additional unemployment of 1.3 million in 1992-93 and grow to 4 to 8 million in 1993-94. Thus there are many known and unknown effects of these policy commitments which need to be studied and brought out into the open for undertaking the necessary follow up and in some case corrective action.

Industry

On the industrial front, the news in December is not good. The overall industrial performance in the first 7 months April-August shows a severe deceleration - in industrial production,

import of capital goods, sanction of LIs and proposed investments, approvals granted by CCI and by FIs. Industrial production records a negative growth of -1 per cent, against 12.4 per cent in 1990-91, with manufacturing recording -2.5 per cent compared to 14.2 per cent last year. The infrastructure industries, however recorded a 7.5 per cent growth. The latest CSO data record is particularly worrying because the infrastructural industries - electricity, coal and saleable steel have recorded positive growth as just noted, the manufacturing sector is not able to take advantage of this, which means that there are factors at work which need to be taken into account. The macro factors are the squeeze on imports, the high cost of imports, caused by the depreciation of the rupee and the deflationary bank credit policy during the busy season. The other factors at work to depress manufactures are the shortage or uncertainty over supply of essential inputs and availability of railway wagons to move the inputs particularly coal and steel. The remaining 6 months are too short to correct the deceleration and in any case it is not short term tightening that is needed but medium term measures to reverse the deceleration on industrial growth, through increased investments and removal of constraints industrywise. Second, there are varying reports on the performance of the corporate sector. The consolidated financial results of 650 companies review by the Economic Times on December 2 in the monthly review shows a good performance for the first half of 1991-92 with rise in sales by 22 per cent, profits by 32 per cent, gross profits by 34 per cent and net profits by 23 per cent. This is in contrast to the IDBI report on the overall performance of assisted companies showing deceleration in growth rate of sales, output and profitability in 1990-91. It attributes this to fiscal and external payment imbalan-

ces, the Gulf war and import restrictions. So the turn around in the first half of this year is to be welcomed. Third, the Board for Industrial and Financial Reconstruction has reviewed its experience of handling sick units to the large and medium corporate sector. In the course of the 4 years of its existence 1987-1991, it has received 1900 references, made decisions on rehabilitation in 331 losses and the decision to wind up have been made on 137 companies and wind up notices issued in 65 cases. Its finding is that the principal causes of sickness are: a) dishonest or incompetent management, b) state and union government policies, c) adverse developments in the external sector, d) in avoiding of detailed project reports involving indepth techno economic analysis and even the FIs do not insist on them, resulting in neglect of assessment of market demand vis a vis capacity. e) minimum economic size of plants, f) identification and use of proven technology, g) availability of raw materials and costs of its transfer, h) failure to modernise and raise productivity and move into higher value added products, i) high wage rates unaccompanied by increased productivity, j) unwillingness to rationalise labour force, k) diversion of short term resources for financing cost over runs and l) lack of managerial and skilled staff for units in backward areas. Commercial banks have not monitored units particularly the balance sheets and flow of funds from them, even when the unit makes losses and working capital is diverted to meet the losses. Even after a unit has been identified as sick, there is considerable delay in evolving a rehabilitation package-companies delay in submitting revised proposal, the promoter delays his contribution, banks delay because they are not equipped to act as operating agent of BIFR. State Industrial Corporation which

are anxious to promote as many small units as possible are not prepared to make their financial contribution and not ready to provide the minor relief. Only labour has been found to be cooperative but BIFR's attempt to promote worker's co-operatives have not found a response from state government. So BIFR concludes: 1) the best solution is merger of sick units with healthy, financially strong units, 2) FIs and banks should be vested with the same power as SFCs to take over assets which they have financed to facilitate the winding up process, 3) State governments should expeditiously approve sale of surplus lands to help nonviable large sick units, 4) banks should act speedily to implement the rehabilitation package, 5) certain amendments to the law such as the definition of sickness are suggested, 6) the setting up of workers retrenchment fund is suggested and 7) there should be summary and prompt punishment of delinquent promoters. BIFR has also suggested setting up a separate approval cum banking institution to deal with all cases of sick, large and medium units because BIFR itself cannot provide the term loans and working capital to the revived unit. Except for the last recommendation, the others are known and what is lacking is the will on the part of every one - government, management and even labour to act on the recommendation. It may be noted that RBI reports that it has set up a committee to tackle the problem of sickness and terminal credit in the small scale sector which would be a supplement to the BIFR study on sickness in large and medium industry. In view of Industry ministry's decree to allow automatic approval for the existing companies which have up to 40 per cent equity to increase it to 51 per cent, RBI at the end of November laid down the eligibility criteria for the automatic approval by it for increase in foreign

equity to 51 per cent. The ministry of Industry's growth centres are not doing well. In 42 months it has cleared only 5 per cent reports including just one since the new government takeover. The other 3 approved by the previous regime have not spent the budgetary allocation for them for want of follow up and project delay. On individual industries, the automobile industry which till recently was expanding fast between April-October, heavy and medium commercial vehicles produced over 33,578 in 1989, 42,430 in 1990 and 45,2923 in 1991 which was a 25 per cent increase is now only about 8 per cent. Recession has hit the car industry so much so that the manufacturers fear a cut in production, as the existing stocks are not being lifted. This is attributed to the unprecedented rise in petrol prices and the Gulf surcharge. Faced with huge unsold stock, Hindustan Motors has reduced its production by 40 per cent, Premier Automobiles with 7000 in stock is suspending production. Maruti sales are falling and next year the drop is expected to be 30 per cent. Even two wheelers are facing slack demand. The industry faces the sharpest drop in its rate of decline of the manufacturing sector referred to at the start. Cement production is to be reduced by 10 per cent in the last quarter of 1991-92 because of the high level of production in the first 3 quarters to 24.25 million tonnes compared to last year's 21.68 million tonnes and the falling offtake.

Public Sector Enterprises

The government has finalised the plan for 20 per cent disinvestment of equity in 38 select profitable public sector units in two phases to raise Rs. 2500

crores. There is also an alternative plan to sell Rs. 2500 crores of equity in one lot in December. Official statistics show that of the 244 public sector units, 131 were profit making and 58 were chronically sick with no possibility of turn around. The government plans to refer the units to BIFR which is quite unnecessary because either the government can suggest restructuring the units, which means writing off accumulated losses and shedding workers or it can close them down if such restructuring will not help. There is no case for referring them to BIFR. To confuse matters, the document prepared by the ministry of Industry for the meeting of the tripartite committee to consider the problem of public sector enterprises, states that of the 98 loss making PSUs, 15 are in the core sector of steel, coal mine and transportation which will be rehabilitated within the parameters of the public sector system only, indications are that the remaining 83 will be closed down. The ministry of Industry reports that the public sector undertakings under it recorded 24 per cent higher production in October 1991 compared to October 1990. What relation this has to the on going debate on disinvestment and closing of PSUs is not clear.

National Production Front

Steel

In December, the steel front reported good and bad news. The government stated to Parliament that finished steel is likely to touch 14.5 million tonnes this year, which is over 1 million tonnes compared to 1990-91. SAIL on its side records a 14 per cent growth in crude steel output during the first 8 months April-August, of the current year and 9

per cent rise in saleable steel production by the 5 SAIL plants. On that basis SAIL has set an ambitious plan to produce 15 million tonnes by 2004. The other side of the steel picture is that many units in the mini steel sector are reporting to BIFR that they are sick and closing down due to the acute shortage of steel melting scrap which has not been allowed to be imported in adequate quantities on account of the foreign exchange shortage. Hence the arc furnace industry has been starved of its raw materials all this year. Further because of the shortage of funds and the high interest rate, the offtake of alloy and special steel has been slowed drastically forcing SAIL's alloy and steel plants to carry large inventories of 50,000 tonnes as well as not being able to realise its dues of Rs. 48 crores, of which the major debtor is BHEL. This is also the situation of other alloy and special steel producers. This situation is serious because steel is one of the core sector industries which despite the industrial slow down this year has been doing well, but now might well join the other industries in slowing down and further depressing the manufacturing sector growth rate.

Crude

The December news on India's crude supply and demand is not good. Crude oil production is declining annually from 34.69 million tonnes in 1989-90 to 33.00 million tonnes in 1990-91, when it was 2.66 million tonnes short of the target due, according to the government, to leakage from certain sub sea oil pipe, reservoirs, officers' strike and delays in completing some schemes. For 1991-92 so far during the first 6 months, 9950 million tonnes have been imported at the high average price of Rs. 3045 per tonne. In this context, the two guidelines for

a) increasing sharply foreign investment in hydro carbon to close the supply/demand gap, and b) intensify oil conservation on which at present Rs. 238 crores in foreign exchange is being saved and which can be further increased need to be followed.

Coal

Coal India reports that its accumulated losses till March 1991 was Rs. 2499 crores, but through coal production and despatches it has been able to realise Rs. 600 crores. While because of this situation no equipment has been purchased for two years, the minister told Parliament that the main reason for the losses is the unremunerative prices of coal in the difficult geominig condition faced by the industry. The stage was thus set for the rise in coal prices referred to earlier. As earlier noted, on December 30, government announced the rise in the price of coal by 30 per cent to Rs. 312 a tonne, an increase of Rs. 70 a tonne.

Non ferrous

Bharat Aluminium company BALCO has for the first time entered the export market and has exported Rs. 1 crore of aluminium production. For this year it has set itself a target of Rs. 3 crore and its exports to the UK and Denmark this month will help it to reach and surpass the target.

Agriculture Production

In December, the assessment of this year's kharif production for the year on which all information has not yet been received from the states shows that it is likely to be less than last year's Kharif

production of 99.9 million tonnes. The rabi foodgrain target for 1991-92 has been fixed at 79.4 million tonnes, and to achieve this target the target worked out with the state governments during the national conference on agriculture for rabi campaign, includes contingency cropping, larger area coverage under rabi/summer rice, wheat, rabi/summer maize and pulses. The government reports that it is completely overhauling the crop insurance scheme to cover all farmers and crops in the country. This is also one of the recommendations of the Bhanu Pratap Singh Committee's report (See Vol XX pp166, 264, 410 & 411) which has in addition recommended ensuring remunerative prices to the growers, creating agricultural surpluses and giving agriculture an export orientation. The government states that it has gone beyond the committee's recommendation in the matter of accounting farmer's managerial input in calculating remunerative prices. The government also reported to Parliament the sad fact that the per capita availability of pulses has declined from 22.1 kg per annum in 1951 to 13.4 kg in 1990, despite the 13.4 per cent increased per hectare yield by 13.8 per cent in 1990-91 compared to 1986-87. Against a target production of 14.75 million tonnes at the terminal year of the VII Plan only 12.61 million tonnes have been achieved. For 1991-92 the target has been fixed at 15.5 million tonnes. India produced only 549 kg per hectare in 1989-90 well behind Bangladesh at 729 kg and France at 4127 kg.

Foreign Trade and BOP

In December, the government reports a reduction in the trade deficit from \$2.4 billion in April-September 1990 to \$1 billion in the same period in 1991. On the

other hand, exports are growing slowly (in fact exports are falling in dollar terms by 6.2 per cent in the first 6 months in the current year) and so the government is concerned about the country's repayment obligation. The bunching of repayments will take place in 1994-95 and 1995-96 when repayment of the IMF loan will begin, with payment of interest charges of SDR 666 million to IMF will start earlier and last 9 years. The first instalment of repayment charges and interest amounting to SDR 32.2 million must be paid in 1992. Hence the slow growth of exports and the borrowing which improves our foreign exchange liquidity in the short run needs to be clearly faced. The slow growth of exports is due to a) recession in US and Europe, b) the sharp drop in trade with the rupee payment areas, c) the lag before the devaluation pays results and d) the import compression. The commerce ministry while concentrating on demanding the easing of import restrictions overlooks the fact that in 1989-90, 46 per cent of total exports of Rs. 28,000 crores had no import content. There is need to ease the curbs which results in about 15 per cent shortfall in exports. As India's exports are a small fraction of 1 per cent of world exports, it should be possible for India to expand exports despite the world recession. RBI announced on December 31 that from January 1, 1992 the margin requirement on imports will be further reduced from 50 to 25 per cent. Similarly a strategy has to be worked out for our trade with the rupee payment areas. The establishment of a small list of thrust areas to focus our export is a move in the right direction. But what are the thrust areas needs to be carefully worked out. Our experience to date is disheartening. Garments, diamonds and leather goods which were not thrust areas have done very well and our designated thrust areas, deep sea fishing, soft

ware and various engineering industries, have not really taken off. So it is essential that at the macro level, the government should help ensure that exports are as profitable as the domestic market. Further, bottlenecks in specific areas like food processing or floriculture should be removed to push exports in them. For this, creation of facilities for infrastructure rather than subsidies is essential. To promote exports, cash margins have been slashed for OGL imports. Also the government has expressed its concern over the negative provision in the areas of textiles and intellectual property rights. 2 gold import schemes have been announced to boost export of gold jewellery and 34 items whose annual value is Rs. 200 crores have been shifted from OGL to the limited permissible category so that they can be imported against Ex-im scrips. The country's foreign exchange reserves have reached \$3.1 billion on December 6 (Rs. 8000 crores) which are in excess of IBRD-IMF target whose expected reserves is to be \$2.3 million by March 1992 and 3.1 billion in March 1993. By the end of December the reserves reached Rs. 9000 crores and so the government is now planning to review our external debt level which at March 1991 reached a high \$70.1 billion. On individual items, the government has decided to extent the textile assessment with the US, to import cotton and edible oils if their prices continued to rise. Engineering exports in April-October rose by 41.3 per cent and have switched from the Rupee trend to the general currency areas, handloom exports is to cross Rs. 600 crores during 1991-92, carpet exports have reduced to Rs. 275.03 crores in April-September 1991 and could reach Rs. 700 crores for the year and leather exports are hitting the year's target at Rs. 3400 crores and garment exports are set to cross the Rs. 2700 crores target

for this year. Textile exports in April-September 1991 increased by 38 per cent earning Rs. 6097.37 crores. The export scene as a whole is tending to look up.

