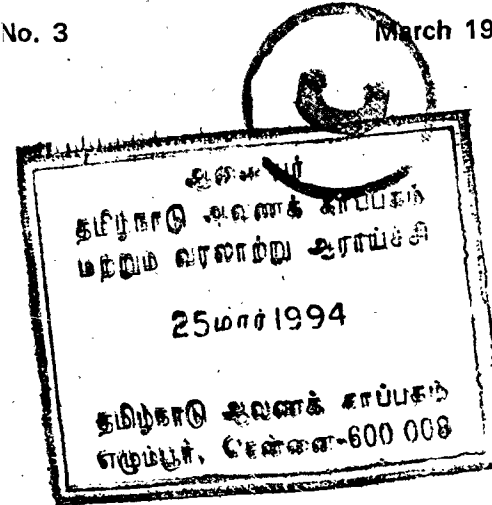


BULLETIN

MADRAS DEVELOPMENT
SEMINAR SERIES

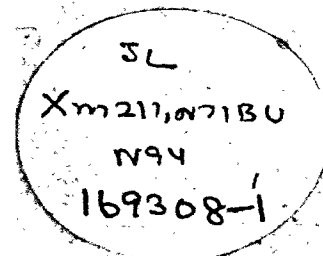
No. 3

March 1994



Working Women's Forum and
Women's Development

Some Aspects of the Economics of
Road Transportation



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EDITORIAL HIGHLIGHTS

Introduction

THIS editorial for March covers the major activities at three levels, state, national and international for January 1994. At the state level, the review begins with the status of the budget and finances where revenue deficits and non plan expenditures continue their disturbing trend to grow, while uncollected tax revenues keep increasing. Despite this the state has declared higher bonus for the staff. The positive elements in this disturbing picture are the ban imposed by the state on fresh recruitment, the increase in property tax flows and improved birth and death rate calculation with the help of the World Bank loans. The power subsection refers to the Tuticorin Plant developing as a super power plant, the worrisome delays in ADP aided projects, the counter guarantees being given by government to foreign investors in the power areas and the state's plan for its own gas grid. With regard to water, the plentiful north east monsoon are recorded and the damage caused through floods and the loss of crops are referred to. The Centre's action in setting up the Cauvery panel at long last is noted along with the desalination plants being set up in the state. In regard to agriculture the attainment of the targetted hectareage for the year, the record power demand because of the farm operations being in full swing together with the Pongal gifts in cereals made by TNAU and in live stock species by the Veterinary and Animal Sciences University are noteworthy. In the industrial field the review begins with noting the negative features such as the lost opportunities for pushing Industrialisation,

the engineering deceleration called attention to by CII and the set back reported, with regard to the large petro chemical project. On the positive side, the revival of HPF with a loan of Rs.150 crores, Ashok Leyland's export base in Sri Lanka, the setting up of the infrastructure investment corporation, acqua farming, promotion of seri culture estates and the setting up of a refinery in Tuticorin are the highlights. At the national level, on the budget, the saving in crude imports is almost negated by the fall in tax collections, and the increase in the budget and the fiscal deficit. The report that a number of major concerns are not passing on their excise concessions to consumers is noted. The inflation scene is reviewed, with a gloomy perspective for the country. On the power side, the problem on the concession granted to MNCs by the government which are working to a gross return of 18 per cent, being part of the demand for a level playing field, and the repayment in full to the SEBs dues to NTPC are noted. In regard to the stock exchange the reviving crisis together with strengthening the regulatory role of SEBI and its opposition by the brokers are reviewed. Next the economy is examined starting with the trends which as usual are mixed in terms of the positive features built up of forex reserves, the increasing FDI approvals, the attempt to control the soaring inflation rate, the pick up in GDP growth at 4 per cent in 1992-93 up from 1.2 per cent in 1991-92, the decline forecast for the current year, the good performance in

agriculture and the booming capital market and exports, on the one hand, and the negative features on the other including the over shooting of the deficit budget due to the under estimation of expenditure and the substantial shortfall in tax collections, the expected fiscal deficit which is well above the target and the various non performance on the reforms set forth in the budget. This review stresses the need for caution in external borrowings and the problems created by the FII's increasing investment, the increase in LPG prices, the proposals to privatisation of telecom, to cut food proposed in subsidies, the Malhotra committee report and the problems it raises on privatisation of the insurance sector are passed in review. In regard to agriculture the large paddy purchases are referred to, together with the summary of the eighteen research reports received in January and the state of the plantation crops in tea, coffee and spices are passed in review. On the industrial sector the continued depression in industrial growth and the slow down in the corporate sector performance reported by ICICI, the credit short fall to industry and the government pressing to amend the companies act to drop its power of transferring its loan into equity is analysed together with its possible alleviation through the horticulture and sericulture industry, are SSIs and their agricultural linkage. The good industrial performers are steel, coal and Bombay high. With regard to foreign trade the official data which gives the optimistic picture of a sharp rise in exports and equally important fall in imports, this causing low trade deficit for the year, and the improved Balance of Payment status are referred to. The Indo-US textile pact concluded in January as a positive development, as is the performance of individual export items such as woolen, spices, groundnut and handicraft. The progress in human resource development are next reviewed. In education the reported fall in Tamil Nadu's drop out rate, the comment of the Yashpal committee

recommendations by the Chaturvedi committee, the set up of the workers training centre and various reforms proposed in technical education, the Punnayya committee proposals on central universities and the mess in Tamil Nadu created by the bill passed by the assembly transferring the chancellor's power from the governor to the chief minister are reviewed. In Science the important and constrictive net sounded in the Indian Science Congress which opened in early January on the urgent need to improve the science education and improve the performance of science in the economy are noted. In the labour field the wider social security net needed together with the persisting problem of bonded labour highlighted by the case of Gujarat are referred to. In the international area the UN report on the world economy, the Unctad report on world trade, the linkage between unemployment and poverty now appearing also in the developed countries are referred to. Under other items the seminar paper for the month, the second article and some four outside activities in which the institute is involved are referred to.

State

Budget and Finance

Consolidated position of the finances of this state and most others during 1993-94 points to a accumulation of imbalances in their budgets highlighted by the major deficit indicators such as the gross fiscal deficit, the overall deficit and the revenue deficit. Tamil Nadu's share in this worsening budget situation is giving rise to serious concern including the rise in non plan expenditures as the result of frequent increases in the emoluments of employees which resulted in establishment charges going up from 44.99

per cent of the revenue expenditure in 1987-88 to 63.89 per cent in 1993-94. Again the government despite its deficit position and worries over rising non plan expenditures has declared a higher bonus for its staff for 1992-93. The total of this for 11 lakh employee is Rs.27 crores, in addition the government has announced interim relief for its employees pending the submission of the Fifth Pay Commission recommendations. All this led to a rather important drastic decision to freeze recruitment of state services. This would prevent Tamil Nadu joining Kerala and West Bengal which face difficulties in paying the salaries to their employees. This welcome step is part of the austerity measures which should be followed by government if it is to stay within its available resources. There is ofcourse developing very strong resistance to this austerity decision from the employees. Other fiscal problems include the errors noticed in many property tax returns by the Madras Corporation based on wrong bill numbers, false declarations about the built up area and other discrepancies. The Corporation is to be aided by the World Bank for computerising its birth and death records to give speedier and more reliable data on the status of population. This should also provide a further verification of the Tamil Nadu Population control situation where the latest Sample Registration System figures for 1992 show the state's birth rate at 20.7 per cent per 1000 (below the target of 21), the decline in the fertility rate which is 2.2 very near the replacing level of fertility. The state therefore is becoming a pioneer in the country in population control which the linkage between a small family and such factors as high literacy level (specially of women) optimal age of marriage for girls and low infant and mortality rates. It is essential that this data which is derived from the Sample Registration System be checked and the World Bank aid for computerising the records will help. Another problem which is mainly financial relates to

the soaring rice prices in the open market despite the bumper harvest of paddy in all seasons in the last two years. The reasons for this are not understood and are under investigation. Meanwhile the government has entered the market to supply rice at cheaper prices through cooperatives and mobile vans as the means of bringing down open market prices. It is important that this action be limited because first the problem is an urban (Madras city) problem and further it affects mainly the middle classes so there is no need for a state wide problem in this regard.

Power

In the power field Tuticorin is emerging as super thermal power station, providing 150150 MW of the five units with 210 MW capacity each for operating fully resulting in the supply of 15 per cent of the daily requirements of the Tamil Nadu grid. On the other hand long delays in financing four large contracts for projects funded by ADB amounting to \$68 million seems unreasonable and might lead to hold up in the ADB loans which has been hanging for over a year. This needs urgent attention. The issue of the state government being asked to provide counter guarantee for seven private foreign power investors raises several questions related to the pressure exerted by foreign investors and NRIs involved in this concession which are not available to power companies in the public sector. This issue is constantly coming up on the question of a level playing field which was referred to in the last issue. An interesting development is that while supporting the Southern Gas Grid as reported in earlier issues the state government has initiated the exercise to find an alternative because of the long delay involved through evolving a Rs.5000 crores project for the setting up of a gas terminal in the east coast using imported gas from Malaysia and Indonesia. Another important development is the memorandum of understanding signed at the end of the month by the state

government and the US company, sea solar power for the establishment of a 100MW power plant adopting the Ocean Thermal Energy Conservation Technology. The Indian counter parts will be TEDA and TNEB for this first project of this kind in the sub continent. The cost of the project of \$250 million will be met by the American Company. This is an important development and might be followed by other such plants as the state has such a long sea coast inviting projects of this kind.

Water

The North East monsoon which set in three weeks late resulted in all districts except one receiving excess rain fall. Thanjavur district received the highest at 1236mm (119 per cent excess), followed by Ramanathapuram at 1024mm (111 per cent), Dindigul Anna 889mm (108 per cent), Kanyakumari 874mm (96 per cent) and Pasumpon Muthuramalinga Thevar 725mm (95 per cent). Five other districts had rain fall with an excess by 17-90 per cent (Tiruchy, Madurai, Nagapattinam, Quaide-Milleth, Tirunelveli and Chidambaram) followed by Pudukottai, Salem, South Arcot, North Arcot, Nilgiris, Chengal MGR, Coimbatore, Dharmapuri, Periyar Kamarajar, Tiruvannamalai, Sambavarayan and Madras which had an unprecedented drinking water shortage for nine months last year and has now received 27 per cent excess. The negative side of this positive monsoon situation is that all districts have been affected by floods on which the government has produced the white paper detailing in each district the death (277), damaged houses (53242) and relief (Rs.15.70 crores) sanctioned. A detailed statement on the floods has been submitted to the Centre seeking Rs.666 crores for relief against which a small grant of Rs.15.60 crores have been made. Other positive developments are the setting up of some 150 desalination plants in nine states of which Tamil Nadu is the first.

At long last the Centre has decided to set up a Standing Committee of Experts drawn from the Central Water Commission and the four states in the Cauvery basin to assess the ground data of inflows and outflows. The disturbing report made at January end by the state's ground water authorities is that the utilisation of under ground water has increased by 14 per cent since 1985, with a warning that if the present rate of utilisation of rechargeable ground water continues depletion in most parts of the state will be beyond replenishable limits leading to serious consequences. The utilisation was of the order of 45 per cent in 1985 and has risen to 80 per cent in 1993. This worsening needs to be taken seriously and use of ground water regulated.