Aid and loans

In December IBRD loans were dominant as \$900 million was made to finance the structural reform and to reinforce the National Renewal Fund to provide safety nets to compensate and retrain the existing workforce and sections of the population adversely affected by the reforms: Rs. 417 crores was made to finance a rural road project in Gujarat; Rs. 90 crores was made to West Bengal for a shrimp and fish culture project. IBRD has also laid down the precondition that future loans to central power generation companies will be provided only if the rate of return on equity is at par with that available from private power generation companies. This involves tariff rates going up by 25 to 30 per cent. The Damodar Valley Corporation is getting a loan of Rs. 24 crores from ADB for its power generation. At the bilateral level, Japan is giving a loan of 67.1 billion yen (Rs. 1344 crores) in realisation of its pledge at the Aid India Consortium to be used for the Gandhar gas based project, for the national high way, for the Aravalli afforestation project, for the Ajanta-Ellora tourism development project, and for the urban water supply projects for New Bombay and Sholapur. Similarly the French government is giving a credit of \$130 million of which \$26 million will be a quick disbursement facility to finance development projects in fulfilment of its pledge at the Aid India Consortium. UK is giving a credit of £30 million as balance of payments aid to support the economic reforms package. IDBI is getting a medium term credit of 150 million French

francs (Rs. 70 crores) to help finance import of goods and service from France.

International

World Economy

UN and other expert studies show sluggish growth of the world economy. The US economy is caught in recession and a slow down is spreading to Japan, Germany and other industrialised countries in 1992. The forecast is decline in world output in 1991 or stagnation, in fact it is pointed out that for the first time since world war II, world output fell in 1991 and world trade stagnated. But inflation is expected to decline everywhere, interest rates fell and there will be revival of global economic growth in late 1992, (during 1992 the growth which will be a low 1 per cent). In 1991 the world started out on 2 main roads in search of prosperity, private enterprises and regional free trade associations. It faces one major problem - the break down of the Uruguay round because of the dispute between the US and EC over farm subsidies which will be analysed later. Europe's main economies Germany, France, Britain and Italy spearheading the European community plans to complete a common market of 325 million people by 1992. The 12 nation European Community and Seven Nation Free Trade Association are facing a 19 nation free trade zone running from the Arctic to the Mediterranean by January 1993. EC is also looking to expand the trade zone to Hungary, Czechoslovakia and Poland, three strong economies of the ex-communist block. In January 1992 EC is discussing trade matters with Bulgaria and Romania. The Soviet Union has dispersed projects which the new commonwealth of independent states are

having. Latin America's GNP has begun to grow after year's of decline. They are joining together in regional bodies like the Andean group or the US-Canada common market in the case of Mexico. The Asia growth rate has declined because of India's 3 per cent growth in 1990-91 compared to 5 per cent per annum in the past. Sri Lanka and Bangladesh are also down to 3 per cent but Pakistan is at 5 per cent. In South and East Asia growth has declined from 6.3 per cent to 5.4 per cent. But Korea was 9 per cent, Thailand 8 per cent. In Philippines economic growth was near zero. In China, agricultural production was below 2 per cent because of devastating floods, but industry increased by 14 per cent in the first 3 quarter of 1991. For the world as a whole the UN study points out that after a modest growth of output in 1990 at 1.5 per cent, it has declined by 0.3 per cent in 1991 in all regions including the industrial market economy. In this situation, note should be taken of IMF's warning of an impending global savings shortage - at a time when Soviet and Eastern Europe are reforming their economies, the war damage in West Asia are being repaired and Asia and Africa are fighting poverty and destitution and Latin America is swamped by its debt burden. So IMF states that the threat of global shortage must be averted by raising national savings including restriction of unproductive expenditures, military outlay and protectionist subsidies. There are signs of 'adjustment fatigue' in some countries and 'donor fatigue' in others which should be countered, it concludes.

World Debt and World Aid

The World Bank World Debt table 1991-92 shows that the total debt of all developing countries at the end of 1991 was \$ 1350 million, staying unchanged

since the previous year, though the debt service ratio has increased from 20 per cent in 1990 to 21 per cent in 1991. The conclusion drawn by the report is that while the Trinidad terms or the Paris Club's extension of exceptional debt relief to countries like Poland and Egypt have helped, these have to be extended to other heavily indebted countries like Brazil, Mexico, India. (The Trinidad terms enunciated by John Major in September 1990 envisaged a once for all reduction in debt subject to a two third reduction in debt, the Paris club proposal is of a 50 per cent reduction in the stock of official debt). One positive features of the debt situation as pointed out by the report is the greater shift towards official flows and away from commercial bank debt. This is very helpful for small countries. Looking at the annual report of the Development Assistance Committee (DAC) of OECD, against this background, the report expresses regret that UN target of 0.7 per cent of ODA has not been attained after 30 years of the UN decision that in 1990 development assistance increased from \$ 46.7 billion to \$ 54 billion which was an increase of 57 per cent in nominal terms and 3.9 per cent in real terms. As a percentage of GNP of the 24 rich industrial countries it increased from 0.34 per cent to 0.35 per cent, which is half of the target set forth. It points out that trade, debt, renewed attention to direct foreign investment, repatriation of flight capital and a reduction of military expenditure are critical to enhancing resource availabilities to the developing countries, which are at a critical stage in their development.

GATT—Uruguay Round

The position at the end of the year on the Uruguay round involving international

negotiation agreements on lowering barriers to exports and updating world trade rules is disturbing. In view of the continuing deadlock between the US and the Economic Community over agriculture subsidies which threaten to torpedo the entire 108 nations talks begun in Uruguay in 1986, the Director General has taken matters in his hands and has drafted and submitted to the negotiators a 500 page document outlining plans for liberalising global commerce and has given the 108 governments till January 13 to respond to it. This approach to the talks as being what the Director General calls the best possible balance across the board is being placed on the basis of a take it or leave it option, which is undesirable. There should be room for discussion and modification leaving aside the agricultural subsidy question. It proposes cutting tariffs by 36 per cent and farm subsidies by 24 per cent between 1993 and 1996. This will not satisfy the US Congress which may not approve the Dunkel draft. This agricultural subsidy controversy has diverted attention from other important issues like textile trade, intellectual property rights in which all countries have a vital stake. Apart from the reduction in tariffs and agriculture subsidies, the Dunkel draft reduces restrictions on textile exports, sets forth common standards to protect patents and copy right from piracy and drafts new rules to govern trade in commercial services, spells out strictures against dumping goods with artificially low prices in foreign markets and proposes better procedures for settling trade disputes.

World Food

World food production in 1991 declined by 1.4 million tonnes, the first decline since 1983 according to FAO. Cereal production is likely to be 1890 million tonnes down by 4 per cent and wheat output will fall by 7 per cent to 554 million tonnes. The decline is attributed to the combination of drought, wars, disruption of marketing system and reduced plantings in the US. This makes food supplies fragile and might lead to famine in Africa and severe shortage in parts of the former Soviet Union. At 1991 end, the FAO points out that 550 million people are underfed, 24 nations facing food shortages, some famine.

SAARC

The heads of the seven SAARC nations meeting on December 21 in Colombo issued a communique which states that they agreed to liberalise trade. It asked the recently set up inter-governmental group (IGG) to seek agreement on an international framework under which specific measures for trade liberalisation among SAARC's preferential trade arrangement by 1993 should be examined and pursued. It established an independent South Asia Committee on poverty alleviation to conduct indepth study of the experience of the 7 states in it. Laying stress on the promotion of primary education, the member countries expertise and technical knowhow should be shared among them so as to achieve by 2000 total primary education for children.

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II. Agricultural Development in Tamil Nadu

Paddy and other Crops

To start with, the damage to crops suffered by the farmers as a result of the floods reported in the last issue is much more than what has been stated to the union government at Rs. 82 crores. Actually the crop loss is more than double that at Rs. 171 crores according to the detailed assessment made in December by officials and experts in the damaged districts. Farmers lost standing paddy crops in 40,000 hectares in Nagapattinam-Quaide Millet district and in 30,000 hectares in South Arcot. Thanjavur district farmers suffered partial damage in one lakh hectares. The result is that the 25 lakh tonnes of paddy expected from the two districts may fall by 3 lakh tonnes. Delta farmers are happy that the Mettur reservoir is full and they have started cultivation of the short duration crop. In Trichy district, the farmers have saved their crops which is in good condition and will exceed the targeted 4 lakh tonnes. The farmers have completed the short term kuruvai harvest and have obtained an average of 6.70 tonnes per hectare against last year's 6.20 tonnes. They have begun transplanting the samba crop and have completed it in 60,000 hectares and are at work on it in 40,000 hectares. On procurement, the Tamil Nadu Civil Supplies Corporation reports that it has reached the kuruvai target of 1.8 lakh hectares, and to attend to the daily arrivals from the farmers of about 3000 tonnes it has opened 310 purchase centres. The government states that "project 100" to produce 100 lakh tonnes of foodgrains this year is being launched, taking advantage of the favourable conditions in the state with heavy precipitation and 2000 of 6947 PWD tanks being full

(each tank feeds 100 acres) so that 3.8 lakh hectares can be served, all as a result of the two bounteous NE monsoon. Paddy cultivation has crossed the 15 lakh hectares and by early December farmers are optimistic about reaching the 21 lakh target. In fact given the very favourable conditions, the government has urged the farmers to increase the paddy cultivation target area from 21 lakh hectares to 30 lakhs, which will also make up the loss that they suffered from floods and flooding. Meanwhile the samba procurement starting on December 15 ending June 30 looks as if it will be massive, with monopoly procurement in Thanjavur and Quaid-e-Millet and parts of South Arcot, Tiruchi and Pudukottai and the 50 per cent trade levy. In the flood hit areas (90,000 hectares in 6 districts) farmers are looking forward to the Rs. 10 crores relief that government has begun disbursing. Farmers report that production of pulses, coriandery, groundnut, gingelly are all very good which may result in the exceeding of the targets.

Research results

Of the 42 research reports recorded in December 5 groups of reports are direct interest and of immediate use to farmers and cattle owners: a) First, a group of 6 reports on rice research refer to results which paddy farmers in the state can put to immediate use. b) IARI reports developing two early high yielding rice varieties-PUSA NR 106 and PUSA-NR-162 which can be used by paddy farmers for both transplanting and direct seeding. They are little over 3 months duration and produce a high 8 tonnes per hectare. c) A report from AICARP college of Agriculture, Hyderabad

that bio-fertilisers are a good plant nutrient and it sets forth the conditions under which blue green algae and azolla could be deployed by the farmer to save upto 50 per cent on NPK fertiliser. d) BARC reports its research results in developing a semi dwarfed high yielding rice variety which is the product of IR8 and IR5 is pest resistant except in regard to gall midge. e) The Agricultural Research Station, Bhavanisagar reports the results of its study on the aquatic predators which infest paddy field during and after a flood. They can be used to check rice pests and detailed instructions are given to identify these useful predators and conserve and use them. f) The Krishi Vigyan Kendra, Pondicherry report the measures to be taken to control the rice black bug menace. These measures involve cultural, mechanical and chemical methods and can be used by the farmer through water management and setting-traps which attract the insects which can be destroyed by spraying endo-sulphur. g) Finally the Department of Agronomy, Annamalai University states that to avoid loss of productivity of soils which are cultivated intensively without organic manures can be avoided by use of such simple measures as use of biogas slurry can be used with urea or dried leaves or crop waste to ensure adequate productivity. Second, reports on other millets are of interest to ragi, and other millets growing farmers. The soil salinity research centre, Trichy reports its finding which will be of use to ragi cultivation in sodic soils. It has released a high yield ragi variety for irrigation and cultivation which can be sown immediately and yields 20 per cent more than other ragi variety. The regional research station, Aruppukottai reports developing a high yielding drought resistant variety of varagu - APK. It is dwarf stature, matures in 3 months and can be grown as a rainfed

crop. The agriculture College, Madurai reports its studies on checking foot rot in tubers, 4 control measures are suggested after the disease is spotted. Third, some important results for cane growers are reported by the sugarcane research station, Cuddalore. The cane growers want both maximum in yield and maximum in recovery. Its studies show this depends on the time of harvesting and the time period is clearly indicated for the 3 main varieties of sugarcane grown in the state. TNAU states that its study on the cane pest-the web spinning kit - can be spraying it with wettable sulphur and ether. The college of agriculture, Dharward reports identifying the causes for poor cane formation with short internodes. The five steps to be taken by the farmers to counter this is spelt out and can be easily followed. Further, a research report on chilli from Krishi Ananda Bhavan, Pusa report developing a perennial chilli plant. The plant is about 60-80 cm, with broad leaves and its fruits can be picked from the 4th month periodically. TNAU reports that its studies have resulted in the development of dwarf stature and cymptact canopy, allow close spacing of the plants, 3cm x 15cm. This has also helped in the heavy yield of 3500 kg of dry pods per hectare. For the cattle (cow) 5 research reports are of interest. The College of Veterinary and Animal Sciences, Kerala Agriculture University reports that anoestrus in cows and heifers can be cured by providing the stricken cows with adequate calories, proteins and minerals. And for this, the treatment mainly in vitamins are prescribed. The embryo research centre, Nilgiris says that its studies show that post natal care in cattle begins from the foetal stage. A balanced ration and mineral mixture during pregnancy ensures good nutrition, removal of mucus from nose and mouth are essential for starting

proper respiration. It also reports that if the cow does not like the calf, some saithe can be put in the new born to get the mother to lick and care for the new born calf. TNVASU, Aruppukottai says that its study show that imbalances in cattle feed affects the milk yield of cattle. Its proposed 4 steps include the use of urea, 5-10 per cent molasses level, as a spray on fodder, including groundnut shells and dry leaves in the ration and presentation of excess green fodder for the scarcity period - to correct the imbalances in cattle feed. The Madras Veterinary College reports that adequate post partum management of dairy cows contributes to the optimum reproduction efficiency. The shorter the inter-calving period, the greater is the milk production per cow. The 12 months interval helps in maximum productive efficiency. Its studies show that reproductive efficiency declines with an increase in milk production, number of calvings and age of the cow. All these 3 elements can and should be regulated. The same source reports its studies on udder oedema is that it occurs at parturition in older cows and in March-May and November-January. Oedema restricts milk products sharply. The four steps to treat the cases when the swelling disease after calving does not disappear are suggested and can be adopted by any cattle farmer providing a comfortable stack and moderate exercise and a milky laxative diet.

Poultry farming and animal husbandry

Under the National Cooperative Development Corporation which has sanctioned a grant of Rs. 120 crores, the state is launching a 5 year poultry development programme to expand egg production in the state from the present

2500 million to 4000 million. 90 poultry breeding cooperative societies are being set up under the scheme, with 5 taluk in each of the 19 districts - except for Kanyakumari, Uthagamandalam and Madras districts. Also for the development of livestock in the state another Rs. 46 crores World Bank - DANIDA project has been launched to improve the quality of the state's livestock. One of the objectives of the project is to strengthen the infrastructure of the livestock farm at Eechenkotta, Orthanad and Hosur for producing quality bulls, including cross bred bulls. This farm was set up in 1978 for breeding exotic cattle and for this purpose using frozen semen. From April 1991, the frozen techniques was launched in all 3000 centres of the state, so that even the remotest villages will have highly pedigreed Fresian and Jersey bulls. There is need for the programme to have an inbuilt evaluation system to monitor its effectiveness in the state, as there may be a deal of wasted notions on unsuitable techniques and results.

Tea

The news on the tea front in December is good. Total production is stated to increase beyond the 1991 target of 735 million kg at 740 million kg, with South India leading the way with 187 million kg. Tea export are however stagnating at 200 million kgs for the last 3 years due mainly to the rising domestic demand. This value realisation from exports has risen to Rs. 1045.41 crore including Rs. 227 crores from the South but the average price per kg is falling from Rs. 35.11 in 1990 to Rs. 30.15 in 1991. The government (Ministry of Commerce) has drawn up a plan for the annual production to rise to 1000 million kg by 2000 AD. This will require Rs. 1500 crore to achieve this target and it is proposed that for this, Rs. 135 crores

should be contributed by Tea Board, Rs. 800 crores and Rs. 815 crores in support from the Financial Institutions. Exports are to be increased from the current 17.9 per cent to 19 per cent by 2000. There are a number of issues involved. On the positive side, there is urgent need for investing in renovating the tea plantations, where 82 per cent of the tea bushes are 30 years old and 42 per cent 40 years old. The yield and productivity of the bushes are stagnating. The question is the place to be given to exports in this industry. Are exports to be developed by curtailing domestic consumption? At present domestic availability is determined by political considerations - to conserve the vote bank that tea drinkers represent. Is it important as to whether India is the leading tea exporter. Should not the level of export be determined by demand - supply forces of the market? The Plan to expand tea production in the so called non traditional areas - Karnataka, UP, Kerala, Orissa, Sikkim, Meghalaya and Manipur must not replace lands being used for food crops. Can it be ensured? The immediate problem facing the industry and government is the prospects of the usually large exports to the Soviet Union which in 1991-92 was 120 million kg earning Rs. 600 crores. In the first half of the year, April - September the usual exports to the Soviet Union took place, but with the break up of the Soviet Union and formation of the common wealth of independent states, there will be a sharp fall in exports to this area in the period October 1991 to March 1992. It will take time to negotiate new deals with each republic. In any case there will be large exports to the General Currency Area.

Coffee

Coffee production was 1.73 lakh tonnes

in 1990-91 against 1.18 lakh tonnes in 1989-90 and 2.14 lakh tonnes in 1988-89. The coffee crop has a cyclical biennial nature as the above figures show. Hence efforts are being made to improve its production, particularly in the small sector. These involve covering more areas under irrigation, to overcome the deficit between blossom and backing showers and phased replanting of old uneconomical plants with high yielding, disease and pest resistant and early bearing varieties. This is good. But here is a case where there need to increase domestic consumption, particularly in the North. Domestic consumption has been stagnant at 55,000 tonnes per annum. The problem is that our export quantity is both variable with the production cycle and is small compared to the major producers - Brazil, Venezuela, Colombia and Central America. Hence we are not able to pull our weight in the International Coffee Organisation. Our coffee exports declined to 71,000 tonnes in the first ten months of 1991 from 93,537 tonnes in 1990. The value realisation was Rs. 229.48 crores against last year's Rs. 235.71 crores. There should be a decision which is overdue to turn over to the growers the responsibility for marketing, reducing the power of the Coffee Board as recommended by the expert study (see vol XXI p19). This may help to increase the offtake both internally and through exports.

Rubber

The position with regard to rubber was always one of short supply vis a vis the demand for rubber by the rubber user industry has now changed. In 1991-92 rubber production has shot up to 3.65 lakh tonnes (from the normal below 3 lakh tonnes per annum). STC has been asked not to import rubber this year,

against which Rubber goods users are protesting saying they fear a deficit of 23,000 tonnes. It comprises the opening stock of 86,000 tonnes, imports against replicenses are 18,000 tonnes and with domestic production at 3.00 lakh tonnes, the total availability is 4.64 lakh tonnes. The Rubber Board had estimated domestic consumption at 3.90 lakh tonnes, stock requirement at 97,500 tonnes giving a total requirement of 4.875 lakh tonnes, which gives a deficit of 23,000 tonnes this year. However there is no doubt that there will be a surplus availability and so the modalities for the export of 30,000 tonnes are being worked out. The increased production this year over last year is 30,000 tonnes. There are problems to be faced. First the international rubber price is much lower than the Indian prices. So the export will have to be subsidised which is out of question. Second, the domestic price of rubber is falling because of the excess

production and so the government has instructed STC to intervene to keep up the price so that rubber growers get remunerative prices. Third, India as the fourth largest rubber producer after Malaysia, Indonesia and Thailand needs to bring its price of rubber in some sort of alignment with the price in this country and output. The problem of the glut is however temporary. It is in part due to the RBI credit squeeze which has led to major tyre companies not stocking 3 months requirements but buying only to meet immediate need. When this phase of credit squeeze goes, there will be the problem of shortage of supply, and a demand for imports which estimated in earlier issues needs attention through increased rubber production by extending it to non traditional areas of Assam, Orissa, Karnataka, Tripura, Goa, Maharashtra, which is under way, and the Andaman and the use of synthetic rubber, on which no action has been taken so far.

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III. Industrial Development in Tamil Nadu

December recorded the usual pluses and minuses on the industrial development of Tamil Nadu, with the positive side far outweighing the negative.

On the positive side, first the government continued and has taken a number of initiatives to give fresh impetus to the state's industrialisation. Having dealt with the law and order problems and some of the populist demands, the government is now turning to the question of industrialisation and growth. It has prepared a list of large industrialists in the state and outside who

have not invested significantly in the state and each is being written to personally to call his/her attention to the opportunities which investment in Tamil Nadu offers. For this purpose some 30 downstream industries in the Manali complex to be referred to later and some thrust areas identified by TIDCO are being set forth for the industrialists to choose from and invest. The TIDCO thrust areas are petro chemicals, molasses and alcohol based chemicals, drugs and pharmaceuticals, agro based industries, telecommunications and textiles and hosiery for exports. Thus

the thrust areas will also meet the drive to expand exports with Tamil Nadu's contribution. The state industrial policy is progressive and in line with the Union government's economic reforms package because it is the only southern state to delink its incentives to new investments from employment and location specificity. This will attract entrepreneurs. There is need, however, for the secretariat to follow up promptly these decisions because some industrialists still complain about foot dragging by the ministry and department staff. Industrialists report a perceptible difference in the approach of the official machinery towards them. It is important that this good start should be speedily followed. Second, the government is making a fresh drive to promote select industries and local industries in Tuticorin. Official studies show that despite sound infrastructure like the SIPCOT complex and the SIDCO industrial estate, Tuticorin has not attracted substantial investment, particularly in salt and other marine chemicals to be found in the region. SIPCOT in association with Chemical Industries Association has identified 20 project areas for Tuticorin in salt, bromine, rubberised feed, activated carbon, sodium alginate, calcium sulphate, citric acid and lactic acid. Also resource based industries like forest and wood, synthetic wood, cement, bonded wood particularly boards, kraft paper, absorbant card, cotton are awaiting industrial investment on the basis of the good roads, rail routes, telecommunications, modern post and good ware housing facilities. Third, large industrial houses like the MA Chidambaram group, ITC, LM Thapar group, Larsen and Toubro and Hindustan Lever are flocking to the Tuticorin coast to set up aquaculture projects, lured by its high returns. Fourth, TIDCO and MC Nally Bharat Engineering company controlled by the BM Khaitan and GP Birla group with a 51 per cent share holding

are moving fast to set up the big power project. In less than a month after signing a promoter's agreement for setting up a giant integrated lignite mining and power generating project at Jayamkondacholapuram in Tiruchirapalli district, referred to in the last issue, the partners are ready with a company floated under the name of Jayamkondam Lignite Corporation Ltd with an authorised capital of Rs. 10 crores and a board of 6 members, three from TIDCO and three from the company. Fifth, with the planned commissioning of the 10 MW gas turbine at Narimanam in Thanjavur district the wasteful flaring of 50,000 cubic metres of gas from the hydro carbon in Cauvery basin will be stopped. Sixth, the joint venture of India Magnesite project in which the state government has invested Rs. 200 crores has been revived by the Chief Minister, who is also the minister of Industry. The project to produce sintered magnesite for use in high temperature furnaces to manufacture refractory bricks was being held up because the government had not given the Corporation, Khaitan, the Rs. 5 crores being needed for the Swiss foreign collaboration. The government has got the Public Sector's Tamil Nadu Newsprint to make to the Khaitans the loan of Rs. 5 crores and so the joint venture of TANMAC and Khaitan has been revived. Seventh, TIDCO joining with Thiru Arooran Sugars Ltd (TASL) is launching a Rs. 20 crore alcohol based downstream project in the associate sector for the manufacture of butanol. Eighth, English Electricals announces a major investment plan to expand interest in the power sector inspired by its latest association with GEC Alstham of tra and the recent radical changes in the country's industrial and trade policies. It is investing Rs. 78 crores this year and another Rs. 8 crores