Agriculture

The state achieved the targeted coverage of 21 lakh hectares under paddy for this year and is likely to exceed it by a little over one lakh hectare in the coming Navarai season. Of this despite the initial shortfall in the realisation in the Mettur reservoir and the wide spread damage caused by cyclone and floods as referred to later. The state is sharing in the major impetus being given by the Centre to promote organic farming including the balanced integrated use of fertilisers. This project which is 100 per cent financed by the Centre will encourage organic farming through the Krishi Vigyan Kendras, Agricultural universities and NGOs. It will also lead to increase in farm exports. The problem which needs to be watched is that the aid to the project is a long distance one and therefore there will be a temptation to fritter away the resources and waste them on intermediaries. The extent to which this could compensate for the earlier mentioned heavy farm loans in Thanjavur district were 17,200 hectares of samba paddy were fully damaged and 29,000 hectares partially in Quaide Milleth districts 41,000

hectares of samba paddy had been either partial or fully damaged. The total losses from all the crops in both the districts are estimated at Rs.136 crores. The positive side is the record power demand by farmers which may touch 4000 MW by March for their large scale agricultural operations. The Pongal season has brought positive gifts from the two universities in the state. The Tamil Nadu Agricultural University which has released 16 new crop varieties including hybrid rice, 80ADT 42 rice, PMK2 rice, ALR-2 groundnut etc. Similarly the Tamil Nadu University of Veterinary and Animal Sciences has released a package of new livestock species and farming techniques at the sheep research centre at Sandinallah near Uthagamandalam. The results will be soon in the coming season.

Industry

The industrial scene in the state presents both minus and plus features. Starting with the minus side, the Madras Chamber of Commerce and Industry in its study reports that the industrial structure in the state is yet to achieve adequate diversification and the entrepreneurial base of its economy has not expanded since the traditional base provided by old and established business houses. As proof the declining share of the state in total central investments at 6.35 per cent well below the leaders Maharashtra and Gujarat, the lower levels of even private sector investment at only 5.15 per cent against Maharashtra's 28 per cent, Gujarat's 11 per cent and AP's 9 per cent and the poor sanctions from the financial institutions where IDBI's project finances schemes again show the state's low share particularly in the private sector as compared to Maharashtra and Gujarat. The other minus points is the decline in the state's engineering industry which the CII indepth study of the Southern region shows a growth of only 2.4 per cent, a decline in gross profits of 3.97 per cent and net profits of 3.31 per cent, replacing the

growth only at 0.56 per cent. On the trade front against the state's exports growth of 29.8 per cent the import increase records a growth of 41.69 per cent. The question that needs pondering is to what extent these minus points have contributed to the declining trend in the state's industrial development. What should be the short term and long term measures needed to reverse this trend. A third minus point is the set back to the revival plan of MALCO, where BIFR has asked IDBI to search for a new promoter as the company which needs an additional Rs.10 crores towards the arrears payable to TNEB. Infact the new promoter should be in a position to raise Rs.20 crores. The one complication to this is that, as pointed out by the state government the same power tariff and sales tax concessions given to the existing management may not be available to the new promoter. A further negative element is the spurt in cotton prices which in turn has led to the sharp rise in yarn prices and in turn to some 1.5 lakh power looms closing down rendering about 10 lakh workers in the industry around Periyar district unemployed should be noted. On the positive side, ailing Hindustan Photo Films is likely to receive from the Union government Rs.150 crores as an immediate relief to meet the growing cost of the ongoing polyester x-ray plant and also meet its working capital needs. Further, Ashok Leyland states that in setting up a base in Sri Lanka for export of buses and trucks utilising its existing facilities at Lanka Ashok Leyland, the Sri Lankan government has offered to increase its stake up 32 per cent in favour of Ashok Leyland India. A further positive development is the state government's proposal to set up an infrastructure investment corporation for helping to finance six mega city projects which may cost upto Rs.1000 crores. The Corporation would have access to institutional finances and the ADB for developing infrastructure, transportation and city development, with the state government transferring some land as asset to the

corporation. An important development is the growth of aqua farm units in the state. The first one is a 100 acres of the coastal land in Kattupalli costing Rs.5.80 crores, the land being divided into 7000 lots of 5 cents each and sold to individuals at Rs.29,000 per unit. After 30 months the returns will be around Rs.7000 crores a year for 30 years. This is the normal way of financing an important project and should be duplicated. Another positive development is the state government's approval of Rs.3.46 crores for setting up seven sericulture industrial estates at Vaniyambadi, Salem, Coimbatore, Dindigul, Thiruvannamalai, Thenkasi and Tiruchy. The employment potential of this project particularly of the backward classes is impressive. Finally the proposal to set up a two tonne refinery at Tuticorin costing about Rs.5000 crores as a joint sector project by TIDCO is moving along as a result of the commissioning by the government of a feasibility study of the project. This would supplement the six million tonne MRL and meet the growing needs for the product in the state. On the whole the positive elements outweigh the negative, though the latter needs attention to prevent its spreading.

National

Budget

On the positive side, the saving of \$650 million in oil imports for the year is an important item for the budget, as a result of its international prices remaining steadily low. Similarly the recommendation of the Najundappa panel on railway freight and fares not simply to raise them but by cutting the workforce, reducing its budgetary support are levying a development cess of Rs.2 per tonne, a further growth of joint ventures with the private sector and the reduction in operating ratio by 3 percentage points per year should make a sizable

contribution towards meeting the Rs.90,000 crores needed by it for its development. On the other hand as in December 1993 indirect tax collections fell by a rather large Rs.4600 crores mainly because of the cut in customs (Rs.3000 crores) and in excise duties (Rs.1600 crores). Owing to the lower marginal SLR the government has less access to bank funds and there seems to be a strategic attempt at moving away from the draft of monetising the deficit. The overall budget deficit for the current year (1993-94) is expected to increase over the budgeted deficit by Rs.4364 crores as against the budgeted Rs.4314 crores. If the economy is to develop and particularly industry to grow above the recorded marginal 1.1 per cent (recorded between April-September 1993). It is essential that the budget deficit should be reduced not by cosmetics means which is usually resorted to before budget presentation but by real cuts particularly in non plan expenditures. There is little time left for other means for keeping the fiscal deficit low which is possible in the next budget. In this connection the next budget should take note of the report of the ministry of Civil Supply that several leading companies - Hindustan Lever, Godrej Soaps, Lakme, Tomco etc - not passing on to the consumers the excise concessions granted in the last budget as a lesson in drawing up the next budget. We should not provide any further cuts in direct or indirect taxes.

Inflation

The annual rate of inflation as of December 25, 1993 fell to 7.7 per cent from the previous week's 8.3 per cent, though the rate for the next week January 1, 1994, shot up to 8.1 per cent led by 0.1 per cent increase in WPI for all commodities particularly for primary articles based on the index calculated on a point to point basis. The annual inflation rate stood at 8.7 per cent for the week ending November 6, 1993, against the provisional index of 8.4 per cent. It is important that the index does not mix

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provisional and final figures in order to provide a false and positive picture as was done in mixing the provisional data at the end of December 1993 over the corresponding final data for 1992. In this connection the final data shows that primary articles registered a higher increase of 7.2 per cent during the year. Further, the fact that the increase in administered prices have been relatively lower during 1993 might mean that an intrinsically higher inflation expectation in the economy would take place during the year ending March 31, 1994. It is good that the government has set up an inter-ministerial coordination committee of senior officials for monitoring the unforeseen rise in prices of essentials. 12 essential commodities which are being monitored on a regular basis; the sudden and sharp increase in the prices of these commodities can be anticipated and remedial measures taken to dampen this upward spiral, particularly in regard to food commodities. Any real cause such as transportation bottlenecks should be brought out into the open and remedied particularly with regard to the inter-state movements of food which though relieved by the centre are often aggravated by the policies of the states.

Power

The foreign offers on power project numbering 39 with a total outlay of Rs.17000 crores seem impressive as they are based on certain criteria for selection, including debt equity ratio of 4:1, foreign equity allowed upto 100 per cent, promoters bringing in a minimum of 11 per cent of the total cost and a three tier payment mechanism for private investment. The major foreign offers are from multinational power companies who have adopted the internal rate of return (IRR) formula to work out the viability as well as the end tariff rates of their mega projects. They are working on an IRR of 13-18 per cent on equity as against the massive power shortage that the country is likely to face in the coming years. The foreign investors are

being welcomed. The only issue that needs further thought is in regard to the growing list of incentives. This incentives structure aims at increasing the number of foreign investors. But the single most questionable one is the guarantee rate of return of 16 per cent on foreign investment in the power sector, which is both outrageous and seriously discriminates against the Indian private companies. The government should insist that the guarantee is on the equity portion and not on the capital cost of the project. This has already given rise to a good deal of concern in the Indian Corporate sector and renders valid their demand for a level playing field. This issue will be further examined with new issues.

Stock Exchange

The primary stock exchange market seems once again to be heading to a fresh crisis with the number of new issues increasing unbelievably (647 issues in April-December 1993) and the gray market becoming more and more risky along with the virtual monopoly of rampant speculation. The case therefore for regulating the stock market and streamlining its operations in different centres has been taken up by SEBI which has issued forms to register how far stock dealers are conforming to prescribed norms for capital adequacy and for the maintenance of proper records of business by both members and workers. This proposal to introduce a uniform code for all stock exchanges is vitally necessary and the brokers response through strikes should not be allowed to delay or change its regulatory responsibilities. The fact that the Ahmedabad stock exchange has agreed to the SEBI regulation has jolted the broker community, as a result of mutual consultations between SEBI and the Ahmedabad brokers. The draft rules for stock brokers formulated by SEBI is the minimum regulation required and the accompanying consolidated paper on the rates of regulations for stock dealers should be able to quieten their disturbances.

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Economy

The trend presented for the first nine months of the year has positive and negative features. On the positive side, is the unprecedented build up in the country's forex reserves which have passed the \$10 billion point, including Rs.8000 crores. FDI approved large investments by FIIS. GDP is reported at a growth of 4 per cent in 1992-93. CSO following last year's forecasting exercise has once more made a forecast of GDP growth of the economy for the current fiscal year at 3.8 per cent compared to 4 per cent for last year. This marginal slow down of the increase is attributed to the poor performance of agriculture which is expected to grow at a modest 2.3 per cent as against a high 5 per cent last year. This would be to some extent due to the performance of the financial service sector (consisting of insurance, finance, real estate and business services) which is forecast to grow at 6.9 per cent compared to last year's 2.9 per cent. Manufacturing is estimated to rise only by 2.5 per cent compared to last year's 2 per cent, which is hoped would not be an overestimate for this year as it was for last year when a growth of 3.5 per cent for manufacturing was predicted against the latest estimate for last year of 2 per cent. It is depressing that industry is still not breaking out of the recession of the last two years which raises the question whether the economic reforms which have had a positive impact on exports and the financial sector has failed to induce a similar response from industry. Liberalisation has depressed the capital goods and fertiliser industries but also other units share in this weak supply side response to the reform measures. It is not known on what basis the finance minister forecasts the industrial growth for this year at 4-5 per cent. An additional positive point is the booming capital market and massive mobilisation of resources through them. Further, with the exports registering near 20 per cent growth and imports declining at 2.17 per cent, the trade deficit during

April-November is estimated to be a small \$1 billion compared to the previous year's 4.1 billion and \$9.4 billion in 1990-91. The current account deficit in Balance of Payment is expected to be about half per cent of GDP this year. Finally non debt creating flows of \$2 billion of foreign investment (some estimates place this at \$3 billion). On the negative side, first the economy is over shooting the deficit target as noted earlier and is likely to be of the order of 6 per cent taking us back to the end of 1991-92 (March 1992). This should be set against the target of 4 per cent for 1993-94 and forecast of 3 per cent for 1994-95. This increased deficit is due to increase in expenditures over the estimates and decrease in governmental income over the budgeted figures. This is despite the cuts in budgetary support to the public sector enterprise and other departmental bodies still not materialising and the loss in revenue due to lowering of taxation rates. Thus on the whole we face a faltering economy with industrial growth for the period for which it is available (April-September) recording only a 1.6 per cent increase, with manufacturing at a low 0.6 per cent. The 20 per cent increase in indirect tax collections are due to exceptional causes such as the withdrawal of tax rebate to saving schemes, the reduction in the depreciation allowances from 33 per cent to 25 per cent, the durable consumer goods being the only exception to the slack in industry, thus underpinning the apparent revenue buoyancy is not economic growth but a transfer of resources brought about by the tax structure. It is to be hoped that in the coming budget the government will resist the temptation to under estimate expenditure and over estimate revenue. There is also need for a cautious approach in external borrowings in order not to build up the debt service ratio and ensure a strict monitoring of the use of the loans and this means as noted earlier the structure of incentives for foreign investment should not go over board and the approvals to foreign projects more carefully monitored,

because the approvals are many (Rs.13190 crores at December 1993) but the resulting inflow is modest. While the inflows were only little over Rs.3400 crores, some of the new proposals being talked about such as the privatisation of the telecom sector as a means of meeting the large backlog of demand and which is meeting resistance from the employees need reconsideration. The increase in LPG gas price where the steep hike was later slightly reduced raises again the question of the competence of Parliament, though not as sharply as a pre budget announcement of reduction in import tariff. The raising of LPG gas prices hits the middle classes hard but is necessary. The union government's move to set up a small farmers agri-business consortium under the ministry of agriculture to step up agricultural production and productivity is over due as its setting up was envisaged in 1991 and proposed in 1992-93. The consortium which is now to have a policy planning council headed by the Prime Minister which ensures that the project moves along the lines suggested by the international commission of peace and food so that its aims are realised. In this connection the commission's view that the professionally managed and commercially viable institutions in the agricultural sector should operate free from political and administrative interference should be adhered to. Whether the consortium would make really a contribution to the creation of 100 million jobs and to the generation of additional exports of Rs.40,000 crores a year should be watched very carefully. In this connection, the parliament's standing finance committee on food asks for rejection of the government's proposal to reduce the food subsidy and is opposed to exclusion from the PDS of income tax payers, staff in the public and private sector and other high income earners. The proposal for the exclusion was made by the committee of state food ministers last year and needs serious consideration. The finance minister raises the question of

full convertibility of the rupee for which the IMF's staff have laid down four principal conditions: 1) sound macro economic policies including eliminating monetary overhang, 2) the environment in which economic agents have the incentives and ability to respond to market prices, 3) an appropriate exchange rate, 4) an adequate level of international liquidity. The fourth condition is the most important and indicates that full convertibility which means convertibility into any foreign currency and convertibility on capital account still have to wait till this condition is met. The Malhotra Committee on insurance industry is important. Its main recommendations is that there should be a regulated private sector entry permitted into the insurance industry. Many Indian industrial groups like ITC, Konark, Mahendra, the Birlas and Lloyds group have expressed interest in this. There should be general agreement on the committee's recommendation on the general insurance, to be a reinsurance company and its four subsidiaries set up as independent corporations. It is not clear why the government's holdings have been cut from the present 51 per cent to 50 per cent. The recommendation with regard to foreign companies is that when entry is permitted they should be required to float Indian companies and enter the market preferably by way of joint ventures with Indian companies. Positively life insurance in rural areas is recommended and private sector entry mooted with a minimum paid up capital for new entrants at Rs.100 crores. These recommendations need further public debate as well as parliamentary discussion and approval before the government decides on the reforms to be implemented. An interesting development in December was the report that the first zero interest security issue by the government for a notified amount of Rs.3000 crores has been mopped up with 324 bids for Rs.6995.34 crores. Does it indicate that the continuing liquidity overhang in the market and a shortage of assets? Reference has

been made earlier to the fact that the banking industry in the country may soon find itself in a situation similar to its counterparts abroad namely no takers for their funds. This also is a reflection of the liquidity overhang as the corporate sector is able to turn to the market both domestic and overseas to meet their needs in place of the more costly bank finances.

Agriculture

The Food ministry forecasts food production in 1993-94 to touch 180 million tonnes, giving agriculture a growth rate of 4.5 per cent as against 4 per cent last year. This encouraging performance was due to a good monsoon. The Food Corporation of India along the state agencies report a record procurement of 128 lakh tonnes of wheat during the rabi marketing season and anticipate taking up 120 lakh tonnes of rice during the current kharif season. FCI has already procured 101-85 lakh tonnes of rice so far with Punjab-Haryana together contributing 50 per cent and Andhra Pradesh 25 per cent. There is also a suggestion that these sharp increases in the procurement of wheat and rice is a reminder of the urgent need to shift the focus of agricultural policy from avoiding scarcity and making effective use of the surplus. These surpluses seem to be the major incentive for food exports which also needs more thorough public and parliamentary discussion.

On the research front, the month of January recorded 18 research reports, with the same imbalance noted in the last two issues with vegetables and fruits numbering 10, animal husbandry five, paddy and cereals three. This is not only a short term record but also the off season a cereal trend, but it should be corrected in the coming months. On plantation crops, Tea is passing through some problems which are temporary in nature. On the one hand the international tea convention held in New Delhi in January reaffirmed India's target of 1000 million kgs

of tea by the turn of the century. For 1993 the expectation was that the output would be a record of 745 million kgs, supported by the tea and tourism festival in the Nilgiris which also aimed at reaching this target. However the weather for the year was poor with a prolonged winter frost, dry weather and excessive rains in different months reducing the southern output to 176 million kg (-10 million kgs) than the record 1991 output, it also limited the attainment of the record crop. But North India registered a record production of 564 million kgs exceeding the output both of 1992 and 1991, so that the total Indian production in 1993 was 740 million kg which was lower only by 5 million kg than the target. Tea exports also recovered in 1993, pegged at the traditional level of 250 million kg, while the southern exports were 43 million kgs. On an average tea prices gained about Rs.10 per kg over that of the previous year. The total production for the year was much better than what was recorded for the first 10 months at 579.8 million kgs, with the south producing 15 per cent more during the year. The Coffee crop has gained by the liberalisation of its marketing set forth in the ordinance which introduced the much demanded and long awaited Free Sale Quota of coffee. This still allows the growers to sell their produce either in the country or abroad providing a degree of flexibility that they need. It would also ensure better returns to the farmers which was much needed. The production during the coffee season October 1992-September 1993 recorded a fall in the crop from 1,80,000 tonnes in the previous year to 1,61,000 tonnes. The total is expected to be 2,00,000 tonnes against the original target of 2,15,000 tonnes. Exports rose to 1,13,150 tonnes worth Rs.375 crores which was a sizable increase over that of the previous year. The private auction system which is replacing the Coffee Board's pool sales, follows the grant of an ISQ of 30 per cent of the production. On cardamom 1992-93 recorded an output of 3000 tonnes so that exports were just 175 tonnes realising

Rs.6.8 crores. In the current year exports are expected to reach 6300 tonnes which will enable a surplus of 2300 tonnes to be exported. It should be noted that the integrated pest management recommended by the spices board saved about 5682 hectares in Karnataka alone. This is a case of a productive use of a small grant from the spices board (Rs.11.13 crores) which countering the root grub disease avoided the damage to some 29.2 to 66.2 per cent at different levels of infestation, resulting in a monetary loss of Rs.3500 to Rs.30,700. Rubber 1992-93 marks a new record of 3,93,490 tonnes, exceeding the earlier one of 3,66,745 tonnes in 1991-92. On this basis the target for 1993-94 has been fixed at 4,60,000 tonnes. Pepper production however is declining to 45,000 tonnes in 1992-93 from the previous year's 57,000 tonnes. The pest attack suffered by the growers in Karnataka resulting in a crop output being only half of the previous year is likely to reduce further the output this year. On the whole the plantation history's picture is stable for the year.

Industry

Industrial production continues to be slow with the first half of 1992-93 resulting in a decline of 1.5 per cent which is close to the 1.7 per cent decline recorded in the comparative period of the previous year. The official index shows a rise of 0.4 per cent in September, raising the manufacturing sector marginally to 1.1 per cent. The recession in the industry is reported to be further fuelled by poor credit supply. Bank credit to the commercial sector from March to November 1993 registered a poor 3.7 per cent growth against the previous year's 8.3 per cent for the same period. CII reports that despite the relaxation of SLR and CRR, industry continues to face credit short fall. This has led to the recommendation that the obligation of 40 per cent of priority sector lending should be done away with. This is unwise because of its repercussion on not

only industry but even more on other priority sectors. This short fall may also continue despite the government proposing in the amended companies bill 1993 the taking away the government's power to convert loans given to companies into equity. This is supposed to give more lee way to companies to manage their resource mobilisation efforts as also to enable them to give wider option to investors to make public issues attractive. Of the same order is the government ordinance promulgated in late January amending the mines and minerals Act of 1957 to bring it into line with the new national mineral policy announced last year and to remove restrictions on foreign equity holders in mining ventures, to devolve more power to state governments and to provide greater stability of tenure in mining leases. Whether all this would attract more capital, both domestic and foreign into the mining and mineral industry is doubtful. The only effect of this may be the rush of foreign companies into this hitherto closed priority sector. The widening linkage between agriculture and SSIs that is brought out by recent NCAER study implies alleged under utilisation of potential due to state intervention. In the opinion of the council, the government's insistence on deciding what each sector should do while restricting the large sector limited the benefits of the small scale units. Similar relationship between the small scale sector and the village industries should also be noticed. Several agro processing industries were treated as village industries which denies their access to modern technology which the small scale sector would have been able to provide. It is now possible to see that several aspects of the rural economy such as the regional variations and demand, pockets and demands of specific products would have helped the small scale sector which could have catered to these in linking agricultural based products to the world market. Also SSIs have a greater awareness of technology and global market conditions than village industries while avoiding the huge overheads of large scale industries.

But to get the benefits of synergy between agriculture and SSIs, the removal of licensing constraints still left over is needed. The potential for smoothening the process of industrialisation in the rural economy would also be furthered. Further, the NCAER study raises many policy issues without reference to this particular context. SSIs have distinguished themselves by the large number of products produced (8000 against the reserved 835), have entered new areas promoting diversity which helps to supply components to other manufacturers but also the supply of mass consumption goods. On the environmental front, SSIs perform a natural recycling function in the sourcing for many raw materials. However newer non traditional variety of SSIs have probably a rather serious problem in which the decline in its employment potential is emphasised in this study. This is worrisome as the government's employment target for the VIII Plan assume SSIs as an important source of providing additional employment. On individual products, sugar production at January end records a rather steep fall despite the good start in the current sugar season. This sets a rather bleak scenario for the industry which records a drop in production by 20.9 per cent (from 134.11 lakh tonnes in 1991-92 to 107.5 lakh tonnes in the following season). In regard to the steel industry which is changing fast after decontrol with its emphasis on quality, emphasis by both Bhilai and Bokaro as well as Panchmahal steel a private sector unit). The emphasis of modernisation programme in the industry is on the quality side, the continuous casting plant under the first phase being a green field project. This emphasis on quality is to be welcomed both for domestic and international purposes. The government's decision to accord the horticulture industry (including sericulture and tissue culture) export oriented 100 per cent of status is aimed at stepping up horticultural products which is urgently needed, from the Rs.60 crores in the case of fruits and vegetable processed products to atleast three

times the amount in the course of the next two years. Similarly with the cut flower exports is still very small at Rs.2.5 crores which is not comparable with a small country like Holland exporting \$13 billion a year. Coal production at 18.4 million tonnes in October 1993 was 15.6 per cent higher than that of the previous month and 4 per cent higher than that of October 1992. This means that coal production is at last increasing at a satisfactory phase. During the first seven months of 1993-94, the cumulative total was 120.95 million tonnes (+5.3 per cent). The year is expected to end with 249 million tonnes indicating a growth rate of 4.5 per cent. ONGC reports that its major construction activity in the Bombay High region will increase production of gas and oil from May 1993. The project has attracted international funding from both the World Bank (\$450 million) and Asian Development Bank (\$300 million). In addition various companies have made available credit and commercial loans of \$600 million. It is expected that as a result oil production will be increased during 1994-95 by 4.5 million tonnes, over the current year's 15.1 million tonnes. It will also produce 1.8 million cubic metres of gas per day - all of which is heartening in light of the decline in total production of this resources. Proper utilisation of research facilities provided through CSIR and CLRI has enabled the Indian Leather Industry to achieve excellence and record an annual turn over of Rs.3700 crores. The leather industry which was initially an exporter of raw hides and skins has now become an exporter of finished products earning about Rs.3700 crores annually is just referred to.