next year on modernising and diversifying existing facilities in the area of LV Switch gears and fuses manufacture. Ninth, Ankit granites is setting up a 100 per cent export oriented unit at Hosur for manufacturing polished and flame finished tiles at a cost of Rs. 9.23 crores with machinery and plant supplied by Pechirit, SRs Italy. Tenth, SS Industries and Enterprises Ltd (SSIEL) belonging to the AKR group is promoting an edible oil complex (following its entering into acqua culture and environmental energy) at a cost of Rs. 9 crores in the Arcot taluk of Arcot-Arumbadkar district. Eleventh, as a complement to RPG Petrochem Ltd and the Aromatic complex proposed at Manali, the government has identified downstream industries at Manali calling for investment from Rs. 200 crores to Rs. 30 lakhs and is part of the invitation to entrepreneurs in the country to invest in the state. The projects include a plant for producing ethylene oxide and monoethylene glycol with investment of Rs. 200 crores, polystyrene staple fibre plant with investment of Rs. 140 crores, two units for manufacture of polyester filament yarn and phenylene isocyanate with investment of Rs. 100 crores each, a PET resin plant (Rs. 60 crores), a maleic anhydride plant (Rs. 30 crores), small scale plant for making MIBE (Rs. 10 crores) and products Rs. 5 crores to mini schemes to manufacture pharmaceutical formulations (Rs. 41 lakhs) and maleic resin Rs. 387 lakhs). It is necessary that the environmental impact of developing this range of downstream industries should be studied and if necessary the plan should provide for wide dispersion. Twelfth, BHEL reports the development of a high pressure turbine outercasting weighing 27 tonnes. Under the new industrial policy, it plans to diffuse its methodology (which for instance is used in fabricating high strength steels which

offer resistance to thermal fatigue) as well as buying and absorb foreign technology. Thirteenth, Tiruppur which is already the premier cotton knitting and weaving industries centre now also being developed as the centre of the woollen knitting industry in the south by the wool and woollen exports promotion council. This will also provide relief to Ludhiana which is now saturated as the main stay of the industry and most speedily and effectively the growing demand for woollen and acrylic knitwear. Fourteenth, the launching of a soyabean oil plant in Thanjavur district is being facilitated by the government providing the project the needed land and the other established facilities for promoting the investment. Fifteenth, the Dy. a Lamps and Glassworks Ltd (DLGL) joint sector project set up by an industrialist in the state and TIDCO is setting up a plant in the SIPCOT complex, Chenglepattu for the manufacture of fluorescent lamp, fluorescent glass tubes, lamp shades and general lighting services at a cost of Rs. 46.25 crores. Sixteenth, Standard Motors (LMPL) has worked out the details for going on stream on January 14, 1992. BIFR's revised rehabilitation package of Rs. 34.26 crores has been studied by all and two new banks will provide the term loans of Rs. 15.69 crores and Rs. 5.54 crores, the promoter-chairman will provide Rs. 6.03 crores, and the state government a loan of Rs. 3.62 crores to meet in part the Rs. 5.5 compensation costs of the golden hand shake scheme agreed by management and labour. The management cadre who had found other employment are returning, the 3000 skilled workforce is intact. The revived company will not produce the Standard 2000 luxury car which was a continuing loss and instead will concentrate on its light commercial vehicle which is known and

will concentrate on improving the fuel efficiency of its engine.

The state's industrial progress has also had to face some negative features. First, the handloom industry state that they had been hit because the mills belonging to the South India Mills Association (SIMA) have raised the price of hank yarn supplied to them. The government and the handloom weavers had been promised by SIMA that the yarn will be supplied at pre budget prices. The weavers complain that they are being asked to pay the higher current market price which has forced them to reduce production and employment. SIMA takes the position that they promised to supply yarn (which they have been doing) but have not said that the yarn will be at pre budget prices. This deadlock should be as speedily resolved as was done by the chief minister in regard to the bonus issue on which the mill workers went on strike. Second, the granite industry in the state faces a series of problems as a result of: i) a controversy on granite policy between the union and the state, ii) the state government's delay in formulating a new policy for the state, in replacement of the policy of the previous government. The union/state controversy relates to the desire of the union government. The union government is moving to classify granite as a major mineral which will give it effective control over all policies governing granite. At present it is treated as a minor mineral and so the state government decides all matters concerning it. The state government also earns a good royalty from granite and is in the forefront of its export. The state officials are of the view that private exporters are seeking to settle their grievance against Tamil Nadu Minerals (TAMIN) in its acquiring

all the granite tracts in the state have egged the union government on this cause. The state government's attempt to take over the granite area and the deadlock is holding up developments in the industry. The other cause for the bottleneck is that the state government scrapped the policy on granite cutting and polishing of the previous government as it believed it was hampering the export oriented units and therefore the Assembly was informed that a new policy would be announced. Before that could be done, the supreme court hearing a number of appeals from Granite dealers has ruled that the government must announce its course of action within 3 weeks as from December 3 when it made the order. There is therefore a kind of standstill in this important export related industry. Third, the new 10MW gas based power states at Narimanam referred to as a positive point earlier, which was to be commissioned in early December, has been delayed because of having to import a component from the US. It will now be commissioned on January 10 over a month beyond its commissioning deadline. Fourth, the Sugar industry in the state is facing a crisis. There is possibility that sugar supply in the next sugar year may decrease, despite sugar being plentiful now, so that its price is declining (it is the only commodity whose price is falling) and sugar is being exported this year. The union government had now announced the statutory minimum price for the coming year and with the input cost for the sugar farmer rising, there is already taking place some switching from sugar to other crops. This is a development which this Bulletin has advocated because sugar is a water guzzling crop and this state is short of water which is needed for its foodgrains and horticulture. But the sugar farmer needs to

know the procurement price. (At the end of December the union has revised the Statutory Minimum Price payable by sugar factory for 1991-92 season (October 1991 to September 1992) from the earlier announced Rs. 24 to Rs. 26 a quintal). Similarly the state advised price for cane which the mills will have to pay. It was likely that the state was waiting for the union to decide. The union has the recommendation of the committee on Agricultural Costs and Prices that the Statutory Minimum Price should be revised to Rs. 260 per tonne on which it has made a decision. The state also must decide on the plea for a drastic reduction of purchase tax on sugar. When all these factors are decided, the sugar industry - the farmers and the mills will know how to act. Fifth, Best and Crompton, one of the leading engineering companies is involved in a dispute with its labour force on the issue of productivity linked to wages. This has resulted in

the company declaring a lock out in all its seven units in Madras. 1800 workers are involved in the deadlock and it is hoped that labour commissioners' mediation will resolve the dispute arising from the workers and their trade union refusing to follow the revised productivity norms which, according to the workers, were revised unilaterally by the management without consulting them and which according to the management was necessary because the present low productivity was making the company unviable. Sixth, the shortage of hank yarn has affected 20,000 units in Madurai also, which employs 2 lakh weavers and account for Rs. 75 crores of handloom goods exported. The Handloom weavers and manufacturers have decided to close down their units if the government does not intervene to make the necessary arrangements for yarn supply. So December ends with the state moving forward on the industrialisation path, the pluses far out weighing the minuses.

IV. Education, Science and Health

Educational reforms

The educational reform programme based on the National Policy on Education 1986 is being pursued with operationalised blackboard completing its target for equipping primary schools with teachers and facilities, for the year. The effect of the five years effort on the quality of primary schooling and on the drop out rate needs evaluation. The CAGE committee chaired by Mr Janardhan Reddy (Chief Minister - education minister, Andhra Pradesh) has completed its work and its report

should contain a first partial evaluation of the reform programme as concerns elementary education. At the university level, the President who is the visitor of the Indira Gandhi Open University has announced the setting up of a 15 member Distance Education Committee to coordinate and lay down standards for distance education and correspondence education programmes in the country. The committee is chaired by the Vice Chancellor of the Indira Gandhi National Open University and its members are representatives from the open university, UGC, Ministry of Education and

outstanding educationists. It will start functioning from 1 April 1992. The question of university fees has once more come up. The Universities are at present dependent on government subsidy upto 90-95 per cent of the expenditure. With the resource crunch pressing on both the union and state government and the country, the question of the universities developing other non government funding has become urgent. The UK had developed the tradition of block grants by the governments - with government giving the university a block grant and then leaving the university alone to spend the funds and run its affairs. India started on this tradition but both political and financial factors have led to a deal of government interference to the point where the university grants commission and the government has had the intervention of the government studied by a committee (the Gnanam committee) whose report and recommendation are now under investigation by the government and UGC. One immediate and important source of finance is university fees which have been stagnating for several decades and have not been raised because of student resistance and the opposition to it of political parties. Now the time has come to raise fees in order to make university finances sound and except for some groups of studies, there seems to be gathering support all round for it.

Literacy

In December, Pondicherry, Mahe, Yanam and Karaikal become fully literate states, joining Kerala in this regard. There was a review of the country's literacy campaign in December in Madras at which 60 workers of the Bharat Gyan Vigyan Samithi and several state and union officials were present. It was found

that as a result of the work of BGVS and the voluntary agencies: i) 70 per cent literacy will be achieved by the end of the VIII Plan and with a little further push total literacy could be achieved by 2000; ii) the programme is run by BGVS which has mobilised 2.5 to 3 million volunteers as literacy teachers to turn out 25 million neo literates in the next 2/3 years; iii) the programme has been converted from a paid programme to a patriotic project, where all the volunteers give the services without any remuneration and so the cost of the programme has declined from Rs. 200 per learner to Rs. 70 per learner; iv) the major thrust this year of the programme is the Hindi heartland of Bihar, UP, MP, Rajasthan and Orissa, which if successful will mean total literacy for the country by 2000, developed and operated by Jana Saksha Nilayam (JSN) at a cost of Rs. 35 per learner; v) a particular review by the Advisor Pitroda of the Tamil Nadu programme showed that the total Literacy campaign has been launched in 7 districts to which 1 more will be added next year and on their completion in 1994, other districts, will be taken up. In all 78 lakh literates are being brought under the programme in 3 phases. Simultaneously, a non formal education programme was being run for the 8-14 years group so that there will be no addition to the corp of illiterates. The cost of the programme in the state is Rs. 62.65 per learner and the outlay of Rs. 46.8 crores for the VIII Plan is being shared 2.1 by the union and the state.

Technical education

The 21st Annual Conference of Indian Society of Technical Education (ISTE) was held in Madras in December. It noted: i) the confusion in its field of

technical education as to goals and authority: ii) the All India Council of Technical Education made a statutory body in 1945 has not been given the infrastructure in competent personnel and buildings to do its job; iii) the 350 engineering colleges and 900 polytechnics cannot be managed by a centralised body operating from Delhi. So the ISTE has had written representation to simplify procedures and decentralize the function of the councils; iv) the proliferation of self financing institutes, who collect large sums as capitation fees but work in poor conditions, (buildings, lab, library, equipment) adds to the problem. Hence political considerations and the state government themselves support the institutes; v) no scientific study of the manpower needs of the country and of each region vis a vis industries - both existing and those coming up - has been undertaken. Can ISTE address itself to this task and help the country, the government - the Ministry of Human Resource Development and the Technical Education institutes develop?

Health

The UN population fund calls for a massive global effort to finance the family planning programme to help relieve the pressure on the environment and conserve the economic and social gains of past decades. It is estimated that cost of such a programme is \$8 billion a year by the end of the century with \$3.5 billion coming from the developing coun-

tries and \$4.5 billion from the industrial countries. This funding is feasible as it is less than two hundredths of one per cent of the total GNP of OECD and is 5 per cent of overseas development assistance. The union Ministry of Health and Family Planning states that Rs. 852 crore "child survival and safe motherhood" project will be taken up during the VIII Plan period to be jointly funded by the World Bank and UNICEF to reduce infant mortality and natal mortality rates and achieve the goal of health for all by 2000. While the child survival project will cover all 462 districts in the country in a phased manner, the safe motherhood project will be implemented in only half the districts during the VIII Plan and will extend to the IX Plan. The child survival package includes control and eradication of vaccine preventable diseases, control of diarrhoea and pneumonia among children under 5, and of anaemia among pregnant women and incidence of blindness due to vitamins A deficiency among children below 3. Strengthening of first level referred units in terms of equipment and staff training and involving traditional birth methods along with multipurpose health workers in anti natal and post natal care will form the safe motherhood component. 50 districts including 4 in Tamil nadu will be covered by the child survival scheme during the first year of operating the project and 20 districts including 2 in Tamil Nadu in the safe motherhood scheme, which is new and difficult to implement.