The Air Transport (Transfer and Repeal) Bill introduced in Parliament eighteen months ago could not be approved in the last session and is likely to remain on the agenda but not dealt with in the coming budget session which is already crowded with the budget items. Hence the bill has been issued by the President as an ordinance which turns the

Indian Airlines and Air India into two public limited companies. This ends the state monopoly in the aviation sector and will provide legal sanction for the private air taxis which were allowed to operate in 1990. Indian Airlines and Air India under the ordinance have been placed at par with private airlines on domestic operations. The government records this as one of the first major step taken to denationalise the public sector. The implementation of this act and the reaction by the employees and their union remains to be seen.

Foreign trade and Balance of Payment

The trade data released for the first eight months of 1993-94, on the face of it seems to support the optimistic picture referred to earlier, with a trade deficit of April/November falling to a sixth of that of April/November 1992, 19 per cent spurt in exports and a 2.2 per cent decline in imports. India's exports covered 93 per cent of its import bill during this period as against 81 per cent in that period of the previous year. All this has resulted in the record shrinkage of the endemically large scale trade deficit. It should however be noted that export boom (which contributed to the improvement in the trade account) was 27 per cent higher in April/July than that of the corresponding four months of last year, but this was followed by a sharp fall in export growth in the following 4 months August/November to 12 per cent. It may be that the convertibility of the rupee which increased earning per dollar worth of exports by 12 per cent gave a fillip to exports in the first four months of the fiscal year but was quickly eroded as export growth rate dropped by more than half during the second four month of the year. Here the rise in domestic costs (indicated by the increase in whole sale price index by 8 per cent) eroded about two thirds of the exporters gain from convertibility which is referred to and reduced the margin to insufficient levels to cover the rise in exporter's cost on imported inputs

resulting from the convertibility. This may not be shown in the next four months exports for December to March when the growth rate will be deceptively high only because of the base of the growth in the previous year is low. But exports can really be expanded only if the lure of the domestic market is reduced, the indirect tax system rationalised through a VAT and the grant of all the tax benefits to exporters of services also. It should also be noted that the export performance of the first four months contributed to the strength in Balance of Payment while the next four months BOP has been marginalised by the flow of direct foreign investment and continued import growth slackness. The target of exports growing this year at a sustained rate of over 15 per cent and for the rest of the VIII Plan seems to be some what of a gamble. The question of full convertibility of the rupee has been referred to earlier and the conditions to realise it clearly set forth. Also the shooting up of FOREX reserves over \$10 million may be the only tangible result of the economic reforms initiated two and a half years ago. The heartening feature in the export front is the growth of agricultural exports by 43.37 per cent, Rs.6211 crores between April-November 1993 against Rs.4332 crores during the corresponding months in 1992. Also the conclusion of the Indo-US agreement on textiles providing for the annual growth of 6 per cent during 1994-95 is a plus point. It involves increase in textile exports in US by roughly 15-20 per cent. On individual exports engineering exports recorded a 45 per cent growth in 1993-94 at Rs.4880 crores, woolen exports are expected to increase to Rs.750 crores during the current financial year and further to Rs.1000 crores in 1994-95 (up from 258 crores in 1990-91). The spices export growth was noted earlier, HPS groundnut export at 51,000 tonnes valued at Rs.90 crores during the first eight months of the current year and handicraft exports exceeded the target at Rs.1790 crores and carpets at Rs.19060 crores.

Loans and Aid

The World Bank has deferred already seven processed loans aggregating \$1.65 billion due to the slow pace of agreed reforms and government's reluctance to take tough measures. This is rather surprising as the reforms are going well and cannot be speeded any further, while the going slow on some facets of the reforms such as the exit policy and the social security net being due to sharp resistance by the trade unions. On this the World Bank is almost on the point of interfering in the internal affairs of the country. On the other hand the World Bank's loan of \$450 million to Orissa for restructuring its power sector is important both because of its inheritance value and also because this is one of the first loans to a state government. This may counter the poor utilisation to the loans referred to in the earlier issues and compensate for the lack of control by the centre of the state finances.

Human Resources Development

In Education, starting at the bottom and working towards the higher levels, Tamil Nadu's performance in primary school education has placed it in a good position vis a vis other states particularly because the drop out rate for the period 1988-89 to 1990-91, dropping to 20.32 per cent and 22.68 per cent for girls. This needs to be further checked to ascertain whether the state is behind only Goa and Kerala and so improving its primary education output. There is need for action on the girls students front to bring it in more into line with that of boys. The Chaturvedi Committee set up by the Union government to examine the feasibility of the Yashpal Committee recommendations referred to in the previous issues confirms the need to relieve the torturing of young children by compelling them to carry heavy bags of books every day as sound, but its complementary recommendation about treating textbooks as the school property and relieving children from

the duty of purchasing books individually needs to be re-examined. The Chaturvedi Committee has also rightly rejected the recommendation to limit the jurisdiction of CBS to Kendriya and Navodaya Vidyalayas with all other schools being affiliated to the respective state boards which seems without reason. On the crucial matter of the Yashpal Committee recommendation on the derecognition of B.Eds courses through correspondence, the Chaturvedi panel wants the National Council for Teacher Education to review this problem and make a decision. All this should result in a stimulus to Human Resource Development which starts in the primary school level. At the next level, SIMA is promoting a textile workers training centre at Udumalpet which will be equipped with modern infrastructure as pilot mill of 400 spindles along with the industrial engineers and training instructors. There will be an annual training coverage of 1000 workers. Of the same order is the decision of the Tiruchirapalli regional engineering college and the Science and Technology Entrepreneurs Park providing training in job oriented courses annually to 360 youths under the scheme of mass employment generation through science and technology. This covers various important fields such as screen printing, tailoring and readymades, motor rewinding and office automation. The AICTE committee to reformulate the norms in infrastructure in engineering colleges has recommended that the monetary value fixed for facilities should be dispensed with, as it is not necessary for AICTE to prescribe any value for land but only the area and the list of equipment required. It also recommends that the total area be reduced to a minimum of 15 per cent in respect of buildings. It has also recommended that a polytechnic sharing these facilities need not create separate facilities. This is part of its recommendations that there should be maximum use of available facilities. Ending this discussion on education, in the area of universities, the Punnayya Committee on the financing of

central universities in a recent UGC study reports that in 1992-93 per student expenditure of Rs.45,000 in Hyderabad, Rs.38,000 in JNU, Rs.37,000 in BHU, Rs.36,000 in Aligarh and Rs.35,000 in Viswabharathi. The Hyderabad cost is due to low enrolment of 1700 against 13,000 in BHU and 11,000 in Aligarh and higher teacher student ratio (1.8 against 1.10 in BHU and JNU and 1.9 in Aligarh). This has involved about 80 per cent of the non plan grant of UGC being used for the salary bill. Hence the Punnayya committee has recommended one teacher for 12 students and the teacher non teaching ratio be reduced to 1.3. It also recommends an incentive scheme for funds generation which could help in reducing the current resources crunch of the UGC of such resources used for a promoting academic activities to be eligible by 100 per cent exemption and the government to provide a matching incentive. These recommendations are important to further human resources development. In Tamil Nadu, the state assembly has passed a bill to make the chief minister the chancellor of all universities in the state. This is a pure political act, resulting from the differences between the chief minister and governor. The Act is unlikely to be approved by the Governor or the Centre.

Sciences

The annual science congress emphasises the need for improving science education at all levels, following from the President's rather plain speaking in his inaugural address. He characterises as unproven the claim made by several officials and those in authority that India has the third largest manpower in science and technology. On the other hand the number of scientists per 1000 of the population being 4.5 for India against 110 in Japan, 282 for Sweden. Similarly scientists involved in R&D are very small at 0.27 per cent per 1000 compared to 5.41 per cent for Sweden and 4.4 per cent for France. In the last 10 years the investment

in Science and Technology has fallen from 1.3 per cent of GNP to 0.9 per cent. The Prime Minister's opening statement to the Congress on the other hand contains certain generalities like R&D crossing national boundaries in the post GATT era and science and technology specialists of industry leaders having a larger role to play. The President's address calls attention to the large amount of dead wood entrenched in the university system, with its faculty in several places not being able to cope with the rapid strides being made in science and technology and relying heavily on outdated technology. This is quite paradoxical against the impression on paper syllabus and curricula which simply produce most products of higher education as intellectually emaciated individuals, with their vibrant curiosity being snuffed out. This is probably the second largest impediment to human resource development in the country and accounts for the fact that the country is at the mediocre level in scientific achievements and technological breakthroughs. The weak link in the science and technology is that the most scientists have moved away from the universities and joined research institutions, though there were many temptations such as better remuneration, greater visibility and an opportunity to take part in policy making in the former. This may be one reason why our scientists are more wedded to science policy but have little to show for scientific research which is what attracts the Nobel Prize.

Labour and employment

In the field of labour and employment two issues may be noted. First the social security net is to be expanded further, though the rate of its expansion is not in keeping with the unemployment and the country's liberalisation of industrial and economic policies. The labour ministry proposes to amend the workmen's compensation Act to revise minimum wages, to bring in legislation to protect agricultural and construction labour and also to revise the gratuity scheme. A new industrial relations

law has been drafted and is to be placed before parliament for its approval. This legislation which will replace the Industrial dispute trade union act of 1928 will improve employer and employee relations, increase productivity, and generate more employment opportunities. These requirements are more urgent than the so called liberalisation reforms because this affects millions of workers. A further issue to be noted is that on the representation of the authorities in Mayiladuthurai in Quide Milleth district the Gujarat authorities have rescued 436 bonded labour, mostly from Tamil Nadu, including children between 12 and 16 years. These workers were the victims of various criminal acts including the threat to kill, illegal confinement and causing bodily hurt. 49 contractors, sub contractors and shipping agents have been indicted. This has resulted in all contractors and sub contractors at the port site in Gujarat going on strike and withdrawing their labourers bringing the work to stand still. From the evidence given by the labourers from the ships it looks as if this is only the tip of the ice berg. The workers say that they have been made to work upto 20 hours a day, given little or no food and beaten up. This examination of bonded labourers on the ships is having a spin off effect, not only on the steamers in port and those coming in but also on all forms of road transportation which are depending on these shipping services. Here the bonded labour scheme has wide ranging effects, outside its immediate source.

International

UN on World Economy

The UN in its world economic survey reports that continuing sluggishness of the world economy is largely due to the steep decline in output of the transition economies of central and east Europe and the persistent

weaknesses of the industrial economies which account for more than 70 per cent of the world output. Thus the New Year has been ushered in with overtones of the recession in the industrial world which has left the growth of the world GDP at a mere 1.4 per cent in 1992, even as the world trading regions is being improved with a rule based regime falling the successful conclusion of the Uruguay round. Thus while continental Europe and Japan were experiencing insubstantial growth, the US which is the major market for exporters of all developing countries is lying at 2 per cent or less growth for the fifth consecutive year. The UN survey in 1994 forecasts a substantial turn around in economic development in major parts of the world, particularly in North America, parts of the western hemisphere and of course Asia. Europe is likely to remain sluggish. Global output thus is likely to rise from the low 1 per cent in 1993 to 2.5 per cent in 1994, its first substantial recovery since 1989. The developed world which accounts for more than two thirds of the global output and a still higher percentage in global trade is expected to register around 2.5 per cent increase in output. The attribution of the world's dismal performance in 1993 solely to the economies in transition, in central and east Europe, needs to be modified in view of the contraction in production in Russia and Ukraine. The world economy which was completely supported by the developing countries of Asia during 1993 will witness a contribution from a wider number of countries in 1994, including a 2.1 per cent growth from the G7 countries. The US whose economy is expected to grow by a little less than 3 per cent in 1993 will witness a higher level of activity well above 3 per cent in 1994. In Canada the growth rate will be still higher at 3.5 per cent. Western Europe where output is expected to contract to 0.5 per cent during 1993 would probably sow a growth of 1.6 per cent in 1994 mainly due to the UK, Denmark and Norway. The three largest economies in West Europe, Germany which is expected to record a negative growth during 1993 will in

1994 register 0.8 per cent growth and Italy and France 1.5 per cent each. On the job seekers among the industrial countries, the maximum level of job creation will take place in the US while in Europe unemployment reduction is likely to be limited with the average level of unemployment crossing 11.5 per cent. This means Europe will have to address the urgent task of making its manufacturing activity more competitive both to generate a higher demand for their exports and withstand inter-Europe competition. This will be of help to the economies in Asia in their export trade as well those in central and East Europe. GDP in Poland is expected to grow by 4 per cent in 1994, 3 per cent in Czechoslovakia 1 per cent each in Hungary and Rumania and a lower degree in the level of contraction from 15 per cent to 9 per cent in Bulgaria. In Asia, in Japan the forecast growth rate is estimated at 1.5 per cent in 1994, which is a sharp turn around from 1993. For most of the industrial countries including Japan there will have to be adjustment in their interest rates. As noted earlier the developing countries of Asia will make major contribution to the global higher growth rate than that in the industrial world. The average for Asia region will be more than 6 per cent, with China registering more than double digit growth rate for the past two years and continuing it in 1994. India is expected to grow at 5.5 per cent. The Asian countries will continue to penetrate the markets of the industrial countries, the African continent will record an average growth rate of more than 3 per cent in population but the economies growth rate of only 2 per cent in 1993, growing to 2.5 per cent in 1994. The economies of the middle east countries will grow at a lower than the average for the developing world due to the subdued demand for crude oil.

Unctad and on World Trade

Unctad in its 1993 Trade and Development Report sums up the situation of the deep seated malaise of the world economy as

being due to the many countries in transition from centralised planning to market led growth strategy placing them in a twilight zone. The old system had been dismantled but new forms of government intervention were not formulated in deference to the dictates of the multilateral agencies. For the third world 1993 marked a continuation of depressed commodity price markets, relative decline in unit value exports of manufactures, lack of equity in world trade and of market access for their exports and continued mounting debt problems. The total external debt of all countries which was \$1.66 trillion at the end of 1992 was projected to touch \$1.77 trillion at the end of 1993 according to the World Bank. An agonising fact of the world economy and world trade is that the total debt owed by African countries almost doubled over the last 10 years and now stands at \$300 billion, with the debt servicing ratio reaching unsustainable levels of over 40 per cent. The excess reliance on different rescheduling through market mechanism only served to perpetuate the problem of external imbalances and cause a dead stock to rise further. Equally disturbing is that a sizable share of concessional development finance (ODA) is being used to bail out official creditors. For the past three years most developing countries and countries in transition have undertaken major policy shift towards market economy but with different degrees of success in improving performance and prospects. The sterling growth performance of east and south east Asia (to be referred to later) has been a source of strength for the world economy. In most of Latin America, radical policy shifts have been introduced speedily and financial performance generally improved. For most countries of sub saharan Africa, however, which have been following structural adjustment programmes for several years the growth performance remain very poor and per capita incomes were still lower than two decades ago. Thus for those less developed countries the 1990s remain a period when their overall prospects for

development worsened since the adoption of the UN programme of action for LDCs whose per capita income continue to decline since 1990 with a negative to zero growth in 1991-92. For 1993 their combined GDP was forecast to increase by 1.4 per cent while many LDCs have undertaken difficult and far reaching domestic economic reforms. International support measures in terms of ODA, debt relief or trading opportunities have been very weak. In this connection the conclusion of the Uruguay round after seven years of squabbling and haggling among 117 participating countries and particularly among major industrial countries is welcomed. Also as a means of strengthening the existing GATT system of settling the large number of potential trade disputes between major trading nations as borne out by the fact that there has been a second spurt in GATT dispute settlement system. In the last seven years compared to the previous seven years. 1993 also saw GATT marshalling all facts of its harbouring to meet its claim that what is the stake was not just the benefits of the Uruguay round for both the consumers and producers but from the view of the future of the multilateral agency system. This is what is behind the alluring figures chartered out on all the benefits of the lower trade barriers which will increase world income by as much as \$230 billion by the year 2002. Among the salient features of the GATT deal are its wide coverage from paper clips to jet air craft embracing for the first time such areas as textile, banking and computer software, with the goal of achievement of average 33 per cent cut of tariffs on manufactures and their total elimination among the major countries in 11 industries. For the first time GATT included an agricultural package to reduce quotas lower tariff and subsidises. But most of the developing countries who have participated in the Uruguay round suffered serious hurt in one or other areas and could not cobble together to present a collective stand. The cut in tariffs particularly the zero

tariffs had been proposed only for products for which the developed countries have a comparative advantage and not for such products as tropical agricultural goods and textiles for which zero tariff would lead to an 80 per cent increase in developing countries exports.

ESCAP on Asian Economies

Escap's latest report states that while world economy grew by only 1 per cent in 1993, the growth rate of south and east Asia based on their combined output grew by 6.9 per cent. South and east Asia retain their dynamism and perform remarkably better than those in other regions including Europe and ofcourse North America, Latin America. Middle East and Africa. China's most striking performance where GDP is estimated to grow by 13.2 per cent in 1993 is one of the many reasons for the phenomenal economic success of the region. China's remarkable economic success can be seen in the tripling of its per capita (GNP) income over the last decade with the opening of the new free trade zones including new sector's such as real estates and direct foreign investment, the flow of such investments in 1993 being set to record an even high level. Despite the general slow down in the volume of world trade most developing countries in the region have maintained or increased the level of their exports due in part to a growing inter regional trade. The region's remarkable economic performance was fuelled by substantial capital inflows, sustained domestic demand and a favourable policy environment giving rise to the emergence of growth triangles such as the one linking India Singapore, the Malaysia state of Johor and the Riau Islands of Indonesia. Despite the poor performance of the Philippines economy the general outlook for ASEAN countries is bright with a composite growth rate of some 6.3 per cent in 1993 going to 6.9 per cent in 1994 and 7.2 per cent in 1995 against which the projected world economic growth for 1994 is only 2.5 per

cent as noted earlier and 3.1 per cent. In other words in 1992-93 the developing countries particularly in south and east Asia with a high growth record compensated for the low or no growth of the developed countries so that the world growth of 1 - 2 per cent during these years was a case of the developing countries sustaining the developed countries and ensuring that the world growth rate does not fall.

European Unemployment and Poverty

The problem of unemployment in Europe referred to earlier has reached such high proportion that the President of the European Union has been led to prepare a white paper on how to deal with the crisis. Soon after this white paper was formally adopted at a summit in December 1993, a new statistics on the European Union showed that it also faces the problem of poverty. Its reckons that 15 per cent of the total population of the European Union that is 52 million persons in the 12 member countries can be classed as poor along with the 3 million, which is 86 per cent of over 10,000 residents, as homeless. The poverty definition used is much more generous than that adopted in India and or other third world countries. The European Union defined as poor those who earn less than 50 per cent of the national average per capita income. The rising problems of unemployment, poverty and homelessness in the midst of a sea of prosperity that the European Union has become is really worrisome. To this should be added the under estimation of poverty. The trade union leaders in Britain for instance estimated that the real unemployment which takes into account hidden unemployment and non reported unemployment results in a figure of 21 million against the official figure of 19 million. The problem of poverty in Europe is growing and so a higher allocation of 121 million ECUs is being set for the period 1994-1999 against only 55 million ECUs for the period 1989-1994. With

the problem of unemployment growing the problem of poverty will also be growing and presents the national governments of Europe with the urgent need to take corrective action to prevent or ameliorate this status.

Other Items

Boothalingam Memorial Lecture

A memorial lecture recalling Mr Boothalingam was organised in the Dr M S Swaminathan foundation hall. It was an occasion when the two publications brought out by the Boothalingam literary trust on Boothalingam's writings and his life were reviewed and the major landmarks highlighted. There was a general agreement that Boothalingam helped to steer the Indian economy in the pre independence years particularly the war years. All this was the basis for the planning commission's annual plans with their targets, controls regulations and licenses. Mrs Boothalingam who is the moving spirit behind the Boothalingam literary trust and responsible for the two publications was recognised by the meeting and thanked for her efforts in keeping Boothalingam's memory and contribution to the Indian Economy alive.

IPSA

There was a seminar in Madras university organised by the International Political Science Association in cooperation with the Indian Political Science Association on the subject of the privatisation of public sector units. This is one of the series of seminars and workshops being conducted by IPSA in different parts of the world on this theme. The major emphasis in this seminar was that the non productive and low priority activities of public sector units should be terminated through mergers, sales or closing down. There are some 120 public sector

enterprises which are absolutely essential for the country's development under any system of management - whether plan system or market based. This essential regulatory market mechanism is the feature of all countries including the countries of East Asia whose growth rates are remarkable as seen in the earlier reference by ESCAP and the World Bank.

IIC

The economic affairs group of the India International Centre started the year with a panel discussion in mid January on the new economic policies beginning with the industrial policy. There was a comprehensive coverage of industrial sickness, the functioning of BIFR and the problems raised by license raj. There was general agreement with the present reform of the industrial policy particularly under the guidelines, though it is important that one does not go over board about it. This was followed on the next day by the seminar on inter state river water policy in the country at which three specialists in this area including the new convenor of the group, Ramaswami Iyer, presented the various facets of river water regulation and the problems that it encounters, not only in regard to Cauvery but in most inter state rivers. One of the lead speakers Mr Guhan outlined not only the problems but also a tentative solution through a negotiated settlement.

Indian Economic Association Trust

At the end of the month there was the annual meeting of the Indian Economic Association Trust in order to review and approve its accounts. It was noted that the trust is the only body making a regular annual contribution to the Indian Economic Association journal - Indian Economic Journal. The possibility of increasing the journal's support particularly with the help of the balance of the large funds left over from the International economic association's meetings in India in 1988 was referred to. It was hoped to negotiate this urgent and important financial requirement so that the finances of the journal are placed on a more reliable footing.