V. Employment and Labour Relations

The Ministry of Industry states that it has drawn up a plan to generate an additional employment of 24.5 lakhs during the VIII Plan through a fixed capital investment of Rs. 14,335 crores in the small scale and tiny sector. This involves targetted additional production of Rs. 73436 crores and an export earning of Rs. 7543 crores. To achieve this the additional working capital required is Rs. 18359 crores. These are set forth in ministry's proposal for VIII Plan submitted to the Planning Commission. The report on the census of women's participation in work is now finished and published. The 1991 census shows that 23 per cent of women are at work as against 19.6 per cent in 1981. Also that Kerala despite its total literacy, has only 17 per cent of its women at work. The number of working women in the country including those doing unpaid work has increased by 42 per cent during the decade. The census does not really reflect the work done by women because of their reluctance to admit that they work (because of cultural factors particularly in Haryana and Punjab. The North Eastern states have the highest employment rates for women at 37.5 per cent (Manipur) to 53 per cent (Sikkim), Tamil Nadu is 31 per cent. The female participation rate is higher in rural than urban areas at over 27 per cent against 10 per cent in urban areas. Female headed households was 10 per cent in 1981 and is not yet tabulated for 1991. With this data, the women's department can work better for women's development. The Central Minimum Wage Board reports child labour continues to be exploited in the unorganised sector where children suffer gross discrimination in wages

and the child labour Act abused in respect of health protection to millions of working children. Child labour in the age group 12-18 constitutes nearly 8 per cent of the total 220,000,000 workforce included in the unorganised labour sector in the country. 80 per cent of the 17.5 million child labour are engaged in agriculture, the rest work in zari, diamond, power loom, carpet, match and fire works industry and in hazardous chemical and mine sectors. A Unicef monitored study states that Tamil Nadu has the second largest workforce of children, whom even basic welfare schemes of government sector, such as supplementary feeding, and basic health check camps do not reach. This is largely a rural phenomenon, with organised industries including the match, beedi and handloom/hosiery industries employing children on a regular basis. The reason why the welfare schemes do not reach the children is because the schemes are based on the infrastructure of the school and these children do not attend school. Child labour is one of the major obstacles to the universalisation of primary education. So school drop out rates are high at 50 per cent in 10-12 age group and 70 per cent in the 13-14 age group and child labour persists. Children at 10-14 per cent of the labour force employed in match and fire works units, beedi and hosiery industries in the state despite the Factories Act and the Employment of Children Act which ban the employment of children below 14 years. There has been a sharp fall in the number of mandays due to strikes and lockouts to 9.75 million this year against 17.07 million last year. The trade unions says that this is due to the "fear projections generated by the new economic

policy which makes the worker fear for the security of the job so that fighting for economic gains has become secondary to job security". Also political uncertainty and mid term election led to the fall and the process of negotiating wage packages started by the public sector now spreading, accounts for this. ILO's regional office in Bangkok report a dramatic shift in labour migration with the fast growing economies of South East Asia attracting it. While migration to West Asia continued unabated, it showed a declining trend before the Gulf crisis. The fast growing economies of Japan, Taiwan, South Korea, Hongkong, Singapore and Malaysia led to a widening of income disparity created pressures for labour migrants. Official figures for the

above 8 countries show that about 180,000 migrated to them, but if clandestine migration is taken into account the figure could be doubled. To Japan alone, the clandestine migration is placed at 1000,000 to 150,000 mainly from China, Pakistan, Philippines, Bangladesh, Korea, Thailand, Malaysia and India. From a record level of 950,000 in 1983 to West Asia, the annual flow has now stabilised at 750,000. Governments encourage this flow as they receive much needed foreign remittance which is placed at Rs. 300 billion annually with India and Pakistan receiving 80 billion each. The shift in migration reflects the the rapid change taking place in the economies of the countries.

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VI. Other Items

BGVS and CRAFT Foundation

There was a meeting of the executive committee of the Bharat Gyan Vigyan Samithi in early December which received a report on the 4 day workshop of the BGVS directors, made decisions regarding following up their recommendations - stepping up the campaign in more districts, making greater registration for Jana Siksha Nilayam, training courses for Instructors, collating the primer for the various states of literacy. It also reviewed the budget of BGVS and noted the savings and decided on their redeployment. The details of the workshop review are given under the literacy section. A meeting of the Craft Foundation with the INTACH president and secretary was held at the start of this month. The

progress in the building of the Craft museum in the Mahabalipuram was reviewed and found satisfactory. The programme of the museum and its coordination with the national Intach programme was discussed and decisions made. The budget of the craft foundation was discussed and it was decided to stop the further purchasing of objects till the Museum was ready as there was the problem of housing them.

TN State Council for Science and Technology

The meeting of the council of the Tamil Nadu State Council for Science and Technology was held with the President - the Minister of Education - in the chair. The programme of the Council as formulated by the Executive

Committee and executed by the Member Secretary and the staff was reviewed and noted with satisfaction. In particular the thrust areas for the council were noted and the concentration of the research assistance programme around them. The President while agreeing with this general assessment of satisfaction wanted more use of the mother tongue in the council programme. It was decided to start with recording the minutes of the meeting in the language (Tamil or English) of the speakers and use Tamil in the science exhibition in the year's programme.

Seminar on Decentralized Production and South Asian Universities

In commemoration of the centenary of Jamanlal Bajaj, a seminar on decentralised production was organised by the Gandhigram University in the Gandhi Mandapam, Madras. There was agreement that we have moved away from the Gandhian thought and advice in our production by the masses to meet their basic needs of food, clothing and housing. It was noted that this involves the development of the small sector in industry through the three groups - of the organised small units, ancillaries, Tiny sector which now has been extended to the service sector. But the increasing fragmentation of land in the farm sector is really contrary to the objective of decentralisation and the need to develop consolidation of holdings was accepted. The visit of the vice chancellors of the Indian University of Durban in South Africa to the Institute was used as an occasion for reviewing the possible development of relations between South African scientific science research and the ICSSR Institutes like MIDS, CDS etc. It was agreed that cooperation in this area could be developed to the profit of both sides.

International Institute of Tamil Research

The Annual meeting and seminar of the International Institute of Tamil Research was held in the third week of December. The President - the Minister of Education inaugurated the 4 day meeting/seminar and called the attention of the review of the Institute on the subject, the social heritage of the Tamils should not be used to glory in the past great achievements of Tamils and Tamil texts and scholars - like Tholkappiam, Kural, Slippathigaram, but to take seriously the present crisis situation in Tamil Nadu where all instruction even in LKG and UKG is being given in English, so that a time may come when the Tamilians in Tamil Nadu may like Tamilians in West Indies, Mauritius or Fiji forget their mother tongue and use other languages. In the key note address the main point made was that the suggestion of Tholkappiam for adapting words from other languages into Tamil, should be studied and used particularly for the science, engineering and medicine subjects.

Reader's Digest and Council for Social Development

There was the quarterly meeting of the Board of Directors of Reader's Digest in December in Bombay when resolutions were passed authorising the managing director to obtain an overdraft upto Rs. 50 lakhs from the State Bank of India. There was also review of the RDI operating in sound financial state - except for the Hindi edition - which was noted with satisfaction. The annual meeting of the General Body of the Council of Social Development was held at the end of December. The General Body discussed the proposal for the expansion of the council to include the Member Secre-

tary as member and remitted the matter to the Executive Committee to act on it, as the GB favoured the proposal. It also reviewed the programme of council and commended the way in which it was being executed to make every member of the Executive Committee participate in it through active involvement in the research and publications and committee or the finance and administration committee. It reviewed the budget and noted it. In examining the budget for the current year, it commended the satisfactory position under which the deficit when used to be in lakhs of rupees has now through good management been reduced to Rs. 3000. It approved the decision of the executive committee concerning the follow

up of the report on the restructuring the council (the Bunker Roy report) and decided to hold the Annual Meeting in October in order to avoid the delays to air travel imposed by fog.

January Development Seminar

The paper for the January seminar, "Indian Leather Industry - Problems and Prospects" by K. Seshagiri Rao and D. Chandramouli together with a summary of the discussion at the seminar appears as the first article.

Second Article

'A note on Decentralised Planning' appears as the second article.

MIDS News

Mr. S. Subramanian presented a paper at the Seventh Annual Conference on *Economic Theory and Related Mathematical Methods* organised by the Indian Statistical Institute (Delhi centre), at Delhi during 8th-10th January, 1992.

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Dr. Paul P. Appasamy (a) participated in a "Seminar on Madras 2011" jointly organised by the Madras Metropolitan Development Authority and the Times Research Foundation at Madras during January 10-11, 1992.

(b) presented a paper at the National Conference on "Issues and Strategies of Poverty Eradication for the '90s" organised by RUHSA Department, Christian Medical College, North Arcot from January 28-29, 1992.

(c) attended the Third National Water Convention organised by the National Water Development Agency, and the National Seminar on "Large Reservoirs: Environmental Loss or Gain" organised by the Indian Water Resources Society at Nagpur from February 5-8 1992.

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Dr. Padmini Swaminathan gave a talk on "Policy Issues Relating to Gender" at a workshop organised by the National Institute of Rural Development, Hyderabad on 17-18 January, 1992.

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Dr. Nasir Tyabji (a) attended the *Workshop on Absorption of Imported Technology in Tamilnadu* organised by the Department of Scientific and Industrial Research and the Confederation of Indian Industry in Madras, on January 24, 1992.

(b) spoke on "Fukuyamaism and Economic Policy" at the Seminar on *Third World Media and New World Order* held on the occasion of the 29th State Annual Conference of the Kerala Sasthra Sahitya Parishad, at Kottayam, on February 7 1992.

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Dr. S. Neelakantan (a) attended the Governing Body Meeting of the Govt. Arts College, Coimbatore on 31st January, 1992.

(b) delivered Key-Note Address on "Rural Transformation in Tamil Nadu and its Impact on Rural Labour" on 5th February, 1992 at the Legal Resources for Social Action, Madras.

(c) participated at the Workshop on "Fiscal Discipline and Fiscal consolidation—Centre and State levels conducted by the Indian Economic Association and Madras University Econometrics Department on 6th February, 1992 in the Madras University.

(d) delivered a lecture to the students of Economics of the Queen Marys College on "Non-Walrasian Economics" on 11th February, 1992.

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Dr. D. Jayaraj gave a talk on "Selection of multiple occupations for Subsistence and Rural Non-farm sector" at the Seminar on Changes in Agriculture and Conditions of Rural Labour in Tamilnadu—Towards Legislation for Rural Labour, organised by Legal Resources for Social Action, Madras on 5th-8th February, 1992

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Prof. Michel Chossudovsky, Department of Economics, University of Ottawa visited our Institute on 7th February, 1992.

Indian Leather Industry - Problems and Prospects

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1.0 Introduction

1.1 During the last three decades, Indian leather industry has transformed into a modern vibrant export oriented industry contributing sizeable foreign exchange to the national exchequer and providing vast employment opportunities, particularly to the women in the product sector.

1.2 The rise in the exports from a level of Rs. 184 crores in 1973 (when the industry underwent major policy changes) to a level of Rs. 2500 crores in 1991 at an annual growth rate of 77% has been considered as one of the success stories in the export sector (Table 1). It is the fourth largest item of India's exports contributing currently for 7 to 8% to the total foreign exchange earnings and perhaps ranks first from the angle of net foreign exchange earnings. Based on the past performance the export targets were fixed to reach a level of Rs. 6300 crores by 1995 and Rs. 10,000 crores by the end of the current decade.

1.3 Leather industry has been considered as one of the highly labour intensive industries. In the absence of

reliable statistics on the employment size, a rough estimate shows that about 15 lakh persons are employed in this sector right from the stage of flaying until the end products are produced. In the organised sector of tanning industry, about 1.0 lakh persons are employed. Every one job in the tanning industry provides five jobs in the products industries. Such employment potential is involved in the conversion of leather into products like footwear, garments, travelware, handbags, fancy leather goods which are mainly intended for exports. With concerted efforts and promotional policies the export profile has been changing and the share of products steadily increasing (Table 1). Apart from vast employment opportunities, the value of the raw material goes up 4 to 5 times when converted into products.

1.4 The export earnings of this industry at the national level seems sizeable. But when viewed from the global context, our share is hardly 2.6% (Table 2). With large raw material base, good technological infrastructure and trained low cost human resources, India's share in the international trade remains low. With the expansion of high value added product sector coupled with

progressive trade policies, India's share can be raised to 5% in the next 5 to 10 years.

1.5 With this background, let us look at the development of leather industry and its strengths weaknesses/ constraints and opportunities.

2.0 Strengths of the Indian Leather Industry

2.1 Large raw material base, good technological infrastructure, low wage skilled labour and progressive development and trade policies of the government seem to be the major strong points of Indian leather industry.

Raw Material base

2. Leather industry operates at the tail-end of agro-animal system. Law of supply and demand does not apply to this industry. Supply of raw materials is determined by a host of complex factors, irrespective of demand. While the quantum of its production is determined by the size and growth of livestock, mortality and slaughter, the quality is determined by breed and nutrition of animals, skin related diseases, practices of flaying, handling and storage. On all these factors, leather industry has no say except to some extent in handling and storage of its raw materials.

2.3 India possesses the largest livestock population in the world ranking first in cattle, buffaloes and goats and its share significant in buffaloes and goats (Table 3). Trends in India's population indicate that there is an increase in almost all species at varying degrees till 1982. There appears to be a decline after 1982 in all species (except buffaloes) as revealed by the estimates of 1987 which are based on the partially available

census data (Table 4). These estimates reveal a disturbing situation. Only buffaloes register a marginal growth whereas other species recorded a decline. This calls for an immediate attention for arresting the decline. Factor contributing for the decline are: (i) cattle losing their importance as a source of draught power and milk (in preference to buffalo), (ii) indiscriminate slaughter of young and productive animals with growing shortages of meat, (iii) absence of effective national slaughter policy, (iv) inadequate attention bestowed on the development of meat industry and meat producing animals, (v) periodical droughts that occurred during 1980's, and (vi) growing shortages of fodder and feed materials (export of feed materials valued about Rs. 600 crores during 1989-90). All these factors have contributed for the reduction of availability of livestock per 1000 human population (Table 5).

2.4 Of the various species, the future promising animals seem to be buffaloes (preference as dairy animal) and goats (high reproductivity levels and resistance to diseases).

2.5 According to a nationwide survey conducted by CLRI, India annually produces 21.7 million cattle hides, 15.5 million buffalo hides, 75.4 million goat skins and 31.8 million sheep skins (Table 6).

2.6 About 50% of hides and 90% of skins originate from the source of slaughter and the balance is derived from fallen animals. The growing shortages of meat from conventional sources such as goats and sheep meat associated with their price rise has resulted in the increased slaughter of bovine stock in spite of ban on cow slaughter and restrictions on other categories. Some sections

of the society now accept beef (either from cattle or buffalo) as a source of meat. In spite of the fact that the country has developed poultry, fisheries, prawns in a big way, still strong pressures on the meat industry from the demand side persists. As a result, indiscriminate slaughter of young and productive animals takes place in the absence of any effective slaughter policy. To safeguard the interests of livestock economy, meat/milk industries as well as leather industry, there is a need to establish and promote regular farms for meat animals in the form of stall fed farms for fattening mainly for meat industry.

Handling of carcasses

2.7 Hides from dead animals are generally poor in quality since they are recovered from old and sick animals and also partly because of defective handling of carcasses by traditional flayers at village level. Flaying of dead animals is beset now with many social problems. The traditional flayers are not interested to continue this profession. Large scale migration of these artisans to urban centres has taken place. Apart from social taboo, this profession is not economically dependable as full time work. According to CLRI estimates about 9.0 million skins are not recovered annually mainly because of change in socio-economic situation. If effective recovery of carcasses is introduced it would help in recovering various products valued at Rs. 600 crores annually. Non-flaying of dead animals not only is causing wastage of resources, but also contributing to environmental problems. CLRI has suggested the setting up of a chain of mini-modern carcass recovery hides/skins but also to recover other useful products.

2.8 India's share in the world production of cattle and buffalo hides is 13.6%, goat skins 37.3% and sheep skins 6.6% (Table 7). Particularly, it enjoys distinct edge in the production of goat skins, buffalo hides (including calf skins) compared to other developing countries like South Korea and Taiwan which are potential competitors at global level. With its strong raw material base, India is uniquely placed in an advantageous position from the long term point of view for sustained growth.

3.0 Strong Technological Infrastructure

Technology is one of the important components in the production activity. It is needless to emphasise its effect on quality and competitiveness of the end product. Indian leather industry has had the benefit of deriving technological support all through its transition stages right from 1953 when Central Leather Research Institute was established. Constant interaction between the Research Institute and Industry saw the whole complexion of the industry changing to modern dynamic sector to operate comfortably on a well developed technological infrastructure. Evolving appropriate technology to match different scales of production, development of various leather chemicals based on the indigenous raw materials, training of personnel through regular training programmes and transfer of technology through extension work constitute the important contributions made by CLRI.

4.0 Low Wage Labour

4.1 Level of wages, trained labour force and productivity mainly influence the cost of production of a product which has

direct bearing on the competitiveness of the production in the international market. Except in productivity, which has a direct relationship to capital intensity, Indian leather industry scores high points in other aspects.

4.2 Low wage labour and plenty of trained manpower have provided impetus for India to concentrate on labour intensive products such as leather and leather products and made inroads into the markets of affluent countries where the wage levels are comparatively high. In the advanced countries, the wage levels range between US \$ 6 to 9 per hour whereas in India wages range between US \$ 0.25 and 0.40 per hour.

4.3 Even in the newly industrialised countries (NICs) like South Korea, Taiwan, Hong Kong and Brazil, the current estimated wage levels range from US \$ 2 to 2.5 per hour. The wage advantage is considered a very strong point for India.

4.4 As the Indian leather industry is moving progressively into the manufacture of leather products, which are highly labour intensive, in the years to come India is bound to have a distinct advantage over other NICs and capture sizeable market share in the developed countries.

5.0 Progressive Government Policies

5.1 With the introduction of Dr. Seetharamiah Committee recommendations in 1973, the leather industry opened a new chapter for restricting the exports of low value added unfinished leathers, duty and quota restrictions on their exports were introduced. To retain these leathers for further processing into high value added stages

and export, air freight subsidy, cash compensatory support, duty drawback and REP licenses and liberalised imports of machinery and chemicals, components were introduced. With the progress of export trade, these measures have been periodically revised with the ultimate aim of maximising export earnings. These measures have brought about decisive changes in the structure of exports. Encouraged by the performance of the industry, various development programmes coupled with the progressive policies have been contemplated to strike further changes in the structure of exports by the end of 8th plan period.

6.0 Weakness / Constraints of Indian Leather Industry

6.1 Absence of effective National Policy on Slaughter of Animals: The existing slaughter regulations introduced at different points of time in different States had not yielded expected results. Each state enacted its own slaughter policy independent of others. As a result, animals move from States where slaughter regulations are stringent to States where there are no such regulations. To arrest the serious losses taking place on account of indiscriminate slaughter of young and productive animals and ensure healthy development of meat industry, a National Slaughter Policy needs to be formulated and enforced.

6.2 Inadequate Infrastructure Facilities for Marketing of Hides and Skins: In the context of growing importance of hides and skins, the marketing system also needs substantial improvements. In most of the rural and semi-urban centres, the transactions take place in open yards and stocks are held in places without satisfactory flooring,

roofing, water and drainage facilities. In Metropolitan centres, the markets are located in congested/slum areas where storage facilities are poor. Further handling, curing and transportation become difficult in rainy season. For overall improvement of quality through better storage, preservation and handling, these traditional markets should be shifted to the outskirts of the urban centres and the new market yards must be assured of facilities for storage, water, drainage, roads and lights. This will go a long way in reducing environmental pollution in the residential areas and healthy development of raw material markets. Similarly, important rural markets must be identified in each State and they should be upgraded with assured facilities necessary for storage, preservation and handling of raw materials.

6.3 High percentage of low grade hides and growing imports Relatively high percentage of low grade material due to ante and post mortem defects has been major weakness of hide based raw material. In addition to domestic estimated production of around 1300 million sq. ft. of leather, the country is importing around 90 million sq. ft. (1990-91) to meet the growing demand from the products industries. The existing exports of finished leathers valued at Rs. 7656 millions are expected to be phased out to augment the finished leather supplies for the products industries. In 1990-91, about 60% of the total imports of (covering hides/skins and leathers together valued at Rs. 191 crores) represented finished leathers. There is a need to upgrade the low grades to strengthen the domestic raw material base.

6.4 Growing threat of pollution: Leather industry is one of the highly polluting industries and the potential of serious hazards growing with the progress

of the industry. Effluents from tanneries contain both suspended as well as dissolved impurities and toxic chemicals which find their way into soil and water ways. It is necessary to evolve cost effective technologies for controlling pollution, not only to comply with the laws but also as a measure of social responsibility. While this problem could be solved through common effluent treatment plants wherever clusters of tanneries are located, scattered tanneries require a different kind of strategy. Relocation of such tanneries into leather complexes might offer a solution. Unless this problem is urgently tackled, the future of Indian leather industry will be a big question.

6.5 Lack of designs and brand image: This has been one of the major handicaps of the export oriented product industries. Present production of shoe uppers, garments, leather goods has been mainly according to what buyers want. They provide designs, components and the production. Indian manufacturers are mere fabricators. In spite of the world market being large (Rs. 40,000 crores in 1987) for products (Table 2), India's share in the world market remains insignificant. Further, the Indian products do not enjoy any brand image. As of now, importers of India's products who have a brand image sell at fancy prices in the International market. Indian manufacturers/exporters must evolve their own marketing strategy with their brand names to make a distinct mark in the international trade.

6.6 Need for domestic development of machines and non-leather footwear components: The industry is importing variety of machines, spare parts, leather auxiliaries, footwear components and accessories. In 1990-91, about Rs. 45 crores worth of machines, and spare

parts were imported. There is a need to develop this sector both for meeting domestic demand and exports. A small country like Taiwan has emerged as a supplier of machines to other developing countries.

7.0 Global Opportunities

India's market opportunities have been analysed from the following angles :

1. Migration of leather industry from developed to developing countries.
2. Rising of wage levels in the newly industrialised countries like South Korea, Taiwan etc.

7.1 Migration of the industry from developed to developing countries: Till the middle of 1950s, leather industry was spread all over the world. Developed countries of the West were major producers of leather and leather products for use in their own countries and also for trading among themselves. Late 1960s witnessed gradual shift of the industry, from developed to developing countries, as a result of the following factors :

- a) stringent pollution regulations in developed countries causing heavy investment for treatment which resulted in high cost of production.
- b) labour shortage causing rise in the wage levels.
- c) lack of interest in the newly emerging work force to undertake wet work in leather industry due to growing avenues for alternative employment in high-tech and clean industries.

d) production of leather and leather products suffered from the growing imports from low wage developing countries.

e) growing realisation among developing countries to tap the market potential in the affluent western countries.

All these factors resulted in the shifting of leather industry from developed to developing countries. During the process of shifting in 1960s and 1970s in the first stage, five Asian tigers - Japan, Taiwan, South Korea, Hong Kong and Singapore on the one side; Brazil, Argentina, Spain, Greece and Portugal on the other have effectively made use of the global market opportunities. During this period, countries like India, Pakistan, Indonesia, Turkey, Thailand, Bangladesh have also taken up active plans to expand and modernise their tanning industry and started exporting semi-tanned and finished leathers.

7.2 Rising wage levels in (NICs): Newly industrialised countries (NICs) like South Korea, Taiwan, Brazil, Spain, Portugal successfully penetrated into the markets of footwear, garments and leather products in developed countries and captured sizeable market share during 1970s and 1980s whereas countries like India with inadequate marketing infrastructure find it difficult to compete with these countries particularly in the products sector. However, during the middle of 1980s, India's product sector had recorded tremendous growth in the form of modernisation and professional management which enable India to make a thrust in the global trade. On the other hand steep rise in the wage levels in South Korea and Taiwan have acted as detrimental to their further expansion of trade and this situation has created

favourable climate for India to diversify its markets and export structure in favour of labour intensive products. Comparative

wage levels as existing are presented below:

Current Comparative Wage Levels/Per Day

Country	in US Dollars
USA/Germany	40-50
South Korea	10-15
Taiwan	10-15
India	2-3

8.0 Peep into the future

8.1 Taking into consideration our strengths and global opportunities we can visualise a bright future for our exports. To realise the prospects and claim anywhere between 5 and 10% of world share, we have to strengthen our industry base with stress on high value added product sectors and modernisation in the tanning and finishing sector. The development of non-leather footwear industry to meet the domestic demand and for exports, calls for immediate attention. Exports should prove as market surpluses over the domestic consumption. The conceptual rigidities for

the development of industry should give place to flexibility and liberal approach to enhance the capacities of non-leather footwear and development of components in a big way. Similarly, the export of footwear components which obtain only 50% of the value of full shoes should give way for the full shoe exports.

8.2 Leather garments and leather products are the other lines that can be developed in small scale sector for export purpose. It may be noted that 80% of the workforce in these sectors represent women and their skills can be further augmented through regular training programmes.

TABLE 1
India's Exports of Leather and Leather Products

(In Million Rupees)

	1973	%	1981	%	1991	%	1995*	%
Semi-tanned leathers	1523	82.7	503	12.6	40	0.1	—	—
Finished leathers	172	9.3	2268	56.7	7656	30.1	7000	11.1
Footwear components	5	0.3	451	11.3	5860	23.0	8000	12.7
Footwear	97	5.3	338	8.4	2104	8.2	15000	23.8
Leather garments	4	0.2	52	1.3	5792	22.7	20000	31.8
Leather goods	40	2.2	386	9.7	4086	16.0	13000	20.6
Total	1841	100.0	3998	100.0	25538	100.0	63000	100.0

*Target

TABLE 2

India's Share in the Global Import (1987)

(Rs. in Crores)

Item	World import	India's export	% share
Leather	6000	558	9.3
Footwear components	1872	323	17.2
Footwear	23625	129	0.5
Leather Garments	6030	105	1.7
Leather Goods	9000	130	1.4
Total	46500	1245	2.6

TABLE 3

India's share in world Livestock (1987)

(In Million Heads)

Specie	India	World	India's share in the world (%)	Rank in the world
Cattle	189.9	1277.7	14.8	1
Buffalo	74.8	138.3	54.0	1
Goats	92.0	501.7	18.3	1
Sheep	43.0	1157.6	3.7	6

TABLE 4

Trends in India's Livestock Population

(In Million Heads)

Specie	1961	1982	1987	Annual Growth rate	
				1961-82	1982-87
Cattle	175.6	194.4	189.9	(+) 0.5	(-) 0.9
Buffalo	51.2	69.8	74.8	(+) 1.7	(+) 1.0
Goats	60.9	95.3	92.0	(+) 2.7	(-) 0.6
Sheep	40.2	48.1	43.0	(+) 0.9	(-) 1.0

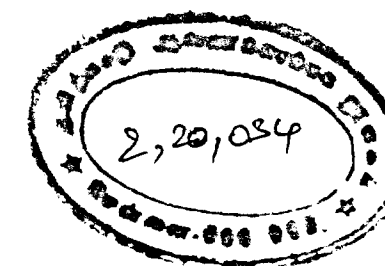


TABLE 5

Trends in the Availability of Livestock in India
Per 1000 Human Population

Specie	1951	1961	1972	1982	1991
Cattle	430	400	326	278	221
Buffalo	120	117	106	100	93
Goats	131	139	124	136	106
Sheep	108	92	74	69	45

TABLE 6

Availability of Hides and Skins (India) - 1986

(in '000 pieces)

Items	Slaughtered	Fallen	Total
Cattle hides	10,809	10,911	21,720
Buffalo hides	8,064	7,612	15,676
Goat skins	68,863	6,533	75,396
Sheep skins	27,878	3,565	31,443

TABLE 7

India's Share in the World Production of Hides and Skins

(In Millions)

	India	World	% Share
Cattle hides	21.7	275.4	13.6
Buffalo hides	15.7		
Goat skins	75.4	202.3	37.3
Sheep skins	31.4	473.4	6.6

Summary of Discussion

The author highlighted the significant contribution of the Leather industry not only to the foreign exchequer but as a major generator of employment opportunities mainly due to its labour intensive nature.