First Article

The paper for the February seminar "Working Women's Forum and Women's Development" appears as the first article.

Second Article

A note on "Some Aspects of the Economics of Road Transportation" appears as the second article.

Book Review

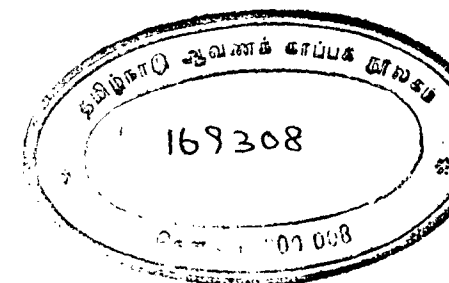
A review of the book "Essays on Kerala Economy" appears in the book review section.

MIDS News

Dr. K. Nagaraj attended a Workshop on "Patterns of Urbanisation: Analysis of Census Data" at the Centre for Urban Economic Studies, Calcutta University on February 26-27, 1994 and presented a paper on "Socio-economic Basis of Rural-Urban Continuum: A Case Study of Dakshina Kannada District".

Dr. Nirmal Sengupta participated in a "dialogue" on Traditional Sciences and Technologies, organised by the Ministry of Science and Technology, New Delhi on February 12-13, 1994. He also attended a methodological Workshop of Centre de Co-operation Internationale en Recherche Agronomique Pour le Développement preparatory to a publication programme on "Renewable Resources and Appropriation Regimes" in Paris from February 21-26, 1994.

Dr. Padmini Swaminathan participated in a Workshop on "Status of Women" and spoke on "Why No to Population Policy" at Queen Mary's College, Madras on February 15, 1994; attended a Workshop on Gender Sensitization Course to Officers of the Andhra Pradesh Government and gave a talk on the "Concept of Gender, Gender Needs and Gender Inequality", at NIRD, Hyderabad on February 22, 1994; attended a conference organised by ASMITA, Resource Centre for Women, Hyderabad and gave a lecture on "Industry under SAP" on February 23, 1994. She also attended a Workshop on "Implications of the New Economic Policy for Women" and gave a talk on "Gendered Perspectives on Education and Employment" organised by the Tamil Nadu Women's Forum at Madras on February 26, 1994.



Working Women's Forum and Women's Development

Jaya Arunachalam
President
Working Women's Forum

Introduction

WORKING Women's Forum (India) a multi-state union of poor women is characterised by grassroot orientation, initiative for social action "feminist approach", promotion of leadership among the working-class households and large-scale outreach. As a movement of women, its purpose and objective move far beyond material assistance; it ventures to raise awareness, and promote collective action for social change and sustainable development.

The Working Women's Forum (WWF) was initiated in 1978 as a unionisation process to help poor, unprotected women workers in informal sector and help them involve themselves in the process of development. The prime objective of WWF is to create visibility of the productive role of women (as 90 per cent of the Third World's women workers live and work as unorganised labour) and their contribution both to the production process and family income.

Though initiated mainly as a credit group to help assetless and destitute women in the early days, WWF strongly added other components in its schedule of assistance such as training, empowerment, awareness on family planning, poverty alleviation, and environmental degradation. Women soon gathered enough courage to fight the vicious circle of poverty and squalor through a process of continued struggle on all fronts.

Credit Experiment in WWF

Women in WWF achieved a great deal of success in their credit experiment for the poor. Credit is a major factor in helping the poor to achieve the much required economic empowerment in the absence of land or other means of production. In this direction the promotion of a series of Working Women's Cooperative Societies by WWF deserves special mention. The main objectives of these societies are provision of flexible credit to the poor and making co-operative an easy institutional mechanism for the poor to help themselves through a self management process. This led to the phenomenal growth of the Forum reaching nearly 2,60,000 women with a record credit recovery of over 95 per cent among poorer clientele. Such self-management strategies of poor women reduced their dependence on money-lenders and middle-men, and relieved them from the market constraints in their maiden ventures of enterprise development (see Table 1).

Occupations and Other Characteristics

Members of WWF in Karnataka are engaged in agarbathi making in Bangalore, as landless agricultural labourer in Bidar, powerless devadasis in Bellary, and as Handicraft and beedi workers in Chennapatna. In Andhra Pradesh women pursue handicraft development (as lace makers) in Narasapur and West Godavari, and weaving and rope making in East Godavari. In Tamil Nadu, most women pursue rural vending in

(Amount in Rs.)

TABLE 1 : Statewise Credit Programme Among Poor Women : 1978-1993

Place	Year of starting	No. of members in WWF	No. of loans	Loan amount disbursed	Amount recovered	Outstanding amount	Bad debt amount	Col. 8 as % of Col. 5	Recovery %	Total loan disbursed by nationalised Banks
1	2	3	4	5	6	7	8	9	10	11
MADRAS	1978	63072	44752	2,48,25,550	2,15,05,500	33,20,050	2,74,494	1.10	97.52	28,53,400
South Madras										
Rural Tamilnadu	1981	25420	2584	7,53,600	80,32,400	17,21,200	1,49,227	1.53	97.22	2,35,300
Adiramapattinam	1980	23862	24055	91,36,000	78,35,50	13,09,500	41,766	0.46	98.98	
Dindigul	1983	20961	21320	85,31,800	71,20,400	14,11,400	2,09,286	2.45	96.46	
Vellore	1990	12470	9562	99,18,600	75,92,681	23,25,919	98,600	0.99	98.12	
Kancheepuram	1993	787	542	2,28,400	10,400	2,18,000	—	—	100.00	
Dharmapuri										
KARNATAKA	1983	28980	22379	88,08,000	62,40,200	25,67,800	1,10,402	1.25	95.66	15,30,700
Bangalore	1991	4500	6751	21,66,135	16,90,340	4,75,795	20,600	0.95	97.88	
Chennapatna	1987	14897	15676	46,30,400	40,20,600	6,09,800	25,915	0.56	97.05	
Bidar	1993	1586	992	4,19,400	2,20,400	1,99,000	—	—	100.00	
Bellary										
ANDHRA PRADESH	1981	50864	53154	1,47,08,400	1,37,57,956	9,50,444	8,200	0.06	99.81	12,63,620
West Godavari	1986	11259	13616	44,28,700	38,14,486	6,14,214	3,600	0.08	99.82	
East Godavari	1988	8026	10839	39,06,700	31,36,746	7,69,954	1,400	0.04	99.89	
Bhimavaram	1992	4928	7245	22,36,200	14,13,130	8,23,070	2,400	0.11	99.64	
Palakol										
Total		271612	256725	10,36,97,885	8,63,81,739	1,73,16,146	9,45,890	0.80	98.43	58,83,020

TABLE 3 : Economic Status of Women Members, WWF

Place	Access to housing		Access to land		Women engaged in	Women requiring credit Rs.					Purpose of credit Rs.					acc-ess to training and land assets	acc-ess to product and land assets						
	Own	Rent- ed	Hour- ly ac- cess	Land- less		Buil- t	3001- to 5000	5001- to 10000	10001- to 15000	15001- to 20000	20001- to 25000	Buil- t	Buil- t	not req- uiring	shel- ter			hour- ly	acc- ess				
Madras	36	132	110	17	155	413	37	216	146	52	13	15	7	1	265	185	206	244	218	45	140	17	30
Dindigul	22	43	28	10	47	150	.	60	38	29	.	12	11	.	142	8	15	135	77	39	11	51	3
Vellore	13	39	31	15	52	32	118	33	57	24	23	5	8	.	105	44	120	30	67	14	7	19	30
Adirama- pattinam	5	31	33	22	59	114	36	56	75	19	.	.	.	.	121	29	81	69	42	39	34	38	.
Bangalore	.	11	24	110	5	47	103	10	89	15	11	20	5	.	61	89	141	9	87	13	10	10	30
Bidar	2	52	36	23	37	143	7	70	80	.	.	.	.	.	150	65	85	85	93	10	12	55	11
Narasapur	25	26	41	47	11	37	113	41	76	16	10	.	7	.	24	126	.	150	61	12	21	25	28
Total	103	334	303	244	355	936	414	486	551	155	57	52	38	1	719	631	628	722	645	172	235	215	132
%	8	25	22	18	27	69	31	36	42	11	4	4	3	1	53	47	46	54	47	13	17	16	10

TABLE 4 : Progress Report of Comprehensive Family Welfare Programme 1991-1993

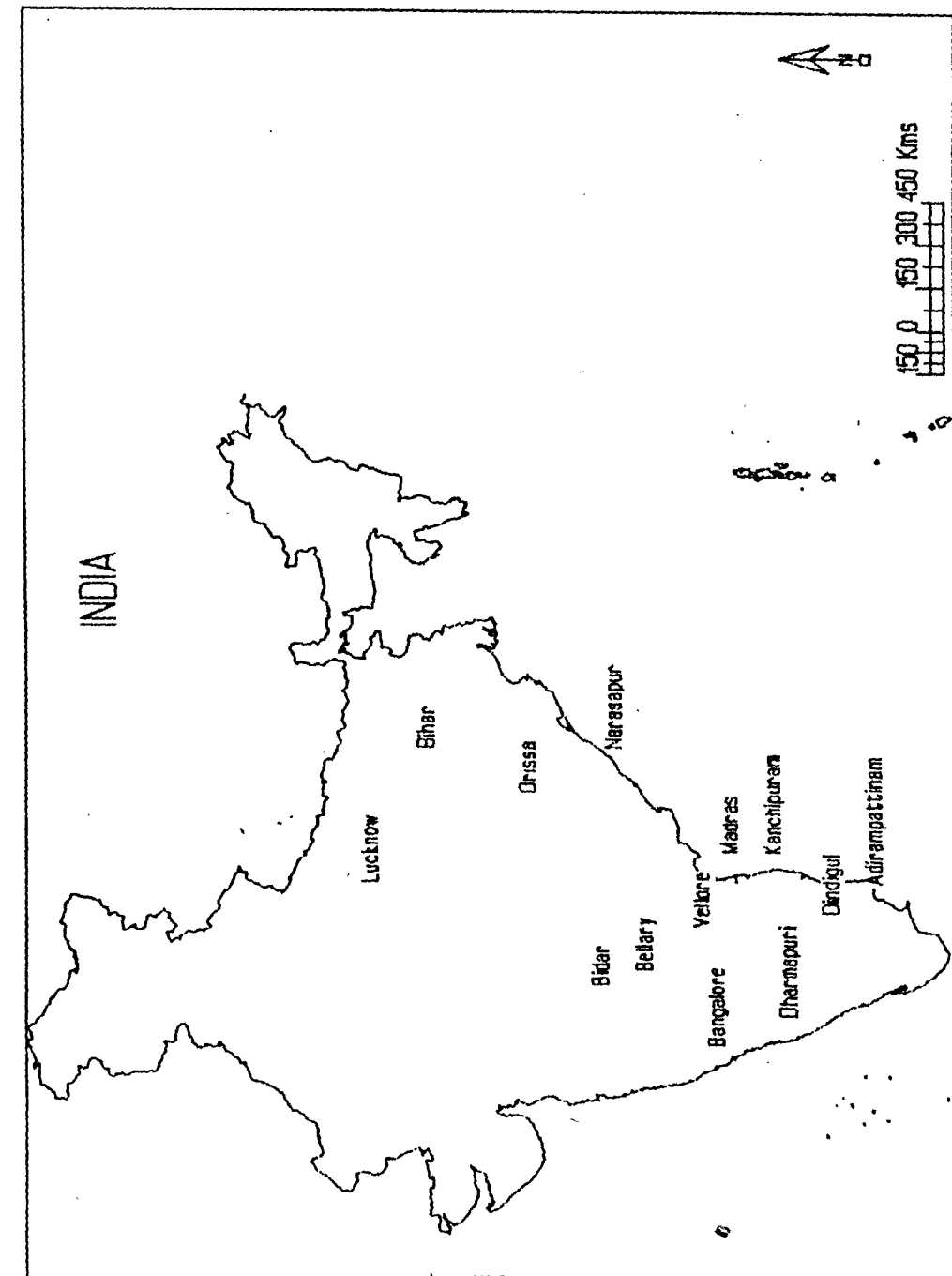
General Information	Madras	Kanchipuram	Vellore	Dindigul	Adirama- pattinam
1. Total No. of Slums and villages	232	23	26	38	44
2. Total No. of workers	180	30	30	30	30
3. Total No. of Families adopted for coverage of Family Planning Methods	90000	15000	15000	15000	15000
4. Total No. of Population	432169	71758	74500	68146	65221
5. Total No. of Eligible Couples	73414	11857	12158	11507	11323
6. Total No. of Children under 5 years	56964	18737	9406	7630	7333
Family Planning Methods					
1. Total No. of Tubectomy cases	39869	6262	5808	6101	4352
2. Total No. of Vasectomy cases done	685	126	64	62	390
3. Total No. of Permanent acceptors	40554	6388	5872	6163	4742
4. Total No. of Loop	14022	942	955	1097	587
5. Total No. of Nirodh	4477	1346	1346	1303	1263
6. Total No. of Oral Pills	4435	687	804	1024	1863
7. Total No. of Temporary acceptors	22934	2975	3105	3424	3713
8. Total No. of Family Planning acceptors	63488	9363	8977	9587	8455
9. Acceptors coverage of Baseline survey	37.89	36.58	31.52	37.38	29.74
10. Progress to date	% 48.84	42.40	42.39	46.90	44.70
11. Total No. of Family Planning Area coverage	86.47	78.96	73.83	83.31	74.67

coverage is also included. These centres are promoted both in rural and urban areas in a few of the WWF's branches.

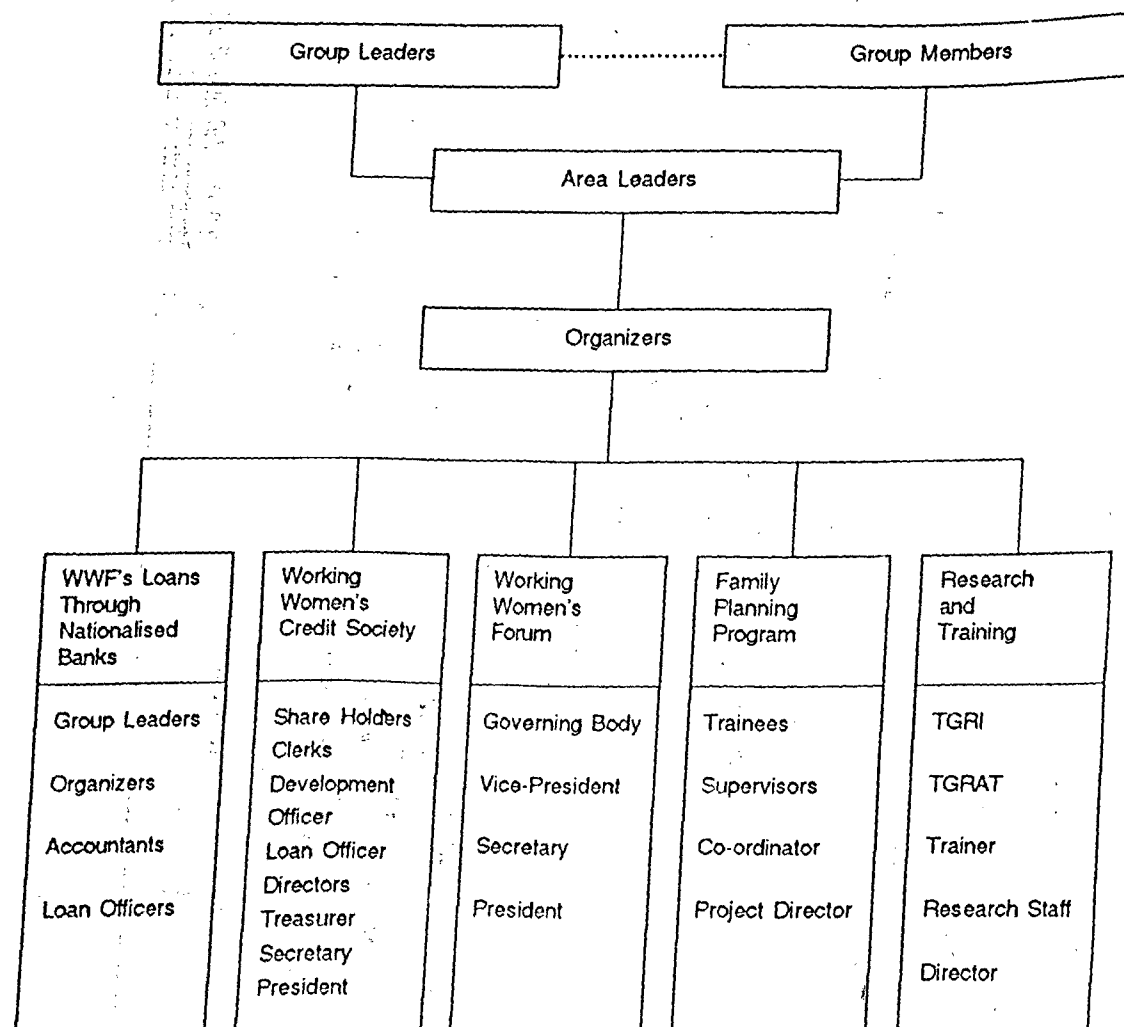
Conclusion

Prominent development experts feel that the WWF is a counter-culture aimed at the priorities of poor women-workers only for the

poor, promotes leadership from below and exercises clout to get their rights. Therefore, the Forum can be perceived as a political process to empower poor women. This empowerment is far superior a cause to keep its members together than credit, health or any other material programme. Hence the ideology explains the massive growth and continuity of the Forum.



STRUCTURE OF THE ORGANISATION



NOTE : 1) TGRI = Target Group Research Investigators; TGRAT = Target Group Research Assistants and Trainers.

2) Map and Flow Chart Prepared by R. Dharumaperumal, MIDS.

Some Aspects of the Economics of Road Transportation *

Some Preliminary Comments

TRANSPORT is a function of the mobility of people, produced commodities and services. It is the cause, consequence, accompaniment and an indicator of Development - economic and social. Its effects depend on such variables as research endowment, level of development and structure of the economy and its availability etc. determined by Demand for it and Supply of it, as is the case for any other commodity. The demand for transport arises out of its use value and not for its own sake. Transport demand rises at a much faster rate than the growth rate of the national income. In India, the elasticity of transport (taking only roads and railways) works out to 2.40, while national income grew by 159.22 per cent during the two decades and a half (1950-51 to 1975-76), with freight traffic growing by 383.93 per cent and passenger traffic by 382.23 per cent.¹ Transport supply always lags behind its demand, mainly because of the heavy investments involved in roads, railways, shipping and airways and their gestation period.

Transport is a multivariant factor as the mobility that it promotes is through five routes (a) roads, (b) railways (c) inland water ways, (d) sea shipping, and (e) airways. The relation between these various routes of transport are at the same the complimentary and competitive. Road transport takes over from where the rail terminal leaves goods and passengers.

Inland waterways are complimentary to roadways. Shipping, both for its inward or

outward movement, depends on traffic and passengers brought to it by the Roadways or Railways at the ports of departure and arrival. Airways provide a speedy but somewhat costly mobility of these transported by the other means. At the same time the relationship between the five transport variants is competitive. This is most sharply brought out in the case of the Road-Railways relationship, with the Railways complaining of unfair competition from the Roadways on some occasions while on others the Road transport system states that it has to face unfair competition from the railways. Similarly the relationship between Roads and Railways and airways is a competitive one, the high cost of Airways transport, restricting its services only to high value added goods.

The road transport systems caters to multi-product markets, earlier referred to, as the conveyance of passengers and transport of goods. This relationship is conditioned by the availability of technology and resources and their inter-systems of priorities of transport development as set out by the government.

The planning of the development of road system has led to a classification of roads, with fixation of corresponding responsibility for their planning, construction and maintenance. This scheme of classification of roads developed by the Nagpur Plan 1943 defines the road categories as:

- 1 National Highways;
- 2 State Highways;
- 3 Major District Roads and

* Note prepared by Malcolm S Adiseshiah for the Sixth Ramaswamy Reddy Endowment Lecture at the Highways Research Station Madras on November 15, 1993.

4 Other district roads and rural roads.

With the National Highways Capital Act 1956, the Central government took exclusive charge of all inter-state roads known as National Highways. Their construction and main-tenance are executed by states who act as an agency on the instruction of the Union government. The State governments are responsible for planning, construction and maintenance of state highways, major district roads and other district roads for which they have created the Public Works Departments.

The National Highways starting with one from Delhi to Amritsar and going on to Srinagar and Kashmir ending with number 70 running from Lucknow to Varanasi and No. 71 from Ahmedabad to Vadodara are heavily tilted in favour of the North, with only 8 catering to the four Southern States and the Union Territory of Pondicherry, Tamilnadu alone having 5 out of them.² With regard to State Highways, the States' participation in Road transport which commenced in 1950 by 1988 extended to every state and union territory. In this state there are 68 state road transport undertakings.³ The major district roads are developed by the PWD. Other district roads catering to rural areas within the districts and city roads are taken care of by local bodies.

The most neglected part of the road system is the rural roads on which we have little information and for the development of which reliance is placed on the villages themselves and their resources and the various relief programmes developed since 1960 for generating employment such as the Employment Guarantee scheme of Maharashtra, the National Rural Employment Programme, RLEGP, DWCR, TRYSEM, the Integrated Rural Development Programme and the Jawahar Rozgar Yojana.⁴

Economic Effects of Road Transport

Overall

The economic effects of the road system is widely recognized. Some references to it include: "Importance of the role that transport plays in the economic development is too obvious to need detailed elaboration and debate. It has been a cause, an accompaniment, and consequence and an indicator of economic development."⁵ "The extensibility and mobility of road transport set it apart from all other modes of recognized transportation. Its development has brought about revolutionary changes in the economic structure of the country."⁶ "Transportation is the heart beat of modern society. People and commodities move from one place to another, one region to other or across countries."⁷ While at the macro generalised level these statements about the impact of road transport system is understandable, closer micro studies raise some questions which should be analysed.

The economic impact of the road system should be looked at from two points of view. First, its backward linkages comprising, the various building materials available which in your station comprises the departments of soils and foundation, concrete and structure, bitumen and aggregate, the labour used which is increasingly intensive as a means of generating employment, the Engineering input, and the plans and controls executed by the various government authorities, central, state, district and village. The road system also has forward linkages in the various forms of transport used by the traditional two wheel bullock carts and horse carts onto the bi-cycles, to the motorised transport, of which the truck and lorry has become the dominant feature. The forward linkages also includes the wear and tear of the machinery of the transport and its manufacture, the tyre and tubes and the rubber industry and the crude supply, including oil wells and refineries and the trained manpower needed.