Out of an estimated 15 lakh persons employed in the industry, in the organised tanning industry an estimated 1 lakh person are employed. The value addition as a sequel to both vertical and horizontal diversification into products like footwear, garments, handbags, fancy leather goods had made the leather sector the fourth largest export sector in the country and first from the angle of net foreign exchange earnings.

While large raw material base, low wage skilled labour were seen as the major strong points of the leather industry, the inherent weaknesses were due to lack of effective national policy on slaughter of animals, inadequate infrastructure for marketing of hides and skins and the growing threat of pollution.

Being an exclusively export oriented industry did not extricate it from the handicaps faced by export oriented products industries like shoe uppers, gar-

ments, leather goods as these had to cater to the tastes of buyers in the Developed Countries, influenced by their designs, components and forms of production. Indian manufacturers acted merely as fabricators in the product sector and their product did not even enjoy any brand name due to the very limited marketing strategies.

The imports of variety of machines, spares, leather auxiliaries, footwear components and accessories was detrimental to India's exports and value added processing and the need for domestic development of machines and non-leather footwear components was emphasised by the author.

Among the causal factors contributing to the leather industry being a predominantly Developing Country oriented one were mainly associated with the problems of pollution and labour shortage in Developed Countries. The emergence of the Newly Industrialised Countries (NICs) like South Korea, Taiwan, Brazil, Spain, Portugal and their successful penetration into the footwear, garment and leather goods industry during 1970's and 1980's was an initial set back to Indian Industry but subsequently due to

the steep rise in wage levels in NICs, created a favourable climate for India to diversify its exports structure in favour of labour intensive products.

In the discussions that followed many interesting questions were raised by the participants. On the question of the quantum and nature of domestic consumption vis-a-vis exports, the author mentioned that specific studies had not been undertaken so far, but the Chairman pointed out that an interesting aspect of the footwear industry as in the case of (Hawai shoes) which as per estimates of the Development Commissioner produced 350 million pairs annually out of which only 16-18 million were actually exported which reflected the domestic demand.

Another query pertained to wage rate and its variation across the organised and unorganised sector and what actually demarcated the two sectors. Related to the issue was the paradox of low wage skilled labour proclaimed as a positive feature of the leather industry which existed side by side along with the enormous profits earned through exports, apart from the question of drudgery of labour and pollution. Questions were also raised as to what prevented Indian leather industry from evolving appropriate technology rather than importing them from abroad and as to why someone else had to decide on shoe uppers as in the case of footwear industry involving Italian collaboration.

The author elucidated that out of the estimated 15 lakhs workers, 6 lakhs were engaged in the flaying sector which constituted the organised sector apart from an estimated 1 lakh in modern footwear sector, another 1 lakh in tanning and an estimated 4 lakhs in the unorga-

nised sector and remaining in the products sector.

The author also mentioned that the lack of availability of sole leather and its poor quality due to moisture absorption was a deterrent to the footwear industry.

On the question of Developing Countries in Africa making readily available raw materials in the form of Hides and Skins on a long term basis for the leather industry to boost value added exports, the author pointed out that impetus had already been given to such long term ventures to process hides as in the case of wet blue leather and particularly with USSR tie ups were for 1 million tonnes of the above category.

Regarding the extent and nature of pollution as a causal factor for the Developed Countries in doing away with leather industry, the author mentioned that pollution was a major problem yet to be fully tackled but its intensity was maximum upto the wet blue stage only. Common effluent treatment plants in Ranipet and Vaniambadi had been erected and even micro processors were used to tackle the problem.

On the question of whether withdrawal of CCs had affected the leather exports it was pointed out that the air freight subsidy earlier enjoyed was now being deprived as our major consumers are in Europe and countries like South Korea, Brazil, Italy, Argentina - all our competitors enjoyed locational advantages.

On the question of whether the KVIC Scheme of established modern flaying system was implemented at all in any state especially since the linkage between sizeable exchange and crude methods

existed. The author mentioned that attempts had been done by UNDP on the lines of KVIC to set up rural centres which had a programme component catering to technical standards to improve flaying methods.

On the question of handling of caracas and model villages not merely being based as a commercial centre alone but as a social necessity the author admitted that dead animals were not only of a poor quality but were being defectively handled by traditional flayers at the village level. Caracas meat was also consumed by locals and social taboos also existed. This was revealed by CLRI study, as an estimated 9 million skins and 9 million hides not being recovered which was valued at around 600 crores annually.

On the question of future of Leather industry with particular reference to Tamil Nadu and its spatial distribution in the country the author mentioned that Tamil Nadu continued to be the leader with 55 per cent tanners hailing from the State. While leather garments and goods were confined to UP, Bombay and Delhi, footwear and leather products industry were confined to Calcutta. The future however could not be predicted, yet the author was optimistic of the role and significance of the industry to Tamil Nadu in particular and for the country as a major foreign exchange earner.

The Seminar was chaired by Mr. P. Prabhakaran, I.A.S., Executive Director, Council for Leather Exports, Madras.

V. JACOB JOHN

(Dr. Kumarappa and)

Decentralisation And Decentralised Planning*

Kumarappa on Decentralised Planning

I am grateful to the Kumarappa Centenary Committee, for the privilege that they have extended to me, to participate in the commemoration of his 100 birthday, which is today January 4. Kumarappa like his master and mentor, Gandhiji, is a many sided personality, in his deep grounding in spiritual values, in putting into action the theories and beliefs he developed, in seeing economics in which he was trained to a high level of competence, as only one facet of the total life of the human personality, of the ongoing community and of a developing society. One of his many aided beliefs concerned decentralization which covered all aspects of life, including the economic, and it is on this that I shall concentrate.

Kumarappa begins by defining an economic order, as a system which discharges five essential functions.

1. It should create wealth as efficiently as possible.
2. It should distribute wealth widely and evenly.
3. It should supply the needs of the people before comforts and luxuries are catered for.
4. It should be a means for eliciting all the faculties of the worker and developing his personality.

5. It should be conducive to peace and harmony of society."

Applying these five functions to Decentralization, he derives five corresponding principles.

1. Where there is scarcity of capital ... the only possibility is decentralization.
2. Where there is plethora of labour, or in other words, unemployment or under employment, we shall be increasing the malady by centralization.
3. Diversity and variegation is the very essence of decentralization. Where this is needed, no machine can compete with hand work, more specially where the hand work has to be the expression of personality.
4. If democracy is to be attained, decentralization lays the required foundation ... centralization is the grave of democracy.
5. Where raw materials and markets are in the proximity of the producing centres, decentralisation methods will serve well.

He then sets forth the five advantages that follow from decentralisation

1. Decentralization makes for a more even distribution of wealth and makes people tolerant.

* An article by Dr. Malcolm S. Adiseshiah for the National Seminar on the relevance of Dr. Kumarappa's Ideas Today, Khadi Bhavan Complex, Madras, January 4-5, 1992.

2. The decentralized process of production includes distribution of wealth also, as a large part of the cost goes to pay for labour. Better distribution of purchasing power leads to effective demand and production is directed into a supply of needs, as the supply here will follow demand.
3. As each producer becomes an entrepreneur, he gets plenty of scope to exercise his initiative. With the responsibility of the business on his shoulders, business like methods and habits will be formed. When every individual (in this way) develops himself, the average intelligence of the nation will increase.
4. The market being close to the centre of production, there is not much difficulty in selling the goods nor have we to create an artificial market for forced salesmanship.
5. Without centralization of either wealth or power, there can be no disturbance of peace on a large nation wide scale.

Applying these principles and advantages to planning (and its symbiosis with Nature), he arrives at the conclusion that "man's life as a whole has to be planned. Such planning of life can be ahimsic ... We have to keep our eyes not on the material side of life but on all that makes human life worth living, the development of human personality... Proper planning of life is imperative... Planning to this end (the development of the human personality) implies the formulation of a norm towards which we should work... This involves that we cooperate with nature and arrange to maintain the environment in such a form as will guarantee its working at its best... This norm is set by nature and man's part is to study and understand nature's requirement and pay heed to it... The conditions and environment for the full growth of the faculties of man that have to be ensured are the primary end of planning. Every individual has to have enough whole some and balanced food, sufficient clothing to protect the body from changes in weather, adequate housing accommodation, full opportunities for training the mind and body for life, clean surrounding to safeguard health and ample facilities for human intercourse, economic production and exchange. Such then are the planner's objectives. Beyond these all other accomplishment should be left to the initiative of the people

themselves. Only then will they have room to afford them chances of exercising their free will and their scale of values, which would make their lives, not mere existence, but some thing worthwhile, and that will produce a culture as a consequence, which will be lasting and will be a definite contribution to the progress of mankind".¹

To Kumarappa, these facets of decentralisation and decentralised planning were derived from his total identification with Gandhiji and his doctrine of truth and non violence², from his studies on consumption, production and trade³ starting from the survey of Matar Taluka, Kaira district, which he directed and from which he derived practical conclusion and advice on agriculture and for farmers that they "would do well to aim at being self contained rather than aspire to enter international markets. They should produce foodgrains and fodder and cotton for home consumption instead of raising money crops for export trade"⁴, and from the further lessons relating to land, forests, manure, management, water, irrigation and animal husbandry, the 18 village industries - all of which for him were inter-related: "When we plan with agriculture as the pivot of human economic activity, all the activities mentioned above fit into their own socket. If you raise paddy you have to debunk it before eating. If you grow wheat, you have to grind it into flour: when you produce oil seeds you need not send them to distant mills but have them pressed into oil in local ghanies and use the oil. That is how the work done by these sanghas will help us and fit into the new economy".⁵

On decentralisation and decentralized planning, I have quoted from Kumarappa rather extensively for several reasons: first any summary of what he says will not capture the various nuances of his thought. Second, decentralisation and decentralised planning is for him associated with Ahimsa and is the only way to avoid violence on a national or international scale: third, both - decentralization and decentralized planning - must comprehend both the technical aspects and spiritual aspects of living: fourth, only decentralized planning can ensure human centred - as opposed to material based planning: fifth, decentralised planning, for him, ensures the symbiosis of man and nature, what we have come to call today as sustainable development, which we will be dealing in the seminar in the last panel tomorrow working on during the coming year, culminating in the in-

ternational forum in 4 January 1993, sixth, how decentralisation and decentralised planning which we today call planning from below make possible decentralisation of political structures and provide the only firm base for non violent democracy: and finally to demonstrate rather simply but vividly how far away we today are from the portrayal of decentralised living and planning that was a part of Kumarappa's thought and life of action.

Decentralisation and Decentralised Planning Today

Today every aspect of our life, political, social and cultural and economic - is centralised and centrally directed. This has been building up particularly over the past two decades. We have come to accept the claim that political structures are meaningful only when operated from and by the central government - the central cabinet, the parliament and the central government officers. (In fact we have unthinkingly accepted the word central, meaning the centre of the country is Delhi and not each individual village.) The division of powers between the federal centre and the constituent states set forth in the constitution has been gradually eroded and every year more and more powers have been transferred from the states to the centre. Even the carefully and cautiously worked Sarkaria Commission Report calls attention to this centralisation and the harm it is doing to the people, the country and the government.⁶ This anti-decentralisation trend is also to be seen in the relations between the state government and the panchayat raj institution in the states. Today only four states have elected local level political institution functioning. In social development, also, both the initiative and funds for all social activities - whether it be women's development, or child care, or provision for the aged and handicapped and above all programmes for the backward sectors of our society rest with the central social welfare ministry.⁷ The most serious and in what I have quoted from Kumarappa's views on decentralisation as the only means of the flowering of culture; its anti thesis today which is the gradual centralisation of the cultural life of the country with a central ministry of culture in Delhi, through its various activities, culminating in the cultural utsavas, which it organises periodically at great cost to the country and little benefit in terms of cultural development. That is but natural, because culture is something which belongs to and emanates from the

people and can never be appropriated by authority.⁸ In the economic areas, everything is centred in Delhi, in terms of administration and finance by the central cabinet and the ministries, and in terms of planning by the Planning Commission which was originally set up by Pandit Nehru to coordinate and guide the development of the country. However the Planning Commission has become a monolithic organisation, under which every facet of development planning belonging to the states, for planning and directing their own development as envisaged by the constitution is appropriated by it. Further in all development planning at the sub states levels that is - the mandal, the block, the panchayat - all decisions are made by Delhi or the state government. That is, when it comes to depriving these local village level bodies of the authority, power and resources to plan and decide their development in agriculture, in animal husbandry, in land management and water use, in village and small industries, in primary education, in health care, and in provision of assured and safe drinking water, both the centre and the states are united in setting their face against any form of decentralisation to these village organs. In plan after plan, there are eloquent chapters on decentralised planning, planning from below⁹ which has also been the subject of innumerable circulars and communications to State Planning units from the Central Planning Commission. But the states noting that the Central Planning Commission has not allocated to them any of the powers set forth further in the constitution just ignore all these communications and directives.

As a member of the Tamil Nadu State Planning Commission, and as an Adviser to the Central Planning Commission, I have repeatedly protested against this trend. The latest occasion was when I worked in the State Planning Commission in formulating the draft VIII Plan, taking particular responsibility for the sectors on Education, Science, Health and Forestry and to my horror I found that the draft was subject to detailed review by the Central Planning Commission's working parties on education, sciences, health etc by persons who know nothing about the conditions in the state. There was the start of a let up on this detailed procedures for review of the Technical content and sections of the State Plan by the Central Planning Commission, for which an army of the state officers were taken to Delhi every year. This was not only procedurally anti democratic and questionable, not only productive of no

substantive result because what came out at the end of each working party review was to substantially confirm the plans made in Madras, it was also wasteful of the country's scarce resources, as on air travel fare alone several lakhs of rupees were spent every year because this exercise was repeated on both the Five Year Plan and the Annual Plans. As just noted there seemed to be some let up in this tight centralized planning procedure in 1989-90, but now when the VIII Plan is being reformulated in spite of the concept of indicative planning¹⁰ being seemingly accepted, (I say seemingly because the December 23, 1991 Approach Paper to the VIII Plan refers only once to indicative planning without any explanation of what it means and then for the rest of the document, it is business as usual as in the past) and so it is not surprising that the old review procedures had started up again and the same army of officers from the state government have gone to Delhi to explain and defend what they have drafted. Incidentally, indicative planning, which I know about, at first hand because I was working for over 20 years in its place of origin, France, is not decentralised planning in relation to various levels of government, starting with village panchayats, it is planning aimed at giving an elbow room to the private sector, indicating to them the targets to be aimed at - and advising on the methods to be followed to attain them. Thus over the 7 plans, all planning has gradually been centralised in the Central Planning Commission. As admitted by the 1990 Approach Paper to the Eighth Five Year Plan¹¹ this centralized planning is one of the contributory causes for the serious crisis in which the Economy is caught today.

The crisis in the Economy Today

The most obvious facet of the failure of the centralised system of planning is the stagnation, if not actual increase, in the number of people living in poverty in the country. Here we should note the sad and perplexing fact that there is no agreement among the concerned bodies on the estimate of the number of the poor. The government estimates that the poor number 210.8 million in 1989-90¹², the World Bank's estimate is between 322 million and 521 million¹³, the Baroda based ORG's estimate is 450 million,¹⁴ my studies show that our poor number 400 million.¹⁵ But one common factor to all these varying estimates is the large number of our people living in poverty. What is even more disturbing is that all estimates except that

of the government show the number increasing over time. This is due to the fact that apart from the plan for poverty alleviation being centralized and so conceived in Delhi and operated from there, the numbers who are lifted from above poverty every year are slightly less than the growing number of millions born into the poor families.

A second equally disturbing result of our centralised planning, and to some extent of our centralised planning also ignoring the resulting facts, is that the number of unemployed and under employed are known only with regard to workers involved in the organised (factory) industrial sector. The numbers unemployed and under employed in the rest of the unorganised sector of the economy namely agriculture, animal husbandry, fishery, unregistered small and tiny industry, artisans, all of which amount to 85 per cent of the economy, employing 90 per cent of the workforce, is not known and is worked out using the system of extrapolation and to some extent guessing. The facts of the employment scenario which characterise our system of centralised planning are: i) The rate of growth of the industrial sector has been around 8 per cent in the 1980s, while the employment growth has not only not kept pace with growth of labour force, but has actually declined from 2.8 per cent in the 70s to 2.2 per cent and 1.51 per cent in the 80s, with both full time unemployment and under employment growing by 30 per cent in the 80s (from 2.77 per cent to 3.77 per cent)¹⁶. The Planning Commission estimates that for the next 5 years (the Eighth Plan) we will have to provide employment for 28 million who are the unemployed backlog from the past 5 years (the Seventh Plan) plus 37 million who will be entering the labour force during the next five years (Eighth Plan). The Planning Commission points out that the provision of employment for these 68 million people in the next five years calls for an economic growth rate of 10.5 per cent per annum (which is about double of the growth rate of the economy in the last five years).¹⁷ This kind of centralized planning leaves us in a dilemma on this major issue of employment - which is the solution to our problems of poverty and destitution as Kumarappa saw it.¹⁸

The other aspects of the crisis that we are involved in, which is in part, an outflow of our centralised system of planning is inflation. Inflation was running at an average of 5 per cent till 3 years ago, but has now reached to 15 per

cent (last week the Finance Minister announced that our inflation is now at 12.9 per cent). These estimates of the rates of inflation are based on the index of wholesale prices which is mainly of concern to the government in relation to its large purchases, its DA payments, and to large and medium industrialists. What concerns the 40 to 50 per cent poor of the population and the lower middle class consumers is the inflation rate shown by the consumers price index. This means that our poor and our harassed housewife is paying an average of 30 per cent more on the vegetables, rice, wheat and other cereals, clothing that are needed for living.

One contributing cause to the sharp rise in the price of vegetables, rice, tea, cotton yarn etc is the fall out of the balance of payment problems and the trade deficit that we face. And so we are being forced to export all that we can, including the necessities that are in short supply, and are needed by our poor consumers. This export drive is one cause for the price rise. States like Tamil Nadu have appealed at the December 1991 National Development Council meeting in Delhi to stop the export of rice to the Gulf countries and those of vegetables and cotton yarn as their immediate effect is to raise their prices. Here we should recall Kumarappa's clear directive that only what is surplus, which he called "the natural surplus", only the residue after what is consumed by the people, should be exported.¹⁹ We are today flying in the face of this clear advice and so are paying the price in inflation.

One more issue which is an indirect offshoot of our centralised system of planning needs brief reference. We are becoming bankrupt as a government with an internal public debt at Rs.237,692 crores in 1989-90.²⁰ We have also emptied our foreign exchange assets and are deep in external indebtedness of Rs.100,000 crores, occupying the 4th highest place of foreign indebtedness among the countries of the world.²¹ These factors have led us to devalue the Rupee by 20 per cent, invite foreign investments, giving them 51 to 100 per cent equity rights and decontrolled our enterprises placing the small and tiny industries which is the only form of centralised planning and production that we have retained in jeopardy.

Decentralised Planning

Against this sombre background that our economy and people face, I believe that there

is need for 5 types of action which decentralised planning involves:

First, we should immediately transfer the responsibility for planning and operating the development programmes, as indicated earlier, namely a) the beneficiary oriented poverty alleviation programmes (what we have come to call by the acronyms - JRY (combining NREF and RLEGP), IRDP, TRYSEM, DPAP, DWARCA etc, and b) the general development programme of soil and moisture conservation, local flood proofing works, minor irrigation, small and tiny industries, primary education, health and nutrition, drinking water, to local village level institutions. It has been estimated that the alleviation of poverty to the extent 40 per cent be through the first group of beneficiary oriented programmes and the balance of 60 per cent through the second group - the normal development programme.

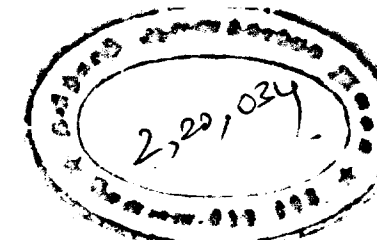
Second, the transfer should be to villages or block panchayat and Mandal level elected representative institutions. This is already the case in four states. To make this operational in all states, the necessary constitutional provision which is under consideration by Parliament should be speedily completed and should include the Finance Commission under Article 280 (3)(a)-(c) of the Constitution allocating resources to the panchayat raj institutions as it does to the central ministries and state governments. There is one prior condition to this proposal to transfer the two groups of functions listed above to the elected local level bodies. And that prior condition is indicated by the RBI decennial surveys in 1960, 1970, 1980²² of the distribution of rural assets which show that 39 per cent of rural households own 5 per cent of all rural assets, while the top 4 per cent own 49 per cent of this. In order to avoid the decentralised (transferred) programmes falling into the hands of the well to do, asset owning minority, the rural clique, the land reform programme should be implemented fully and speedily, as West Bengal has done, as a result of which 70 per cent of the elected representatives of the local bodies in West Bengal are small and marginal farmers and landless labourers. Each village or block panchayat or mandal level body will then use the resources allocated to it by the Finance Commission to identify the poor and devise a programme to meet each poor family's needs and condition. There will be real poverty reduction because it is a plan devised and executed by the poor.

Third, in place of the overall inappropriate national plan and state plans with their standardised schematic projects, each local body will devise its own local area plan which will first aim to create and increase employment, production and income: only it will know how this can be done in the village, how the skills of each villager, man and woman, can be used for socially gainful, productive work, in place of the relief programmes, which build roads which are washed away in the next rains, or are given cattle or a loom which is sold at the first opportunity. Instead local skills will be strengthened and conserved, and the decentralised local plan's resource base will provide life support - in food, water, fodder, fuel, fibre, and raw materials for artisans and builders. This is where development and life support system are joined harmoniously, involving no conflict, as today's large scale farming or industrialisation involve.

Fourth, decentralised local area planning must address itself to both the negative and positive aspects of decentralisation. In agriculture and rural assets generally, there has been taking place and continuing on the today, an extreme form of decentralisation under which the family farm and other property has been and is being divided and sub divided in tinier and tinier fragments. The local level plan must help in consolidating these divided pieces of land which because of their smallness and distance from one another are becoming uneconomic for cultivation. Consolidation of land holdings should be a prime aspect of local level village plans as Punjab, Haryana, and West UP have demonstrated. Second on the positive side, the local level plan must be based on the Gandhian finding carried forward by Kumarappa that the only way of generating and increasing employment in this capital scarce country is through small industries which now are grouped under three heads: a) small industries including ancillaries aimed at efficiency and cost effectiveness and the promotion of output, employment and exports: b) village industries whose basic list is still the 18 set forth by Kumarappa²³ aimed at promoting rural industrialisation and employment especially of the weaker and backward sections of the population: and c) tiny units which now cover both manufactures and

the much larger field of services (services contribute 39 per cent of our total income today). The Khadi and Village Industry Commission units comprise all three groups, characterised by small average assets per unit and very small value added, with low capital output ratio, and low capital - labour ratio to meet the condition of our capital scarce villages.

Finally, decentralised planning and local area plans call for active involvement of Sarvodaya workers who are grass root activists and other such voluntary groups which go by other names. This fifth and final aspect of decentralised planning is decisive because the village plans and their execution should not be left only to governments alone, not even to elected local bodies. There are three specific and irreplaceable contributions that only such voluntary groups can make to the effective operation of flexible local area planning, to what Kumarappa called "villagism". First, they can bring professional skills as social scientists, engineers, agronomists, hydrologists etc to the operation of the local area plan. This will fill out, with technical content, what the local village committee has decided as to what it wants. Second, the voluntary group through its living first hand contact with the marginalised and deprived sections in the village, will bring their needs and aspirations to the attention of the elected representatives and not allow them to be overlooked. This the CPM cadres in West Bengal are doing. Third, they will have to act as watch dogs to safeguard the essence of village level planning, so that higher level (state and central government) agencies stay within the limits that decentralised planning imposes on them. These government agencies will take time, to adjust themselves to non direct involvement, in formulating and implementing their own schemes which they have been doing now for over 40 years under the centralised system of planning. Will the Sarvodaya workers cast aside their preoccupation with their "Gandhian purity" of non involvement in politics, and be prepared to soil their hands in the programme and execution of local level plans, as Kumarappa did all his life, which also made him keep out of all government involvement. Can we follow his footsteps as our small contribution to decentralised planning?



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Editor : Dr. Malcolm S. Adiseshiah. Published by Dr S. Neelakantan for
Madras Institute of Development Studies, 79, Second Main Road,
Gandhinagar, Adyar, Madras 600 020, India.
printed at reliance printers, sardar patel road, madras-600 020.