Secondly, the essence of the road system in the economic area is the increasing and diversifying of agricultural production, making available the modern inputs that it needs and marketing its surpluses. On the manufacturing industrial side, the road system is absolutely vital for conveying and transporting the produced goods and making them available to markets, households and other consuming centres.

Research, Development and Planning in Road Transport

The need for continuous efforts to improve the technology and efficiency of road transport has been recognized for over three decades in the country and over two decades in this state. The Central Road Research Institutes (CRRI) set up in 1952 by the Government of India conducted research in road engineering under the control and guidance of CSIR. From 1978 it has become part of the Ministry of Shipping and Transport. It also promotes coordination of road research at the national level for which a Highway Research Board was set up in 1973 under the Indian Roads Congress. It prepares standards, specifications and type designs for different aspects of roads and bridges, promoting new technologies in their construction.⁸ In this State in 1958, the Highways Research Station established, as noted earlier, has performed these functions for the State. The need for further and fuller support by Central government for the Central Institute and State government for the State station is emphasised, as their work has a direct link to the efficiency, cost effectiveness and productivity of the system of roads in the country and the State. That is, the stock and quality of roads, the stock and structure of the vehicles using them and intramodal coordination which are the main elements in planning of road transport aim at efficiency through cost minimisation, coverage of the widest areas to realize the spread effects of development and transport coordination particularly between roads and railways and

roads and shipping services. Similarly, some kind of coordination between the mix of road transport using different kinds of vehicles is also a sine-qua-non for the development of a balanced and healthy growth of the road system. This calls for a comprehensive and reliable data base, which was begun to be developed by the Committee on Transport Policy and Coordination in 1959 and the traffic surveys on 16 long trunk routes and the regional transport surveys on commodity flows along with the data collected by the Planning Commission on the movement of 15 major commodities. The major forms of coordination in the road system are: regulation of rates and fares; regulation of capacity of road transport through entry restrictions, and regulations of routes and types of service. These requirements have led to the part nationalisation of the road transport service and the permit system for the private sector.⁹

Sectoral Impact of Road Transport

Agriculture

Agricultural production in a village is a function of a number of variables, of which roads is an important one, which allows accessibility to improve modern inputs like fertilisers, pesticides, new seed varieties, as well as to markets which may lead and is also leading to change in the cropping pattern in favour of cash crops like cotton and oil seeds. The marketability also enables farmers to realise better prices for their produce and promotes the mobility of workers. However, sample studies on the effect of paved roads between two or more villages and towns show¹⁰ that there is no significant development in their cropping intensity, rather a marginal decline is sometimes recorded. The yield levels of major crops are found to be higher in villages not linked by these roads, due to fertility of their soil. Similarly, harvest prices of crops or crop outputs and wages of agricultural labour are similar in villages linked to the prime road and those not so linked. Non

agricultural activities such as blacksmithy, carpentry, spinning and weaving have stagnated or declined with the introduction of road transport in the village. The nonlinked villages have more establishment of workers in non agricultural activities. These negative effects in the villages linked by a pucca road are due to farm structures in the villages concerned. One important structural cause, besides the size of the village, is the smallness of farms due to the continuous sub division of holdings, but even more due to poverty, leading to sale of land by the small holder to large landholders in the stagnating villages, which means that unless this structural feature is corrected by wide ranging consolidation of holdings, fair rents, assured tenancies and other land reforms, provision of roads per se will not be of much help in the villages' development. Given these reforms, all weather rural roads are an essential condition for rural and agricultural development.

The introduction of road transport also leads to various kinds of establishments, government offices, bank and insurance companies, retail shops, beverage stalls and repair shops springing up by the road side. This is true; but the sample studies referred to show that if the population density in that area is low, these establishments get scattered, few and far between, by the road side. Where the population distribution is more even, trading establishments as well as the government offices and banks develop fast along the roads, offices and banks.

Industry

It is in the manufacturing industry field that the road systems play an even more decisive part. It is a means of bringing the raw materials and machinery needed by manufacturing industries and is the only means of distributing their products to various markets and sales points. It is not a coincidence that Tamilnadu's road systems and urbanisation, which is the highest among the Southern States, also goes along

with the State being at the top of the industrial ladder in the region. After the initial concentration of industries in well linked cities like Madras, Coimbatore, Trichirapalli, the dispersal of industries to smaller cities and towns like Salem, Madurai, Tirunelveli, Vellore and Tiruppur has developed as road systems in these areas developed. In fact, while in the case of agriculture the road system is one of the variables in its development, in the case of manufacturing industries it is the variable which determines both their performance and spread development. In economic literature, roadways has a close link to industry particularly, and is classed as infrastructure. One of the problems being faced both by the country and state is the decline in investment in infrastructure caused by the structural adjustment programmes which the new economic reforms have involved. More than our own industrialists, it is the foreign multinationals who place the creaking infrastructure, of which the road system is a part, at the top of the obstacles for industrial development, only after the large, growing, inefficient and corrupt bureaucracy. It is urged that investments in infrastructure including roadways be increased accelerated, and improved to promote industrial development.

The Tertiary Sector

The tertiary sector which comprises banks, insurance companies, stock and share exchanges, the army and security forces, government offices and the vast army of the government secretariat, all depend almost entirely on a sound functioning system of roadways. As far as this sector is concerned, the roadways seem to be performing, along with other factors, not unsatisfactorily, which accounts for the fact that the contribution of the tertiary sector to GDP in the country and SDP in the state increases every year. The contribution of tertiary sector to SDP in Tamil Nadu increased from 40.23 per cent in the VI Plan (already too high for a developing

economy) to 44.51 per cent in the VII plan and that of NDP from 35.95 per cent to 39.01 per cent.¹¹ This acceleration is at the cost of the essential food producing primary sector and to lesser extent of the secondary sector and is therefore questionable.

Environmental Friendliness

In developing, roadways systems, as well as the other components of transport system, it is not enough to aim at only cost effectiveness, increased productivity and improved outputs. Two important and unavoidable criteria today in building road systems are those which ensure (a) energy efficiency (b) environmental friendliness. The state of our roads are such that there is a 25 per cent additional wear and tear of truck engines and tyres and tubes, which shorten the life of the vehicle and its very costly tyres and tubes.¹² Further road transport requires avoidable loss and wastage of energy as in the idling of diesel engines on the roads which is a major source of waste. With regard to environmental friendliness, it is important that whether it is construction of highways or rural roads, there should be a prior survey of their environmental effects to avoid or atleast reduce deliberate degradation of the environment which all roadways construction involves. The recent agitation by the Tamilnadu environmentalists with regard to the proposed extension of the National Highway on the sea coast upto the Cuddalore is an example of this issue. Forests, trees and greenery, rivers and streams must be preserved in building roads and all road planning must be in this way environment friendly.

Other Aspects

The roadways are also a means of our earning foreign exchange which has been set at a growth rate of 15 per cent per

annum and is part of the liberalisation programme which aim at building up our foreign exchange reserves to a minimum of \$ 5 billion. It is now realised that the heavy almost sole reliance on, manufacturing industries and plantation crops for building up our export trade was one of the factors which landed us in the crisis in early 1991 when our foreign exchange reserves were less than \$ 500 million which was enough to meet only two weeks of our imports.¹³ It has therefore now been decided that special emphasis should be placed on the neglected areas of horticulture in which this State has an added advantage and the resulting preservation, freezing and packaging techniques which will involve downstream industries. Aqua culture is another area in which the State with its long 1200 km coast line has a comparative advantage, and can develop as a major source of exports.¹⁴ Both require and will result in an efficient roadways system. Similarly the slowly developing chemical and petro-chemical industries using the off shore oil wells of both Tamilnadu and Andhra Pradesh as well as the Bombay High are a cause and consequence of the effective development of roadways systems.

A Concluding Thought

Such a development as part of a well conceived optimum road system holds hopes for the alleviation and reduction of the massive poverty in our State, covering over 40 per cent of our men, women and children who go to bed hungry every night, through helping to improve their living standards as well as that of the non poor. I believe that the Highways Station at Madras which is contributing to such an optimal roadways systems would be fulfilling the hopes and vision of Thiru K.Ramaswamy Reddy in contributing to the fuller economic and social development of the State.

Book Review

Essays on Kerala Economy : M. A. Oommen,
Oxford & IBH, New Delhi, 1993, pp. 226, Rs.175.

C. T. Kurien

AMONG the states in India, Kerala is the most widely noted and carefully studied in terms of the development experience. Its achievements in literacy and health, in bringing down sharply both the death rate and birth rate, the wide range of social security measures it has succeeded in providing to its citizens have come to be recognised even internationally as the "Kerala model of development" - a rare instance of social development at rather low levels of per capita income. It may be recalled that Kerala's per capita income has been much lower than the low all-India figure throughout the past four decades.

Dr. M.A.Oommen has been one of the pioneers of modern economic studies on Kerala and the book under review consists of 12 essays on the Kerala economy written over a span of three decades from 1960. They deal with Kerala's experience in land reforms and decentralised planning, special aspects of Kerala's agriculture, the rise and growth of banking in Kerala, the acute unemployment problem, some aspects of industrial development and of power generation and a review of the state's fiscal resources and tax efforts. The pieces, therefore, testify to the versatility of the author and provide information and insights on diverse aspects of Kerala's development. Most of the pieces are recent ones. The three pieces on agriculture, however, were written in the early 1960s dealing with cropping pattern, food deficit and the distribution of agrarian income. Over the past three decades there have been major changes in all these aspects, some of which

have been noted in the other essays contained in the book. But it is a matter of disappointment that the author did not take the trouble to revise these pieces to provide a comparative account of the 1960s and the 1990s.

Three essays I have found particularly interesting in the volume are the ones dealing with land reform, banking and unemployment. Kerala's Land Reform Act of 1969 was by far the most radical land reform measure attempted in the country. It succeeded in abolishing feudal landlordism completely and passing on the ownership of land to the tenant cultivators, thus fulfilling the "land to the tiller" slogan of the Freedom Movement. But only partially, says Oommen, because it did not accommodate the agricultural proletariat directly. They benefitted only by the provision to assign 10 cents of land to the hutment dwellers (*Kudikidappukars*). In terms of land ceiling legislation, Kerala's record has not been particularly different from that of most other states. Though in the late 1950s it was estimated that a surplus of about 7,20,000 hectares would be available for redistribution, the extent ordered for surrender after three decades was only 67,000 hectares. The land reform measures did not lead to improvements in agricultural production and productivity where Kerala's record since the seventies has probably been the worst among the states'. Land has become a frequently traded commodity and the substantial investment funds that the state has had since the Gulf remittances started have gone into real estate transactions. Gulf remittances of a decade

Publications of the Institute consist of the following categories

- 1 **Publications brought out by Messrs Sangam* Publishers :** These consist of a series of monographs mainly relating to Rural Development of Tamil Nadu brought out between 1972 & 1980. Detailed list including prices available on request from the Programme Coordinator of MIDS. Orders may be placed with Sangam Publishers, 11, Sunkurama Chetty Street, Madras-600 001 for these.
- 2 **Cyclostyled Publications :** These consist of Working Papers, Digest Series, Data Series, Popular Series, Interns Reports and Offprint Series brought out since 1978. Detailed list available on request from the Programme Coordinator of MIDS.
- 3 **Occasional Publications of the Institute Include :**
 - a) *A Manual of Sources of Data on Tamil Nadu Economy* (1979) published by MIDS, pp. 92, priced at Rs. 10/- per copy and Rs. 6.50/- for bonafide research scholars.
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